



National Aeronautics and
Space Administration
Washington, DC 20546

Procurement Class Deviation

PCD 15-05
November 10, 2015

Class Deviation to NFS 1834.2, 1834.203-70, 1852.234-1 and 1852.234-2 – EARNED VALUE MANAGEMENT SYSTEM THRESHOLD

PURPOSE: This procurement class deviation (PCD) provides authority to deviate from the Earned Value Management System (EVMS) requirements for major system acquisitions as prescribed in the NASA FAR Supplement (NFS) 1834.201, Earned Value Management System – Policy; NFS 1834.203-70, NASA solicitation provision and contract clause; NFS provision 1852.234-1, Notice of Earned Value Management System; and NFS clause 1852.234-2, Earned Value Management System. The class deviation raises the dollar threshold requirement for EVMS compliance reviews from \$50 million to \$100 million for cost or fixed-price incentive contracts and subcontracts.

BACKGROUND: The NFS solicitation provision 1852.234-1, Notice of Earned Value Management System, and NFS clause 1852.234-2, Earned Value Management System (EVMS) are required for cost or fixed-price incentive contracts and subcontracts for which the contractor is required to have an EVMS that is in compliance with the American National Standards Institute, Electronic Industries Alliance Standard 748, Earned Value Management Systems (ANSI/EIA-748). On August 25, 2015, the NASA Earned Value Management (EVM) Program Executive and the NASA EVM Steering Committee determined the EVM dollar threshold for compliance reviews should be raised from \$50 million to \$100 million.

The new \$100 million threshold applies to cost or fixed-price incentive contracts and subcontracts for which the contractor is required to have an EVMS that the cognizant Federal Agency has determined to be in compliance with the guidelines of ANSI/EIA-748. For cost or fixed-price incentive contracts value greater than \$20 million for which EVM will be applied, the contractor is required to use an EVMS that complies with the guidelines in ANSI/EIA-748 to provide EVM reporting to the program management office (PMO). However, the PMO will not routinely conduct EVMS compliance surveillance activities on cost or fixed price incentive type contracts and subcontracts valued from \$20 million to \$100 million. Although use of EVM for firm-fixed-price (FFP) contracts and subcontracts of any dollar value is discouraged, the dollar threshold in NFS 1834.201(b) for FFP contracts has also been raised from \$50 million to \$100 million.

Nevertheless, the government reserves the right to review the EVMS if the EVM reporting data quality appears suspect, e.g. when a contracting officer, program manager or NASA Headquarters point of contact asks for the Defense Contract Management Agency (DCMA)

assistance due to a concern about the quality of EVM data reported on a given contract, or when the EVM data does not comply with one or more of the ANSI/EIA-748 guidelines.

GUIDANCE: Effective immediately, contracting officers shall use the attached NFS solicitation provision and clause: 1852.234-1, Notice of Earned Value Management System (NOV 2015) (DEVIATION), and 1852.234-2, Earned Value Management System (NOV 2015) (DEVIATION) in accordance with NFS 1834.201, Earned Value Management System – Policy and as prescribed in NFS 1834.203-70, NASA solicitation provision and contract clause. All solicitations issued after the date of this PCD shall use the attached NFS provision and clause in lieu of NFS provision 1852.234-1, Notice of Earned Value Management System (APR 2015), and NFS clause 1852.234-2, Earned Value Management System (APR 2015), respectively when EVMS is required in accordance with the new dollar thresholds in NFS 1834.201 and 1834.203-70.

For solicitations already issued, which contain NFS 1852.234-1 and 1852.234-2, the contracting officer is encouraged to amend the solicitation and replace the previous EVM provision and clause with the deviated EVM provision and clause. Contracting officers are not required to modify current contracts to include the deviated clause; however, the deviated clause will lessen the management system requirements on contractors. Therefore, the contractor should provide the Government with consideration when the parties update the existing contract to include the clause and under no circumstances should the contract modification result in increased costs to the Government.

EFFECTIVE DATE: This PCD is effective as dated and shall remain in effect until it is incorporated into the NFS or is otherwise rescinded.

PROVISION AND CLAUSE CHANGES: NFS solicitation provision 1852.234-1, Notice of Earned Value Management System (NOV 2015) (Deviation) and NFS contract clause 1852.234-2, Earned Value Management System (NOV 2015) (Deviation) are hereby added.

