



## **Earned Value Management System Center (EVMSC)**

### **Business Practice 4**

### **EVMS Surveillance**

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<b>Effective Date:</b>	October 16, 2023
<b>DAI Code(s):</b>	D2000 – Receive and Review Workload D4000 – Surveillance Planning D5460 – Execute Surveillance D6000 – Analyze Results (General) D6200 – Analyze Results (Corrective Actions)
<b>Point(s) of Contact:</b>	Danielle Bemis, Policy Lead Bill Weisler, Policy Lead

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**Purpose:** Defines the process to evaluate continued compliance of a contractor's EVMS in accordance with DCMA MAN 2301-01: Contractor Business Systems and DCMA MAN 2303-01: Surveillance.

#### **Reference(s):**

- 1. Defense Federal Acquisition Regulation Supplement (DFARS)**
  - a. 252.234-7002: Earned Value Management System
- 2. Department of Defense Earned Value Management System Interpretation Guide (EVMSIG)**
- 3. DCMA Manual**
  - a. 2301-01: Contractor Business Systems
  - b. 2303-01: Surveillance
- 4. Electronic Industries Alliance (EIA) 748**
  - a. EVMS Standard 32 Guidelines

#### **Roles and Responsibilities:**

- 1. Director**
  - a. Ensures compliance with this Business Practice (BP).
  - b. Ensures locally developed training, guidance and tools align with this BP.
  - c. Assist and mentor the workforce with the implementation and execution of this BP.
  - d. Elevates through the chain of command unresolved challenges, including gaps, in executing the processes and procedures of this BP.
  - e. Ensures the EVMS Center has a process in place to review documentation and provide advice on identified weaknesses to the cognizant Contract Management Office (CMO).
- 2. Group Lead**
  - a. Ensures compliance with this BP.
  - b. Assigns responsibilities to the Team as outlined in this business practice.

- c. Serves as the conduit between the Segment Lead and the EVMS Center Director to resolve gaps in policy/manuals/guidance.
- d. Assist and mentor the workforce with the implementation of this BP.
- e. Provides oversight of the team's effort and supports communications with the cognizant Contracting Officer (CO), DCMA Contract Management Office (CMO), the Program Management Office (PMO) and the contractor.
- f. Ensures review results are communicated and coordinated with appropriate stakeholders.

3. **Segment Lead**

- a. Ensures compliance with this BP.
- b. Plans, schedules and executes this business practice in coordination with the Group Lead.
- c. Communicates status with the CO, CMO, PMO, and contractor, as applicable.
- d. Assigns and oversees the efforts of the assigned EVMS Specialist(s) in accordance with the process defined below, ensuring resources are properly allocated.
- e. Coordinate with CO on supplier business system status.
- f. Ensures that submitted work products are timely, accurate and distributed appropriately.

4. **EVMS Specialist**

- a. Complies with this BP and other issued directives.
- b. Executes the process defined in this BP as directed by the Segment Lead and Group Lead.
- c. Accurately documents all compliance activities.
- d. Maintains appropriate level of communications with Segment Lead.

5. **Contracting Officer** (referred to as "CO" in this issuance). Coordinate with the EVMS Center for review of contractor proposed EVMS plan.

