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SPACE AND MISSILE SYSTEMS CENTER**

**SPACE AND MISSILE SYSTEMS CENTER
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EARNED VALUE MANAGEMENT (EVM)

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Policy on Earned Value Management,
22 Sep 2008;
SMC/CC Memorandum, Policy on
Earned Value Management Reporting
and Analysis, 9 Aug 2006

Pages: 19

This instruction establishes the Space and Missile Command Center (SMC) Earned Value Management (EVM) Revitalization Initiative policies including the roles and responsibilities for SMC personnel to implement EVM in managing acquisition programs in accordance with: Air Force Instruction (AFI) 63-101, *Acquisition and Sustainment Life Cycle Management (section 3.17 - Earned Value Management (EVM) and section 2.26 - Program Executive Office (PEO) Roles and Responsibilities)*; Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 234.2, *Earned Value Management System (EVMS)*; DOD Instruction (DODI) 5000.02, *Operation of the Defense Acquisition System (Enclosure 4, Table 5: EVM Implementation Policy)*; Office of the Under Secretary of Defense (OUSD) Acquisition, Technology and Logistics (AT&L) Memorandum, 3 Jul 07, *Subject: Use of EVM in the DOD (including attached DOD EVM Roles and Responsibilities)*; Federal Acquisition Regulation (FAR); Office of Management and Budget (OMB), Circular A-11, Part 7, *Planning, Budgeting, Acquisition, and Management of Capital Assets*, June 2008.

This instruction applies to all military and civilian personnel in the SMC and programs under AFPEO for Space. If there is any conflicting guidance between this publication and DOD or Air Force regulations, policy, or instructions, the latter shall take precedence. DOD EVM implementation policy (DODI 5000.02) is provided in attachment 2. Refer recommended changes and questions about this publication to the office of primary responsibility (OPR) using the AF Form 847, *Recommendation for Change of Publication*; route the AF Form 847 from the

field through major command (MAJCOM) publications/forms managers. Ensure that all records created as a result of processes prescribed in this publication are maintained in accordance with Air Force Manual (AFMAN) 36-363, *Management of Records*, and disposed of in accordance with the Air Force Records Disposition Schedule (RDS) located at <https://my.af.mil/afrims/afrims/afrims/rims.cfm>.

SUMMARY OF CHANGES

This version provides substantial additions to SMC interim EVM policy and must be completely reviewed. Major changes include instructions for EVM activities and definition of the roles and responsibilities to facilitate an integrated approach to EVM implementation across SMC and programs under AFPEO for Space.

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Chapter 1

EARNED VALUE MANAGEMENT (EVM) POLICY

1.1. Pre-Contract Award Activities. Pre-contract activities include determination of EVM applicability, documentation of EVM requirements in the Acquisition Strategy, documentation of EVM in Request for Proposal(s) (RFP).

1.1.1. EVM is required for all contracts designated as major acquisitions for development in accordance with FAR Subpart 34.201 and OMB Circular A-11, Part 7.

1.1.2. For all contracts other than “major acquisitions for development” (section 1.1.1) EVM applicability shall be based on the type of contract and the dollar threshold (estimated contract value including options in then year dollars). The term “contract(s)” includes contracts, subcontracts, intra-government work agreements, and other agreements. The requirement for EVM applies to contracts with acquisition (including acquisition of services), upgrade, modification, or materiel maintenance programs, unless a waiver is obtained from the Milestone Decision Authority (MDA).

1.1.2.1. EVM is required for Cost-Reimbursement /Incentive contracts (FAR Subparts 16.3/16.4), with a total estimated contract value of \$20M and greater, including but not limited to the following:

1.1.2.1.1. The prime contractor/subcontractor(s) are U.S. and/or non-U.S. source;

1.1.2.1.2. Contract work is to be performed in government facilities;

1.1.2.1.3. Contract awarded to a specialized organizations such as the Defense Advanced Research Projects Agency (DARPA);

1.1.2.1.4. Performance-based acquisition service contracts (FAR Subparts 37.6).

1.1.2.1.4.1. If the EVM requirement is waived by the MDA, the Program Manager (PM) shall implement an alternative method of management control to provide advanced warning of potential performance problems. EVM is optional (risk based decision at the discretion of the PM) for Cost-Reimbursement /Incentive contracts with a total estimated contract value (including options) of less than \$20M. A decision to apply EVM shall be documented in the contract file based on cost-benefit analysis.