HEADQUARTERS CONTACT: For EVM issues or requirements contact the NASA EVM Program Executive, Jerald Kerby at gerald.g.kerby@nasa.gov, (256) 544-3243 and the EVM Working Group Deputy Chair, Kristen Kehrer at Kristen.c.kehrer@nasa.gov, (321) 867-3691. For procurement concerns contact Marilyn J. Seppi, Contract and Grant Policy Division, (202) 358-0447, email: marilyn.j.seppi@nasa.gov.

/s/

William P. McNally
Assistant Administrator for Procurement

Attachments:

- 1) NFS 1834.201, Earned Value Management System - Policy
- 2) NFS 1834.203-70, NASA solicitation provision and contract clause
- 3) NFS 1852.234-1, Notice of Earned Value Management System (NOV 2015) (DEVIATION)
- 4) NFS 1852.234-2, Earned Value Management System (NOV 2015) (DEVIATION)

PART 1834
MAJOR SYSTEM ACQUISITION

Subpart 1834.0--General

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Subpart 1834.2—Earned Value Management System

1834.201 Policy.

(a) NASA requires use of an Earned Value Management System (EVMS) on contracts for development or production work, including development or production work for flight and ground support systems and components, prototypes, and institutional investments (facilities, IT infrastructure, etc.) as specified below:

(1) For cost or fixed-price incentive contracts and subcontracts valued at ~~\$50 Million~~ **[100 million]** or more the contractor shall have an EVMS that has been determined by the cognizant Federal agency to be in compliance with the guidelines in the American National Standards Institute/Electronic Industries Alliance Standard 748, Earned Value Management Systems (ANSI/EIA-748).

(2) For cost or fixed-price incentive contracts and subcontracts valued at \$20 ~~M~~**[m]**illion or more but less than ~~\$50 Million~~ **[100 million]**, the contractor shall have an EVMS that complies with the guidelines in ANSI/EIA-748, as determined by the cognizant Contracting Officer.

(3) For cost or fixed-price incentive contracts and subcontracts valued at less than \$20 ~~M~~**[m]**illion the application of Earned Value Management (EVM) is optional and is a risk-based decision at the discretion of the program/project manager.

(b) Requiring EVM for firm-fixed-price (FFP) contracts and subcontracts of any dollar value is discouraged; however, an Integrated Master Schedule (IMS) and adequate reporting shall be required to plan and track schedule performance for development or production contracts valued at \$20 ~~M~~**[m]**illion or more. In addition, for FFP contracts that are part of a program/project of ~~\$50 Million~~ **[100 million]** or more, the contracting officer shall collaborate with the government's program/project manager to ensure the appropriate data can be obtained or generated to fulfill program management needs and comply with NASA Procedural Requirements (NPR) 7120.5.

(c) An EVMS is not required on non-developmental contracts for engineering support services, steady state operations, basic and applied research, and routine services such as janitorial services or grounds maintenance services.

(d) Contracting officers shall request the assistance of the cognizant Defense Contract Management Agency (DCMA) office and the applicable NASA Center EVM Focal Point (<http://evm.nasa.gov/council.html>) in determining the adequacy of proposed EVMS plans and procedures and system compliance.

(e) Notwithstanding the EVMS requirements above, if an offeror proposes to use a system that has not been determined to be in compliance with the ANSI/EIA 748, Earned Value Management Systems, the offeror shall submit a comprehensive plan for compliance with these EVMS standards, as specified in 1852.234-1, Notice of Earned Value Management System.

Offerors shall not be eliminated from consideration for contract award because they do not have an EVMS that complies with these standards.

(f) As a minimum, and in accordance with NPD 7120.5, requirements initiators shall ensure that EVMS monthly reports are included as a deliverable in the acquisition package provided to the procurement office for implementation into contracts where EVMS applies. Additionally, the acquisition package shall include a Contract Performance Report (CPR), IMS and a Work Breakdown Structure (WBS) and the appropriate data requirements descriptions (DRDs) for implementation into the contract.

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1834.203 Solicitation provisions and contract clause.

The FAR EVMS solicitation provisions and contract clause are not used in NASA contracts. See 1834.203-70 for the NASA EVMS solicitation provision and contract clause.

1834.203-70 NASA solicitation provision and contract clause.

