



## DEPARTMENT OF THE NAVY

NAVAL SEA SYSTEMS COMMAND  
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IN REPLY REFER TO

NAVSEAINST 7000.4F  
Ser 017/64  
31 Oct 97

### NAVSEA INSTRUCTION 7000.4F

From: Commander, Naval Sea Systems Command

Subj: EARNED VALUE MANAGEMENT

Ref: (a) DoD Directive 5000.1, "Defense Acquisition" of 15 Mar 96  
(b) DoD Regulation 5000.2-R, "Mandatory Procedures for Defense Acquisition Programs (MDAPs) and Major Automated Information System (MAIS) Acquisition Programs, of 15 Mar 96  
(c) SECNAVINST 5000.2B "Implementation of Defense Acquisition Management Policies, Procedures, Documentation, and Reports" of 6 Dec 96  
(d) ASN(RD&A) memo, Cost Performance Analysis Revitalization of 22 Sep 92

Encl: (1) Key Reference Guidance  
(2) Earned Value Management Checklist  
(3) Earned Value Management Responsibility  
(4) Surveillance Guidelines

1. Purpose. To revise policies and procedures for implementing Earned Value Management (EVM). This is a major revision to the previous instruction and should be read in its entirety.

2. Cancellation. NAVSEA Instruction 7000.4E of 8 September 94.

3. Discussion. References (a) and (b) set forth policies and principles for all DoD acquisition programs and mandatory procedures, documentation and report requirements for MDAPs and MAIS Programs. Reference (c) implements references (a) and (b) within the Department of the Navy. The minimum attributes of an accepted management control system are contained in Appendix VI of reference (b). To avoid potentially serious cost and schedule problems in Navy acquisition programs, the Assistant Secretary of the Navy (Research, Development and Acquisition (ASN (RD&A))) chartered a committee to revitalize EVM. This resulted in the Cost Performance Analysis and Revitalization memorandum, reference (d), which provides guidance for independent analysis of Cost Performance Reports (CPRs) and Estimates at Completion (EACs). This instruction implements EVM requirements for NAVSEA and satisfies current acquisition policy guidelines.

4. Responsibilities/Action

a. Deputy Commander/Comptroller (SEA 01)

(1) Act as the Command focal point for EVM and all related matters.

(2) Designate a SEA 017 Team Leader to support Program Managers (PMs) in the life cycle of EVM and conduct of Integrated Baseline Reviews (IBRs), and determine if contractors' systems meet the requirements of Appendix VI to reference (b).

(3) Submit a monthly Early Warning System (EWS) report to SEA 00 in accordance with reference (d), identifying when thresholds are breached. Program Executive Officers (PEOs) will be made aware of the contents of the report prior to submission to SEA 00.

(4) Assist the Program Manager (PM) in developing an EAC required for Section 7 of the Defense Acquisition Executive Summary (DAES) report, in accordance with reference (d).

(5) Conduct EVM training for NAVSEA Headquarters and field activities. Training will consist of executive training for senior personnel or a more detailed training program in either shipbuilding or weapon systems cost analysis for analysts or technical support personnel.

(6) Support the Government's on-site representative's surveillance of contractor compliance with EVM requirements of the contract.

b. Program Managers

(1) Include all requirements of references (a) through (c) in acquisition plans or acquisition papers meeting threshold levels of para 3.3.4.3 of reference (b). Enclosure (1) is provided to simplify the research of the references for EVM issues. Enclosures (2) and (3) provide a checklist of criteria and responsibility to ensure that all critical elements of EVM are addressed.

(2) Negotiate a Memorandum of Agreement (MOA) with the cognizant Contract Administration Office (CAO) to define management system surveillance duties and analysis on contracts containing the EVM requirements in accordance with the guidelines of enclosure (4).

(3) Include SEA 017 on the DD Form 1423, Contract Data Requirement List (CDRL) for distribution of CPRs and Cost/Schedule Status Reports (C/SSRs). The CDRL shall require the contractor to submit these reports electronically in accordance with the requirements set forth in the American National Standards Institute's (ANSI) Accredited Standards Committee (ASC) X12 standard Project Cost Reporting transaction set (839) for Electronic Data Interchange (EDI) with industry.

(4) Make full use of CPRs, C/SSRs and other reports in managing and evaluating contractor performance.

(5) Guidelines for inclusion in the Statement of Work

(a) Contractor will utilize Earned Value (EV) as a management tool for integrating cost, schedule, and technical performance.

(b) Contractor will include EV as an integral part of periodic contractor/customer reviews and reports.

(c) An IBR will be conducted within 6 months of contract award and upon issuance of a major modification that results in a significant change to the contract to assure the Performance Measurement Baseline contains the entire technical scope of work consistent with contract schedule requirements, and has adequate resources assigned.