1.1.2.2. EVM applicability is limited for Firm-Fixed Price contracts (FAR Subpart 16.202) regardless of dollar value and must be approved by the MDA based on a business case analysis.

1.1.2.3. EVM applicability for Indefinite-Delivery contracts (FAR Subpart 16.5) shall be based on the type of contract of each individual order written against the Indefinite-Delivery contract. For Cost-Reimbursement /Incentive contracts type orders, EVM applicability shall be based on the dollar threshold (in accordance with sections 1.1.2.1 and 1.1.2.2) assessed at the computed total contract value (not by each separate order).

1.1.2.4. EVM is not required (optional at the discretion of the PM) for Time-and-Material contracts (FAR Subpart 16.6). A decision to apply EVM shall be documented based on cost-benefit analysis.

1.1.3. EVM applicability with reference to authorizing documents (regulations/policies/instructions), waivers and business case/cost benefit analysis (if applicable) shall be included in program acquisition strategy documents and the briefing to the MDA.

1.1.4. EVMS requirements, when applicable, shall be documented in the RFP in accordance with SMC Contract Requirements Guide in contract clauses, Statement of Work (SOW), and Contract Data Requirements Lists (CDRLs).

1.1.5. The Source Selection Team shall determine the Offeror's compliance with the EVM requirements identified in the RFP as defined in the SMC Contract Requirements guidance.

1.1.6. The PM shall insure the following requirements are included in all new weapon systems acquisition (except support/services) contracts:

1.1.6.1. The Joint Space Cost Council (JSCC) standard WBS will be incorporated as a contract requirement in accordance with the SMC Contract Requirements Guide.

1.1.6.2. A Contract Performance Report (CPR), Integrated Master Plan (IMP), and Integrated Master Schedule (IMS) including Schedule Risk Assessments (SRA) will be contractual requirements in accordance with the SMC Contract Requirements Guide. The CPR shall be reported at the control account level.

1.1.6.3. The Contractor will provide access to all pertinent EVMS records and data requested by the Contracting Officer and/or his/her duly authorized representative to permit Government oversight that ensures compliance with this instruction.

1.1.7. Pre-contract program documentation (acquisition strategy documents, RFP, offeror's final proposal revision, etc.) that implements this policy shall be coordinated through SMC/FM. Once approved, no changes to EVM reporting requirements shall be made without PEO coordination.

1.2. Contract modifications. Modification of any contractual EVM related requirements shall be coordinated through SMC/FM.

1.3. Performance Measurement Baseline (PMB) Integrity and Maintenance. A realistic and well-planned PMB is a critical factor in ensuring the success of the program. Program Directors (PD) and Program Managers (PMs) will require a consistent commitment to enforce baseline integrity and periodically review the remaining baseline to ensure it remains executable and realistic throughout the life of the contract.

1.3.1. The PMB shall be detail planned based on major program milestones or gated events. Major program milestones/gated events (e.g., PDR, CDR) are established in the Integrated Master Plan (IMP) by the PMs and represent points of measurement or discrete detail planning points (e.g., rolling waves) for the program PMB planning.

1.3.2. Because discrete activities enable more accurate program performance measurement, Level of Effort (LOE) activities should be kept to a minimum, as dictated by program content, to better quantify program performance. Accordingly, PMs shall ensure the PMB

contains discrete activities to the greatest degree possible. The percentage of LOE should be based on the following design phase targets:

Maximum % LOE Targets in the Detail Planned PMB

Pre-PDR	Pre-CDR	Post-CDR
30%	20%	15%

LOE percentages greater than those listed above shall necessitate greater scrutiny of the baseline plan.

1.4. Integrated Baseline Review (IBR).

1.4.1. DFARS 252.234-7002 (Section e) and DODI 5000.02 require the Government to conduct IBR(s) on any contracts requiring EVM compliance.

1.4.2. When EVM compliance is required, the PM shall conduct IBRs as early as practicable, but no later than 180 calendar days after:

1.4.2.1. Contract Award or Unfinalized Contract Action.

1.4.2.2. Completing rolling wave detailed planning such as during major program gated events (e.g., PDR, CDR).

1.4.2.3. Exercise of significant contracts options.

1.4.2.4. Incorporation of major PMB modifications.

1.4.3. During the IBRs, the Government and Contractor shall establish mutual understanding and agreement that:

1.4.3.1. PMB is realistic and executable by demonstrating the:

1.4.3.1.1. Ability of the project's technical plan to achieve the objectives of the scope of work. Adequacy of the time allocated for performing the defined tasks to successfully achieve the project schedule objectives.

