THE DEPARTMENT OF TREASURY EARNED VALUE MANAGEMENT GUIDE VERSION 2.0 SEPTEMBER 30, 2008

Earned Value Management Guide September 30, 2008
Department of the Treasury

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Chapter 1: Introduction

Purpose This Guide establishes guidance for using Earned Value Management (EVM) for major Treasury Information Technology (IT) investments.

References

Government and industry references applicable to EVM are provided in Appendix A. Concepts of Earned Value Management.

Earned Value Management (EVM) is a structured process used to manage major investments. EVM integrates the scope of work with schedule and cost elements for better planning and control. As a business process, EVM is a methodology for:

- Planning all work to completion;

• Breaking down the work scope into finite pieces that can be assigned to a responsible person or organization for control of technical, schedule, and cost objectives; and

• Managing schedule, cost, and performance objectives against a baseline plan (including the control of changes to the baseline).

EVM is a process that not only provides program/project managers and stakeholders with insight into investment performance, but also provides the necessary data points to estimate statistically probable completion costs and dates. The implementation of EVM is a recognized parameter of good program management. It ensures that cost, schedule, and technical aspects of the investment are truly integrated and:

• Relates time-phased budgets to specific tasks;

• Indicates work progress;

• Properly relates cost, schedule, and technical accomplishment to scope;

• Is valid, timely, and auditable;

• Allows for statistical estimation of completion costs;

• Supplies managers with information summarized at a practical level; and

• Facilitates risk management.

Earned value analysis is used to:

• Measure the amount of work actually performed;

• Forecast cost and completion date using historical and statistical projections;

• Indicate how well an investment is performing compared to its original plan; and
• Forecast how the investment will perform in the future.

All EVM metrics are derived from three conceptual values:

• The Plan – Budgeted Cost of Work Scheduled (BCWS), or Planned Value (PV)

• The Performance – Budgeted Cost of Work Performed (BCWP), or Earned Value (EV)

• The Costs of Performance – Actual Cost of Work Performed (ACWP), or Actual Cost (AC)

Roles and Responsibilities at Treasury

The following decision-making bodies and staff have been assigned the responsibilities described below.

• **E-Board** – The Treasury Executive Board (E-Board) is the governing and approval body responsible for ensuring that proposed investments (both IT and non-IT) meet Treasury strategic, business, and technical objectives. It is comprised of Treasury Deputy Secretary (Chair), Assistant Secretary for Management/CFO (Vice Chair), Chief Information Officer (Executive Officer/Secretary), and the head of each Treasury Bureau. The E-Board receives periodic investment status updates from the Treasury CIO and the CIO Council. For each investment outside the ±10% cost/schedule variance threshold, the E-Board decides whether to continue, modify, or terminate the investment or a portion of the investment, based on corrective action plan (CAP) progress.

• **CIO Council** – The Treasury CIO Council recommends policy for Capital Planning and Investment Control (CPIC), Enterprise Architecture, and Infrastructure. The CIO Council is chaired by the Treasury CIO. Members include:

- Treasury Bureau CIOs

- Treasury Deputy Assistant Secretary for Privacy and Treasury Records

- Deputy Chief Financial Officer

- Treasury Senior Procurement Executive – Departmental Offices

- General Counsel representative – Office of General Counsel

The CIO Council assesses potential and existing major and nonmajor IT investments for adherence to Department and OMB capital planning criteria and for technical feasibility. The CIO Council assesses alignment of IT investments with Treasury architecture and procurement standards. It makes recommendations on technical and management matters to the E-Board. The CIO Council conducts periodic reviews of the portfolio and key investments and directs remedial actions where required. CIO Council members keep key officials within their respective organizations (e.g., Chief Financial Officer; Chief Acquisition Officer) apprised of progress and problems relative to IT investments.

• **CPIC Sub-Council** – The CPIC Sub-Council provides input on developing Treasury-wide standards for CPIC-related topics, and its members act as liaisons between the OCIO and the Bureaus to communicate and assist with the implementation of standards and guidelines. The CPIC Sub-Council is co-chaired by the Treasury ACIO, Planning and Management and one Bureau CIO. Membership is comprised of senior CPIC representatives from each Bureau and the Treasury OCIO CPIC Director. The Sub-Council also plays an active role in determining tool configuration requirements. The Sub-Council supports the CIO Council by providing leadership in formulating and implementing CPIC policies and programs in the Department, providing a forum for Bureaus to discuss CPIC issues and requirements, and making recommendations to the CIO Council.

• **Treasury OCIO Capital Planning and Investment Control (CPIC) Staff** – The Treasury OCIO CPIC staff is responsible for oversight of, and support for, the CPIC process. The
Treasury OCIO CPIC staff reviews and analyzes the EVM information and CAPS (where applicable) and provides reports to the CIO Council. The CPIC staff conducts periodic reviews
of the progress made on CAPs, provides updates to the CIO Council, and assists with reviews of baseline change requests (BCRs) and their approval by the Treasury CIO.

• **Subject Matter Expert (SME)** – SMEs support the CPIC staff by providing knowledge on topics such as security, acquisition strategy, technical feasibility, enterprise architecture (EA), and budget formulation. Their expertise may be called upon to review CAPs.

• **Bureau CPIC Coordinator** – The Bureau CPIC Coordinator serves as a Bureau's single point of contact to the Bureau CIO and the Treasury OCIO CPIC staff on CPIC matters. The Bureau CPIC Coordinator conveys information, instructions, and due dates to the Bureau's IT investment Program/Project Managers (P/PMs) and coordinates all IT-related Bureau input with the Bureau's CIO and the Treasury OCIO CPIC staff. The Bureau CPIC Coordinator monitors the EVM recordkeeping requirements for compliance with the requirements of this guide and provides a point of quality control before information is transmitted to the Treasury OCIO CPIC staff. The Bureau CPIC Coordinator assesses BCRs and CAPs and makes recommendations to P/PMs and internal governance bodies.

• **Program/Project Manager (P/PM)** – The P/PM has the ultimate responsibility for appropriately implementing and monitoring EVMS for individual IT investments, validating that
the methods are applied appropriately, verifying that necessary and appropriate clauses are included in contracts, and ensuring recordkeeping and artifacts are properly

maintained. The P/PM develops, implements, and reports progress on the CAPs and submits BCRs as necessary.

• **Contractor** – The contractor is responsible for complying with EVM requirements in accordance with contractual terms and conditions.

• **Non-Commercial Entity –** Non-commercial entities include government personnel, Fiscal Agents, etc. They must comply with the Core EVM requirements defined in this in this guide.
Implementation This guidance provides a consistent overall approach for implementing EVM at the Department of the Treasury. Due to variations in organizations, products, and working relationships, Bureaus are responsible for supplementing this Departmental guidance as appropriate within their respective organizations and for ensuring detailed records are retained and readily available for management oversight and auditing purposes.

Chapter 2: Guidance

Background

The Office of Management and Budget (OMB) requires that federal agencies manage all major IT investments with development/modernization/enhancement (DME) activities using an
Earned Value Management System (EVMS). Such investments must implement an EVMS that complies with American National Standards Institute/Engineering Industrial Alliance (ANSI/EIA) Standard 748. The Department of the Treasury requires EVMS, consistent with the
guidelines defined in ANSI/EIA Standard 748, at the thresholds contained in this document.

