

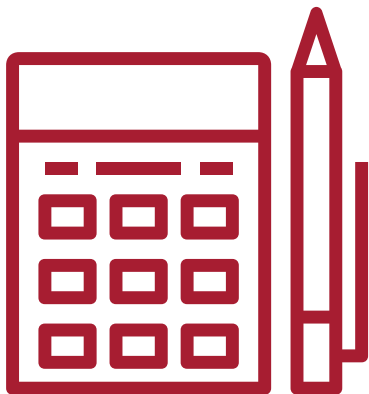


Earned Value Management

GOVERNMENT CONTRACT REGULATORY COMPLIANCE

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 project performance, program objectives, completed scope of work, and program cost to track contract execution. 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. There are 32 specific criteria within 8 overarching steps that must be met to certify 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 performance 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.

The compliance requirement for 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.



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 and measuring performance of all acquisitions between a contractor and the DOD. Its important 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 project completion and performance.
- 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.



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 measuring 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-looking data to analyze a program’s performance. This enables the program manager, agency, and stakeholders to:

- **Maintain visibility over cost and schedule 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.**
- **Hold a firm grasp on the control account and work package scope.**

THE CHESS CONSULTING ADVANTAGE

Implementing the IPMDAR will impact contractors that are expecting an award or have a current award in progress with significant contract 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.
- Replacing EACs with time-phased forecasted cost and schedule data.
- Increased expectation of communication and timeliness of data submission to the government program office.

Our professionals work closely with clients and the government agency (DCMA or DCAA) assigned to do the EVM review to provide comprehensive EVM readiness compliance assessments. The review includes an evaluation of the design and effectiveness of processes, policies, procedures, and training relevant to the DCAA/DCMA criteria. We use our industry knowledge and expertise to identify design gaps and provide key observations and recommendations regarding corrective action plans that allow management to make more informed resourcing, systems, and implementation decisions to achieve compliance. As needed, we also work with our clients to implement the identified corrective action plans by developing new or modified documented work flows, policies, procedures, and training.

Chess Consulting Differentiators:

Deep industry knowledge and technical expertise which helps each client 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 such as the SEC, DCAA, DOJ, and GAO.

Reduced risk of noncompliance with increasingly stringent regulations.

Ready access to skilled resources.

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When the right move matters, contact Chess Consulting.