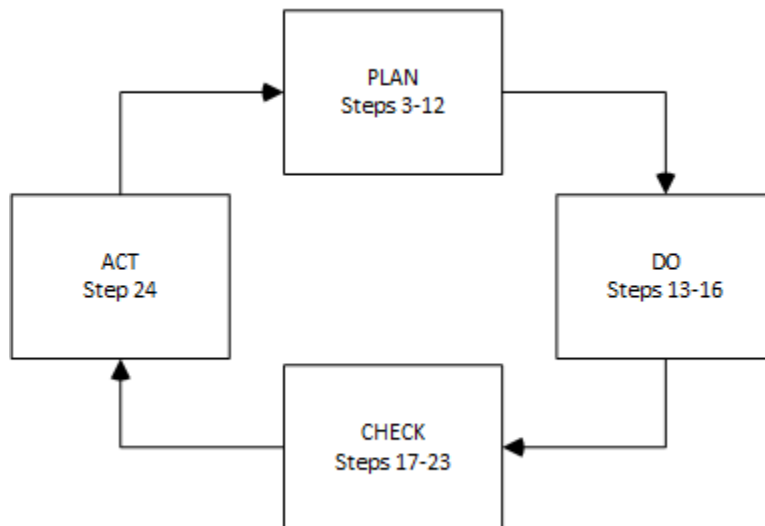
**PROCESS:**

1. **Overview:** EVMS assessments are conducted in accordance with DCMA MAN 2301-01: Contractor Business Systems, DCMA MAN 2303-01: Surveillance, the EVMSIG, and the requirements of this business practice at all contractor sites where there is a contractual requirement for EVMS compliance. The responsibilities and procedures contained herein are equally applicable for assessing compliance for both prime contracts and subcontracts alike as defined in FAR 34.201. Except where specifically stated within this business practice, the term "contractor" applies equally to subcontractors as well as prime contractors, and specifically establishes a requirement for communication with the prime contractor associated with the subcontractor and the cognizant CO.

The EVMS surveillance assessment process can be summarized in four (4) phases:

Plan: Plan surveillance	(steps 3-12)
Do: Conduct surveillance	(steps 13-16)
Check: Identify and Report non-compliances	(steps 17-23)
Act: Evaluate and adjust surveillance plan	(step 24)

The paragraphs below provide additional detailed steps for each phase



**Figure 1 – Plan, Do, Check, Act**

2. Special circumstances:

- a. For SP contract(s), if existing EVMSC surveillance is determined to be compliant with the intent of DCMA-MAN-2303-01 in addressing the risks of the system, the use of SP contracts' data to perform surveillance is optional at the direction of the SP Director or delegate. If there is no existing EVMSC surveillance plan, SP may develop a Surveillance Plan in accordance with this BP.
- b. For subcontracts, when a United States prime contract does not exist and there is no cognizant CO assigned, the EVMS Specialist coordinates expectations with the cognizant CACO/DACO. When the EVMSC is responsible for continuing compliance assessments of contractor/subcontractor EVMS, all deficiencies are monitored to closure using the DCMA system of record.
- c. When DCMA is not the Cognizant Federal Agency (CFA) for delegations such as NASA, SUPSHIP, DOE, etc., the EVMS Center provides the