EVM Thresholds

Treasury has established two EVM thresholds to define the level of reporting required:

"Full" EVM reporting – 32 ANSI criteria. See Appendix B for details.
"Core" EVM reporting – 10 ANSI criteria. See Appendix C for details.

EVM thresholds are established separately for the contractor-developed and the government-developed components of investments.
The following thresholds for the ***contractor-developed component*** of investments apply to DME costs *at the Contract Line Item (CLIN) level* for performance-based acquisitions and to DME costs *at the Task Order level* for non-performance-based contracts:

• **DME costs above $50 million** – "Full" 32 ANSI criteria EVMS

– *external validation is required*. The contractor must supply proof of validation by the Cognizant Federal Agency (CFA) that EVM is applied in full compliance with ANSI/EIA Standard 748. CFA is defined in Federal Acquisition Regulation (FAR) Part 2.

• **DME costs $20 to $50 million** – “Full” 32 ANSI criteria EVMS – *self-validation is required*. The contractor must provide proof of self-validation that EVM is applied in full compliance with ANSI/EIA Standard 748.

• **DME costs under $20 million** – *“Core” EVM reporting is required*. EVM principles must be applied for tracking investment cost, schedule, and performance, but need only comply with a subset of ANSI/EIA Standard 748 criteria, listed in Appendix C.

For the non-contractor component, “Core” EVM reporting is required for DME work.
New investments must implement the standard at initiation. Existing investments shall select a logical point to start and move forward (e.g., system refresh). The CPIC staff and Bureau CPIC Coordinator shall work together to determine the onset timeframe for requiring EVM implementation for an investment, and also when waivers are warranted.

Investment Level Minimum Earned Value Management Requirements

In implementing this guidance, each Bureau shall adhere to the following minimum requirements when providing information regarding each major IT investment, regardless of threshold level:

• Each Bureau shall develop, implement, and use one standard EVMS/process that addresses the following minimum requirements:
- A product-oriented work breakdown structure (WBS) and WBS dictionary for all major IT investments, based on the GAO Cost Estimation Guide. The investment WBS must be documented to at least at Level 2 in the EVM Cost and Schedule Performance Table of the Exhibit 300. Each investment WBS element description should be readily understandable to investment stakeholders, including OMB.
- An integrated WBS containing both contractor and noncontractor components.
- A working level Lifecycle Schedule developed based on the

WBS.

• An integrated Performance Management Baseline (PMB) against which performance will be measured and validated.

• Quarterly EVM data (cumulative EVM to date and quarter specific data) shall be provided to Treasury. This data must be entered into the Treasury portfolio management tool and obtained from the Bureau's EVMS/process to fulfill Treasury and OMB quarterly reporting requirements.

Included Costs for EVM Reporting

There are various direct and indirect costs that could be included in the EVM reporting for an investment. At a minimum, projects must track and include direct labor and operating budget items (training, travel, salary and benefit rates, paid leave benefits, etc.). Care must be taken to ensure that the estimating methods used in developing the WBS and the resulting PMB are consistent to avoid artificial variances. Supporting documentation that outlines the rationale and/or methods used in allocating costs to effort hours shall be maintained.

EVM Metrics and Reporting

At a minimum, monthly EVM metrics reporting shall include:
• Budget at Completion
• Planned Value
• Earned Value
• Actual Cost
• Estimate at Completion (optional below the milestone level)
• Schedule Variance
• Schedule Variance %
• Cumulative Schedule Performance Index
• Period Schedule Performance Index
• Cost Variance
• Cost Variance %
• Cumulative Cost Performance Index
• Period Cost Performance Index

EVM Acquisition Requirements

When preparing the statement of work, the PM must determine whether the acquisition is going to be part of a major or non-major investment. The criteria for major investments are in the Treasury IT CPIC Guide and the Treasury IT Manual (Treasury Directive 81-01). If the acquisition is expected to be all or part of a major investment, the Project/Program Manager (P/PM) must notify the acquisition personnel drafting the Request for Proposal (RFP) to include EVM requirements in the acquisition plan and solicitation documents.

EVM requirements and clauses are published at FAR 52.234-2 *Notice of Earned Value Management System – Post Award IBR,* and FAR 52.234-4 *Earned Value Management System.*
The Office of the Procurement Executive plans to issue additional clauses in the Department of the Treasury Acquisition Regulation that will cover the Core EVM requirements.

EVMS Contractor Validation and Surveillance

The Government must validate that contractors have implemented an ANSI-compliant EVMS as required by *OMB Circular A-11, Planning, Budgeting, Acquisition, and Management of Capital Assets* and the Federal Acquisition Regulation (FAR). This validation consists of a system capability analysis to verify that the EVMS complies with the standard and that verifies that the EVMS is in place to assure conformance with contractual terms and conditions.

Surveillance is a recurring process that assesses continuing compliance of the contractor's EVMS with the ANSI Standard (Full or Core) incorporated in the contract. Surveillance ensures that the contractor's EVMS:

- Provides timely and reliable cost, schedule, and technical performance measurement information summarized from the contractor's internal management system
- Complies with the ANSI standard/EVMS contract requirements
- Provides timely indications of actual or potential problems
- Maintains baseline integrity
- Provides information that depicts actual conditions and trends
- Provides comprehensive variance analysis at the appropriate levels, including proposed corrective action taken in regard to cost, schedule, technical, or other problem areas
- Identifies actions to be taken to mitigate risk and manage cost and schedule performance

Where feasible, the Department of the Treasury and its bureaus will rely on the responsible CFA to perform validation and surveillance in accordance with Table 1. To the extent this is not a feasible option (e.g., no CFA has been designated), Treasury and its bureaus shall collaborate on an appropriate validation strategy. On an annual basis, Bureaus shall develop an EVM Surveillance Strategy describing how they will maintain an effective surveillance program. The strategy must be approved by the Bureau CIO and submitted to the Treasury CIO by January 31 of each year. The OCIO shall review the strategy to assess opportunities for cross-bureau leveraging or consolidation of validation/surveillance efforts. Bureaus have primary responsibility for ensuring effective surveillance is conducted on individual programs/projects, while Treasury is responsible for overseeing Department-wide validation and surveillance activities to ensure effective monitoring and to achieve efficiencies.

Surveillance of Non-Contractor EVM

Bureaus must implement a surveillance program that ensures all DME work performed by non-contractor entities is compliant with the minimum EVMS/process requirements (see page 137 of this guide).
Table 1, below, summarizes Treasury's contractor and non-contractor validation and surveillance
requirements.

