

Earned Value Management (“EVM”) is one of the most constructive tools of the Department of Defense (“DOD”) and the defense industry for allowing the assessment of a program’s cost, schedule, and progress to conduct informed decision-making among stakeholders. A properly implemented EVM System (“EVMS”) provides quantitative and qualitative data that can be used to understand the program objectives, completed scope of work, and program cost to track contract performance. An EVMS encourages program managers and government oversight staff to act upon real-time program data and address any issues early and in a disciplined and objective manner. An EVMS should leverage a contractor’s current management best practices and procedures and should not require a contractor to undergo major changes to its current processes to implement the 32 specific criteria included in a functional EVMS. These criteria are within 8 overarching steps necessary to performing an effective earned value analysis including determining the percentage of completion, planned value, earned value, actual project cost, schedule variance, cost variance, and other project status indicators. Contractors with well-established management reporting and tracking practices may not require significant adjustments to comply with EVM, whereas smaller contractors with less formal processes may need to make changes. The Defense Contract Management Agency (“DCMA”) will conduct system surveillance beginning at contract award and continuing through the duration of the contract. EVMS surveillance will be conducted at all contractor sites where EVMSs are implemented for contracts valued over \$20 million.

## Earned Value Management Application

The compliance requirement for utilizing an EVMS is outlined in *DOD Instruction 5000.02*. EVM applies to the following three contract types when the performance period is at least 18 months or the contract is valued at \$20 million or more, including unexercised options at inception: 1) cost or incentive contracts; 2) subcontracts; and 3) intra-government work agreements.

## EVMS Compliance

Contractors are expected to have implemented adequate policies and procedures prior to award of a contract that

requires an EVMS by leveraging existing management practices and typical business management systems. An EVMS should provide internal controls that document the formal program management process for managing performance of all acquisitions between a contractor and the DOD. The controls should ensure that the program manager and appropriate government stakeholders receive the contract performance data that provide and certify:

- Time-phased budgets as they correspond to the scope of work to be completed.
- Objective measures of program completion.
- Program objectives and milestones.
- Data for the development of informed decisions and corrective action.
- Reported data is timely, accurate, reliable, and holds the ability to be audited.
- Appropriate program status reporting.
- Estimates at completion (“EACs”) are timely and reliable.

## Enhancements to the Application of EVM

The DOD has required that contractors and program managers institute changes to their processes and systems to ensure compliance with its new Integrated Program Management Data Analysis Report (“IPMDAR”) requirements beginning March 31, 2020. The IPMDAR may need to be applied retroactively if contract options and/or significant modifications occur, causing the contract value to exceed \$20 million. The IPMDAR replaces the previous EVM reporting process, the Integrated Program Management Report (“IPMR”) and requires enhanced data tracking and reporting of project performance, schedule, and cost. Under the IPMDAR, contractors must submit data electronically to the government agency monthly.

The IPMDAR will allow the government to have a better handle on project performance due to the enhanced supply of data and the timeliness of submission from a contractor. The IPMDAR places a greater reliance on forward-look data to analyze a program’s performance. This enables the program manager, agency, and stakeholders to:

- Hold a firm grasp on the control account and work package scope.

Former IPMR Requirement	New IPMDAR Requirement
A defined reporting format that was required to be provided monthly. <ul style="list-style-type: none"> <li>UN/CEFACT XML.</li> <li>EDI 839.</li> </ul>	An electronic data interchange file will now be submitted monthly: <ul style="list-style-type: none"> <li>Zipped JSON files: <ul style="list-style-type: none"> <li>Enables encoded cost and schedule data to remain as a table and/or relationship.</li> </ul> </li> </ul>
The project performance data reported was at a level identified in the Contract Data Requirements List. <ul style="list-style-type: none"> <li>Reported above the control account.</li> </ul>	The project performance data is now required at the control account level. <ul style="list-style-type: none"> <li>Performance data may be required at the work package level if specified in the Contract Data Requirements List.</li> </ul>
A forecast of EACs was required at each reporting level.	Forecasts are now required to be time-phased on a monthly basis. <ul style="list-style-type: none"> <li>EACs are no longer required at each reporting level.</li> </ul>
Contracts for programs classified as ACAT1 were required to provide an electronic data upload to the DOD EVM Central Repository.	All DOD contracts and programs, regardless of ACAT classification, are required to upload their program data to the DOD EVM Central Repository.
The Integrated Master Schedule, IPMR, and variance analysis were to be submitted by the 20 <sup>th</sup> working day of the month.	The Integrated Master Schedule can be submitted following the close of the current period. Data related to contract performance and variance analysis is to be submitted by the 16 <sup>th</sup> working day of the month. <ul style="list-style-type: none"> <li>Additional guidance may be provided in the Contract Data Requirements List.</li> </ul>
Limited communication, if any, with the government program office regarding the IPMR.	Fosters collaboration and communication with government program office regarding the program's performance.

**Table 1.1** Comparing requirements from the IPMR to the new IPMDAR.

- Maintain visibility over cost and cost risk.
- Become aware of bottlenecks or issues in scheduling.
- Trace cost to each element of the program schedule.
- Understand the impact of retrospective contract changes.

- Replacing EACs with time-phased forecasted cost and schedule data.
- Increased expectation of communication and timeliness of data submission to the government program office.

## Potential Challenges of the IPMDAR Implementation

Implementing the IPMDAR will impact contractors that are expecting an award or have a current award in progress with significant options that would cause modification. This implementation will create the following challenges for government accounting and compliance staff:

- Changing from the monthly delivery of fixed reports under the IPMR to electronic submission to the DOD EVM Central Repository in JSON file format.
- Upgrading the data quality and integration in their program cost and schedule submissions.
- Providing an increased level of account and schedule detail than was previously required under the former IPMR standards.

## Chess Consulting Differentiators

**Deep industry knowledge** and technical expertise which helps clients deal effectively with the complexities of the processes and issues facing its business.

**Profitability focus** concentrating on actions and solutions that create a competitive business advantage while fully complying with regulatory requirements.

**Practical and creative solutions** that effectively address difficult compliance and business issues.

**Supportable positions** that have been proven to withstand scrutiny from regulatory agencies (e.g., DCAA, DOJ, GAO).

**Reduced risk** of noncompliance with increasingly stringent regulations.

**Ready access** to skilled resources.