

Paul Solomon, PMP
3307 Meadow Oak Drive
Westlake Village, CA 91361
July 17, 2010

Mr. Jeffrey Zients
Deputy Director for Management and Chief Performance Officer
The Office of Management and Budget
725 17th Street, NW
Washington, DC 20503

Subject: Acquisition Reform in Use of Earned Value Management for Capital Assets

Last December, I submitted recommendations to you to improve the effectiveness of Earned Value Management (EVM) for the acquisition of capital assets. Now, in light of OMB Memorandum M-10-25, the recommendations also address the Federal Government's IT procurement and management practices.

They are based on lessons learned from supporting U.S. defense contracts and best practices used at commercial IT companies in India and S. Korea. The foreign companies that use EVM on fixed-price development contracts never utilize ANSI/EIA-748, the EVM Standard that is required on federal contracts. Their processes are based on the PMI Project Management Body of Knowledge (PMBOK®), systems engineering standards, and other world-class guidance.

There is a flaw in ANSI/EIA-748. It fails to link earned value with technical performance or Quality (Quality Gap). The Quality Gap permits contractors to submit monthly reports that may contain unreliable, misleading information. Also, taxpayers are paying for armies of program support personnel, including consultants, to administer EVM. Taxpayers also pay for oversight by DCMA, DCAA or civilian agency auditors. However, DoD reported to Congress that EVM no longer serves its intended purpose.

OMB policy and FAR should be revised to replace or to augment its dependence on ANSI/EIA-748. Please read the white paper, *EVM Acquisition Reform* and the referenced article, *Performance-based EV in Commercial IT Projects*, which describes the use of EVM at Samsung's IT division. Both are linked at www.pb-ev.com at the Advanced EV:PBEV tab.

Fortunately, HASC Chairman Skelton included my recommendation in his mark up of H.R. 5136, National Defense Authorization Act for FY 2011. Section 106(a) requires DoD to review acquisition guidance, including DoD Instruction 5000.02, and to "consider whether measures of quality and technical performance should be included in any EVM system (Sec. 106(b)(4))."

Please urge Sen. Levin to retain or strengthen this provision in the Senate version. The defense industry (CODSIA, NDIA) have failed to act on recommendations to close the Quality Gap in ANSI/EIA-748. More transparency and accountability for all capital asset acquisitions, not just IT, can be achieved by reforming current policies. This letter, the previous letter, and letters to Congress are posted at the DoD EVM Implementation tab (subordinate to the Dept. of Defense tab). I would be glad to provide clarification or more information.

/ps/
Paul J. Solomon, PMP
818-212-8462
Paul.solomon@pb-ev.com