Table 1: Treasury Contractor and Non-Contractor Validation and Surveillance Requirements

>$50M Full 32 CFA
Acceptance*
Yes
$20-50M Full 32 Contractor
Self-Validation
Yes
CFA
Surveillance*
N/A
<$20M Core 10 Contractor
Self-Validation
Independent
Baseline
Validation
(IBV)
Treasury/
Bureau
Surveillance**
Treasury/
Bureau
Surveillance***
* Unless otherwise authorized)
** In accordance with Bureau Annual Surveillance Strategy
*** In accordance with Bureau EVMS/required processes

Reporting and Recordkeeping Requirements

EVM reporting must, at minimum, be at the investment milestone level and show results against the current approved baseline. Explanations must be provided for variances of 10% or greater to the baseline. Bureaus must review and approve EVM reporting to Treasury and OMB and ensure records are maintained indicating how EVM data is rolled up into investment-level EVM reporting.

EVM reporting must always be against the current Treasury CIO approved baseline as depicted in ProSight, and Corrective Action Plans and/or explanations are required for variances of 10% or greater to the approved baseline.

Baseline Change Requests (BCRs) must be submitted in accordance with the Treasury BCR guidance. All Treasury Bureaus must report investment-level EVM data to the Treasury OCIO Capital Planning Office consistent with threshold requirements. Bureaus are also required to keep readily available records of how they derived the investment level EVM data.

Establishing an Integrated Baseline and Initiating EVM Activities

A Contractor Work Breakdown Structure (CWBS) must be developed that is consistent with ANSI guidelines. The CWBS must reflect the contractor's portion of the project scope minus any government activities and costs. The CWBS shall then be provided to the government Program/Project Manager (P/PM), who will review and identify needed non-contractor resources and direct and indirect costs.

A Performance Management Baseline (PMB) that includes contractor and non-contractor resources must be generated for each project that is a part of the overall investment. These individual project-level PMBs must then be consolidated into the Integrated Baseline (IB) that includes all of the projects that compose the investment.

The IB is reflective of the entire project scope and becomes the Project Master Schedule (PMS) and includes all of the tasks for all of the projects. The PMS must contain tasks and associated durations and costs for both non-contractor personnel as well as contractor resources.

EVM Reporting Through the Acquisition Phase

P/PMs must ensure the actual costs associated with each of their projects are compiled on a monthly basis as well as activity progress information for activities performed during that month. This data, as well as related metrics, must be approved by the Bureau and reported at the investment level quarterly to the Treasury OCIO Capital Planning Office for subsequent review and submission to OMB.

If the overall investment measures a variance greater than 10% for either cost or schedule, the bureau must create and implement a Corrective Action Plan (CAP).

If the investment continues to have a variance greater than 10% when the quarterly reporting is required, the current corrective action plan must be submitted with per-quarter, as well as current cumulative, EVM data to the Treasury OCIO Capital Planning Office, and the pertinent sections must be updated in the Exhibit 300.

Baseline Change Request Process

The Treasury policy for baseline changes is found in the Baseline Change Request (BCR) Policy document, which can be found at the CPIC Resource Center.

Training

P/PMs and key staff members within each Treasury bureau shall be well-versed in program/project management, including having a working knowledge of the principles of earned value management and system development life cycle processes.
P/PMs must have a certification level appropriate to the size/scope of their project as defined by the OMB Federal Acquisition Certification for Program and Project Managers (FAC-P/PM), which was established to ensure general training and experience requirements for program and project managers, including practical knowledge and application of EVM principles.
Waivers Waivers to this guidance will be granted by the Treasury CIO based on Bureau documented and Bureau CIO approved requests. Examples of waiver justifications may include, but are not limited to:
• Urgency of work to be performed
• Limited duration of work to be performed
• Cost of adding EVMS requirement to a contract vs. benefit achieved
• Percentage of DME costs vis-à-vis the life cycle investment costs
• Level of risk

Appendix A: References

Legislation

• ***Government Performance and Results Act of 1993*** **–** Mandates the use of performance metrics.
• ***Federal Acquisition Streamlining Act of 1994*** **–** Requires agency heads to achieve, on average, 90% of the cost and schedule goals established for major and non-major acquisition programs of the agency without reducing the performance or capabilities of the items being acquired.
• ***Clinger-Cohen Act of 1996*** – Requires establishment of the processes for executive agencies to analyze, track, and evaluate the risks and results of major investments in IT and requires reporting on the net program performance benefits achieved by agencies.

Regulation

• ***Federal Acquisition Regulation (FAR)*** **–** Part 34.2-Earned Value Management System, defines federal-wide acquisition policy for EVM. FAR Part 7.105(b)(10) requires planning for the management system to be used by the Government to monitor the contractor's effort. If an Earned Value Management System is to be used, the acquisition plan discusses the methodology the Government will employ to analyze and use the earned value data to assess and monitor contract performance and how the contractor's EVMS will be verified for compliance with the ANSI Standard-748, and the timing and conduct of integrated baseline reviews (whether prior to or post award).
• ***Department of the Treasury Acquisition Regulation (DTAR)*** – will supplement the FAR as relates to Core EVM requirements and clauses.

OMB Policies

• ***OMB Circular A-11 (Part 7, Planning, Budgeting, Acquisition & Management of Capital Assets)*** **–** Outlines a systematic process for program management that includes integration of program scope, schedule, and cost objectives; requires use of earned value techniques for performance measurement during execution of the program; and specifically identifies ANSI/EIA Standard 748 as the standard for earned value measurement.
• ***OMB Memorandum M-04-24, "Expanded Electronic Government (E-Gov) President's Management Agenda (PMA) Scorecard Cost, Schedule and Performance Standards for***

Success" – Provides additional information on the President's Management Agenda (PMA) Expanded Electronic Government initiative and the standard for success concerning cost, schedule, and performance goals.

• ***OMB Memorandum M-05-23, "Improving Information Technology (IT) Project Planning and Execution"*** – Provides guidance to assist agencies in monitoring and improving project planning and execution and fully implementing an EVMS for major IT projects.

• ***OMB Memorandum dated April 25, 2007, "The Federal Acquisition Certification for Program and Project Managers"*** **–** Establishes and defines the requirements for the Federal Acquisition Certification for Program and Project Managers (FAC-P/PM). The certification is required for program and project managers that are assigned to major acquisitions as defined in Office of Management and Budget (OMB) Circular A-11, Part 7, Exhibit 300,

GAO Guidance

• **Government Accountability Office *Best Practices for Estimating and Managing Program Costs* - GAO-07-1134SP** **–** July 2007 (Exposure Draft). Defines best practices for development of a work breakdown structure (WBS).

Treasury • ***Information Technology Capital Planning and Investment Control Process Guide –*** October 2007. Defines major investments and quarterly Control reporting requirements.

• ***Baseline Change Request Policy*** – June 2008. Defines process for submitting a requested change to an approved baseline for a major IT investment.

Other Federal Agencies

• **Federal CIO Council, *"A Framework for Developing Earned Value Management Systems (EVMS) Policy for Information Technology (IT) Projects"*** – December 5, 2005. Demonstrates a model framework for the development of agency EVM policy.

• **Department of Defense, *"Earned Value Implementation Guide" – October, 2006 –*** This the principal DoD reference guide for earned value management.

• **Department of Health and Human Services, *"HHS OCIO IT Earned Value Management Processes and Procedures"*** – December 30, 2005.

