

EVMS Center Business Practice 6

Effective Date: August 10, 2018
Subject: Compliance Review (CR) Execution
Process Output: Consistent compliance assessment of EIA-748 Standard
DAI Code(s): D5460 Execute Surveillance (Process Review)
Point(s) of Contact: DCMA-PIP Earned Value Management System (EVMS)
Policy Lead, Kevin Carney, 804-416-9166

References: DFARS 252.234-7002, EIA-748 Standard, DFARS 252.234-7001 EVMS Plan Review Business Practice 1, System Description Review Business Practice 2 (BP2), Contract Initiation Support Business Practice 3 (BP3), EVMS System Surveillance Business Practice 4 (BP4), DCMA-INST 1201 Corrective Action Process, Rev 8 SEP 2015, DCMA Manual 2301-01, Test Metric Specification Sheets, DoD EVM System Interpretation Guide (EVMSIG)

Purpose: Business Practice 6 defines a uniform process for the EVMS Center personnel to conduct contractor EVMS compliance reviews (CR).

Roles and Responsibilities:

1. Director, EVMS Center (referred to as “Director” in this issuance). Functions as the primary POC for execution of all EVMS CRs. Provides final adjudication and review of all products from the effort, including the Compliance Review Report (referred to as “Report” in this issuance) with any resulting Discrepancy Reports (DRs) and Corrective Action Requests (CARs).
2. Group Lead, EVMS Center (referred to as “Group Lead” in this issuance). Performs role of Review Chief. Assigns responsibilities to Review Deputy and Team Members to perform the activities in this business practice. Provides concurrence with the Review Report. Provides oversight of the team’s effort and supports communications with the DCMA Contract Management Office (CMO), the Program Management Office (PMO) and the contractor.
3. Review Deputy, EVMS Center (referred to as “Review Deputy” in this issuance). Oversees the daily operations of all team members as directed by the Review Chief, and drafts Report, BSAS, and KO memo for Review Chief final approval.
4. Team Member, EVMS Center (referred to as “Team Member” in this issuance). Executes the activities as directed in accordance with the process defined below.

Process:

Overview. EVMS compliance reviews will be conducted IAW the requirements in DCMA-MAN 2301-01 and this business practice at all contractor sites where there is a contractual requirement for an EVMS CR.

A CR is a comprehensive assessment of a contractor’s system, comprised of a System

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Description (SD), command media, processes, related tools, and the contractor's ability to implement the EVM system on contracts with an EVMS requirement. The intent is to demonstrate and document compliance to the 32 Guidelines in the EIA-748 EVMS standard. There are three steps for evaluating compliance:

- Assess whether the contractor's EVM SD adequately documents how its system meets the intent of the 32 Guidelines;
- Evaluate the contractor's ability to demonstrate the EVMS implementation as described in the SD and supplemental procedures;
- Verify whether the EVMS is providing timely, accurate, reliable and auditable data.

The requirement for an EVMS System to be determined as compliant is prescribed in DFARS 234.201. For a prime contractor system, the functional specialist works with the cognizant contracting officer through the Business System Process. For any subcontractor requiring EVMS validation and/or when DCMA is not the cognizant contract administration office, the EVMS Center Director serves as the authority for determining and/or validating EVMS compliance.