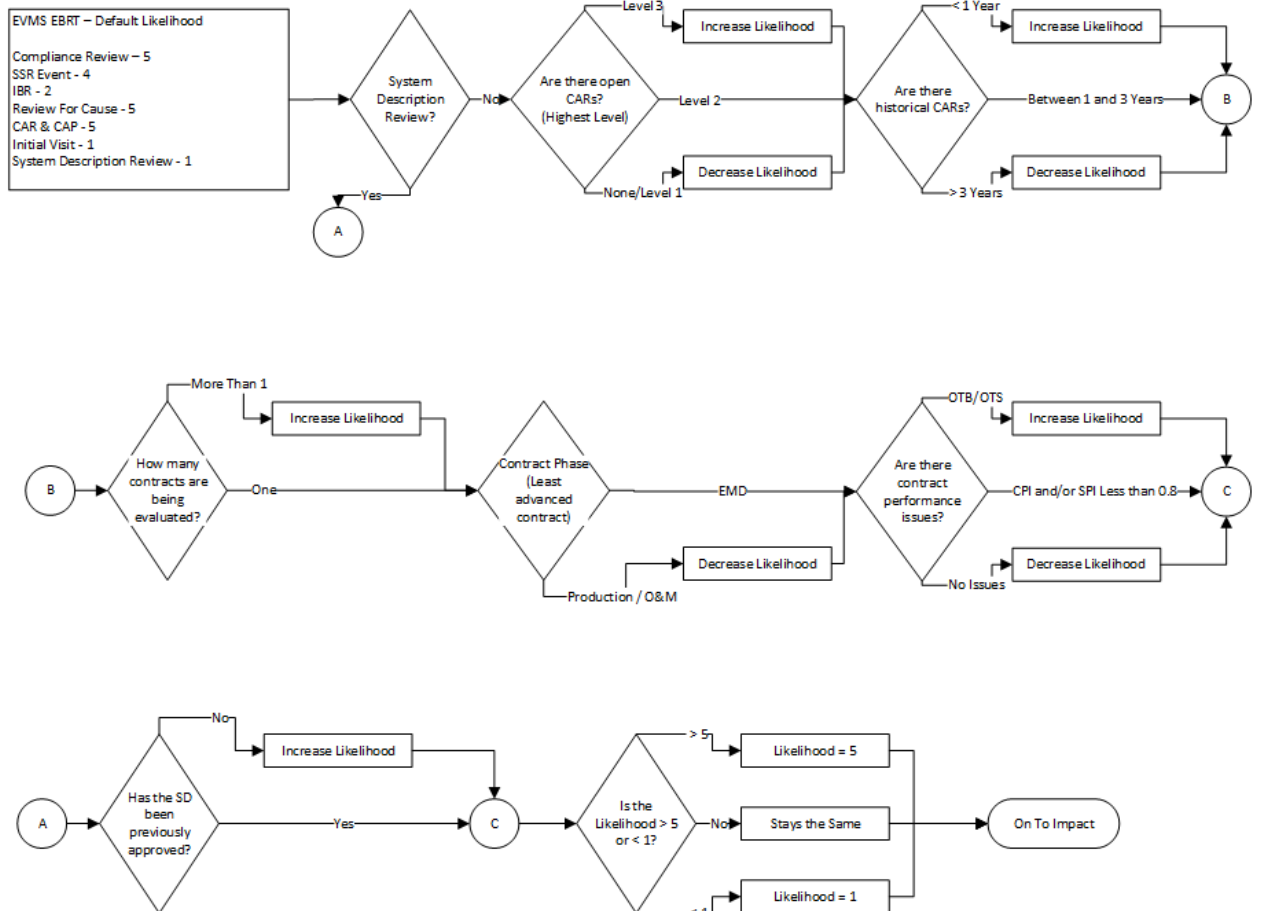
assessment of compliance to the appropriate CFA and the CFA takes any and all follow up actions.

**PLAN:**

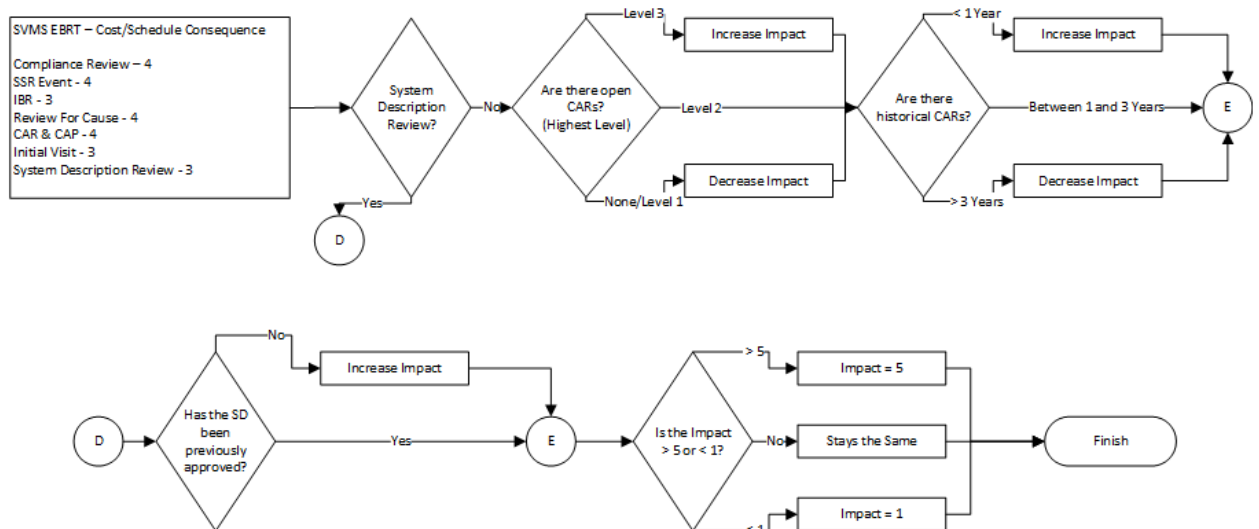
3. Identify Requirements – The Segment Lead maintains a portfolio of all contracts with EVMS review requirements within their area of assigned responsibility. Segment Leads use all available information including input from:
  - a. Outreach to and input from existing contractors and EVMS Specialists.
  - b. Feedback from PMOs and COs
  - c. Coordination with Program Support (PMBI) as applicable
4. Stakeholder Communication – Planning, execution, and follow-up surveillance efforts are coordinated with applicable stakeholders at least annually. Stakeholders may include, but are not limited to:
  - a. DCMA
  - b. Program Management Office (PMO)
  - c. Program Executive Officers
  - d. Procuring Contracting Officer (PCO)
  - e. Prime contractor (for subcontractor or applicable inter-company work authorization)
  - f. Service Commands
  - g. Other supported agencies
5. Identify Planned Contracts - A set of contracts with EVM requirements must be identified for assessing contractor EVMS compliance, focusing on areas of high risk. For contracts that are omitted from the surveillance plan, supporting rationale is provided.
6. Risk Assessment – Risk is an ongoing and continuous process. DCMA requires risk assessments for each surveillance event.<sup>1</sup> Each risk rating evaluation assesses the likelihood an event will result in the occurrence of a deficiency as well as the consequence of that deficiency to the system health. The Segment Lead utilizes the Event Based Risk Tool (EBRT) to determine likelihood and consequence ratings, with accompanying rating justifications. The Segment Lead documents the risk ratings and justifications in the DCMA official surveillance plan record.

