

From: pbev [paul.solomon@pb-ev.com]  
Sent: Friday, November 05, 2010 4:31 PM  
To: 'peter levine'; 'Andrew Hunter'  
Subject: Acquisition Reform Provision in NDAA

Dear Mr. Levine and Mr. Hunter

The NDAA will be considered soon by the Senate. I want to remind you of an important acquisition reform provision that is included in the House version. This reform is needed to require that contractors provide accurate progress and credible estimated costs and schedule at completion on major contracts that use Earned Value Management (EVM). Currently, the FAR and DFARS fail to require contractors to measure and report technical performance in their monthly reports. The EVM reporting requirements are costly to administer. However, government program managers often receive flawed reports that lack credibility, transparency, and accountability.

The beginning of path to valid EVM reports is in H.R. 5136, Sections 106(a) and 106(b)(4).

You can achieve a deeper understanding of the problem and a solution by reading the November-December issue of Defense AT&L, published by the Defense Acquisition University. It includes my article, "Earned Value Management Acquisition Reform."

The key points are:

1. EIA-748, the government-required EVMS standard, is intrinsically flawed.
  - a. It ignores the technical baseline (product requirements) and measures only quantity of work completed, not quality (Quality Gap)
  - b. It lacks guidance on risk management.
  - c. Consequently, it does not provide a framework to integrate cost, schedule, and technical performance or to integrate risk.
2. Contractors may be compliant with EIA-748 even if their reported progress is not based on technical performance measures (TPM). The Quality Gap enables contractors to:
  - a. Report EV based on the quantity of drawings or code completed, regardless of their failure to meet technical objectives or planned functionality.
  - b. Overstate EV when cumulative EV is not adjusted to account for rework.
  - c. Establish misleading PMB and schedule when tests and rework are planned in management reserve instead of in the initial PMB.
3. DoD has reported that EVM, based on EIA-748, no longer serves its intended purpose.
4. Guidance to base EV on TPMs is provided in DoD and GAO guides but federal regulations (FAR, DFARS) do not require TPMs.
6. Most commercial companies use the **Project Management Institute standard**, Guide to the Project Management Body of Knowledge (PMBOK® Guide), not EIA-748.  
(Note added 4/15/21: the PMI standard for Program/Project Management is accredited by ANSI.)
7. If you are measuring the wrong things or not measuring the right way, then EVM may be more costly to administer and provide less management value.
8. Industry has not corrected the flaws in EIA-748. Contractors prefer the status quo. Reform is up to Government.
9. Commercial processes and best practices and systems engineering (SE) standards should be

considered for EVM acquisition reform.

a. **Replace EIA-748 or augment it with components of the PMBOK® Guide and SE standards.**

b. Revise FAR and DFARS to require that earned value be integrated with technical performance and risk, using provisions in existing DoD and GAO guidance.

The NDIA prefers the status quo and will not take the initiative to make three simple changes to the standard and close the Quality Gap.

\* Change the ANSI/EIA-748 Guideline to require that technical performance goals will be used to measure progress. Eliminate the “or” with regard to TPMs.

\* Eliminate Section 3.8 which states that EV is a measurement of the “quantity of work and that quality and technical content of work are controlled by other means.”

\* **Add a definition of a project’s product scope, not just the work scope, as defined in the PMI PMBOK Guide.**

I am retired from Northrop Grumman where I worked on the B-2, Global Hawk, and F-35 programs. I have never seen the integration of TPM with EVM within DoD programs except for software development on the B-2 program. When I advocate reform at DoD and engineering conferences, the corporate participants state that nothing will change unless the Government makes them do it. “Why be held accountable if we don’t have to?”

The F-35 program is an excellent example of the failure of EVM to provide accurate performance measurement and an early warning of future cost and schedule overruns. I worked on it for two years. The EVM implementation failures were not just compliance problems. If there had been mandated TPM integration, the cost and schedule performance issues would have been disclosed years earlier, starting with Preliminary Design Reviews and Critical Design Reviews.

Industry will do nothing. I also see no evidence that the DoD and the Executive office is seeking a remedy. They can take the initiative to change OMB policy, FAR, and DFARS to require that contractors link EV to technical performance. Please see my letters to Mr. Zients, the OMB Chief Performance Officer 3rd letter to Mr. Zients, and to Sec. Of Defense Gates Letter to Sec. Gates with recommended actions.

I believe that legislative prodding is necessary to ensure that acquisition reform is implemented. Please support the EVM provisions in the Senate and, if excluded from the Senate version, I urge you to support the provisions in conference with the House.

Yours truly,

Paul Solomon, PMP