Earned Value Management on Firm Fixed Price Contracts: The DoD Perspective

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Contracting Policy

- Select contract type based on risk (FAR 16)
- Use of fixed price contracts on development or on contracts for first ship of a class requires USD(A&T) approval (DoD 5000.2, DFARS 235.006)

Acquisition requirements usually result in FFP being used only on contracts with minimal risk.
EVMS Criteria Policy
(DoD 5000.2-R)

• Compliance with EVMS criteria required on major contracts
  - R&D >$70M*
  - Procurement >$300M*

• May be required on smaller contracts at management discretion
  - High risk or management interest

* FY 96 constant $
• EVMS discouraged for FFP
  - Requires exception by Milestone Decision Authority
  - EVMS not considered necessary for low risk contracts
• But PMs should exercise judgment
  - May be appropriate on critical contracts
Use of EVMS Criteria on FFP Contracts - Why Do It?

• Contractor point of view:
  - Use enterprise-wide management systems

• Government point of view:
  - Provide contract administration tool to assess payments

• Common points of view:
  - Provide integrated schedule status
  - Important to manage resources well
  - EVMS Criteria = good management
Reporting Considerations

• Less information should be required
• Reporting needs should flow from reasons for application
  – Support progress payments
  – Integrate schedule status
  – Inform management
Other Considerations

- Perceived/real inhibitor to market entry by commercial firms?
- Validation?
- Integrated Baseline Reviews?
- Differing agency interpretations?
- Judgment vs regulation
  - Risk based application