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<sup>1</sup> DCMA-MAN-2303-01: Surveillance - Section 4.1.e sets the requirement for risk assessment at the surveillance event level.



**Figure 2 – EBRT Decision Tree for Likelihood**



**Figure 3 – EBRT Decision Tree for Impact**

7. Create/Update Plan – Prior to the start of the fiscal year, the Segment Lead or designee initiates the creation of new, or update of existing, Surveillance

Plan(s) within the portfolio using Attachment A - Surveillance Plan Template. At a minimum all plans are reviewed and updated annually. The plan:

- a. covers a 3-year review period aligned with the Contract Business System status review date.
- b. reviews all 32 Guidelines over the course of the three-year cycle.
- c. addresses all metrics associated with the guideline.
- d. is reviewed by Segment Lead and recommended for approval.
- e. is approved by Group Lead or designee.
- f. contains a schedule based on risk-rated surveillance requirements, surveillance strategies, and available resources. Refer to PDREP training for Surveillance Planning.<sup>2</sup>
- g. contains the appropriate Controlled Unclassified Information (CUI) markings per the Surveillance Plan template (Attachment A).

The EVMS Specialist coordinates implementation of the plan with the contractor to facilitate successful execution. The Segment Lead and Group Lead have the option to reduce, delay and/or eliminate low risk surveillance events based on resource capability and workload planning.

8. Changes to the Surveillance Plan – Assessing risk is a repetitive process and can occur during any stage of surveillance. Risk drives surveillance prioritization and approach, and can necessitate changes to the surveillance plan. Approved Surveillance Plans are subject to change for a variety of reasons, such as:
  - a. Emergent risk (i.e., Over Target Baseline, Nunn-McCurdy, etc.).
  - b. Contract modifications.
  - c. Stakeholder concerns.
  - d. Surveillance feedback/results or repetitive deficiencies.
  - e. Adjacent surveillance/compliance assessment events such as formal compliance review completion, integrated baseline reviews, system description update reviews.<sup>3</sup>
9. Change Approval - Prior to execution, changes to Surveillance Plans are approved by the Group Lead or designee and communicated to the contractor.
10. CAP Monitoring – In the event a contractor has been issued a CAR that requires a CAP, the EVMS Specialist updates the Surveillance Plan to include CAP Monitoring/Assessment Events as changes to CAP/progress/status occurs. The execution of these events requires

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<sup>2</sup> DCMA MAN-2303-01: Surveillance – Section 5.1 assesses the requirements for the creation of the surveillance plan.

<sup>3</sup> Not intended to be an exhaustive list. Any new information from other EVMS compliance assessments within the 3 year cycle can affect the previously agreed-to 3 year plan. Adjustments to the 3-year plan including should be executed based on new information and emerging EVMS assessment results.

development of a System Surveillance Report that summarizes the details and results of the event. In addition, the report discusses the progress of the CAP and any concerns to achieving successful CAP completion.