Other Resources

• **American National Standards Institute/Electronic Industries Association (ANSI/EIA) *"Earned Value Management System (EVMS) Standard 748" 2007*** – Industry process for use of EVMSs including integration of program scope, schedule, and cost objectives; establishment of a baseline plan for accomplishment of program objectives; and use of earned value techniques for performance measurement during the execution of a program.
• **National Defense Industrial Association *"Earned Value Management Systems Intent Guide"* –** November 2006. Provides additional insight into the Earned Value Management Systems guidelines included in Section 2 of the ANSI/EIA-748-A Standard for Earned Value Management Systems.
• **National Defense Industrial Association *"Surveillance Guide"* –** October 2004. Surveillance is the process of reviewing the health of the EVMS process applied to one or more programs. The purpose of surveillance is to focus on using EVMS effectively to manage cost, schedule, and technical performance.
• ***Earned Value Bibliography*** – A comprehensive listing of Earned Value Resources:
http://www.suu.edu/faculty/christensend/ev-bib.html

Appendix B: Full EVMS Requirements

Requirement Major investments above the threshold for "full" EVMS requirements must ensure they fulfill all 32 criteria listed below.

Criteria 1. Define the authorized work elements for the program. A work breakdown structure (WBS), tailored for effective internal management control, is commonly used in this process.

2. Identify the program organizational structure including the major subcontractors responsible for accomplishing the authorized work, and define the organizational elements in which work will be planned and controlled.

3. Provide for the integration of the company's planning, scheduling, budgeting, work authorization, and cost accumulation processes with each other, and as appropriate, the program WBS and the program organizational structure.

4. Identify the company organization or function responsible for controlling overhead (indirect costs).

5. Provide for the integration of the program WBS and the

program organizational structure in a manner that permits cost and schedule performance measurement by elements of either or both structures as needed.

Planning, Scheduling, and Budgeting

6. Schedule the authorized work in a manner that describes the sequence of work and identifies significant task interdependencies required to meet the needs of the program.

7. Identify physical products, milestones, technical performance goals, or other indicators that will be used to measure progress.

8. Establish and maintain a time-phased budget baseline, at the control account level, against which program performance can be measured. Initial budgets established for performance measurement will be based on either internal management goals or the external customer negotiated target cost including estimates for authorized but vaguely defined work. Budgets for far-term efforts may be held in higher-level accounts until an appropriate time for allocation at the control account level. On government contracts, if an over-target baseline is used for performance measurement reporting purposes, prior notification must be provided to the customer.

9. Establish budgets for authorized work with identification of significant cost elements (labor, material, etc.) as needed for internal management and for control of subcontractors.

10. To the extent it is practicable to identify the authorized work in discrete work packages, establish budgets for this work in terms of dollars, hours, or other measurable units. Where the entire control account is not subdivided into work packages, identify the far-term effort in larger planning packages for budgeting and scheduling purposes.

11. Provide that the sum of all work package budgets plus planning package budgets within a control account equals the control account budget.

12. Identify and control level of effort activity by time-phased budgets established for this purpose. Only those efforts that are unmeasurable or for which measurement is impractical may be classified as level of effort.
13. Establish overhead budgets for each significant organizational component of the organization for expenses that will become

indirect costs. Reflect in the program budgets, at the appropriate level, the amounts in overhead pools that are planned to be allocated to the program as indirect costs.

14. Identify management reserves and undistributed budget.

15. Provide that the program target cost goal is reconciled with the sum of all internal program budgets and management reserves.

Accounting Considerations

16. Record direct costs in a manner consistent with the budgets in a formal system controlled by the general books of account.

17. When a WBS is used, summarize direct costs from control accounts into the WBS without allocation of a single control account to two or more WBS elements.

18. Summarize direct costs from the control accounts into the contractor's organizational elements without allocation of a single control account to two or more organizational elements.

19. Record all indirect costs that will be allocated to the contract.

20. Identify unit costs, equivalent unit costs, or lot costs when needed.

21. For EVMS, the material accounting system will provide for:
• Accurate cost accumulation and assignment of costs to control accounts in a manner consistent with the budgets using recognized, acceptable costing techniques.
• Cost performance measurement at the point in time most suitable for the category of material involved, but no earlier than the time of progress payments or actual receipt of material.
• Full accountability of all material purchased for the program including the residual inventory.

Analysis and Management Reports

22. At least on a monthly basis, generate the following information at the control account and other levels as necessary for management control using actual cost data from, or

reconcilable with, the accounting system:
• Comparison of the amount of planned budget and the amount of budget earned for work accomplished. This comparison provides the schedule variance.
• Comparison of the amount of the budget earned and the actual (applied where appropriate) direct costs for the same work. This comparison provides the cost variance.

23. Identify, at least monthly, the significant differences between both planned and actual schedule performance and planned and actual cost performance, and provide the reasons for the variances in the detail needed by program management.

24. Identify budgeted and applied (or actual) indirect costs at the level and frequency needed by management for effective control, along with the reasons for any significant variances.

25. Summarize the data elements and associated variances through the program organization and/or WBS to support management needs and any customer reporting specified in the contract.

26. Implement managerial actions taken as the result of earned value information.

27. Develop revised estimates of cost at completion based on performance to date, commitment values for material, and estimates of future conditions. Compare this information with the performance measurement baseline to identify variances at completion important to management and any applicable customer reporting requirements, including statements of funding requirements.

Revisions and Data Maintenance

28. Incorporate authorized changes in a timely manner, recording the effects of such changes in budgets and schedules. In the directed effort prior to negotiation of a change, base such revisions on the amount estimated and budgeted to the program organizations.

29. Reconcile current budgets to prior budgets in terms of changes to the authorized work and internal re-planning in the detail needed by management for effective control.

30. Control retroactive changes to records pertaining to work performed that would change previously reported amounts for

actual costs, earned value, or budgets. Adjustments should be made only for correction of errors, routine accounting adjustments, effects of customer- or management-directed changes, or to improve the baseline integrity and accuracy of performance measurement data.

31. Prevent revisions to the program budget except for authorized changes.

32. Document changes to the performance measurement baseline.

Appendix C: Core EVMS Requirements

Requirement Investments within the thresholds for application of Core EVM reporting must implement the following 10 criteria derived from ANSI Standard 748.

Criteria 1. (ANSI #1) Define the authorized work elements for the program. A work breakdown structure (WBS), tailored for effective internal management control, is commonly used in this process.

2. (ANSI #2) Identify the program organizational structure including the major subcontractors responsible for accomplishing the authorized work, and define the organizational elements in which work will be planned and controlled.

3. (ANSI #3) Provide for the integration of the company's planning, scheduling, budgeting, work authorization, and cost accumulation processes with each other, and as appropriate, the program WBS and the program organizational structure.

4. (ANSI #6) Schedule the authorized work in a manner that describes the sequence of work and identifies significant task interdependencies required to meet the needs of the program.

5. (ANSI #7) Identify physical products, milestones, technical performance goals, or other indicators that will be used to measure progress.

6. (ANSI #8) Establish and maintain a time-phased budget baseline, at the control account level, against which program performance can be measured. Initial budgets established for performance measurement will be based on either internal management goals or the external customer negotiated target cost including estimates for authorized but vaguely defined work. Budget for far-term

efforts may be held in higher-level accounts until an appropriate time for allocation at the control account level. On government contracts, if an over-target baseline is used for performance measurement reporting purposes, prior notification must be provided to the customer.

