

Earned Value Management System (EVMS)

DoD ESTABLISHES NEW REQUIREMENTS FOR EARNED VALUE MANAGEMENT...ARE YOU READY?

The Department of Defense recently revised their Earned Value Management Policy and those changes have many of our clients scrambling to understand, evaluate and implement a compliant Earned Value Management System (EVMS).

UNDERSTANDING EARNED VALUE MANAGEMENT

Earned Value Management (EVM) is a methodology for determining project cost and schedule performance by comparing planned work with accomplished work in terms of the dollar value assigned to the work. EVM differs from non-EVM project management because the focus is on cost and schedule integration and the value of the work performed rather than the cost of the work performed.

EVM monitors project performance and enhances control by answering the following questions:

- How much do we plan to spend and when? (*Planned Value*)
- What is the dollar value of the actual work accomplished? (*Earned Value*)
- How much have we spent for the work accomplished? (*Actual Costs*)
- How much do we plan to spend over the life of the project? (*Budget at Completion*)

An Earned Value Management System (EVMS) is a set of best practices, processes, and tools for enterprise project planning and control.

CHANGES IN GOVERNMENT POLICIES INVOLVING EARNED VALUE MANAGEMENT

Both private and public sectors recognize the positive impact that Earned Value Management has on predicting project performance. Revisions to the DoD Earned Value Management Policy in 2005 lowered the cost threshold for cost or incentive contracts, subcontracts, intra-government and other agreements. Other directives that have increased the focus on EVM are the Office of Budget and Management (OMB) Circular A-11 (Part 7, Section 300), the Sarbanes-Oxley

Act, and the President's Management Agenda Government-wide Initiative Number 5.

The revised DoD Earned Value Management Policy established a \$20 million threshold at which projects must implement the ANSI/EIA-748-A Standard for EVMS. Contracts whose value is over \$50 million must have an EVMS that has been formally validated and accepted. NASA has adopted the same \$20M / \$50M thresholds. GSA and DOE established a \$20M EVM threshold, where the FAA set theirs at \$10M. The Center for Medicare and Medicaid has also added EVM compliance as part of their solicitations, but they have not established specific thresholds thereby allowing their Contracting Officers some flexibility.

EVMS IMPLEMENTATION READINESS ASSESSMENTS

Are You Ready? Satisfying Earned Value Management reporting is not a function that the finance department can satisfy independently. EVM is an integrated program management approach that touches all project personnel and involves a high degree of people, process and tool integration. The implementation of an EVMS involves change across the enterprise. The degree of change and scope of effort required to successfully implement the EVMS depends on the specific earned value requirements and goals of the organization, the organization's project management maturity, culture, business processes and tools, and the organization's level of discipline in following established processes and procedures. An EVMS Implementation Readiness Assessment provides insight into each of these areas and helps the organization formulate a realistic and accomplishable implementation plan. The goals of the EVMS Implementation Readiness Assessment are to identify:

- Project management maturity and culture
- Preliminary gap analysis of key EVM
- Process areas
- Implementation risks
- Cultural dynamics
- Tools and technology capabilities and needs
- Training requirements

For more information about EVMS, please contact us.

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