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April 2, 2014

The Honorable Claire McCaskill
717 Hart Senate Office Building
Washington, DC 20510

Subject: Request for Earned Value Management Acquisition Reform

Dear Senator McCaskill:

I am writing to you for help because of your past interest and actions on the utility and effectiveness of earned value management (EVM) on the acquisition of weapon systems and IT investments. In my opinion, EVM is costly to the taxpayers but does not provide accurate or valid information to government program managers. I believe that additional legislative oversight and prodding is necessary to change acquisition regulations and corporate behavior.

You and/or Sen. McCain have an opportunity to question the accuracy of EVM on the F-35 program at the hearing on Tactical Aircraft Programs on April 2. Please consider asking some key questions to Gen. Bogdan.

Legislative History

WSARA

In Sept. 2009, DoD submitted a report on the implementation of EVM that was required by Sec. 887 of FY 2009 NDAA as amended by Sec. 302 of WSARA. In the WSARA House/Senate conference report, your colleague, Sen. Collins stated that the GAO observed that contractor EVM reporting lacks consistency and leads to inaccurate data and faulty application of the EVM metric. “In other words, garbage in, garbage out.” Sen. Collins concluded that, “With improved EVM data quality, both the government and the contractor will be able to improve program oversight, leading to better acquisition outcomes.”

Since that report, there have been no changes in the FAR, DFARS, or DoD acquisition policy with regard to EVM.

FY 2011 NDAA

In 2011, I gave assessments and recommendations on EVM to Andrew Hunter who supported HASC Chairman Skelton. As a result, NDAA for FY 2011 was marked up to include SEC. 864 (4). It required the Secretary of Defense to review the acquisition guidance of the DoD, including DoD Instruction 5000.02, to consider and report…”whether measures of quality and technical performance should be included in any Earned Value Management system.”

As you know, Mr. Hunter is now in the Senior Executive Service and special assistant to the Under Secretary of Defense (AT&L). He is working on acquisition reform with Rep. Thornberry.

Whereas the DoD report required by WSARA was made public, the response to Chairman Skelton’s request was not.

My Assessment and Recommendations for Acquisition Reform

I believe that Sen. Collins' assessment is still valid and have been advocating process improvements and acquisition reform since 1998. The recommendations focus on the inadequacies of the FAR and DFARS clauses. There are deficiencies and ambiguities that allow contractors to be fully compliant with the EVMS guidelines but continue to submit monthly contract performance reports which fail to provide a the true status of cost and schedule performance. Contractors are permitted to report progress in terms of the percent of work completed and may ignore reporting progress towards meeting the technical performance requirements or quality.

My previous assessments and recommendations were in letters to Chairman Levin, Sen. McCain, and Rep. Thornberry. I can provide these, if requested.

I have also published articles in DoD journals that clarify these assessments and recommendations in depth. Please read the more current articles at my web site, www.pb-ev.com . The most pertinent is "Path to EVM Acquisition Reform," *Defense AT&L*, May 2011, at http://www.dau.mil/pubscats/ATL%20Docs/May-June11/Solomon.pdf .

Questions for Gen. Bogdan

The upcoming hearing provides a timely opportunity to raise questions about the accuracy of earned value reporting on the F-35 program. Background and recommended questions follow.

Background

The Office of Management and Budget policy in OMB Circular No. A–11 includes objectives that:

- Agencies obtain timely information regarding the progress of capital investments and
- The EVMS system measures progress towards milestones in an independently verifiable basis, in terms of cost, capability of the investment to meet specified requirements, timeliness, and quality.

Per the DCMA EVMS Standard Surveillance Operating Manual (SSOM), a surveillance objective is to ensure that cost and schedule reports provide the customer with:

- Timely and reliable cost, schedule, and technical performance measurement data and information that depicts actual conditions;
- Data and information that is auditable;
- Timely indications of actual or potential problems;
- Comprehensive variance analysis and corrective action reporting regarding cost, schedule, technical, and other problem areas, as well as proposed date(s) for cost and schedule recovery

Per the GAO, F-35 software development delays “would mean that the Marine Corps will not likely have all of the capabilities it expects in July 2015. The effects of these delays compound as they also put the timely delivery of Air Force and Navy initial operating capabilities at risk.”

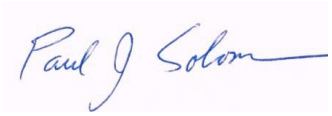
Recommended Questions

Gen. Bogdan, your statement to the HASC subcommittee meeting on March 26 discussed both the behind schedule condition of software development and re-certification of Lockheed Martin's (LM) earned value management system. I would like to know if the F-35 earned value reports are accurate and valid.

For example, the GAO report stated that, as of Jan. 2014, the Block 2B software was behind schedule with only 13% of the basic functions verified vs. 27% planned. You stated that Block 3F is tracking approximately four to six months late.

1. Does LM report earned value that is consistent with those assessments?
2. Does LM report an Estimate at Completion for the SDD program that is the most likely estimate of final costs and schedule?
3. Do the LM contract performance reports provide you with timely and reliable cost, schedule, and technical performance measurement data and information that depicts actual conditions and include comprehensive variance analysis?"

Please contact me if you want additional background or clarification.



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Cc:
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