11. Peer Review – To foster consistency across groups and share best practices across the center, Group and Segment Leads should provide peer review and comments for at least one surveillance plan outside their group/segment annually. Comments are for information and insight, but do not obligate the receiver to incorporate changes.
12. Contractor Internal Surveillance – Contractors are encouraged to perform self-assessments. A robust and effective contractor internal EVMS surveillance program is considered in the risk assessment and informs the surveillance plan. When resources are limited, higher risk activities are prioritized over lower risk activities. Effective contractor internal oversight activities:
  - a. Produces consistent and reliable results and findings.
  - b. Has a history of self-identifying and correcting deficiencies in the system.
  - c. Formally documents activities through plans, reports, and supporting documentation.
  - d. Make documentation available for DCMA review.

## **CONDUCT:**

Surveillance is executed IAW the surveillance plan. If surveillance cannot be performed IAW the surveillance plan, the EVMS Specialist must document rationale as to why the surveillance cannot be performed as planned and reschedule the planned surveillance if possible. Any surveillance that cannot be conducted, as planned, does not negate the requirement to cover all 32 guidelines within a 3-year period. The exception to covering all 32 guidelines within a 3-year period is if the system is currently reflecting Disapproved in the official system of record.

13. Data Call – The EVMS Specialist or Segment Lead contacts the contractor by email at least 45 days in advance of each event to communicate:
  - a. Data requirements (content and timing)
  - b. Proposed dates for follow-up actions
  - c. Identify any additional requirements based on the risk profile.

The EVMS Specialist must verify that the data received from the contractor is in accordance with the request and communicates any missing data elements back to the contractor to support the planned activities in a timely manner.

14. Analyze Data and Processes – An analysis of the contractor's EVMS

processes, system description, and data is conducted to evaluate the ability of the system to meet the intention of the EVMS EIA Standard.

When available, the data analysis should include reviewing reports and findings from the contractor's internal surveillance activities<sup>4</sup>. The results of a contractor's internal surveillance activities should not be used to substitute the EVMSC's independent analysis, but can be used in conjunction with and to support the assessment conducted by the EVMS Specialist. If the EVMS Specialist leverages contractor findings or results, those items should be identified in the System Surveillance Report.

DCMA EVMS Compliance Metrics (DECMs) are a first step in assessing an EVMS and evaluating guideline compliance. DECMs provide indicators where a system may be producing unreliable data. The Guideline Evaluation Template (GET) (Attachment F) is the mechanism to provide a complete guideline evaluation of the contractor's processes and EVMS implementation. Further investigation must be conducted in order to understand any potential non-compliance impacts. Surveillance analysis is not limited to DECM results as other indicators and data anomalies may exist and should be investigated.

The EVMS Specialist has the obligation to perform independent inquiry and follow-up to assess compliance.

15. Follow-Up – The EVMS Specialist must follow-up on any concerns identified from the artifacts provided. Review of the contractor's EVM System Description is required for any potential deficiencies. Follow-up actions may include:

- Discussions with other stakeholders.
- Requests for additional data to support an expanded sample size or to investigate other potential compliance issues.
- Interviews with appropriate contractor personnel (e.g. program finance, schedulers, program manager, Control Account Managers (CAMs)).

Any concerns identified should be discussed with the Segment Lead prior to the scheduled surveillance event.

The surveillance event should begin with an introductory In-Brief presented by the EVMS Specialist. The In-Brief should cover the scope of the event (CAGE(s) Code, program(s)/contract(s), guidelines covered), agenda, and contractor personnel being interviewed. The intent of the surveillance event is to follow-up on any concerns resulting from the data and process analysis. At a minimum all DECMs that resulted in an out of threshold result should be

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<sup>4</sup> Reports from other stakeholders such as DCAA and the program office should be considered.



addressed; however, this does not limit the EVMS Specialist from following up on other process/data concerns, nor does an out of threshold metric automatically result in a finding.

At the completion of the surveillance event, the EVMS Specialist provides an out-brief to the contractor summarizing the preliminary results and any actions taken and/or required. The detail and format of the out-brief is tailored to the events included in the review.

