Paul Solomon
3307 Meadow Oak Drive
Westlake Village, CA 91361

February 21, 2022

The Honorable Shalanda Young
Acting Director
The Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Subj: Improve Effectiveness of OMB Circular A-11

Dear Acting Dir. Young:

This is a follow-up to my letter dated July 12, 2021, Subj: Recommendations to Improve Program/Project Management (P/PM) and Reduce Military Spending. It includes an additional recommendation to improve the effectiveness of OMB Circular A-11 (A-11). The recommendations below are applicable to all capital assets which require earned value management (EVM) but especially to software-intensive capital assets.

EVM Objectives in A-11 not Met by Compliance with EIA-748 Guidelines

Per A-11, all major acquisitions with development effort will include the requirement for the contractor to use an EVM system that meets the guidelines in EIA-748 to monitor contract performance. However, a contractor's compliance with EIA-748 guidelines does not ensure that the following EVM objectives, stated in A-11, will be met:

- Early identification of problems, potential corrective actions, and changes to the original goals needed to complete the investment and necessary for agency portfolio analysis decisions.

- Relate resource planning to … technical … requirements

- Rely on timely data produced by those systems for determining product-oriented contract status.

Evidence of the shortcomings of EIA-748 was first provided in my letter to former OMB Dep. Dir. Jeff Zients in 2009 (cited in previous letter to you).

A more recent assessment is included in the *Section 809 Report of the Advisory Panel on Streamlining and Codifying Acquisition Regulations*, Vol. 1, January 2018. The Panel reported that "another substantial shortcoming of EVM is that it ***does not measure product quality***. A program could perform ahead of schedule and under cost according to EVM metrics but ***deliver a capability that is unusable*** by the customer…Traditional measurement using EVM provides less value to a program than an … process in which the end user continuously verifies that the ***product meets the requirement***."

1

New Recommendation

This letter includes an additional recommendation which will eliminate an ambiguity in the *Capital Programming Guide* (Guide). The Guide is ambiguous and too lenient regarding the inclusion of technical objectives in the work breakdown structure (WBS).

A-11 states that "Earned value is a management technique that relates resource planning to schedules and to *technical,* cost, and schedule requirements." However, the Guide's language is inconsistent with that objective by using the "or" word with regard to "objectives." The use of "or" in the Guide is equivalent to the EIA-748 guideline which states, "Identify physical products, milestones, technical performance goals, **or** other indicators that will be used to measure progress. "Or" gives contractor the option to ignore technical objectives or technical performance goals as base measures of earned value. So they don't. The remedy for the Guide follows:

Is:

Using EVM, the contractor plans its work using a contractually specified WBS as the baseline. The objectives, tasks, services, **or** deliverables that must be produced by the organization are described in the WBS structure.

Should be:

Using EVM, the contractor plans its work using a contractually specified WBS as the baseline. The tasks, services, or deliverables that must be produced by the organization are described in the WBS structure. *The technical objectives must be described as a technical baseline in the WBS structure or in a referenced authoritative source of truth.*

Voluntary Consensus Standard

The following recommendations were in the previous letter:

> (1) Adopt the Voluntary Consensus Standard (VCS) for Program/Project Management (P/PM) from the Project Management Institute (PMI), including American National Standards Institute (ANSI) ANSI/PMI 19-006-2019 in concert with PMBOK Guide.

> (2) Replace EIA-748 in the Capital Programming Guide with ANSI/PMI 19-006-2019 in concert with PMBOK Guide.

Justification for this VCS change is provided in the white paper, *DOD Acquisition Reform: EVMS-lite to Program/Project Management*, Rev. 33 (EVMS-lite), in the section headed "Agencies Should Abandon Use of EIA-748 because it is Impractical."

Regarding software-intensive capital assets, the recommendations regarding VCS support the new DOD Software Modernization Strategy which includes a caveat; "contracting policies, processes, and standards must not hinder, but empower the vision of this strategy." EVMS-lite includes reasons that disqualify EIA-748 from being used as a VCS for software-intensive major capability acquisitions.

The requirement for contractors to comply with EIA-748 guidelines is a barrier to entry to potential contractors that use commercial best practices and widely-accepted standards for P/PM. Additional information about the Software Modernization Strategy and the shortcomings of EIA-748 is contained in another white paper, *Integrating the Embedded Software Path, Model-Based Systems Engineering, and Digital Engineering with Program Management*, Feb. 11, 2022.

What You Can Do

Please consider implementing the recommendations discussed above.

The letters and cited white papers may be downloaded from www.pb-ev.com at the "Acquisition Reform" tab. I have provided similar recommendations to senior DOD officials.

Paul J. Solomon
paul.solomon@pb-ev.com