1.4.3.1.2. Ability to successfully execute the project and attain cost objectives, recognizing the relationship between budget resources, funding, schedule, and scope of work.

1.4.3.1.3. Availability of personnel, facilities, and equipment, when required, to perform the defined tasks needed to execute the program successfully.

1.4.3.2. Inherent risks in the contractor's performance plans and the underlying management control systems are adequately identified and documented, and plans are formulated to address mitigation of these risks.

1.4.3.3. The Contractor's management control processes provide effective and integrated technical, schedule and cost baseline control.

1.4.4. All IBRs for ACAT I programs, or as requested by the PEO, shall be concluded by a written Memorandum for Record (MFR) by the Program Directors to capture the IBR results by addressing the following:

1.4.4.1. PMB is realistic and executable.

1.4.4.2. The risks are adequately identified and a plan is formulated to mitigate them.

1.4.4.3. Management control processes provide effective and integrated technical, schedule and cost planning and baseline control.

1.4.5. The Program Offices (PO) shall work with the Program Management Assistance Group (PMAG) on IBRs for all contract actions in excess of \$250M. If there is a significant disagreement between the PO and PMAG positions, the PMAG Director will write an MFR as part of the briefing to the PEO.

1.4.6. Out-brief to the PEO will be required if:

1.4.6.1. There is a significant disagreement between the PO and PMAG positions.

1.4.6.2. IBRs were triggered by OTB (See section 1.5.2 below).

1.4.7. If the PM determines a pre-contract award IBR is required, then this requirement will also be documented in the RFP.

1.5. Formal Reprogramming: Over-Target Baseline (OTB)/Over-Target Schedule (OTS).

1.5.1. If the Government PM determines an OTB/OTS restructuring action is necessary, the Government may unilaterally direct the Contractor to implement such action. In the event the Contractor determines an OTB/OTS restructuring action is necessary, the Contractor must obtain Government approval prior to implementing an OTB/OTS restructuring action. In both cases, the Contractor shall present to the Government for approval a detailed implementation plan with an associated timeframe. The Contractor will not implement the OTB/OTS restructuring prior to receiving written approval from the Government Procuring Contracting Officer (PCO). The PCO retains the unilateral right to determine if the costs of the restructuring are an allowable cost under the contract. IBRs are required after an OTB or OTS per table 1.1

1.5.2. In accordance with DFARS clause 252.234-7002 (section g), the contractor shall submit a request for Government approval to initiate an OTB/OTS. Approval, coordination and implementation shall be in accordance with the table below:

1.5.3. Contractual EVM reporting requirements, while implementing OTB/OTS, shall not be waived/modified without prior coordination through SMC/FM. PMs shall continue EVM reporting to PEO/Air Force/OSD (including MAR, DAES) unless otherwise directed by the PEO.

Table 1.1. OTB/OTS Initiation and Implementation Requirements.

	OTB Estimated Value	
	Less than / equal to \$50M	Greater than \$50M
PCO Written Acknowledgement	Within 30 Calendar Days from Request	
Benefit Analysis by Program Office	Required	
Coordination with Integrated Staff ¹	Recommended	Required
Contractor and Government PMs Comprehensive Estimate to Complete (ETC)	Required When the OTB is anticipated to exceed \$50M, the Integrated Staff ¹ shall participate in the generation of a single ETC with the Program Office.	
Approval Authority	Program Directors	PEO
PCO Written Authorization	Required	
IBR	Required for OTBs valued at 15% or greater of the Contract Budget to Complete	
<u>Note:</u> ¹ Integrated Staff includes SMC/EA, SMC/FM, SMC/PI, and SMC/PK.		

1.6. Single Point Adjustment (SPA). SPA refers to eliminating cumulative performance variances (setting cost and/or schedule variances to zero). SPAs shall not be performed solely to improve contract performance metrics. Therefore a SPA will not be permitted without the execution of an OTB/OTS formal reprogramming action, or PEO authorization with coordination by the Integrated Staff.

1.7. EVM Analysis. Program Offices are required to perform effective EVM analysis as described in Table 1.2 EVM Analysis Process. The Integrated Staff will assist as a contributing member as requested by Program Office or PEO.