16. Closeout – After follow-up actions are complete, the EVMS Specialist takes one, or a combination of the three, of the following steps to close out each identified concern:

- Acceptance of the condition as the correct execution of the contractor's system.
- Issuance of Corrective Action Request (CAR) to the contractor and copied to the CO in accordance with DCMA Manual 2303-01: Surveillance.
- Notation in the System Surveillance Report, and Surveillance Plan of a risk with actions identified for a subsequent event (this may include potential issues with other guidelines or systems that require a deeper investigation than could not be accomplished within the scope of this event).

Regardless of which closeout approach is selected, all require documentation within the narrative of the System Surveillance Report.

## **REPORT:**

17. Document Results - Assessment activities are documented using the System Surveillance Report Template (Attachment B) and in the GET(s) (Attachment F).

Corrective Action Request(s) (CAR): Any identified contractor performance deficiencies are documented using a CAR(s) in accordance with DCMA MAN 2303-01: Surveillance. CAR levels are defined in DCMA Manual 2303-01: Surveillance. A single CAR is issued per guideline for all identified deficiencies. Each CAR includes all the deficiencies identified for that particular guideline for Level I and Level II.<sup>5</sup> An exception may apply if a large-scale surveillance event is used whereby combining more than one guideline is included in one Level III CAR may be warranted. If Level III CARs are warranted, then the issuance, CAP acceptance/rejection, and CAR closure authority resides solely with the cognizant CO in accordance with DCMA Manual 2303-01: Surveillance. If the cognizant CO issues the Level III/IV CAR(s), the functional specialist will close the related Level I/II CAR(s). The EVMSC should support the CO throughout

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<sup>5</sup> The Deficiency Report Template from BP5 or BP6 may be used to document several instances of non-compliance found within one guideline.

the aforementioned business system determination process (reference BP6).

Subcontractor CAR(s) (Prime-Major Subcontract flow down): When EVMS applies at the subcontractor via mandatory flow down through the Prime contract, the CFA reviews the subcontractor's EVMS at the subcontractor site. In this case, the application of EVMS to subcontractors uses the same rules as applied to the prime contractor. There is no privity of contract when the EVMS requirement is required at the subcontractor level. In cases of EVMS non-compliant deficiencies at the subcontractor and a prime contract exists, the CAR(s), of whatever level, are issued directly to the subcontractor. For Level III CAR(s), the EVMS Specialist notifies the cognizant CO of any potential Level III CAR(s). At a subcontractor EVMS, the 252.242-7005 Contractor Business System does not apply thus, may not result in an Approval or Disapproval. Attachment D contains a subcontractor CAR flow chart for reference.

Subcontractor CAR(s) (when no Prime contract exists): The application of EVMS to subcontractors uses the same rules as applied to a prime contractor. In cases of EVMS non-compliant deficiencies at a subcontractor that does not have a prime contract with appropriate EVMS clauses, the CARs of whatever level are still issued directly to the subcontractor. When a United States prime contract does not exist and there is no cognizant CO assigned, the CMO Commander/Director may release the Level III CAR to the subcontractor. However, the EVMS Specialist notifies the corporate CO of any potential Level III CAR(s). Attachment D contains a subcontractor CAR flow chart for reference.

After each surveillance event, the EVMS Specialist must communicate the results to the CO. When the three-year surveillance cycle is complete, a letter is issued to the Contracting Officer notifying of the completion of the EVMS compliance assessment, current system status, and any outstanding CARs or CAPs IAW the EVMS Recertification Memorandum Template (Attachment C).

For EVMS surveillance at sites with reportable programs, the EVMS specialist shall ensure the Business System Status section on the applicable Program Support Team (PST) collaboration site is updated monthly IAW DCMA Manual 3101-01. This can include but not limited to surveillance event results/status, compliance reviews, new CAR/CAPs issued and/or CAR/CAP status updates.

All completed System Surveillance Reports and CARs are to be reviewed and approved the Group Lead or designee. Use of the Surveillance Checklist (Attachment E) is required to ensure completion of all surveillance related activities.