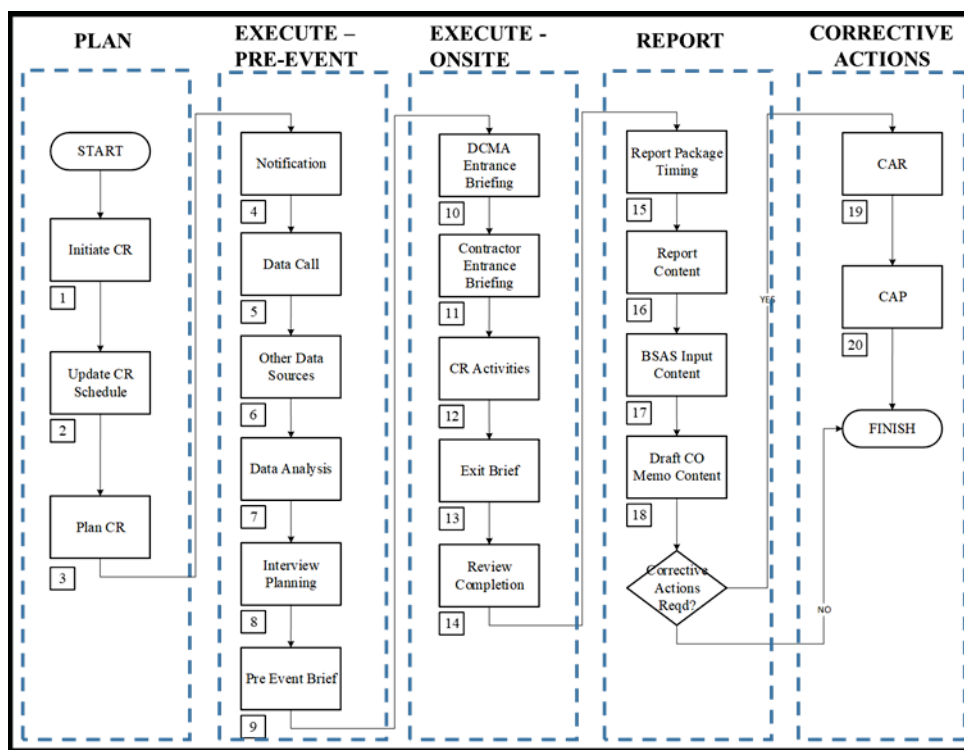


Figure 1. EVMS CR Process

Plan

1. Initiation – A CR is required for any EVM system that has not been formally reviewed for acceptance through a comprehensive assessment. A system is the combination of contractor processes, people, and tools applied at a specific location identified by CAGE code. A contractor may have multiple divisions operating under different

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systems at a single site based upon the command media, tools, and/or management directing implementation. In such a case, those systems would be evaluated through distinctly separate reviews. Prior to the CR a system is most commonly identified by a rating of *Not Evaluated* or *N/A* in the Contractor Business Analysis Repository (CBAR). When there is disagreement on the validity of a rating in CBAR, and there is inadequate documentation to substantiate a system rating, a CR may be required to ensure that the system has been properly reviewed. A CR may also be required when, due to merger/acquisition activity, a legacy CR and resultant rating is no longer applicable due to the change in the system's components employed at the site. A CR should not be conducted on an approved system when a contractor makes minor changes to one or more parts of their system. Assessment of the changes and impact to the system will be assessed and evaluated at the discretion of the Group Lead and Director; whether a review is warranted is dependent upon their evaluation. If a review is not necessary the changes should be considered in the risk assessment for ongoing surveillance, as part of post-acceptance oversight.

2. The Director has the authority to determine whether a CR is required, and at least annually will:
 - a. Verify that each EVMS group reviews CBAR status to identify any changes;
 - b. Identify new or developing requirements based upon new contracts; and
 - c. Develop a plan of expected CRs at least 30 days prior to the beginning of the next fiscal year