7. (ANSI #16) Record direct costs in a manner consistent with the budgets in a formal system controlled by the general books of account.

8. (ANSI #22) At least on a monthly basis, generate the following information at the control account and other levels as necessary for management control using actual cost data from, or reconcilable with, the accounting system:
• Comparison of the amount of planned budget and the amount of budget earned for work accomplished. This comparison provides the schedule variance.
• Comparison of the amount of the budget earned and the actual (applied where appropriate) direct costs for the same work. This comparison provides the cost variance.

9. (ANSI #27) Develop revised estimates of cost at completion based on performance to date, commitment values for material, and estimates of future conditions. Compare this information with the performance measurement baseline to identify variances at completion important to management and any applicable customer reporting requirements, including statements of funding requirements.

10. (ANSI #28) Incorporate authorized changes in a timely manner, recording the effects of such changes in budgets and schedules. In the directed effort prior to negotiation of a change, base such revisions on the amount estimated and budgeted to the program organizations.

Appendix D: CPIC Contact Information

The Capital Planning and Investment Control (CPIC) process is primarily supported and maintained by Treasury’s Office of the Chief Information Officer (OCIO). For further information about this guide, the CPIC process, the Treasury OCIO Capital Planning Office, or Bureau CPIC Coordinator contact information, please see Treasury’s CPIC Resource Center Web site at https://hqapps.treas.gov/CPICResourceCenter/.

J.13.1 POLICY AND PROCEDURES MEMORANDUM No. 34.2 – EARNED VALUE MANAGEMENT SYSTEM

June 11, 2009

POLICY and PROCEDURES MEMORANDUM No. 34.2

TO: Director, Office of Business Operations
Director, Office of Electronic Procurement
Director, Office of Information Technology Acquisition
Director, Office of Strategic Acquisition Initiatives
Director, Treasury HSPD-12 Program Office
Program Manager, IRS HSPD-12 Program Office
FROM: Acting Director, Office of Procurement Policy
SUBJECT: **Earned Value Management System**

1. **PURPOSE:** This Policy and Procedures Memorandum (P&P) supplements the Federal Acquisition Regulation (FAR), and the Department of Treasury Acquisition Regulation

(DTAR), and Treasury Acquisition Bulletin (AB) 09-01 procedures for implementing Earned Value Management (EVM). This policy provides uniform guidance to be used during the implementation and surveillance of Earned Value Management Systems (EVMS).

2. **SUMMARY OF LATEST CHANGES:** This P&P revision: 1) revises the list of definitions; 2) updates acquisition planning requirements to reiterate the FAR Subpart 34.004 acquisition strategy and defines minimum EVM investment coverage; 3) implements the Department of the Treasury's EVM compliance thresholds based on DME costs at the Contract Line Item Number (CLIN) level for performance-based acquisitions or DME costs at the acquisition level for non-performance-based acquisitions; 4) establishes uniform provisions and clauses for use in acquisitions with Core EVM requirements; 5) updates the effective period, and 6) includes administrative changes.

3. **EFFECTIVE PERIOD:** The effective period of this P&P is June 11, 2009 through December 31, 2009.

4. **SCOPE:** This P&P applies to all new and ongoing major Information Technology (IT) projects with developmental/modernization/enhancement (DME) effort as identified by the responsible Program Manager (PM).

5. **DISCUSSION:**

a. Introduction.
(1) Federal Acquisition Streamlining Act of 1994, Title V (FASA), requires agency heads to establish cost, schedule, and measurable performance goals for all major acquisition programs, and achieve, on average, 90% of those goals. In addition, the Clinger-Cohen Act of 1996 requires agencies to use a disciplined capital planning and investment control (CPIC) process to acquire, use, maintain and dispose of information technology. The Office of Management and Budget (OMB) Circular A-11, Part 7, Planning, Budgeting, Acquisition, and Management of Capital Assets and its supplement, Capital Programming Guide, was written to meet the requirements of FASA and the Clinger Cohen Act.

(2) The policy, budget justification, and reporting requirements in Section 300 of OMB Circular A-11 apply to all agencies that are subject to Executive Branch review. Exhibit 300 is a format used to demonstrate to agency management and OMB that the agency has employed the disciplines of good project management, presented a strong business case for the project, and met other administrative priorities to define the proposed cost, schedule, and performance goals for the project. OMB Circular A-11 further requires the use of an EVMS that meets the American National Standards Institute (ANSI)/Electronics Industries Alliance (EIA) Standard – 748 for both Government and contractors. EVM integrates the scope of work, schedule, and cost to create an aggregate look at performance, which ensures that the daily decisions on performance for development efforts are consistent with program objectives. EVMS provides a tool to mitigate cost and/or schedule overruns and provides a forecast of final cost and schedule outcomes.

(3) The FAR includes the EVMS policy with procedures on use of Integrated Baseline Reviews (IBR) and clauses for use (these clauses apply to acquisitions valued at $20 Million and above, refer to Table 1 under paragraph 5.d.)

(4) The Department of the Treasury Earned Value Management Guide (Treasury EVM Guide) provides a uniform approach to the identification, collection and reporting of Earned Value consistent with OMB Guidance (M-05-23) and ANSI/EIA 748 Intent Guide.

(5) The Department of the Treasury's Senior Procurement Executive (SPE) has issued AB No. 09-01, EVMS, to update the Department of the Treasury's acquisition policy on EVM. In accordance with the Treasury EVM Guide, AB No. 09-01 implements thresholds for acceptance levels on contractor EVMS, IBR/IBR (Core) requirements, surveillance, and corresponding EVM performance measurement baseline. All of these requirements are included in this P&P. (Refer to Table 1 under paragraph 5.d.)

b. Definitions.
Cognizant Federal Agency (CFA) – as defined in FAR Subpart 2.101, the CFA is the Federal agency that, on behalf of all Federal agencies, is responsible for establishing final indirect cost rates and forward pricing rates, if applicable, and administering cost accounting standards for all contracts in a business unit. The CFA normally will be the agency with the largest dollar amount of negotiated contracts with a given contractor, including options. *Note: According to FAR 42.003, once a Federal agency assumes cognizance for a contractor, it should remain cognizant for at least 5 years to ensure continuity and ease of administration. If at the end of the 5-year period, another agency has the largest dollar amount of negotiated contracts, including options, the two agencies shall coordinate and determine which will assume cognizance. However, if circumstances warrant it and the affected agencies agree, cognizance may transfer prior to the expiration of the 5-year period.*

Contract Work Breakdown Structure (CWBS) – is the Government's preliminary Work Breakdown Structure (WBS) (that was incorporated within the terms of the solicitation) plus the offeror's extension to the WBS. The offeror extends the WBS to meaningful management or product-oriented lower levels to reflect the way the offeror does business. The new, comprehensive WBS forms the framework for the contractor's management control. The WBS is a task oriented, detailed breakdown which defines the work packages and tasks including both the Government and Contractor activities. The WBS of tasks or deliverables is included in the contract to detail what will be performed to ensure completion of the acquisition or project. It should focus on the products to be delivered so that the milestones are based upon outcomes and are measurable. (See WBS Below).

