1. **PURPOSE:** This directive provides TSA policy and procedures for implementing Earned Value Management (EVM) on TSA investments. It also establishes TSA’s policy for implementing Operational Analysis (OA). The policy uses industry best practices to provide a standard for EVM implementation within TSA. It also uses program thresholds and OA criteria for implementation set forth in the Department of Homeland Security OA guidance (DHS OA) of October 2005, to provide a standard for OA implementation within TSA.

2. **SCOPE:** This directive applies to all TSA offices, directorates, and sub-elements, unless specifically exempted by statutory or other authority, and to all acquisition and investment activities. It applies to all new acquisition of services and all new assets, capital and otherwise.

3. **AUTHORITIES:**

   A. OMB Circular A-11
   
   B. [DHS MD 1400, Investment Review Process](#)
   
   C. [TSA MD 300.8, Acquisition Program Planning, Review, and Reporting](#)

4. **DEFINITIONS:**

   A. **Demonstration, Modernization and Enhancement (DME) Phase:** Per the DHS Program Investment Review Process as promulgated in DHS MD 1400, TSA-designated programs in Acquisition, specifically in the sub-phases Concept and Technology Development, Capability Development and Demonstration, and Production and Deployment. Relative to TSA MD 300.8, this would be activities prior to Operations and Support.

   B. **Steady State Program:** Per the DHS Program Investment Review Process as promulgated in DHS MD 1400, TSA-designated investment programs that have transitioned from Acquisition to Sustainment, where the majority of costs are in Operations and Support. Relative to TSA MD 300.8, this would be activities occurring in Operations and Support.

   C. **Applicable Programs:** All acquisition programs within TSA.

5. **RESPONSIBILITIES:**

   A. Program Managers (PMs) are responsible for implementing EVM in accordance with this management directive. During the solicitation process, the PM collaborates with the Contracting Officer (CO), and using the TSA EVM guide, ensures the appropriate clauses are included in the solicitation and contract. Upon contract award the PM assesses the contractors’ proposed Earned Value System and is the authority for evaluating and approving Earned Value related deliverables.
B. Contracting Officers are responsible for coordinating EVM requirements with the PM both before award and prior to final agreement with the contractor on the system/processes that will be used to track and report performance. The complexity of the reporting process imposed should be based on the parameters (cost, schedule and technical risk) identified in the TSA EVM Guide and the contractor’s existing reporting system.

6. POLICY:

A. All TSA acquisition programs in DME in accordance with TSA MD 300.8, will apply EVM to cost or incentive contracts at or exceeding twenty million dollars ($20M). The CO will ensure that TSA AMS clauses 1.13-1 and 1.13-2 are included in applicable contracts. Programs will apply EVM to contracts below twenty million dollars ($20M) as required by OMB Circular A-11 Part 7 for major capital investments (IT programs at investment Levels 1-3 and other acquisition programs at Levels 1&2) or at the discretion of the PM. PMs should consult Office of Acquisition, Acquisition and Program Management Support Division on questions of applicability of OMB Circular A-11 requirements. Application of EVMS for contracts less than $20M should be tailored. Reporting should be limited to CPR Formats 1 and 5.

B. Alternatively, for programs in Steady State or Operations and Support phase, TSA will use Operational Analysis to measure cost performance. The application of the analysis will be applied dependent on the nature of the program. PMs will use the DHS Operational Analysis Guidance referenced at 6.E.2, below.

C. For programs containing a mix of both DME elements and Steady State or Operations and Support elements within any given contract, or among its contracts, the PM will apply the EVM clause (TSA AMS clause 1.13-1 and 1.13.2) to those portions of the contract(s) that are for DME, and OA to those portions of the contract(s) that are for Operations and Support.

D. The application of EVM to firm-fixed price contracts, subcontracts, intra-Government work agreements, and other agreements is discouraged regardless of dollar value. If knowledge by both parties requires access to cost/schedule data, the first action is to re-examine the contract type (e.g., fixed price incentive). However, in extraordinary cases where cost and schedule visibility is necessary and cannot be obtained because the contractor was not required to submit certified cost and pricing data based on adequate competition, the Government PM is required to obtain a waiver for individual contracts from the TSA Business Management Council. In these cases the PM will conduct a business case analysis that includes rationale for why a cost or fixed price incentive contract was not an appropriate contracting vehicle. See Chapter 6 of the TSA EVM Guide for managing Firm Fixed Price Contracts.

E. Additional guidance is provided in the following documents:

1) DHS EVM Guidance, March 2006
2) DHS OA Guidance, March 2006
3) TSA Earned Value Management Guide
7. **PROCEDURES:** None

8. **EFFECTIVE DATE AND IMPLEMENTATION:** This policy is effective immediately upon signature.

**APPROVAL**

[Signature]

Richard Gunderson  
Assistant Administrator for Acquisition

6/30/06

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