(d) A Subsequent Application Review will not be performed unless deemed necessary by the PM from results of IBR, surveillance, or cost and schedule data quality assessment.

(e) Award fee contracts should include the contractor's use of EV as a factor in evaluating Program Management.

(6) Include SEA 017 in the planning and performance of an IBR.

(7) Encourage EVM and analysis training for all Program staff.

c. DEPCOMs (SEA 03, SEA 04, SEA 91 and SEA 92)/PEOs. DEPCOMs will ensure that the requirements of paragraph 4.b are fulfilled. PEOs will fulfill the same requirements in accordance with the Operating Agreement between COMNAVSEA and the NAVSEA affiliated PEOs.

d. The Deputy Commander for Contracts (SEA 02)

(1) With PM coordination, invoke the requirements of references (a) through (c) in solicitations and contracts meeting the thresholds of para 3.3.4.3 of reference (b).

(2) When appropriate, use past performance of contractors based on EV data, as an evaluation criteria for all competitively negotiated acquisitions.

e. The Contracts Administration Offices (CAO)

(1) Establish a Joint Surveillance Team comprised of Contractor, CAO and Defense Contract Audit Agency (DCAA) personnel and develop a formal surveillance plan for each program having a EVM requirement in accordance with the MOA requirements of the Program Manager. Active surveillance will commence upon contract award and shall be on-going during negotiations with the PM regarding MOA development and/or update.

(2) Perform CPR and C/SSR analysis and provide an Independent EAC to the cognizant PM.

(3) Negotiate and execute an Advance Agreement (AA), previously referred to as a Memorandum of Understanding (MOU), between the Government and the contractor specifying that the contractor will maintain and use the accepted EVM system as an integral process on the current as well as future contracts.

(4) Provide members and administrative support to on-site review teams.

(5) Report any contractor failure to comply with major items of EVM to SEA 017 and the cognizant PM.

5. Reports. EVM reporting systems are exempt from reports control as defined in SECNAVINST 5214.2B.

  
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KEY REFERENCE GUIDANCE

Cost Performance/EVMS Criteria  
Mandatory Procedures and Reporting DOD 5000.2-R, Part 3,  
Sec 3.3.4.3 and Appendix VI

Defense Acquisition Executive Summary DOD 5000.2-R, Part 6  
Sec 6.2.2

Contract Management Reports DOD 5000.2-R, Part 6  
Sec 6.4  
(Cost Performance Report (CPR))  
(Cost/Schedule Status Report (C/SSR))  
(Contract Fund Status Report (CFSR))

Selected Acquisition Report DOD 5000.2R, Part 6  
Sec 6.2.4

CONTRACT/SOLICITATION CLAUSES

DFARS 252.234-7000 Notice of Earned Value Management System  
(Solicitation)

DFARS 252.234-7001 Earned Value Management System (Contract)

DFARS 252.242-7005 Cost/Schedule Status Report

DFARS 242.302 (41) CAO Surveillance Responsibility

CONTRACT DATA REQUIREMENTS LISTS (CDRLS)

DI-MGMT-81466 Cost Performance Report (CPR)

DI-MGMT-81467 Cost Schedule Status Report (CSSR)

DI-MGMT-81468 Contract Fund Status Report (CFSR)

MIL-HDBK 881 Work Breakdown Structures

Enclosure (1)

Earned Value Management Checklist						
Contract Total Estimated Price FY96 Constant \$ (Note 1)	Contract Effort (Note 2)	EVMS Clauses (Notes 2,3,4 5)	CPR Data Item	C/SSR Clause and Data Item (Note 6)	CFSR Data Item (Note7)	Subcontract Flow-down
\$300M and Over	RDT&E	Required	Required	N/A	Required	Reporting thresholds for
	PROD	Required	Required	N/A	Required	a subcontract
\$70M to \$300M	RDT&E	Required	Required	N/A	Required	must flowdown
	PROD	Optional	Optional	Required	Required	consistently
\$6M to \$70M	RDT&E	Optional	Optional (if C/SSR not used)	Required	Required	from the
	PROD	Optional	Optional (if C/SSR not used)	Optional (if CPR not used)	Required	prime contract
1. Cost thresholds refer to estimated price including options						
2. The types of contracts identified below are exempt from the EVM criteria.						
a. Firm Fixed Price(including FFP with economic price adjustment)						
b. Contracts that are mostly Level of Effort(LOE)						
c. Time and Material Contracts						
d. Contracts less than 12 months in duration						
3. If the projected total funding for a series of annual acquisition contracts(Development or Production) or if a system or any element of a system exceeds these thresholds, EVMS application is required for all contracts.						
4. Compliance with the EVMS criteria below these thresholds may be required when, in the DoD Component Manager's judgment, the contract risk or management judgment requires it.						
5. Request for waiver of any of these requirements which meet or exceed the dollar thresholds, must be processed through the Milestone Decision Authority (MDA) via SEA 01.						
6. Some form of EV management status Report should be obtained when a CPR or C/SSR is not obtained (Contracts less than \$6M and contracts exempted by Note 2)						
7. No specific application thresholds for CFSRs are established; however, application to contracts of less than \$6M (FY96 constant dollars) shall be evaluated carefully to ensure obtaining only the minimum funding information required for management control.						