Corrective Action Plan (CAP) – the documents that allow Program Managers to define the strategy that will be employed to improve the performance of their project(s) to reduce the variance in cost or schedule. The "CAP" is completed by Program Offices as required when a project has either a cost or schedule variance of greater than or equal to +/- 10%. The Program Manager is responsible for developing CAP, in accordance with the Treasury EVM Guide, in cases where cost/schedule variance is greater than +/- 10%.

Development, Modernization, and Enhancement (DME) – is the portion of an IT investment/project which deals with developing and implementing new or enhanced technology in support of an agency's mission – a change to an existing system that adds new functionality, hardware and software purchases and installation support for increasing capacity of an existing system, and new releases of Commercial-Off-The-Shelf (COTS) products. (See the Department of the Treasury Information Technology Capital Planning & Investment Control Manual (Treasury IT CPIC Manual), Appendix F for examples: A change to an existing system that adds new functionality. This is defined as new features and capabilities that could not be performed using the system previously.)

Earned Value Management System (EVMS) – is a management technique that relates resource planning to schedules and to technical, cost, and schedule requirements. All work is planned, budgeted, and scheduled in time-phased "planned value" increments constituting a cost and schedule measurement baseline. The two major objectives of an earned value system are: 1) to encourage contractors to use effective internal cost and schedule management control systems; and 2) to permit the government to be able to rely on timely data produced by those systems for determining product-oriented contract status.

Earned Value Management (Core) requirements - are criteria that the contractor must implement to ensure that the contractor's self validated EVMS is capable of producing earned value management data (described under AB No. 09-01), Required Actions: 1. Treasury Special Text Definition, Core EVM.

Integrated Baseline (IB) – represents all of the tasks in a project schedule for both Contractor resources as well as Government resources for all the component projects that make up the overall project.

IB Review (IBR) – is a technical and schedule review process which examines the methods and metrics in measuring project performance and progress. It focuses on the assignment, definition, scheduling, and work resource allocation planning. The objective of the IBR is to ensure that adequate project planning is in place to accurately measure earned value and permit the effective use of earned value as a tool in monitoring and executing IT investments. The IBR will result in a written plan to ensure that an acquisition's technical performance requirements and related budgets, resources, and schedules are realistic to accomplish the performance requirement.

Major Acquisitions for Development – is an acquisition, awarded in support of one or more Major IT investments with DME activities, which meet the contract threshold for fully applying FAR 34.2 procedures.

Organizational Breakdown Structure (OBS) – is a functionally oriented division of the contractor's and/or government's organization established to perform the work on a specific acquisition. The OBS reflects the way the project is organized. To assign work responsibility to appropriate organizational elements, any WBS and organizational structure must be interrelated with each other; that is, organizational responsibility must be established for identified units of work.

Performance-based Acquisition Management – is a documented, systematic process for program management, which includes integration of program scope, schedule and cost objectives, establishment of a baseline plan for accomplishment of program objectives, and use of earned value techniques for performance measurement during execution of the program. A performance-based acquisition (as defined in FAR Subpart 37.101) or an acquisition with a defined quality assurance plan that includes performance standards/measures should be the basis for monitoring contractor.

Performance Measurement Baseline (PMB) – is a time-phased budget plan against which project performance is measured. The Government and contractor costs and schedule are included in the PMB. Assessment of the PMB is conducted through IBRs. A PMB is a summary of the time-phased budgets for all of the work, and includes summary level planning packages (SLPP) plus applicable indirect budgets (the assignment of budgets to scheduled segments of work produces a plan against which actual performance can be compared). PMB is an approved plan for the project work against which project execution is compared and deviations are measured for management control. The performance baseline typically integrates scope, schedule, and cost parameters of a project, but may also include technical and quality parameters.

Performance Schedule – to ensure the management control system is integrated, the program manager defines requirements in the Statement of Work for a schedule showing the sequence of events and the critical path for program milestones or deliverables. Offerors will be required to use this schedule in preparing the proposals, and the performance schedule will ultimately result in an Integrated Master Schedule after completion of the IBR/IBR (Core).

Program Manager (PM) – is the individual responsible for successful management and completion of a project, including managing the contractor and Government personnel to complete their deliverables and providing accurate EVM data to support recordkeeping and reporting requirements. The PM is accountable for tracking the project plan against the PMB and providing updated project-level cost, schedule and performance information that is required to support the control process. The PM is also responsible for developing CAP in cases where Cost/Schedule variance is greater than +/-10%.

Work Breakdown Structure (WBS) – is developed early in the program planning phase (Pre-Select, Select) by the Project Management Team (PMT) to support budget; Performance Work Statement (PWS), Statement of Objectives (SOO), or Statement of Work (SOW); and solicitation development. The WBS defines the work scope into appropriate elements (all major phases including projects, releases and products) for cost accounting and work authorization. The WBS should not specify an excessive number of lower-level elements because it may impinge on a contractor's normal method of operations or result in excessive reporting. The PWS, SOO, or SOW should require the offeror to extend the WBS to a meaningful management or product-oriented lower levels that reflect the way the offeror does business. Any extension proposed by the offeror must be traceable directly to the WBS prepared by the PMT. In addition to completing the WBS, the solicitation should require the offeror to develop the WBS Index and Dictionary. The WBS provides a common point of reference that can be addressed by both Government and Contractor personnel and becomes the basis for the offeror to build upon. (See CWBS above).

c. Process Phases.
The Treasury IT CPIC Manual establishes an IT governance process (Chapter 1, pages 7-13) - the framework for decision-making and accountability required to ensure IT investments meet strategic and business objectives of the Department in an efficient and effective manner. In accordance with the Treasury IT CPIC Manual, the Internal Revenue Service's (IRS/Service) CPIC process manages its own IT portfolios under the auspices of the Chief Information Officer.
The Treasury IT CPIC Manual, Chapters 2 through 5, identifies four (4) phases and activities to ensure that Treasury's IT investments: remain well managed throughout the investment life; are cost effective; and support our mission and business goals.

While EVM may be included in each of the phases, and Procurement may have responsibilities throughout the processes, Procurement's involvement will be the greatest in Phases 3 and 4.

Phase 1, Pre-Select - This phase includes all steps from project initiation through development of business needs for inclusion in an IT investment proposal for the IRS and Treasury governance approval.

Phase 2, Select – During the Select Phase new and existing major IT investments (page 11) are screened annually, scored, and selected via the governance process (Chapter 1, pages 7-13) for inclusion in the Treasury IT Investment Portfolio. The process aims at providing a selection of technically and financially sound investments that best align with Treasury and Bureau business priorities. Based on the IT Investment proposals received, the Treasury will select the investments that will be submitted to OMB as part of the Department's budget. All IRS investments selected as a result of the governance process (Chapter 1, pages 7-13) will become the IRS' IT portfolio which may include new, ongoing, and consolidated investments which require an OMB Exhibit 300 (E300). IRS PMs will be directed by the IRS' CPIC to document their investment planning by using the E300 within Treasury's automated ProSight tool.

