

**Memorandum of Understanding
between
National Aeronautics and Space Administration (NASA)
and
Defense Contract Management Agency (DCMA)
for
Earned Value Management System Acceptance/Surveillance
and
Earned Value Management Project Surveillance**

EARNED VALUE MANAGEMENT SYSTEM ACCEPTANCE

Defense Contract Management Agency (DCMA) will normally be delegated the responsibility for reviewing supplier Earned Value Management (EVM) system plans and verifying initial compliance with NASA and DoD Earned Value Management system criteria and conformity with ANSI Standard EIA-748, ***Industry Guidelines for Earned Value Management Systems***.

DCMA shall provide NASA with evidence supporting its acceptance of the supplier's EVM system. Evidence of acceptance may be a letter, report, or other document, such as an advanced agreement signed by both the Government and the supplier.

Where a supplier does not have prior Government acceptance of its EVM system, DCMA shall assist the NASA Procuring Contracting Officer or Source Selection Board in determining the adequacy of the proposed EVM system plan. The purpose of evaluating the system plan is to gain an understanding of the supplier's proposed internal EVM system and, more specifically, its intended application on a particular NASA contract.

EVM SYSTEM SURVEILLANCE

System surveillance is assessing and ensuring compliance of the supplier's EVM system with NASA and DoD EVM system criteria and ANSI Standard EIA-748, ***Industry Guidelines for Earned Value Management Systems***. System surveillance also includes evaluating changes to the supplier's validated system to ensure continuing compliance. When applicable, DCMA will perform system surveillance activities jointly with supplier.

When assessing how the supplier has applied EVM in company operations, DCMA will employ surveillance techniques that minimize disruption to the supplier's workforce and duplication of efforts performed by other Government agencies. It is NASA's intent to partner with DCMA to facilitate such insightful system surveillance. If NASA has not delegated project surveillance, DCMA will

be allowed reasonable access to contract documents and NASA-prepared analyses and will be authorized admittance to contract-related meetings.

DCMA shall, on a continuing basis, conduct system surveillance activities that verify the supplier's EVM system complies with NASA and DoD Earned Value Management system criteria and meets the full intentions of ANSI Standard EIA-748, **Industry Guidelines for Earned Value Management Systems**. DCMA will perform on a recurring basis system surveillance to include the following activities:

- (a) Evaluating the supplier's policies and procedures to ensure consistency, reliability, and the effectiveness of the EVM system in operation.
- (b) Conducting periodic evaluations to ensure compliance with the accepted system description and the integrity of the system is maintained.
- (c) Evaluating the supplier's internal data flow and external performance measurement reports to determine the validity of reported data.
- (d) Verifying that supplier personnel are using EVM system data to make informed management decisions.
- (e) Informing the supplier and NASA procuring activities of deficiencies that affect overall acceptability of the supplier's EVM system and taking the necessary steps to ensure corrective action is initiated and tracked.

DCMA shall:

- a) Perform system surveillance utilizing DCMA risk management principles: risk planning, risk assessment, risk handling, risk monitoring, and risk documentation.
- b) Develop and execute system surveillance activities according to the system risk handling plan that includes the intensity, schedule, and frequency of the risk management methods chosen.
- c) Provide a single focal point in matters relating to EVM system surveillance and be responsive to the NASA requests.

EXPECTED WORK PRODUCTS:

DCMA shall design, develop, and execute a detailed system risk handling plan that is directed at determining system capability and provides for verification that the supplier's EVM system meets and continues to meet NASA system requirements. DCMA will provide system risk handling plan and it's updates to NASA stakeholders and supplier for review, feedback, and/or participation.

DCMA shall prepare quarterly system status reports and distribute to stakeholders electronically or as required by the provisions of the appropriate

MOA or Letter of Delegation. Notification of the status of supplier EVM system that require customer attention shall be included in the monthly project status report or shall be communicated immediately, as appropriate. Status reports will summarize all system surveillance activities accomplished including findings, results, and actions taken to ensure the health of supplier EVM system with high degree of confidence.

EVM PROJECT SURVEILLANCE

Project surveillance consists of DCMA providing assistance in the evaluation of the cost, schedule, and technical progress on a particular contract. DCMA project surveillance activities will verify the supplier applies its government accepted EVM system on NASA contracts and the supplier's project management uses EVM system data appropriately.

DCMA shall:

- a) Provide value-added, predictive program analysis by utilizing DCMA risk management principles: risk planning, risk assessment, risk handling, risk monitoring, and risk documentation.
- b) Provide timely indications of actual or potential problems.
- c) Monitor and report significant changes to the program baseline.
- d) Evaluate, at appropriate level dictated by risk, whether the supplier variance analyses are accurate, timely, and whether proposed corrective actions are feasible, reasonable, and within the scope of the contract.
- e) Provide an independent DCMA estimate at completion (EAC). If EAC differences between DCMA and the supplier are greater than five percent, the cause for the differences shall be explained, documented, and reported.
- f) Develop and execute project surveillance activities according to the risk handling plan that includes the intensity, schedule, and frequency of the risk handling methods chosen.
- g) Provide a single focal point in matters relating to EVM project surveillance and be responsive to the NASA requests.

DCMA will:

- (a) Participate in NASA Integrated Baseline Reviews to assure that contract performance measurement baseline integrity is maintained.
- (b) Review cost and financial data as required and ensure reconciliation between the Cost Performance Report and the NASA Form 533.

EXPECTED WORK PRODUCTS:

DCMA shall design, develop, and execute a detailed project risk handling plan to mitigate overall program cost, schedule, and technical performance risk. DCMA will provide project risk handling plan and its updates to NASA stakeholders and supplier for review, feedback, and/or participation.

DCMA shall prepare monthly project status reports and distribute electronically to the NASA Project Manager or as required by the provisions of the appropriate MOA or Letter of Delegation. Status reports will summarize the results of risk-based program analysis activities accomplished including findings, actions taken, and expected dates of resolution. Status reports shall also include up-to-date program risk analysis based on data emanating from the EVM system.

This Memorandum of Understanding (MOU) is prospective only in application upon receipt of appropriate NASA contracting officers' Letter of Delegation. This MOU will remain in force indefinitely, subject to modification by mutual agreement or termination by either party.


STEPHEN J. VARHOLY
NASA
Deputy Chief Financial Officer


ROBERT W. SCHMITT
DCMA
Executive Director, Contract Operations

DATE: 3/5/2002

DATE: 3/12/2002