Table 1.2. EVM Analysis Process.

Type	Frequency	Actions Required
1. EVM Compliance Analysis		
Validate compliance of Contract Performance Report (CPR), Integrated Master Schedule (IMS), and Contract Funds Status Report (CFSR) submittals with contractual CDRL requirements.	Based on contractual CDRL requirements	For contracts requiring submission to OSD EVM Central Repository (EVM-CR), acceptance/rejection of each document is in accordance with EVM-CR requirements. For all other contracts, PCO submits rejection to contractor with notification to Integrated Staff ¹ .
		PM should reconcile CPR report formats and reconcile CFSR to the CPR.
		CPR, IMS, and CFSR shall be submitted to the Integrated Staff ¹ or provided access to digital versions.
2. EVM Performance Analysis (Cost, schedule, technical performance, PMB integrity and etc.)		
a) By Program Offices	Monthly	Out-brief to: Program Directors – monthly PEO – based on PMR schedule
		Analysis shall be submitted to the Integrated Staff ¹ or provided access to digital versions.
b) By Integrated Staff ¹	Support MAR/PMR/Benchmarking Reviews and as PEO requests; assist Program Offices as required	
3. EVM Predictability Analysis ² (Forward looking analysis)		
a) Risk-Based ETC/EAC	at least Quarterly	Out-brief to: Program Directors – Quarterly/Annually PEO – Based on PMR Schedule ETC/EAC and SRA shall be submitted to the Integrated Staff ¹ or provided access to digital versions.
b) Schedule Risk Assessment (SRA) (Contracts > \$50M)	Minimum of every 6 months or during IBR	
c) Comprehensive EAC Integrated into annual Program Office Estimate (POE) process	at least Annually	
d) Schedule Risk Assessment (SRA) (Contracts < \$50M)	Minimum of every 12 months or during IBR	
Notes:		
¹ Integrated Staff includes SMC/EA, SMC/FM, SMC/PI, and SMC/PK.		
² Applicable only to weapon systems acquisition (except support/services) contracts.		

Chapter 2

ROLES AND RESPONSIBILITIES

2.1. Program Office (PO) will:

- 2.1.1. Comply with EVM regulations/policies/instructions and guidance.
- 2.1.2. Manage acquisition program costs and schedule to meet all performance requirements within approved baselines, program direction, and the acquisition strategy.
- 2.1.3. Develop and execute procedures for consistent oversight and enforcement actions for noncompliance with EVM policies and guidance, as needed.
- 2.1.4. Assist in developing & maintaining policy/guidance & related training materials.
- 2.1.5. Attend EVM training established by SMC/FM and PO as required.
- 2.1.6. Manage EVM training necessary for the development of organizational expertise
- 2.1.7. Participate on SMC EVM working groups.
- 2.1.8. Use EVM as a management tool for effective program management.
- 2.1.9. Coordinate, develop, and maintain Memorandums of Agreement (MoA) with DCMA to supplement SMC MoAs for additional specific program requirements.
- 2.1.10. Provide support on EVMS compliance reviews and surveillance activities by DCMA as requested by the SMC EVM Focal Point.
- 2.1.11. Determine EVM applicability and reporting requirements in accordance with EVM policy, Instruction and guidance.
- 2.1.12. Document EVM requirements in acquisition planning documents, including acquisition strategy, in accordance with EVM policy and Contract Requirements guidance.
- 2.1.13. Include EVM requirements in the Request of Proposals (RFPs) in accordance with EVM policy and Contract Requirements guidance.
- 2.1.14. During source selection/sole-source activities conduct evaluation of the contractors proposals related to EVM/EVMS in accordance with RFP requirements.
- 2.1.15. Ensure that the final Offerors' proposals adequately addressed EVM requirements.
- 2.1.16. Monitor baseline validity and integrity.
- 2.1.17. Lead & execute the OTB/OTS process in accordance with SMC policy/guidance.
- 2.1.18. Lead and execute IBRs as required in accordance with SMC policy and guidance.
- 2.1.19. Perform EVM analysis (compliance, performance, and predictability) in accordance with SMC EVM policy (see table 1.2) and guidance.
- 2.1.20. Use SMC EVM standardized metrics for providing insight into program/contract cost and schedule performance issues.