Phase 3, Control - The objective of the Control Phase is to ensure oversight, quality control, and executive review that IT investments are managed in a disciplined and consistent manner. The Treasury requires Control Reviews focus on ensuring:

projected benefits are received;
cost, schedule, and performance goals are being met;
risks are minimized and managed; and
the investment continues to meet IRS strategic needs.

Much of this is accomplished through quarterly updates within ProSight (See P&P No. 70.23, High Impact Acquisitions (HIA) Quarterly Review).

Phase 4, Evaluate – The objective of the Evaluation Phase is ensure that all major investments in operation are reviewed annually within the first quarter of each fiscal year. This Phase, depending upon the age and lifecycle stage of the investment, may contain two sub-processes– a Post Implementation Review and a Steady State Review (See Treasury IT CPIC Manual, Appendix F.)

d. The Requisition Process.

The Treasury IT CPIC Manual establishes the thresholds and the conditions the IT investments must meet to be considered "major". An EVMS is required for major acquisitions for DME in accordance with OMB Circular A-11. This includes prototypes and tests to select the most cost effective alternative during the Pre-Select and Select Phases, the acquisition requirements during the Control Phase, and any developmental, modification or upgrade work done during the Operational/Steady State. EVM is to be applied to contractor efforts regardless of contract type. The contracting officer (CO) shall procure the contractor-developed component(s) of major project(s) that have been vetted through the Treasury and IRS governance processes and the acquisition has been identified by the program manager as requiring the contractor's use of an EVMS. In addition to major acquisitions for development, the Treasury may also require the contractor's use of an EVMS for other acquisitions. As outlined in AB No. 09-01, EVMS, Treasury has established the following thresholds apply to DME costs at the Contract Line Item (CLIN) level for performance-based acquisitions and to DME costs at the acquisition level (Contract, Task Order, or IAG) for non-performance-based contracts:

TABLE No. 1					
Contract, Task Order, IAG, or CLIN Value	**Reporting Requirements for IT Investments**	**Applicable ANSI/EIA Criteria**	**Level of EVMS Validation/-Acceptance**	**IBR Required**	**Level of EVMS Surveillance (Contractor)**
›$50 M	Full	32	CFA Acceptance/1	Yes	CFA Surveillance unless another interested party alternative is requested by the Bureau and approved by the Treasury CIO
Between $20M and $50 M	Full	32	Contractor Self-Validation	Yes	
‹$20M	Core	10	Contractor Self-Validation	Independent Baseline Validation (IBV)/IBR (Core)	Treasury and Bureau Surveillance*

* In accordance with Bureau Annual Surveillance Strategy
1/CFA – Cognizant Federal Agency (See FAR 42.003)

For the purpose of definition, CLIN may be interpreted as a single Contract Line Item, Contract Line Item with Sub-CLINs, or Multiple Contract Line Items included in a single DME effort. Do not break down any DME effort below the aggregation of the requirement to avoid use of the actual threshold prescriptions.

For an investment identified as major with DME during the governance process, the PM, utilizing the chart above, must include the appropriate EVM requirements within the investment's individual acquisition(s) requisition package(s). The implementation of an EVMS is a function of program management. It is the PM's responsibility to ensure that cost, schedule, and technical aspects of the contract are truly integrated. Therefore, the requiring official must ensure EVM requirements are provided to Procurement for all awards (previously awarded and new awards) that are included in the major project. The requisition package submitted to Procurement must include:

- Information to be included in the Acquisition Plan (See P&P No. 7.1);

Identification of the acquisition as new or a modification to an existing award (identify the award number);

• A statement that the acquisition has been determined to be Major/DME or is included in a project that has been determined to be Major;

• A PWS, SOO, or a SOW (hereafter called PWS) with language which requires the contractor (and possibly the subcontractor) to use EVMS concepts in the daily management of their program;

• A copy of the Government's preliminary WBS;

• A list of deliverables (including proper data items such as the WBS, tailored to ensure that the proper information is obtained for effective contract management);

• Identification of the required EVM Contract Performance Report(s) (CPR) for contractor completion as deliverables: DD Form 2734/1 - Work Breakdown Structure, DD Form 2734/2 – Organizational Categories, DD Form 2734/3 – Baseline, DD Form 2734/4 – Staffing, and DD 2734/5 – Explanations and Problem Analyses (include where and to whom the reports should be delivered);

• The frequency the IRS requires receipt of EVM reports from the contractor (typically monthly);

• A copy of the PM's (or staff member who will administer the EVM responsibilities of the acquisition) EVM training certificate;

• Point of contact to receive either the offeror's/contractor's CFA EVMS ANSI/EIA Standard-748 compliance determination or plan for verification or review and approval;

• Pertinent information on how the IBR will be completed;

• Statement regarding the need for future IBRs; and

• Any other special EVM requirements.

e. The Procurement Process.
Upon receipt of a requisition that includes EVM requirements, Procurement personnel shall ensure that the requiring official submits the items identified in 5.d. above. Additionally Procurement personnel must verify that the requiring office has included the following EVM information for incorporation into the Acquisition Plan:

Methodology the Government will employ to analyze and use the earned value data provided by contractors' EVMS(s) to assess and monitor contract performance;

A discussion on how the contractor's EVMS(s) will be verified for compliance with the standard; and

How IBRs will be conducted.

(1) Acquisition Bulletin (AB) 09-01, Earned Value Management System establishes prescriptions, provisions, and clauses for "Core" ANSI/EIA contractor EVMS compliance levels. The "Core" requirements are used in conjunction with or in lieu of FAR provisions and clause depending on the value of the acquisition DME effort. The AB "Core" covers:

(i) Major acquisitions that include a DME effort value of greater than $50 Million, the contracting officer shall follow the requirements provided at FAR Subpart 34.203.

(ii) Major acquisitions that include a DME effort with a value between $20 - $50 Million:

(A) If the Government requires an IBR ***prior to award*** the CO shall insert the FAR provision at FAR 52.234-2, Notice of Earned Value Management System – Pre-Award IBR, with the clause at Treasury AB-09-01-1052.234-2, Notice of Earned Value System – Pre-Award Alternate I in solicitations and subsequent awards.

(B) If the Government requires an IBR ***after award***, the CO shall insert the FAR provision at FAR 52.234-3, Notice of Earned Value Management System – Post-Award IBR, with the clause at Treasury AB-09-01-1052.234-3, Notice of Earned Value System – Post-Award Alternate I in solicitations and subsequent awards.

(C) If the Government requires the contractor to use an EVMS, the CO shall insert the FAR clause at FAR 52.234-4, Earned Value Management System, with the clause at Treasury AB-09-01-1052.234-4, Earned Value Management System Alternate I), in solicitations and subsequent awards.

(iii) Major acquisitions that include a DME effort with a value less than $20 Million:

(A) If the Government requires an IBR ***prior to award***, the CO shall insert the provision Treasury AB 09-01-1052.234-70, Notice of Earned Value Management System – Pre-Award IBR (Core), in solicitations and subsequent awards.

