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Lt. Gen. Gregory L. Masiello
Director, DCMA
3901 A Ave.
Fort Lee, VA 23801

Subject: DCMA Earned Value Management Award Fee Guidance

Dear Lt. Gen. Masiello:

This letter is the fourth letter to your office, since 2021, regarding the silence in the DCMA Earned Value Management System (EVMS) compliance review process and DCMA EVMS Compliance Metrics (DECM) on the use of technical performance measures (TPM).

This is the first letter to cite DCMA's failure, in the *DoD Earned Value Management Implementation Guide* (EVMIG), to use award fees to penalize contractors that do not base schedule performance data and earned value on technical performance.

The giveaway to contractors is in Appendix D, Sample Award Fee Criteria in the example, "EVM is effectively integrated and used for program management." The defective excerpt follows:

MANAGEMENT EXAMPLE: Realistic and current cost, expenditure, and schedule forecasts.	
UNSATISFACTORY	Contractor does not meet the criteria for satisfactory performance.
SATISFACTORY	Contractor provides procedures for delivering realistic and up-to-date cost and schedule forecasts as presented in the Integrated Program Management Report (IPMR), formal EAC, CFSR, IMS, etc. The forecasts are complete, consistent with program requirements, and reasonably documented.
GOOD	Contractor meets all SATISFACTORY requirements plus the following:

	<ul style="list-style-type: none">• Contractor thoroughly documents and justifies all requirements for additional funding and schedule changes. Contractor creates consistent and logical expenditure forecasts based on program requirements. Contractor acknowledges cost growth (if any) in the current reporting period and provides well-documented forecasts.
VERY GOOD	Contractor meets all GOOD requirements plus the following: <ul style="list-style-type: none">• Contractor constantly scrutinizes expenditure forecasts to ensure accuracy and currency. Contractor prepares and develops program cost and schedule data that provides clear government visibility into current and forecast program costs and schedule. Schedule milestone tracking and projections are accurate and reflect true program status. Contractor maintains close and timely communications with the government.
EXCELLENT	Contractor meets all VERY GOOD requirements plus the following: <ul style="list-style-type: none">• Contractor consistently submits a high quality EAC that is current and realistic. Reported expenditure profiles are accurate. Contractor develops comprehensive and clear schedule data that provides excellent correlation with technical performance measures and cost performance reports and permits early identification of problem areas. Schedule milestone tracking and projections are accurate and recognize potential program impacts.

Per the EVMIG, “the Government should tailor management and EVM requirements to leverage the contractor’s existing processes and data generated by those processes to obtain sufficient insight into program cost, schedule, and *technical performance*.” In my opinion, a contractor should be “Unsatisfactory” if its reported schedule performance and earned value do not correlate with technical performance. However, DCMA award fee guidance only considers “technical performance” to achieve Excellence.

It is no wonder that there are many negative assessments of the utility and effectiveness of EVM as practiced by contractors that are compliant with the EIA-748 guidelines.

To repeat, there is no assurance that the DCMA EVMS Center can accomplish its mission of “assessing contractor effectiveness which provides stakeholders with expectations of future performance and potential impacts on individual contractors and/or programs.”

Wasted DCMA Effort to Collect and Analyze EVM Compliance Metrics

Much of DCMA’s EVM compliance review effort is a waste of taxpayers’ money and diverts the attention of contractor and DoD personnel from building a product that works to executing and monitoring a failed process. Per the white paper, “Earned Value Management: “When you come to a fork in the road...”, 7/25/2024:

highly skilled EVM specialists waste time and money reviewing data anomalies in contractually-required, automated DECMs.” DECMs provide answers to *process* questions that are not useful to the program manager. They include:

- Does Budget at Completion within the EV Cost Tool reconcile to the Work Authorization Document?
- Are required variance analysis reports being generated that exceed established internal thresholds?
- Are retroactive changes being made to the actual costs of work performed?

DCMA specialists also waste time when analyzing or developing Cost Performance Index Estimates at Completion (CPIEAC) even though the cost performance is based on (earned value) BCWP that can obscure, not spotlight, real schedule progress. Overstated BCWP results in understated EAC. Instead of wasting money on labor and software licenses for DECM, DCMA should employ these specialists to focus on tasks that really help program teams. They should focus on issues and risks related to completing the product, not on the EVM process and metrics.

This letter and other documents, with recommendations, may be downloaded from www.pb-ev.com at the Acquisition Reform and White Paper tabs.

Yours truly,



Paul J. Solomon

CC:

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