

**Paul Solomon**  
**3307 Meadow Oak Drive**  
**Westlake Village, CA 91361**  
Paul.solomon@pb-ev.com

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The Honorable Gregory Kausner  
USD(A&S)  
1010 Defense Pentagon  
Washington, DC 20301-1010

Subj: EVMIG Award Fee Criterion to Integrate Systems Engineering with EVMS

Dear Undersecretary Kausner:

The letter dated October 5 included an EVMIG revision to incentivize contractors to integrate EVMS with the systems engineering (SE) process, as follows.

<b>Proposed Revisions to EVMIG</b>			
DISCIPLINE EXAMPLE: Baseline discipline and system compliance.			
<b>Page</b>	<b>Section</b>	<b>Is</b>	<b>Should be</b>
80	Appendix D Sample Award Fee Criteria	Very Good Contractor EVMS is effectively integrated with other management processes.	Very Good <i>...Contractor EVMS is effectively integrated with the <b>SE process</b> and other management processes.</i>

This letter provides additional justification and evaluation guidance. The following excerpts are from DAS policies and supporting documents that are the framework for acquisition reform regarding award fees, SE, and EVMS.

### **DAS Policies and Supporting Documents**

The following documents flow down a framework for acquisition reform.

1. DoDD 5000.01 Defense Acquisition System (DAS)

Policy

Program goals for cost, schedule, and performance parameters will describe the program. Approved program **baseline parameters will serve as control objectives.**

2. DoD Instruction 5000.88, Engineering of Defense Engineering of Defense Systems

- 3.4. Program, Technical, Planning, and Management

- b. Technical Baseline Management.

The PM will implement and describe in the Systems Engineering Plan (**SEP**) a technical baseline management process as a mechanism to manage technical

maturity, to include a mission, concept, functional, allocated, and **product baseline**.

### 3. SEP Outline

3.2 Engineering Resources and Cost/Schedule Reporting – List and summarize the program oversight and management systems that **integrate cost, schedule, and technical performance goals, metrics, and resources**.

- Work Breakdown Structure (WBS)
- Summarize the relationship among the WBS, product structure, and schedule.
- Explain the **traceability between the system's technical requirements and WBS**.

### 4. Defense Acquisition Guidebook

#### 4.3.3.2.3.1. Fabricate, Assemble, Code to Product Baseline

The program manager should ensure the program team continually assesses **cost, schedule, and performance against the evolving product baseline**.

#### 4.5.1 SEP

**...product baselines**, will be developed and managed.

...should include both design requirements and verification/validation requirements for all configuration items across the WBS.

### Guidance for Implementing Revision of “Very Good” Criterion

For a contractor to be “very good,” it must have **traceability** between the product baseline and the WBS. EIA-748 is silent on the technical or product baseline. This EVMIG revision will incentivize contractors to focus on the product, not just the SOW.

### Contractual Alternative to EVMIG Revision

Although the intent of the proposed EVMIG revision is to incentivize contractors to integrate SE with EVMS, OSD has recognized that it is a best practice to require that integration be contractual. It published “OSD Best Practices for Using SE Standards (ISO/IEC/IEEE 15288, IEEE 15288.1, and IEEE 15288.2) on Contracts for DoD Acquisition Programs,” April 2017 (Best Practices for SE).

Per Best Practices for SE:

To establish a project with an effective SE approach in the competitive environment of most DoD acquisitions, the system acquirer should:

1. Stress the importance of SE within the scope of the overall acquisition

2. Define the acquirer's expectations, generally expressed in requirements, for a supplier's SE processes (outcomes, activities, and/or outputs) and technical reviews and audits
3. Levy requirements on the supplier, via the contract, to perform effective SE
4. Ensure the supplier's SE efforts are appropriately funded and resourced
5. Ensure a means for the supplier to demonstrate compliance with those requirements

The Contractor shall:

- Define and implement SE processes in conformance (as measured via the outcomes and outputs specified by 15288.1-2014).
- Deliver a SE Management Plan (SEMP) consistent with the Government-provided SEP
- Deliver an Integrated Master Plan (IMP) and Integrated Master Schedule (IMS).

Additional information for implementing an effective, SE contractual approach is provided in the attached email to Undersecretary Lord on September 27, 2007.



Paul Solomon  
818-212-8462

CC:

Kathleen Hicks, Dep. Sec. of Defense  
DAU Pres. James Woolsey  
HASC Chairman Adam Smith  
Rep. Donald Norcross