EARNED VALUE MANAGEMENT RESPONSIBILITY

Full EVM application (DoD 5000.2-R, Sec 3.3.4.3 and Appendix VI)  
(Excludes FFP, Time and Material contracts and contracts that are  
mostly level of effort).

1. Meets DoD 5000.2-R dollar requirement of \$70M for RDT&E  
contracts and subcontracts (in FY 1996 constant dollars).  
Responsibility: PM and Contracts.
2. Meets DoD 5000.2-R dollar requirement of \$300M for  
procurement contracts or subcontracts (in FY 1996 constant  
dollars). Responsibility: PM and Contracts.
3. Decision to use full EVM below required thresholds.  
Responsibility: PM or higher authority.
4. Include CPR CDRL in RFP.  
Responsibility: PM, SEA 02, support from SEA 0176.

Contract Not Significant Enough for Full EVM Application  
(DoD 5000.2-R, Sec 3.3.4.3).

1. CPR not appropriate. C/SSR consideration. Contract over 12  
months in duration. No specific application threshold;  
however, application to contracts of less than \$6M (FY96  
constant dollars) shall require only minimum information  
necessary for effective management control.  
Responsibility: PM, support from SEA 0176.

All Acquisition Programs:

1. Requirement included in Acquisition Plan.  
Responsibility: PM, support from SEA 0176.
2. Requirement included in RFP.  
Responsibility: PM, SEA02, support from SEA 0176.
3. Work Breakdown Structure (WBS) included in RFP.  
Responsibility: PM, SEA 02, support from SEA 0176.
4. Variance thresholds included in CPR CDRL.  
Responsibility: PM, support from SEA 0176.
5. Reporting elements for CPR are designated in CDRL.  
Responsibility: PM, support from SEA 0176.

Enclosure (3)

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6. EVM part of Source Selection Plan.  
Responsibility: PM.
7. Guidance provided on management system reviews and EVM activities.  
Responsibility: PM, support from SEA 0176.
8. Designation of PM EVM point of contact.  
Responsibility: PM
9. MOA developed with on site CAO.  
Responsibility: PM, support from SEA 0176.
10. Project CPR analysis. (Use of Performance Analyzer, in-house product or commercial product).  
Responsibility: PM, support from SEA 0176 for training.
11. EWS inputs developed for COMNAVSEA and ASN(RD&A).  
Responsibility: SEA 017 review and comment by PM/PEO prior to forwarding to Sea 00.
12. Conduct of IBRs or EVM reviews.  
Responsibility: PM, support from 0176.
13. DAES preparation of PM EAC, with assistance and support of SEA 017 personnel.  
Responsibility: PM, support from 0176.

### SURVEILLANCE GUIDELINES

Surveillance of a contract by the CAO begins immediately after contract award. The cognizant Program Manager must take appropriate action soon after contract award to negotiate and/or update, as necessary, the Memorandum of Agreement (MOA) with the CAO. The MOA provides the basis for the surveillance plan and identifies key individuals, specific responsibilities, priorities, reporting requirements and working relationships between the PM and the CAO. The MOA should identify all desired EV reports, their frequency, distribution and general content. The ultimate goal is to have a Joint Surveillance Team and a surveillance plan in place so that the CAO can provide CPR analysis.

The following guidance is provided to obtain an effective surveillance plan:

1. Within 5 days after contract award, the PM's Business and Financial Manager (BFM) should contact the CAO to set up a meeting to discuss the total EVM aspect, including EVM reviews and surveillance. SEA 0176 should be included in the meeting.
2. Within three weeks after contract award, the meeting between the BFM, SEA 0176 and the Joint Surveillance Team should take place. At this meeting, the PM should present a draft MOA to the CAO with a goal of having a final version signed by all parties by the end of the second month after contract award. The meeting should discuss flow-down surveillance requirements, if required. A general rule should be that all parts of flow-down surveillance should be fully in effect no later than four months after contract award. The type of support that the CAO must provide should be discussed at the meeting.
3. At the end of month two, the MOA should be signed by both parties.
4. The first Surveillance Report provided by the CAO to the Program Manager should be presented 30 days after receipt of the third CPR, provided there is substantive effort ongoing.
5. SEA 0176 can provide guidance for Program Managers with sample MOAs, Surveillance Plans and/or CAO reports.