3. The Group Lead will plan the dates for a CR and will request and assign resources to all planned reviews. The typical review team size is 10-12 personnel, but this should be scaled based upon review and interview requirements (e.g., a review using data on one contract with 6 Control Account Managers (CAMs) could likely be executed on site with fewer than ten personnel, a review using two contracts data and with twenty CAMs may require more than twelve personnel). The Group Lead is responsible for determining the review team requirements and providing to the Director for concurrence prior to making the data call to the contractor. Typical roles include:
 - a. Review Chief (must be a Supervisory Group Lead) - the Review Chief is responsible for planning, conducting and concluding the review and for leading the Team in the execution of its duties and responsibilities before, during, and after the review. The Review Chief is also responsible for adjusting their team's workload to enable effective CR execution
 - b. Review Deputy - responsible for the operation of the Team and reports directly to the Review Chief to ensure the effective execution of the CR process
 - c. Area Team Lead – responsible for the assessment of the assigned EVMS guidelines (GLs) within one or more of the five EVMS areas
 - d. Interview Team Lead - responsible for leading an interview team, planning and conducting CAM and other key manager interviews.
 - e. Team Members – perform duties as assigned by Review Chief or other lead(s). Program Management Office personnel and/or Service EVM personnel should

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be leveraged to supplement the review team to ensure transparency and teaming with the program teams.

Execute – Pre-Event Activities

4. Notification.
 - a. Prime Contractor: The notification letter explains to the contractor the review requirement, scope, purpose, and time period of the on-site portion of the review. The notification should also identify facility requirements and the data call items required to conduct the review. The Review Chief will coordinate with the cognizant Administrative Contracting Officer (ACO) in the preparation of the notification letter and issue the notification letter (including the data call) to the contractor no later than 90 calendar days prior to the review.
 - b. Subcontractor: For subcontractor notifications, the Review Chief approves and issues the notification letter to the subcontractor after approval by the Director, and also forwards a copy of the notification letter to the cognizant ACO for the prime contract. The notification letter will specify the Review Chief responsible for conducting the review.

5. Data Call – The notification letter includes the request for EVMS documentation and data for use during the CR. The notification letter must request the contractor deliver the data to DCMA no later than 45 calendar days prior to the scheduled on-site portion of the review. It is important to request only data pertinent to executing the review. Working with the contractor, the Review Chief must:
 - a. Identify the specific documents and tool outputs referenced in the company's SD or supporting command media (e.g., the Risk & Opportunity Register, Baseline Change Logs, and Corrective Action Log). All specific documents referenced in the SD in support of the system must be included in the data call artifact spreadsheet to allow for development of a storyboard (IAW BP 2) and all other EVMS-related directives may be included as needed in support of the CR;
 - b. If the contractor's command media requires internal/corporate oversight to ensure compliance to the EIA-748 standard guidelines, the Review Chief must request the documentation and results, including internally issued CARs, of recent internal reviews (explained in more detail in step 6 below).

In cases where the contractor is non-responsive to the data call, refer the issue to the ACO to follow up with the contractor in writing.

6. Contractor Self-Assessments, Internal Audits, and DCMA issued CARs. As part of ensuring effective implementation of the contractor's EVMS, some contractors conduct internal audits/reviews. The team should leverage internal audit information to the extent that the contractor is willing to share, in good faith, any corrective actions required or in place. The Review Chief is responsible for requesting the internal audit results in advance of the review. This should be provided 45 days in advance of a scheduled review. If a contractor conducts a self-assessment between the Integrated

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Baseline Review (IBR) and the scheduled CR, self-identifies a non-compliance through their internal corrective action process, and takes timely, appropriate action to correct it, the self-identified noncompliance should not be included in a DCMA issued CAR. However, a subsequent DCMA determination of ineffective contractor corrective actions may result in issuance of a CAR. CARs issued for repetitive issues disclosed by a contractor must cite a weakness in the contractor's corrective action process.

When there is concern that the contractor is not acting in good faith (e.g. only issuing CARs on known issues after receiving notification of the review, or only documenting the issues as they are found during our review process), the internal audit results and subsequent findings may be excluded from consideration by the Review Chief with concurrence from the Director.

The Review Deputy conducts review of the DCMA CAR eTool for recent CAR history and to identify open DCMA EVMS CARs. Any open DCMA EVMS CARs should be addressed in the risk assessment and followed up on during the review. The findings should be closed upon completion of the CR activities and reissued with the CR findings if the deficiencies still exist. Condition statements related to closure of open EVMS CARs and discussion of repeat findings uncovered during the CR must be included in the Report.

