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Hon. Randolph R. Stone
Asst. Inspector General for Evaluations, Space, Intelligence, Engineering, and Oversight
U.S. Department of Defense - Office of Inspector General
4800 Mark Center Drive
Alexandria, VA 22350-1500

Subject: Scope of External Peer Review of DCMA (Project No. D2025-DEVOSO-000400) Should Include Earned Value Management System Surveillance

Dear Asst. Inspector Stone:

Please consider including the following in the scope of the subject audit:

Whether the system of quality control for Earned Value Management System (EVMS) surveillance was suitably designed and complied with to provide reasonable assurance that the audit organization was performing and reporting in conformity with Government Auditing Standards and applicable legal and regulatory requirements in all material respects.

The specific element of EVMS to be audited is EVMS Standard EIA-748, Guideline 2.2b, Identify Products and Milestones for Progress Assessment, Identify physical products, milestones, *technical performance* goals, or other indicators that will be used to measure progress.

The *DoD EVMS Interpretation Guide* (EVMSIG) is used as the basis for the DoD to assess EVMS compliance to the EIA-748 Guidelines. Per EVMSIG:

1. "Government and industry program managers use EVM as a program management tool to provide joint situational awareness of program status and to assess the cost, schedule, and technical performance of programs for proactive course correction."
2. DoDI 5000.02, multiple disciplines in the acquisition community will use EVM to ensure sound planning and resourcing of all tasks required for contract performance and to manage program cost, schedule and technical performance.
3. Objective technical performance goals and measures are incorporated throughout the schedule hierarchy based on the completion criteria developed for each increment of work, in order to limit subjective measurement of work accomplished. Objectively measured performance data that accurately reflects technical accomplishment of the work provides program management visibility into program progress and credible early indications of program problems and the need to take corrective action.

The use of TPMs is significant per the qualitative factors in the *Government Auditing Standard*. Factors include the nature and effect of the matter, the relevance of the matter, and the needs and interests of an objective third party with knowledge of the relevant information. The relevance of using TPMs and the third-party interests include:

- a. Per the *OMB Capital Programming Guide*, during the procurement phase, performance-based management systems (EV or similar system) must be used to provide contractor and Government management visibility on the achievement of, or deviation from, goals until the asset is accepted and operational. If goals are not being met, performance-based management systems allow for 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.

- b. Recent GAO reports found that major programs lacked outcome-base metrics, also known as technical performance measures (TPM).
 - i. Per GAO-23-105867, “Without the use of *outcome-based metrics* and continually assessing the value of what was delivered against user needs, a program...might deliver capabilities and features that are not essential to the customer and that could contribute to schedule and cost overruns.”
 - ii. Per GAO-24-106831 Weapon Systems Annual Assessment, Sentinel’s software development ...is progressing more slowly than anticipated and the program office *lacks appropriate* metrics to determine the overall status of the effort. The program office and contractor have yet to finalize software development metrics and are replanning the delivery schedule.
- c. At a subcommittee hearing, the Hon. Representative Ken Calvert stated, “The Navy’s system of keeping metrics and reporting facts is murky and flawed at best misleading at worst.” He led a “frank conversation about the Navy’s program management failures, *flawed use of metrics*, and lack of transparency.”
- d. At his nomination hearing, Hon. USD Bill LaPlante was asked, “If confirmed, what steps would you take, if any, to require contractors to report valid measures of cost, schedule, and *technical performance* for all acquisition pathways?” He replied, “If confirmed, I will work across the Department and with the industrial base— current and emerging—to validate, improve, or establish *appropriate metrics* across the acquisition pathways.”
- e. Per the *DOD EVMS Interpretation Guide*,
 - Government and industry program managers use EVM as a program management tool to provide joint situational awareness of program status and to assess the cost, schedule, and *technical performance* of programs for proactive course correction.
 - Per DoDI 5000.02, ...use EVM to ensure sound planning and resourcing of all tasks required for contract performance and to manage program cost, schedule, and *technical performance*.
 - Objective *technical performance goals and measures* are incorporated throughout the schedule hierarchy based on the completion criteria developed for each increment of work, in order to limit subjective measurement of work accomplished. Objectively measured performance data that accurately reflects technical accomplishment of the work provides program management visibility into program progress and credible early indications of program problems and the need to take corrective action.

DCMA Business Practice for EVMS Surveillance Fails to Achieve Goals and Objectives

Per GAO-24-106786, *Government Auditing Standards*, key categories of performance audit objectives include the following:

- a. Program effectiveness and results audit objectives...Audit objectives that focus on program effectiveness and results typically measure the extent to which a program is achieving its goals and objectives.
- b. Examples of program effectiveness and results audit objectives include assessing the extent to which legislative, regulatory, or organizational goals and objectives are being achieved.
- c. Determining whether a program produced intended results or produced results that were not consistent with the program’s objectives.

The DCMA EVMS Group vision is to enable reliable EVMS data and perform independent analytics with maximum efficiency. EVMS Center Business Practice 4, EVMS Surveillance, is ineffective and does not produce intended results that are consistent with the program’s objectives .

Why? Its Business Practices and DCMA EVMS Compliance Metrics (DECMS) are silent on TPMs. Consequently, program managers have no assurance that EVMS data is reliable or that it provides joint situational awareness of program status that is needed to assess the cost, schedule, and technical performance of programs for proactive course correction.

Requested DoD IG Action

Please include a review of DCMA Surveillance process, practices, DECM, and surveillance reports in the audit scope. It is recommended that the F-35 Block 4 and Sentinel programs be included in the audit sample.

For background, please read the following letters to:

- Lt. Gen. Gregory L. Masiello, Subj: DCMA EVMS Compliance Procedures and Metrics Ignore Technical Performance Measurement, Third Request, June 9, 2024.
- USD(A&S) William LaPlante USD Subj: Navy Frigate's Failure Obscured by Metrics Based on Quantity, not Quality. RIP, EVM.

The letters may be downloaded from www.pb-ev.com at the Acquisition Reform tab.



Paul Solomon

CC:

LTG Masiello, DCMA

USD (Comptroller)/CFO Michael McCord

Hon. Bill LaPlante (USD)

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

Hon. Adam Smith, HASC

Hon. Carlos Del Toro, Secretary of the Navy

Nickolas Guertin (ASN RD&A)

Honorable David L. Norquist, NDIA

Hon. Robert J. Wittman, HASC

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

Hon. Donald Norcross, HASC

Hon. Rep. Julia Brownley

Anthony Capaccio, Bloomberg News

Shelby Oakley, GAO

Jon Ludwigson, GAO