(B) If the Government requires an IBR ***after award***, the CO shall insert the DTAR provision Treasury AB 09-01-1052.234-71, Notice of Earned Value Management System – Post-Award IBR (Core), in solicitations and subsequent contracts.

(C) If the Government requires the contractor to use an EVMS, the CO shall insert the FAR clause at Treasury AB 09-01-1052.234-72, Core Earned Value Management System, in solicitations and subsequent awards.

(iv) FAR Clause 52.234-3 requires the offeror to provide documentation that the CFA has determined the offeror's system as compliant with ANSI/EIA Standard – 748 or the offeror must submit a comprehensive plan to become compliant with the ANSI/EIA Standard – 748. Because the PM will require the CFA to (1) verify the contractor's EVMS certification or (2) review/approve the contractor's EVMS comprehensive plan, the CO shall obtain the name of the contractor's/subcontractor's CFA, the agency's Point of Contact (POC), telephone number, and address. This information shall be requested within the solicitation. *Note:* If the CO believes the Department of the Treasury may be identified as a potential offeror's CFA, the CO may request that offeror's provide the proof that it is the agency with the largest dollar amount of negotiated contracts, including options.

(v) Ensure that the PWS includes language for the completion of an IBR that meets ANSI/EIA Standard 748 and that the contractor provides periodic reporting of the EVM data.

f. Establishing an Integrated Baseline and Initiating EVM Activities:

(i) If a pre-award IBR is not conducted, OMB Circular A-11, Part 7, Capital Programming Guide, II. Acquisition Phase. II.8, Contract Management requires that a post award IBR be performed as soon as practical, but no later than six months after contract award. The purpose of the IBR is to ensure that the PMB captures the entire technical scope of work, that it is consistent with contract schedule requirements and that the appropriate mix and level of resources have been assigned to the project. An IBR is an assessment of the PMB to ensure the adequacy, accuracy and risks of the PMB. It is intended to provide a mutual understanding of risks inherent in offerors'/contractors' performance plans and underlying management control systems and to formulate a plan to handle these risks. Procurement personnel should attend the IBR session and, as appropriate, incorporate final agreement(s).

(ii) As described at 5.d. above, Treasury EVM Guide requires the use of an EVMS to manage all major investments with DME in accordance with OMB Circular A-11. While the PM is responsible for ensuring that the cost, schedule, and technical aspects are truly integrated, the CO should ensure that the IPT incorporates appropriate performance measures. (Refer to Definitions, Performance-based Acquisition Management.)

g. EVM Reporting.

In order to be ANSI compliant, PMs and contractors are required to gather the actual costs and schedule information associated with each of their projects on at least a monthly basis. If the overall project measures a variance of more than +/- 10% for either cost or schedule, the PM may create and implement a CAP. If the project continues to have a variance of more than than +/- 10% at the time of quarterly reporting, the PM will submit their current CAP to the Treasury CIO Capital Planning Office. The information will be analyzed for completeness and accuracy and reported to OMB submitted through management channels.
The Department of the Treasury CPIC Baseline Change Request Policy requires that corrective action plans are implemented and tracked for any acquisition outside of the +/- 10% cost and/or schedule goals. The PM is responsible for this function.

h. Baseline Change Request Process.

OMB Circular A-11 requires that baseline changes to major IT projects be approved by OMB prior to being implemented. Baseline Change Requests may be generated at any time. The PM, through management channels, may request a baseline change to the current OMB Approved Baseline which may impact an acquisition's cost and/or performance schedule. Upon receipt of approval from OMB to change the cost and/or performance schedule baseline that includes a change to the cost and/or performance schedule of an acquisition, the PM must submit a procurement request to activate the change modification to the acquisition.

6. **RESPONSIBILITIES:**
a. The Program Manager/Requiring Office is responsible for:

Providing a complete requisition package to Procurement (to include identification of whether the standard FAR or IBR (Core) conditions apply;

(1) Conducting IBR within 3 to 6 months after award;

(2) Evaluating contractor EVM reports (including management notifications, corrective actions plans, and baseline change requests). As appropriate, submitting requests to Procurement for cure notice and changes;

(3) Calculating the earned values on contracts within their auspices (See Treasury EVM Guide (EVM Metrics and Reporting)); and

(4) Submitting a procurement request to change acquisition baseline schedule and cost, when appropriate.

b. Procurement is responsible for:

(1) Verifying Acquisition Plans include appropriate EVM coverage;

(2) Including solicitation and award instructions regarding appropriate EVM report requirements;

(3) Including EVM terms and conditions in all solicitations and subsequent awards requiring the contractor and its subcontractors either have an EVMS that has been determined ANSI-EIA Standard 748 (current version at the time of solicitation) compliant or that the contractor deliver a plan to provide EVM data that meets the ANSI-EIA Standard;

(4) Incorporating into the solicitation and subsequent award document the Government's preliminary WBS and instructions for offerors to build upon and complete the WBS;

(5) Considering whether incorporation of a requirement that the contractor's EVMS certificate or plan be received prior to receipt of solicitation proposals would benefit the government;

(6) Ensuring that timely delivery of EVM reports is a critical performance element;

(7) Incorporating the FAR post-award IBR notification and ensuring the requiring office has identified place, date, time and any attendee limitations for the IBR;

(8) Modifying any award bilaterally to incorporate the EVM agreements reached during IBR. Upon notification from the requiring office that the contractor/subcontractor has failed to comply with the EVM reporting requirements, the CO shall intervene and ensure corrective action is documented as taken;

(9) Ensuring that contractor's/subcontractor's certification and/or status of EVMS compliance plan is reviewed annually;

(10) Including EVM program management requirements in the Contracting Officer's Technical Representative appointment letter; and

(11) Ensuring that PM's requests to change an acquisition's baseline is updated in accordance with the applicable changes clause.

c. The contractor is responsible for (after verification of their compliance or CFA approval of their plan for compliance):

(1) Implementing and maintaining a project that will ensure continued compliance of the system;

(2) Delivering the planned scope of work on time and within budget;

(3) Tracking to their tasks on the PMB and providing the periodic EVM reports as required within the award terms;

(4) Developing and applying the specific procedures for complying with the contractor's related EVM guidelines; and

(5) Utilizing an ANSI-EIA Standard 748 compliant EVMS (either at the time of award or following the Cognizant Federal Agency approved plan to reach compliance).

7. **ADDITIONAL INFORMATION:** The NDIA Program Management Systems Committee has produced a number of publications and supplemental guidance to assist agencies with EVMS implementation. The guides can be found on the NDIA website and also on the Defense Acquisition University website. These guides should be used as appropriate. These publications are:

ANSI/EIA 748 Intent Guide: This guide is currently used by the contractor community for performing an initial compliance assessment and for performing implementation surveillance. The guide defines in detail the management value and intent for each of the 32 guidelines in the Standard.

Program Manager's Guide to the Integrated Baseline Review Process: This guide defines the purpose, goals, and objectives of an IBR which is to provide a mutual and underlying management control system and to formulate a plan to handle these risks.

Surveillance Guide: This guide defines a standard industry approach for surveillance of an EVMS to confirm processes and procedures continue to satisfy the guidelines in ANSI/EIA – 748.