2.1.21. Ensure that the resulting level-one data for each contract with EVM requirements is reported in the System Metric and Reporting Tool (SMART) and reconciles with the Defense Acquisition Executive Summary (DAES) if applicable.

2.2. The SMC Integrated Staff. SMC/FM as the Office of Primary Responsibility (OPR) for EVM on behalf of the Integrated Staff will:

2.2.1. Function as the SMC EVM focal point and subject matter expert on interpretation, implementation, compliance and enforcement of EVM policy/instruction and guidance.

2.2.2. Develop and maintain SMC EVM policy/instruction and guidance to supplement that established by Higher Headquarters (OSD, Air Force).

2.2.3. Monitor PO compliance with EVM policy/instruction and guidance.

2.2.4. Participate in EVM working groups (including DOD/Air Force/Industry).

2.2.5. Serve as advisor to the PO for all EVM related activities as requested.

2.2.6. Develop and maintain SMC Level MoA with DCMA.

2.2.7. Support DCMA and contractors in EVMS reviews and surveillance activities.

2.2.8. Monitor training needs and work with all appropriate stakeholder organizations to develop, field, and maintain efficient and effective workforce EVM training.

2.2.9. Sponsor EVM-related projects and studies. Manage SMC tools and licenses.

2.2.10. Develop, monitor, and report on EVM standardized processes; ensure processes and metrics provide insight into program/contract cost and schedule performance issues for consistency of requirements, reviews and analysis.

2.2.11. Develop and maintain central EVM data system and tools to provide access to EVM related information SMC-wide for decision making purposes.

2.2.12. Assist PO in interpretation, preparation, and implementation:

2.2.12.1. EVM applicability and reporting requirements for acquisition planning/strategy documents and RFPs in accordance with section 1.1.

2.2.12.2. Evaluate Offeror's proposals (if elected as a source selection or sole-source evaluation team member), and ensure that the final Offeror's proposals adequately represent EVM requirements in accordance with the RFP.

2.2.13. In accordance with SMC EVM policy (Chapter 1) assist Program Offices in:

2.2.13.1. EVM analytical support.

2.2.13.2. Activities related to OTB/OTS.

2.2.13.3. IBRs as requested by the IBR chair.

2.2.13.4. Monitor baseline activities and EVM performance on contracts and conduct periodic independent assessments and predictability analysis.

John T. Sheridan, Lieutenant General, USAF
Commander

Attachment 1**GLOSSARY OF REFERENCES AND SUPPORTING DOCUMENTATION*****References***

Air Force Instruction 63-101, *Acquisition and Sustainment Life Cycle Management*, 17 April 2009.

DFARS, *Defense Federal Acquisition Regulation Supplement*.

DODI 5000.02, *Operation of the Defense Acquisition System*, 8 Dec 2008.

Office of the Under Secretary of Defense (OUSD) Acquisition, Technology and Logistics (AT&L) Memorandum, 7 Mar 05, *Revision to DOD Earned Value Management Policy*.

OUSD (AT&L) Memorandum, 3 Jul 07, Subject: Use of EVM in the DOD (including attached DOD EVM Roles and Responsibilities).

FAR, *Federal Acquisition Regulation*.

Office of Management and Budget, Circular A-11, Part 7, *Planning, Budgeting, Acquisition, and Management of Capital Assets*, June 2008.

ANSI/EIA-748, *American National Standards Institute/Electronic Industries Alliance standard, Earned Value Management Systems*.

DOD Earned Value Management Implementation Guide (EVMIG), Oct 2006.

General Accounting Office, *Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs* GAO-09-3SP, 2 March 2009.

Abbreviations and Acronyms

ACAT—Acquisition Category

AFI—Air Force Instruction

ANSI/EIA—748 American National Standards Institute/Electronic Industries Alliance Standard 748

