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The Honorable Michael McCord
USD (Comptroller)/CFO
1000 Defense Pentagon
Washington, DC 20301

Subj: PBBE Recommendations Regarding Output-based Performance Metrics

Dear Hon. USD McCord:

In your statement on Planning, Programming, Budgeting, and Execution (PPBE) Reform dated August 26, 2024, you reaffirmed DoD's commitment to collaborate with Congress and all stakeholders. Regarding the PBBE Final Report's conclusion on the use of performance metrics, I recommended that you collaborate with the Hon. Sen. Schmitt to obtain the statutory authority needed to achieve your common objectives. Sen. Schmitt wants transparency and accountability of DoD acquisitions. You want acquisition reform to use output-based performance metrics.

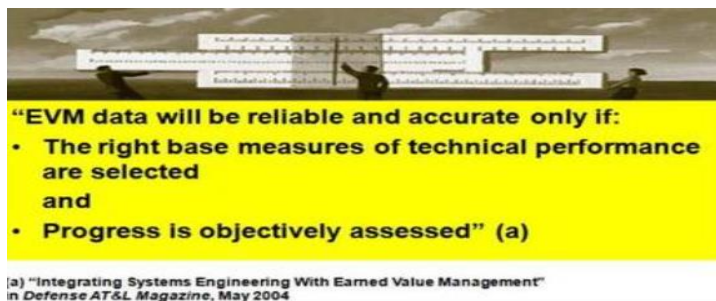
In my letter to Sen. Schmitt, Subj: Amend NDAA to Revoke DFARS Earned Value Management System (EVMS) Clause, dated August 18, I recommended implementable actions to:

- Move toward more systematic use of outputs from the performance measures.
- Revisit the metrics used to ensure that the right objectives are being set (i.e., the things that are measured and how they are being measured).

My implementation plan addresses the Final Report's assessment that "the Department employs EVM when assessing contractor performance, which provides insight into schedule and cost performance...However, as mentioned earlier, critics will say that EVM is inadequate and can be easily manipulated."

2004 Revisit

I was an early critic of EVM metrics. My article in *Defense Acquisition Magazine* (as currently named), May 2004, asserted:



2010 Revisit

In 2010, I sent the attached email to Peter Levine (SASC) and Andrew Hunter (HASC), Subject: Acquisition Reform Provision in NDAA.

Excerpts from Email:

The FAR and DFARS fail to require contractors to measure and report technical performance in their monthly reports. The EVM reporting requirements are costly to administer. However, government program managers often receive flawed reports that lack credibility, transparency, and accountability.

EIA-748, the government-required EVMS standard, is intrinsically flawed.

- a. It ignores the technical baseline (product requirements) and measures only quantity of work completed, not quality (Quality Gap)
- b. Consequently, it does not provide a framework to integrate cost, schedule, and technical performance or to integrate risk.

Contractors may be compliant with EIA-748 even if their reported progress is not based on technical performance measures (TPM). The Quality Gap enables contractors to:

- a. Report EV based on the quantity of drawings or code completed, regardless of their failure to meet technical objectives or planned functionality.
- b. Overstate EV when cumulative EV is not adjusted to account for rework.
- c. Establish misleading performance measurement baseline (PMB) and schedule when tests and rework are planned in management reserve instead of in the initial PMB.

Finally, your objective to revisit “the things that are measured and how they are being measured” is addressed in the email’s conclusion, “If you are measuring the wrong things or not measuring the right way, then EVM may be more costly to administer and provide less management value.”

2013 Revisit

In 2013, I was a consultant to PARCA and reviewed the EVM metrics at HQ NAVAIR. Per the resultant report, “there are no contractual requirements within the acquisition regulations or Data Item Descriptions (DID) to require the following enablers of integrated program management to:

1. Tie the technical baseline to the EV PMB and
2. Tie technical progress to the TPMs of the program.”

An article about the PARCA recommendations was published in *CrossTalk, the Journal of Defense Software Engineering*, "Basing Earned Value on Technical Performance," Jan. 2013.

Implementation Plan

Regarding your commitment to collaborate with Congress, please read the attached letter to the Hon. Sen. Eric Schmitt, Subj: Amend NDAA to Revoke DFARS EVMS Clause, dated August 18, 2024. I had requested that he “work with Dr. LaPlante to amend the NDAA for FY 2025 to enact the statutory authority

needed to revoke the DFARS EVMS clause and then replace EVM with “Something of Value.” Consider working with Rep. Adam Smith on a bi-partisan, bi-cameral basis. He wants to complete “a freaking product at the end of the day.” “Something of Value” is described in my white paper, “Earned Value Management: “When you come to a fork in the road...,” dated July 25, 2024, and in another white paper on the digital engineering ecosystem.

Please work with those parties and with the other stakeholder, the Hon. USD Heidi Shyu, to develop an implementation plan that incorporates my recommendations.

The referenced correspondence, this letter, and white papers may be downloaded from www.pb-ev.com at the Acquisition Reform and White Paper tabs.

Yours truly



Paul J. Solomon

CC:

Hon. Andrew Hunter, AF Asst. Sec. for AT&L

Hon. Jack Reed, Chair, SASC Hon. William LaPlante (USD)

Hon. Adam Smith, HASC Hon. Carlos Del Toro, Secretary of the Navy

Nickolas Guertin (ASN RD&A) Hon. David L. Norquist, NDIA

Hon. Robert J. Wittman, HASC Hon. Heidi Shyu, (USD(R&E))

Hon. Donald Norcross, HASC Hon. Elizabeth Warren, SASC

Anthony Capaccio, Bloomberg News

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