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May 30, 2023

Hon. Carol N. Gorman  
Assistant Inspector General for Audit  
Dept. of Defense  
4800 Mark Center Drive,  
Alexandria, Virginia 22350-1500

Subject: Supplement to Letter Dated May 25 Covers Earned Value Management System Interpretation Guide (Project No. D2022-D000AT-0175.000)

Dear Asst. Inspector Gorman:

This letter supplements the letter dated May 25, Subj: Additional Objectives for Audit of DoD Oversight of Cost-Plus-Award-Fee Contracts (Project No. D2022-D000AT 0175.000). The DoD policies to be reviewed should include the *DoD Earned Value Management System Interpretation Guide (EVMSIG)*.

#### **EVMSIG**

The specific EVMSIG guidance follows:

##### **2.5.3.4 Establishing Qualitative Criteria**

- *Accuracy, timeliness, and consistency of cumulative performance*

#### **APPENDIX D: SAMPLE AWARD FEE CRITERIA**

MANAGEMENT EXAMPLE: EVM is effectively integrated and used for program management.

##### VERY GOOD

- Contractor develops and sustains *effective communication of performance* status on a continual basis with the government.

MANAGEMENT EXAMPLE: Realistic and current cost, expenditure, and schedule forecast

##### VERY GOOD

- Schedule milestone tracking and **projections** are accurate and reflect true program status.

##### EXCELLENT

- Contractor consistently submits a high quality EAC that is **current and realistic**.
- Contractor develops comprehensive and clear **schedule data that provides excellent correlation with technical performance measures (TPM)** and **cost performance reports** and permits early identification of problem areas.

#### **Weapon Systems Acquisition Reform Act of 2009 (WSARA)**

Your audit should determine whether contracting officials perform oversight of DoD policy in EVMSIG pertaining to TPMs and earned value. The unreliability of contractors' earned value data was cited in a DoD report that was submitted to

Congress. The report, *DOD EVM: Performance, Oversight & Governance Report*, was required by WSARA. It stated that the:

"utility of EVM has declined to a level where it does not serve its *intended purpose*" and contractors "keep EVM metrics favorable and problems hidden." Regarding the reliability of contractor's data, the report stated, "If good TPMs are not used, programs could report 100 percent of EV even though behind schedule in validating requirements, completing the preliminary design, meeting the weight targets, or delivering software." The report also stated "the program manager should ensure that the EVM process measures the quality and technical maturity of technical work products instead of just the quantity of work performed."

This letter may also be downloaded from my website, [www.pb-ev.com](http://www.pb-ev.com), at the Acquisition Reform tab.



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