ATP—Authorization to Proceed

AT&L—Acquisition, Technology and Logistics

CDR—Critical Design Review

CDRL—Contract Data Requirements List

CFSR—Contract Funds Status Report

CPR—Contract Performance Report

DAES—Defense Acquisition Executive Summary

DARPA—Defense Advanced Research Projects Agency

DCARC—Defense Cost and Resource Center

DCMA—Defense Contract Management Agency

DFARS—Defense Federal Acquisition Regulation Supplement

DID—Data Item Description

DOD—Department of Defense

DODI—Department of Defense Instruction

DRG—Direct Reporting Group

EAC—Estimate at Completion

ETC—Estimate to Completion

EVM—Earned Value Management

EVMIG—Earned Value Management Implementation Guide

EVMS—Earned Value Management System

EVM—CR – DOD EVM Central Repository

FAR—Federal Acquisition Regulation

GAO—Government Accountability Office

IBR—Integrated Baseline Review

IMP—Integrated Master Plan

IMS—Integrated Master Schedule

LOE—Level of Effort

MAR—Monthly Acquisition Report

MDA—Milestone Decision Authority

MFR—Memorandum for Record

MOA—Memorandum of Agreement

OMB—Office of Management and Budget

OPR—Office of Primary Responsibility

OSD—Office of the Secretary of Defense

OTB—Over-Target Baseline

OTS—Over-Target Schedule

OUSD—Office of the Under Secretary of Defense

PCO—Procuring Contracting Officer

PDR—Preliminary Design Review

PEO—Program Executive Officer

PM—Program Manager

PMAG—Program Management Assistance Group

PMB— Performance Measurement Baseline

PMR— Program Management Review

PO— Program Office

RFP— Request for Proposal

SAE— Service Acquisition Executive

SMART— System Metric and Reporting Tool

SMC— Space and Missile Systems Center

SMC/CC— SMC Commander

SMC/CD— SMC Executive Director

SMC/CV— SMC Vice Commander

SMC/EA— SMC, Office of the Director, Engineering Architecture

SMC/FM— SMC, Office of the Director, Financial Management and Comptroller

SMC/PI— SMC, Office of the Director, Program Management and Integration

SMC/PK— SMC, Office of the Directorate of Contracting

SOW— Statement of Work

SPA— Single Point Adjustment

SRA— Schedule Risk Assessment

Terms

Acquisition—The conceptualization, initiation, design, development, testing, contracting, production, deployment, and disposal of a directed and funded effort that provides a new, improved, or continued material, weapon, information system, logistics support, or service capability in response to an approved need.

Acquisition Strategy—A high-level business and technical management approach designed to achieve program objectives within specified resource constraints. It is the framework for planning, organizing, staffing, controlling, and leading a program. PM is responsible for developing and documenting the acquisition strategy, which conveys the program objectives, direction, and means of control, based on the integration of strategic, technical, and resource concerns.

Actual Cost of Work Performed (ACWP) (or Actual Cost)—The costs actually incurred and recorded in accomplishing the work performed within a given time period

Authorization to Proceed (ATP)—The official authority for the contractor to begin work (usually issued by the Procuring Contracting Officer (PCO)).

ANSI/EIA-748—EVMS 32 guidelines published as an American National Standards Institute/Electronic Industries Alliance standard, Earned Value Management Systems. The DOD formally adopted ANSI/EIA-748. If the ANSI/EIA-748 standard is changed or updated, DOD will review and determine if the document still meets the Government's needs.

Baseline— (See Performance Measurement Baseline).

Budget at Completion (BAC)—The sum of all performance budgets established for the contract.

Budget to Complete (BTC)—The sum of all performance budgets established for the contract to be completed. $BTC=BAC-ACWP$.

Contract Type—See Cost-reimbursement, Incentive contracts and Firm-fixed-price contracts.

Contract Data Requirements List (CDRL)—A list of authorized data requirements for a specific contract. It is comprised of DD Form(s) 1423 containing data requirements and delivery information. The purpose of the CDRL is to provide a standardized method of clearly and unambiguously delineating the Government's essential data needs based on tailoring DID(s) for reporting deliverable (See DID, CPR, CFSR, IMS)

Contract Funds Status Report (CFSR)—A management report prepared by the contractor in accordance with DID: DI-MGMT-81468, which provides contract funding data to Program Managers for (a) updating and forecasting contract funds requirements, (b) planning and decision making on funding changes to contracts, (c) developing funds requirements and budget estimates in support of approved programs, (d) determining funds in excess of contract needs and available for de-obligation, and (e) obtaining rough estimates of termination costs.

Contract Performance Report (CPR)—A management report prepared by the contractor in accordance with DID: DI-MGMT-81466A. CPR provides timely, reliable summary-level data with which to assess current and projected contract performance.

Contractor—An entity in private industry which enters into contract with the Government. The term also applies to Government-owned, Government-operated activities which perform work on major defense programs.