Except for firm-fixed price contracts and the contracts identified in 1834.201(c), the contracting officer shall insert—

(a) The provision at 1852.234-1, Notice of Earned Value Management System, in solicitations for contracts for—

(1) Development or production, including flight and ground support projects, and institutional projects (facility, IT investment, etc.), with a value exceeding \$20M; and

(2) Acquisitions of any value designated as major by the project manager in accordance with OMB Circular A-11; and

(b) The clause at 1852.234-2, Earned Value Management System, in solicitations and contracts with a value exceeding \$50M [100 million] that include the provision at 1852.234-1. The contracting officer shall use the clause with its Alternate I when the contract value is less than \$50M[100 million].

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1852.234-1 Notice of Earned Value Management System.

As prescribed in 1834.203-70(a), insert the following provision:

**NOTICE OF EARNED VALUE MANAGEMENT SYSTEM
(~~APR~~ [NOV] 2015) [(DEVIATION)]**

(a) The offeror shall provide documentation that its proposed Earned Value Management System (EVMS) complies with the EVMS guidelines in the American National Standards Institute (ANSI)/Electronic Industries Alliance (EIA)-748 Standard, Earned Value Management Systems (current version at time of solicitation).

(b) If the offeror proposes to use a system that currently does not meet the requirements of paragraph (a) of this provision, the offeror shall submit its comprehensive plan for compliance with the EVMS guidelines to the Government for approval.

(1) The plan shall—

(i) Describe the EVMS the offeror intends to use in performance of the contract;

- (ii) Distinguish between the offeror's existing management system and modifications
 - (iii) Provide a matrix that correlates each guideline in ANSI/EIA 748 (current version at time of solicitation) to the corresponding process in the offeror's written management procedures;
 - (iv) Describe the proposed procedure for application of the EVMS requirements to subcontractors;
 - (v) Describe how the offeror will ensure EVMS compliance for each subcontractor subject to the flowdown requirement in paragraph (c) whose EVMS has not been recognized by the Cognizant Federal Agency as compliant according to paragraph (a);
 - (vi) Provide documentation describing the process and results, including Government participation, of any third-party or self-evaluation of the system's compliance with the EVMS guidelines; and
 - (vii) If the value of the offeror's proposal, including options, is \$50 [100] million or more, provide a schedule of events leading up to formal validation and Government acceptance of the Contractor's EVMS. Guidance can be found in the Department of Defense Earned Value Management Implementation Guide (<https://acc.dau.mil/CommunityBrowser.aspx?id=19557>) as well as in the National Defense Industrial Association (NDIA) Earned Value Management Systems Acceptance Guide (<http://www.ndia.org/divisions/divisions/procurement/pages/programsystemcommittee.aspx>).
- (2) The offeror shall provide information and assistance as required by the Contracting Officer to support review of the plan.
- (3) The Government will review the offeror's EVMS implementation plan prior to contract award.

(c) The offeror shall identify in its offer the major subcontractors, or major subcontracted effort if major subcontractors have not been selected, planned for application of the EVMS requirement. Prior to contract award, the offeror and NASA shall agree on the subcontractors, or subcontracted effort, subject to the EVMS requirement.

(d) The offeror shall incorporate its compliance evaluation factors for subcontractors into the plan required by paragraph (b) of this provision.

(End of provision)

1852.234-2 Earned Value Management System.

As prescribed in 1834.203-70(b) insert the following clause:

EARNED VALUE MANAGEMENT SYSTEM (~~APR~~ [NOV] 2015) [(DEVIATION)]

- (a) In the performance of this contract, the Contractor shall use--
- (1) An Earned Value Management System (EVMS) that has been determined by the Cognizant Federal Agency to be compliant with the EVMS guidelines specified in the American National Standards Institute (ANSI)/Electronic Industries Alliance (EIA) – 748 Standard, Industry Guidelines for Earned Value Management Systems (current version at the time of award) to manage this contract; and
 - (2) Earned Value Management (EVM) procedures that provide for generation of timely, accurate, reliable, and traceable information for the Contract Performance Report (CPR) and the Integrated Master Schedule (IMS) required by the data requirements descriptions in the contract.

