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The Honorable John McCain
Ranking Member, Senate Armed Services Committee
241 Russell Senate Office Building
Washington, DC 20510

Subject: Proposed Amendment to NDAA for 2012 (S. 1867) for Earned Value Management Acquisition Reform

Dear Sen. McCain:

Your Amendment 1249 to the NDAA for 2012 (S. 1867) addressed cost-type contracts for MDAP development. Industry (Acquisition Reform Working Group) opposes the amendment in its response to NDAA. (link: http://www.pscouncil.org/PolicyIssues/Legislation/NDAA/ARWG_Letter_on_FY12_NDAA_Senate_Amendments.aspx).

Please consider proposing an additional amendment to improve the validity and accuracy of reporting for cost-type contracts that require the use of the Earned Value Management Standard ANSI/EIA-748 (EVMS). As discussed in my previous letter, EVMS has ambiguities and loopholes that should be removed. [Letter to Sen. McCain, Oct. 25, 2011](#)

Please consider proposing a second amendment to close those loopholes and ambiguities. EVMS is cited by the Defense Federal Acquisition Regulation Supplement (DFARS). The current DFARS enables contractors to submit flawed, monthly Contract Performance Reports that overstate cost and schedule performance and understate the final costs (called Estimate at Completion or EAC).

The proposed amendment would require the Secretary of Defense to modify DFARS to force contractors to base earned value on technical performance or quality, instead of just the quantity of work performed. The new amendment would be a follow-up to NDAA for 2011, Section 864. That provision addressed including measures of quality and technical performance in any EVM system. See discussion at [EVM Acquisition Reform](#) and <http://pb-ev.com/OMBpolicyFARDFARS.aspx>.

Specifically, please propose an amendment that would add requirements to DFARS 234.201 and 252.234-7002. These requirements would augment the ANSI/EIA-748 guidelines to:

- Add the "product scope" or technical baseline to the work scope and
- Make measurement of technical performance mandatory, not optional.

The specific DFARS revisions should state that, in addition to compliance with the guidelines in ANSI/EIA-748, the contractor shall be in compliance with the following augmentations to those guidelines:

- Guideline 2.1(a): Add "product scope" to work scope.
- Guideline 2.2(b): Require mandatory, not optional, identification of "technical performance goals" and measurement of technical.

As discussed in the previous letter, EVM can be transformed into a reliable acquisition management tool. Today, EVM costs the taxpayers dearly for contractor implementation, consultants, software, and government oversight. We do not get sufficient value in return.



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