Cost contracts—see cost reimbursement contracts.

Cost-reimbursement—Contracts which provide for payment of allowable incurred costs, to the extent prescribed in the contract. These contracts establish an estimate of total cost for the purpose of obligating funds and establishing a ceiling that the contractor may not exceed (except at its own risk) without the approval of the contracting officer (FAR Subpart 16.3). Cost-reimbursement contracts include the following contracts: Cost (Subpart 16.302), Cost-sharing (Subpart 16.303), Cost-plus-incentive-fee (Subpart 16.304), Cost-plus-award-fee (Subpart 16.305), and Cost-plus-fixed-fee (Subpart 16.306).

Data Item Description (DID)—A document specifically defines intended use, the data content, format, and preparation instructions for the data deliverable resulting from the task in the statement of work. ((See CDRL, CFSR, CPR, IMS).

Discrete Activities/Effort—Lower level tasks/activities that are related to the completion of specific end products or services and can be directly planned and measured.

Earned Value Management (EVM)—A program management tool that integrates the work scope, schedule, and cost parameters of a program, in a manner providing objective performance measurement and management.

Earned Value Management System (EVMS)—A company's management system and related sub-systems that establishes the relationship between the cost, schedule, and technical aspects of

the work; measures progress objectively with earned value metrics; accumulates actual costs; allows for analysis of deviations from plans; allows for forecasting of estimated costs; and provides discipline in incorporating changes to the baseline in a timely manner.

EVM Central Repository (EVM-CR)—DOD’s single EVM central repository administered by the DCARC, which provides for and supports the centralized reporting, collection, and distribution for CPR, CFSR, and IMS of all DOD contractors for ACAT I programs. The purpose of the CR is to establish a source of authoritative data and to provide timely access to the data to OSD, Services and DOD components. To be the authoritative source of contract EVM data, the data provided directly by the contractors and reviewed and approved by the Government Program Office.

Estimate at Completion (EAC)—The estimated costs to complete all authorized work from inception to the end of the contract, which equal to the sum of actual costs to date plus the estimated costs to complete (see below).

Estimate to Complete (ETC)—Estimate of costs to complete all authorized work from a given point in time to the end of the contract.

Firm-fixed-price contracts—Contracts for a price that is not subject to any adjustment on the basis of the contractor’s cost experience in performing the contract (FAR Subpart 16.202).

Formal Reprogramming—A comprehensive replanning of the remaining PMB that results in a total budget and/or total schedule in excess of contractual requirements.(See OTB and OTS).

Formal Validation—A formal recognition of certification by the DCMA that a company’s EVMS meets the guidelines in ANSI/EIA-748.

Indefinite-delivery contract— Contract for a supply that does not procure or specify a firm quantity of supplies (other than a minimum or maximum quantity) and that provides for the issuance of orders for the delivery of supplies during the period of the contract. There are three types of indefinite-delivery contracts: definite-quantity contracts (FAR Subpart 16.502), requirements contracts (FAR Subpart 16.503), and indefinite-quantity contracts (FAR Subpart 16.504).

Incentive contracts— Contracts described in FAR Subpart 16.4 which includes 2 major categories:

1. **Fixed**—price incentive contracts includes: Fixed-price incentive (Subpart16.403) and Fixed-price contracts with award fees (Subpart16.404)
2. **Cost**—reimbursement incentive contracts (Subpart 16.405) includes: Cost-plus-incentive-fee (Subpart 16.405-1), Cost-plus-award-fee (Subpart 16.405-2).

Integrated Baseline Review (IBR)— A joint Government/contractor review to assess the realism and accuracy of the integrated PMB (verify the technical content and the realism of the related performance budgets, resources, and schedules). It should provide a mutual understanding and agreement of the inherent risks in contractors’ performance plans and the underlying management control systems, and it should formulate a plan to handle these risks.

Integrated Master Plan (IMP)—An event-based plan consisting of a hierarchy of program events, with each event being supported by specific accomplishments, and each accomplishment associated with specific criteria to be satisfied for its completion.The IMP is normally part of the

contract and thus contractually binding. The IMP is a narrative explaining the overall management of the program.

Integrated Master Schedule (IMS)— An integrated schedule containing the networked, detailed tasks necessary to ensure successful program execution. The IMS is prepared by the contractor in accordance with DID: DI-MGMT-81468 and shall be used to verify attainability of contract objectives, to evaluate progress toward meeting program objectives, and to integrate the program schedule activities with all related components.