(b) If, at the time of award, the Contractor's EVMS has not been determined by the Cognizant Federal Agency to be compliant with the EVMS guidelines, or the Contractor does not have an existing EVMS that is compliant with the guidelines in the ANSI/EIA-748 Standard (current version at the time of award), the Contractor shall apply the system to the contract and shall take timely action to implement its plan to obtain compliance/validation. The Contractor shall follow and implement the approved compliance/validation plan in a timely fashion. The Government will conduct a Compliance Review to assess the contractor's compliance with its plan, and if the Contractor does not follow the approved implementation schedule or correct all resulting system deficiencies identified as a result of the compliance review within a reasonable time, the Contracting Officer may take remedial action, that may include, but is not limited to, a reduction in fee.

(c) The Government will conduct Integrated Baseline Reviews (IBRs). Such reviews shall be scheduled and conducted as early as practicable, and if a pre-award IBR has not been conducted, a post-award IBR should be conducted within 180 calendar days after contract award, or the exercise of significant contract options, or within 60 calendar days after distribution of a supplemental agreement that implements a significant funding realignment or effects a significant change in contractual requirements (e.g., incorporation of major modifications). The objective of IBRs is for the Government and the Contractor to jointly assess the Contractor's baseline to be used for performance measurement to ensure complete coverage of the statement of work, logical scheduling of the work activities, adequate resourcing, and identification of inherent risks. See the NASA IBR Handbook (<http://evm.nasa.gov/handbooks.html>) for guidance.

(d) Unless a waiver is granted by the Cognizant Federal Agency, Contractor proposed EVMS changes require approval of the Cognizant Federal Agency prior to implementation. The Cognizant Federal Agency shall advise the Contractor of the acceptability of such changes within 30 calendar days after receipt of the notice of proposed changes from the Contractor. If the advance approval requirements are waived by the Cognizant Federal Agency, the Contractor shall disclose EVMS changes to the Cognizant Federal Agency at least 14 calendar days prior to the effective date of implementation.

(e) The Contractor agrees to provide access to all pertinent records and data requested by the Contracting Officer or a duly authorized representative. Access is to permit Government surveillance to ensure that the Contractor's EVMS complies, and continues to comply, with the EVMS guidelines referenced in paragraph (a) of this clause, and to demonstrate—

- (1) Proper implementation of the procedures generating the cost and schedule information being used to satisfy the contract data requirements;
- (2) Continuing application of the accepted company procedures in satisfying the CPR required by the contract through recurring program/project and contract surveillance; and
- (3) Implementation of any corrective actions identified during the surveillance process.

(f) The Contractor shall be responsible for ensuring that its subcontractors, identified below, comply with the EVMS requirements of this clause as follows:

- (1) For subcontracts with an estimated dollar value of ~~\$50M~~**[100 million]** or more, the following subcontractors shall comply with the requirements of this clause.

(Contracting Officer to insert names of subcontractors or subcontracted effort).

(2) For subcontracts with an estimated dollar value of less than \$50M[100 million], the following subcontractors shall comply with the requirements of this clause except for the requirement in paragraph (b), if applicable, to obtain compliance/validation.

(Contracting Officer to insert names of subcontractors or subcontracted effort.)

(g) If the contractor identifies a need to deviate from the agreed baseline by working against an Over Target Baseline (OTB) or Over Target Schedule (OTS), the contractor shall submit to the Contracting Officer a request for approval to begin implementation of an OTB or OTS. This request shall include a top-level projection of cost and/or schedule growth, whether or not performance variances will be retained, and a schedule of implementation for the reprogramming adjustment. The Government will approve or deny the request within 30 calendar days after receipt of the request. Failure of the Government to respond within this 30-day period constitutes approval of the request. Approval of the deviation request does not constitute a change, or the basis for a change, to the negotiated cost or price of this contract, or the estimated cost of any undefinitized contract actions.

(End of clause)

(ALTERNATE I)
(NOV 2006)

As prescribed in 1834.203-70(b), substitute the following paragraph (b) for paragraph (b) of the basic clause:

(b) If, at the time of award, the Contractor's EVMS has not been determined by the Cognizant Federal Agency to be compliant with the EVMS guidelines, or the Contractor does not have an existing cost/schedule control system that is compliant with the guidelines in the ANSI/EIA-748 Standard (current version at the time of award), the Contractor shall apply the system to the contract and shall take timely action to implement its plan to be compliant with the guidelines. The Government will not formally validate/accept the Contractor's EVMS with respect to this contract. The use of the Contractor's EVMS for this contract does not imply Government acceptance of the Contractor's EVMS for application to future contracts. The Government will monitor compliance through routine surveillance.

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