7. Data Analysis. The Data Analysis (DA) is a critical aspect of successfully completing the CR and must include a complete review of all metrics, manual and automated that can be tested in advance. The objective of this phase is to identify risk areas in the system and have the Area Teams develop interview questions with "drill down" details for distribution to the Interview Teams. Sources of risk from DCMA processes may include the BP2 CRC, the BP4 Risk Assessment and the BP3 Output Report. The Review Deputy and Review Chief must manage the review process to ensure a thorough data analysis is completed prior to the review team arriving on-site. This includes establishing teams for each of the 5 EVMS Areas to execute the review for the 4-5 weeks following receipt and verification of the data call. During this phase, the team may be larger than the on-site team; it should be composed of all personnel assigned to the EVMS Center group conducting the review and other personnel committed to the review by their respective supervisors. All personnel committed to the review during pre-review, on-site, and post-review activities will be available to the Review Chief. Respective supervisors of assigned personnel must ensure EVMS Center workload is properly managed over the review execution timeframe.

Using the approved metrics and sampling plan, the team must complete the DA at least two weeks prior to the CR to allow time to isolate issues and develop follow-up questions for the planned CAM interviews. The metrics results must be annotated in the Summarized Metrics Results Spreadsheet (Attachment G). Any part of the data analysis that cannot be conducted during this time must be conveyed to the Director for situational awareness prior to the interview planning stage.

8. Interview Planning. To ensure complete coverage of all targeted EVMS areas or

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processes, the Review Chief must select key managers for interviews including, but not limited to, the Program Manager (PM), Business Finance Manager, Indirect Managers, Planning/Scheduling Manager, Risk Manager, other Functional Managers as applicable, Integrated Product Team Leaders, Material Planners and/or Production Managers, as well as the CAMs. The number and selection of CAMs and other manager interviews should consider the following criteria to ensure a complete coverage of the system:

- a. Potential discrepancies identified during data analysis that require follow-up;
- b. Demonstration of EVMS processes/tools available only on-site;
- c. Total BAC of the control accounts;
- d. Program risk and opportunity areas;
- e. Frequency of EVMS process, implementation, or performance measurement data issues or anomalies;
- f. Control accounts (CA) with the highest amounts of Budgeted Cost of Work Remaining (BCWR);
- g. Earned Value Methods (discrete, level of effort, and apportioned);
- h. Elements of Cost (labor, material, other direct costs, and subcontract(s));
- i. Critical path or near critical path activities;
- j. CAs with significant cost/schedule variances or frequent baseline changes; and
- k. Input from the stakeholders (CMO, PMO, prime contractor or other government entities) regarding areas of concern.

Manager interviews must verify that the contractor program team is following compliant EVMS processes and procedures and using their EVMS to manage their work. The interviews allow the contractor to demonstrate EVMS compliance and explain how they use elements of the system in planning and executing their assigned work scope within the established cost, schedule, and performance criteria. The Interview Team Lead should utilize the results of the DA to focus the interview on areas of system risk; however, the interview is not limited by the metric results or risk areas and must provide an understanding of how the system is implemented by the CAM. To the greatest extent possible, the team should leverage virtual means, in advance of the scheduled on-site part of the review, to conduct interviews with the EVMS and/or Business Manager, planning and scheduling manager/lead, and other supporting managers involved in the implementation of the contractor's EVMS.

