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March 5, 2010

The Honorable Carl Levin, Chairman  
United States Senate Armed Services Committee  
Room SR-228, Russell Senate Office Building  
Washington, DC 20510-6050  
Attn: Peter Levine

Subject: F-35 Program Cost and Schedule Overruns and Earned Value Management

Dear Chairman Levin:

On Dec. 11, 2009, I sent you a letter to warn that Industry's contractually-required Earned Value Management (EVM) reports do not provide the DoD with consistent, reliable contract performance reports (CPR) for decision-making.

The recent disclosures of massive cost and schedule growth to the F-35 Joint Strike Fighter program provide evidence that EVM can fail to provide reliable performance status and forecasts. The F-35 EVM situation was partly caused by Lockheed Martin's Aeronautics Company's (LM) systemic non-compliance with the EVM guidelines (ANSI/EIA-748, the Earned Value Management System (EVMS) Standard). EVMS is required by FAR clause 52.234-4.

I was an industry EVM surveillance monitor on that program during 2006 and 2007, supporting DCMA. The EVM surveillance reports included on-going compliance deficiencies such as understating the Estimate at Completion (EAC) and the misuse of Management Reserve (MR) to mask cost overruns. In 2007, the DCMA *LM EVM Compliance Report* cited similar EAC and MR problems on several programs and demanded that LM take corrective actions. In your upcoming Committee hearing on F-35 cost overruns and production delays, I recommend that you inquire about the status of the correction action plans.

I am concerned that the F-35 problems with regard to EVM implementation are pervasive throughout DoD, as corroborated by the report to your committee, *DoD Earned Value Management: Performance, Oversight, and Governance* (EVM Report).

I am even more concerned that DCMA may find that a contractor is fully-compliant with EVMS, yet still fail to report accurate status and realistic EAC. The EVMS has significant deficiencies with regard to technical performance or quality (Quality Gap). The Quality Gap enables a contractor to submit a CPR that is not accurate. Thus, the program may postpone reporting of true program status for a year or more.

Please review the previous letter and consider recommendations for legislative action. That letter, a summary of the EVM Report, and a comparison between the misuse of EVM and a Ponzi scheme are available at the website, [www.pb-ev.com](http://www.pb-ev.com) within the *DoD EVM Implementation* and *EV = Ponzi Scheme* tabs.

Please forward this letter to Senators Collins and McCaskill. They are concerned with the validity of EVM. Also, contact me if I can provide further assistance.

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