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Hon. Carlos Del Toro
Secretary of the Navy
1000 Navy Pentagon
Washington, DC 20350-1000

Subj: Holding Companies and Individuals Accountable for *Reporting* Poor Performance

Dear Secretary Del Toro:

In your keynote address at WEST 2024, you announced your intent to hold individuals as well as companies accountable for poor performance. Please apply this standard to the *reporting* of technical, schedule, and cost performance on acquisitions of weapon systems. The current defense industrial ecosystem has insufficient and defective program management controls. These defects enable contractors to submit false or misleading status reports and estimates at completion (EAC).

I believe that the defective system, called Earned Value Management System (EVMS), is one root cause of the recently disclosed systemic delays to our marquee shipbuilding programs. I expressed that concern in the letter to Vice Chair Wittman, Subj: Systemic Shipbuilding Delays, Congressional Defense Modernization Caucus, and Earned Value, dated April 8.

The letter also covers the DFARS EVMS standard (EIA-748) clause, which requires contractors to comply with the EVMS guidelines. That regulation is a barrier to competition from non-traditional technology suppliers that should be addressed by your Congressional Defense Modernization Caucus.

Excerpts from the letter follow:

So, let's right the ship of integrated program management. Please request that GAO review a sample of the Navy programs that are in trouble.



EVM: "...easily Manipulated and Inadequate to the Task" (a)



EIA-748 Enables Easy Manipulation:

4 legs of the stool to fool:

1. Measure work (SOW), not technical performance (Product)
2. % Complete Earned Value Technique with "90% Rule"
3. Rework not planned (Budget from MR)
4. Deferred Functionality not Accounted For

(a) Commission on PLANNING, PROGRAMMING, BUDGETING AND EXECUTION
Report finding: "EVM systems have long been criticized as..."

"Use Outcome-based Metrics that Work to Build a Product that Works" (not a SOW)

The PBBE Final Report cited criticism that EVMS can be easily manipulated and inadequate to the task. The Council of Defense and Space Industry Associations (CODSIA) provided industry views that express similar concerns in a letter to Shay Assad, Jul 2, 2009. Excerpts from the CODSIA letter follow:

3. Challenges in using EVM and the criteria for evaluating the success of EVM in delivering program objectives

...inappropriate contractual incentives, such as focus on incentivizing or penalizing contractors based on performance data, *promote poor behavior* in the establishment of program baselines and EVMS implementations. An example would be the continuing use of incentives based on reported performance metrics, such as the cost performance index (CPI) and/or schedule performance index (SPI).

Please lead DoN to develop effective management controls to replace EVMS and then establish the right balance of incentives and disincentives to ensure that program managers receive accurate, timely reporting of significant cost or schedule variances. My assessments and recommendations to replace EIA-748 with "Something of Value" are in the following white papers:

- "Outcome-based Metrics + SE = Integrated Program Management," [Rev.1 4/1/24](#)
- "Earned Value Management: "When you come to a fork in the road..." 3/14/24
- "Integrating the Embedded Software Path, Model-Based Systems Engineering, MOSA, and Digital Engineering with Program Management," revised 4/11/24.

The letters and white papers may be downloaded from www.pb-ev.com at the Acquisition Reform and White Paper tabs.

A handwritten signature in blue ink that reads "Paul J. Solomon".

Paul J. Solomon

CC:

Hon. William LaPlante USD(A&S)

Hon. Heidi Shyu, (USD(R&E))

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

Hon. Nickolas Guertin (ASN RD&A)

Hon. Donald Norcross, HASC

Hon. Adam Smith, HASC

Hon. Elizabeth Warren, SASC

Anthony Capaccio, Bloomberg News