The emphasis when organizing interview teams is to mitigate the impact to the contractor, program team, and CAMs while ensuring a robust and consistent interview exchange. Interview team members and interview observers should be limited on both the government and contractor teams. During the interview-planning phase, the focus is on moving from Area Teams to Interview Teams that will execute the on-site portion of the review. To facilitate this, the review team must meet daily as a group to share information and develop the CAM Interview questions, based upon the data analysis and concerns identified from review of the contractor's SD and other command media. If metrics included in the DA could not be completed, they should be considered for interview follow-up and annotated in Attachment G, but should not undermine the

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interview effort to complete a comprehensive review of the system. At this stage, the utilization of sampling criteria is no longer necessary because during the interviews the team is performing follow-up activities similar to those executed in response to metric trips. The key to effective planning in this stage is to have formal team meetings to ensure that the team going on-site is prepared to execute the scheduled CAM and manager interviews. Interview planning should result in the team extending the pre-populated Interview Findings Form (Attachment H) to incorporate both questions pertaining to data analysis concerns as well as general process questions from the SD to ensure that EVMS processes are implemented as described in the contractor's command media.

9. Pre-Event Brief. A pre-event brief must be held to ensure that the team is prepared and that travel logistics are completed. This must be scheduled to occur no later than two weeks prior to the scheduled travel date. The meeting is held by the Review Chief and Deputy to brief the Director on data analysis results, CAM interview schedule and scheduled dates for follow-on actions. The Review Chief will use the standard briefing package maintained on the EVMS Center resource page.

Execute – CR Onsite Activities

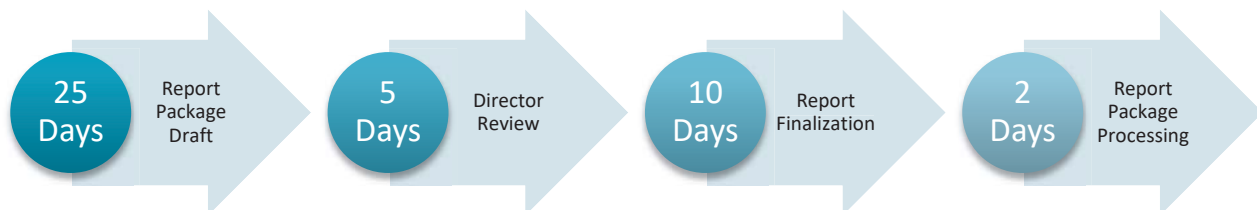
10. DCMA Entrance Briefing. At the start of the on-site activities, the Review Chief must present an entrance brief to the contractor to introduce the purpose, objectives, and process of the review. The opening meeting may include any technical and/or administrative staff that may be involved in the review; it may also include CMO leadership as appropriate. This meeting addresses the scope of the review and discusses any potential timing issues that could influence the review. A template for DCMA entrance briefing is shown as Attachment A.
11. Contractor Entrance Briefing. The Review Chief should request that the contractor provide a presentation at the commencement of the on-site activities, unless done prior to this stage. The contractor should provide an overview of the system's design and operation that describes system process flows/traces and applicable reports. If applicable, the overview will identify EVMS changes, open CAR or Corrective Action Plan (CAP) actions, and potential areas of noncompliance.
12. CR Activities. After the opening meetings, the team will conduct the review by performing the following activities:
 - a. Interview contractor personnel and record responses to questions posed;
 - b. Review the implementation of procedures, manuals and processes;
 - c. Follow up on data risks uncovered during DA;
 - d. Assess the adequacy of internal management controls;
 - e. Identify any additional documentation needed to complete any review work or to provide answers to questions presented during the interview. A formal document request form will be created and provided to the contractor for traceability.
 - f. Conduct periodic government team meetings/interview debriefings to provide a short summary of the interview, review any findings and focus the emphasis

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- of remaining interviews; and
- g. Provide the contractor (typically at end of each day) a daily status of review activities, preliminary findings, the current DR log, and all draft DRs as they are approved by the Review Chief.
13. **Exit Brief.** Before the conclusion of the on-site visit, the Review Chief will brief the Director on the preliminary findings. After the Director concurs with the briefing content, the Review Chief will then brief the contractor on the preliminary findings and next steps. This brief should point out that final findings/CARs may differ; any contractor work to address preliminary findings will be at-risk if there is change. A template for Exit Brief is shown as Attachment I.
14. **Review Completion.** Review completion typically occurs on the last day of the on-site visit. If there is additional work that cannot be completed during the on-site visit, the CR may be extended (typically not more than one week). In this case, the exit briefing may need to be delivered in a virtual meeting.