Level of Effort (LOE)— Effort of a general or supportive nature which does not produce definite end products and cannot be practically measured by discrete earned value techniques. Earned value is measured by the passage of time.

Milestone Decision Authority (MDA)— The designated individual with overall responsibility for a program. The MDA shall have the authority to approve entry of an acquisition program into the next phase of the acquisition process and shall be accountable for cost, schedule, and performance reporting to higher authority, including congressional reporting.

Milestone/Gated Event— A program assessment point that occurs at the culmination of significant program activities: accomplishments and criteria. It is a specific definable accomplishment in the contract network, recognizable at a particular point in time.

Over Target Baseline (OTB)—A replanning actions involving establishment of performance budget that exceeds the value of the negotiated contract. An OTB is a new baseline for management when the original objectives cannot be met and new goals are needed for management purposes.

Over Target Schedule (OTS)—An established schedule that extends beyond the contract milestones or delivery dates.

Performance Measurement Baseline (PMB)—The time-phased budget plan for accomplishing work, against which contract performance is measured.

Program Executive Officer (PEO)—The individual dedicated to executive management and supervision of a portfolio of mission-related ACAT and selected programs. The PEO shall be chartered by and is accountable to the SAE.

Program Manager (PM)—The designated individual with responsibility for and authority to accomplish program objectives for development, production, and sustainment to meet the user's operational needs. The PM shall be accountable for credible cost, schedule, and performance reporting to the MDA.

Program Office (PO)—The Government office that has the assigned authority and responsibility to directly manage a program.

Schedule—A plan which shows when specified work is to be done to accomplish program objectives on time.

Single Point Adjustment (SPA)—An event of eliminating cumulative performance variances (setting cost and/or schedule variances to zero)

Schedule Risk Assessment (SRA)—A process which uses statistical techniques to identify technical, programmatic, and schedule risks in a program and quantifies the impact of those risks on the program's schedule.

Statement of Work (SOW)—The document that defines the work scope requirements for a contract.

Surveillance—Annual process by the DCMA, assessing the continuing compliance of the company's EVMS with ANSI/EIA-748 and the company's written EVMS.

Time-and-Materials contracts— Contracts described in FAR Subpart 16.6 which provide for acquiring supplies or services on the basis of: (1) direct labor hours at specified fixed hourly rates that include wages, overhead, general and administrative expenses, and profit; and (2) actual cost for materials.

Attachment 2

EVM IMPLEMENTATION POLICY PER DODI 5000.02 (TABLE 5)

A2.1. Table A2.1 EVM Implementation Policy per DODI 5000.02 (Table 5).

REQUIREMENTS	SOURCE	WHEN REQUIRED
For Cost/Incentive Contracts ¹ ≥ \$50 Million ²	Part 7 of OMB Circular A-11, And DODI 5000.02	At contract award and throughout contract performance
– Compliance with EVM system guidelines in ANSI/EIA-748 ³		
– EVM system formally validated and accepted by cognizant contracting officer		
– Contract Performance Report (DI-MGMT-81466A)		
– Integrated Master Schedule (DI-MGMT-81650)		
– Integrated Baseline Reviews		Monthly
		Monthly
		Monthly
		Within 180 days after contract award, exercise of options, and major modifications
For Cost/Incentive Contracts ¹ ≥ \$20 Million ² but < \$50 Million ²	Part 7 of OMB Circular A-11, And DODI 5000.02	At contract award and throughout contract performance
– Compliance with EVM system guidelines in ANSI/EIA-748 ³ (no formal EVM system validation)		
– Contract Performance Report (DI-MGMT-81466A) (tailoring recommended)		
– Integrated Master Schedule (DI-MGMT-81650) (tailoring recommended)		
– Integrated Baseline Reviews		
		Monthly
		Monthly
		Within 180 days after contract award, exercise of options, and major modifications
For Cost/Incentive Contracts ¹ < \$20 Million ²	Part 7 of OMB Circular A-11, And DODI 5000.02	At the discretion of the PM based on cost-benefit analysis
For Firm Fixed-Price Contracts ¹ regardless of dollar value		Limited Use—must be approved by the MDA based on a 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.		
3.ANSI/EIA-748 = American National Standards Institute/Electronic Industries Alliance Standard 748, Earned Value Management Systems		