Report

15. **Report Package Timing.** The Report package consists of the Report, the Business System Analysis Summary (BSAS) input (when the contractor has a prime contract with EVMS requirements), and a draft memo for the Contracting Officer; it must be completed within 45 calendar days of review completion (associated report/memo templates are shown as Attachments C, D, and E). Interim milestone dates include:
- a. Report Package Draft – The Review Chief must provide a draft report package within 25 calendar days from completion
 - b. Director Review – the Director will have 5 calendar days to review and provide feedback and required edits
 - c. Report Finalization – Within 10 calendar days following the Director’s review, the Review Chief must incorporate feedback from the Director and submit to document control a final version incorporating the Director’s feedback
 - d. Report Package processing – after Director approval, the EVMS Center will assign a control number to the CR report, the BSAS and the draft Contracting Officer memo within 2 working days



16. **Report Content.** The Report is the Review Chief’s assessment of the EVMS; it provides the detailed findings as well as a summary that emphasizes the material issues affecting programmatic decision-making. The intent of the report is to provide a

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summary of what identified discrepancies mean in terms of mitigating issues in the data delivered from the EVMS, as well as areas that need to be addressed by the contractor to improve the operation of their EVMS. A template is shown as Attachment C.

17. BSAS Input Content. When the review is in support of a formal determination, the Review Chief will summarize the Report in the BSAS and include information documented in the GL Compliance, Attributes, and Impacts Brief. This will describe what is assessed by the review team as a potential significant deficiency. If no significant deficiencies are found, the Review Chief, with the Director's concurrence, will recommend EVM system approval. A template is shown as Attachment D.
18. Draft Contracting Officer Memo Content. The Review Chief will summarize the findings and path forward in a memo to the contractor. A template is shown as Attachment E.

Pursue Corrective Actions

19. CAR. When one or more deficiencies associated with the contractor's EVMS are identified by DCMA as part of the CR, a Level II CAR will be issued to the contractor concurrent with the issuance of the CR report. If the review team submits a BSAS identifying one or more potential significant deficiencies, those items should be issued in a separate Level II CAR, which may be escalated if and when a final determination is made. All CARs will be issued and escalated in accordance with DCMA-INST 1201 (IPC-1) (Reference (w)). EVMS CARs must be documented using the CAR eTool, with each DR included in the associated CAR. CAR levels are shown as Attachment F.
20. CAP. With the issuance of a CAR a CAP is required and the Review Chief must ensure it contains the following:
 - a. A schedule specifying activities, milestones, verification/test points, progress, relationships to CAP processes, and timing to resolve deficiencies.
 - b. A working document containing a brief description of each deficiency with its associated DRs and GL numbers, root cause of the deficiencies, mitigation of any current impact to government, and corrective and preventative actions to resolve deficiencies and prevent recurrence
 - c. A description of verification method(s) and objective measures to assess corrective/preventative action effectiveness
 - d. A description of exit criteria that validate the resolution of the issues identified and prevention of recurrence.

The Review Chief must continue to communicate with the contractor, CMO, and PMO regarding findings and open actions until the applicable CAP has been completed and verified and validated for closure. After closure, the Director will recommend to the Contracting Officer that the CBAR status be adjusted.

This business practice will remain in effect until further notice.

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Attachments:

- A. Template – DCMA CR Presentations
- B. CR Interview Protocols
- C. Template – Report
- D. Template – BSAS Input
- E. Template – Draft CO Memo
- F. CAR Levels
- G. Summarized Metrics Results Spreadsheet
- H. Template – Interview Findings Form
- I. Template – Exit Brief

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