18. Document Markings, Data Storage & Distribution – Approved plans and reports are distributed as follows:

- DCMA CMO point(s) of contact.
- Cognizant Contracting Office (CO).
- Government PMOs.
- Contractor.

Distribution of documents to other requesting individuals or organizations requires approval from the Director or designee to ensure proprietary data has been removed. Caution is used when distributing documents outside of DCMA to prevent disclosure of program sensitive or contractor proprietary information.

Particular care should be considered when prime contractors request a surveillance report containing subcontractor data. Sensitive and/or proprietary subcontractor data is sanitized prior to transmittal to the prime contractor. In these instances, the EVMS Specialist consults with the Group Lead before transmission of the report.

Any formal documentation that is distributed outside the DCMA EVMS Center needs to be archived within the Agency's system of record.

19. CAP Review and Acceptance<sup>6</sup>. With the issuance of a CAR, a CAP may be required. If a CAP is required, the Segment Lead must ensure it contains the following in accordance with DCMA Manual 2303-01: Surveillance:

- a. Root cause of the deficiency.
- b. Actions taken to correct the current specific deficiency.
- c. Corrective Action taken or planned to eliminate deficiency.
- d. Action taken to prevent recurrence of the deficiency.
- e. Determination of whether other processes are affected by the identified root cause.
- f. Determination of whether other financials costs/products/services are affected by the identified root cause, including product already delivered to the customer.
- g. Target date(s) for implementation of planned actions:
  - Corrective Action Approved Date
  - Corrective Action implementation Date
  - Verification Date
  - Validation Date

20. CAP Monitoring and Closure. The Segment Lead monitors and tracks CAP activities to closure. The EVMS Specialist updates the Surveillance Plan to include CAP Monitoring/Assessment Events.

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<sup>6</sup> CAR issuance and CAP monitoring is accomplished in the PDREP tool. In addition to this BP, PDREP training and guidance is used to accomplish the CAR issuance and CAP monitoring.

- a. Level I/II CAR(s): The Segment Lead determines if the contractor is effectively implementing the CAP. The Segment Lead shall monitor the contractor's progress in correcting deficiencies as outlined in the contractor's CAP. Accordingly, when the contractor notifies the Segment Lead in writing all system deficiencies have been corrected, the Segment Lead shall review the corrections to determine if the deficiencies have been resolved. The verification may include staff interviews, performance of tests, or reviewing new procedures. If the CAP review indicates the deficiencies have been corrected, the Segment Lead closes the CAR(s). The Segment Lead should follow-up with an email to all stakeholders informing them of the CAR closure.
  - b. Level III and higher CAR(s): In consultation with the Segment Lead, the CO determines if the contractor is effectively implementing the CAP. The CO and the Segment Lead shall monitor the contractor's progress in correcting deficiencies as outlined in the contractor's CAP. Accordingly, when the contractor notifies the CO in writing that all system deficiencies have been corrected, the CO may request the Segment Lead review the corrections to determine if the deficiencies have been resolved. The verification may include staff interviews, performance of tests, or reviewing new procedures. If the CAP review indicates the deficiencies have been corrected, the Segment Lead drafts and the Director approves a memorandum for record to the CO (BP6 Attachment M) indicating satisfactory correction for all documented issues and/or whether further actions are necessary along with requisite documentation.
21. Document Naming Convention – All documents requiring archival shall use the naming convention CAGEDocTypeDDMMYY (17 total characters).
22. Classification Markings – The author of any document(s)/attachments(s) related to this BP shall ensure appropriate classification IAW applicable laws, regulations, and Government-wide policies, and the safeguarding and protection requirements for each. Normal CUI markings are included in the Standard Surveillance Report Template (Attachment B)
23. Documentation Archival - Any formal documentation that is distributed outside the DCMA EVMS Center needs to be archived within the Agency system of record.

#### **ADJUST:**

24. Evaluate & Adjust – The Segment Lead will evaluate the results of the surveillance event and make changes to the documented surveillance plan as necessary based on adjusted risk.

NOTE – In compliance with DCMA manual 3101-04, communications containing reports or other deliverables that are sent outside of the agency must contain a statement and link to the DCMA Customer Satisfaction Survey (i.e. “We greatly appreciate your feedback to help us better support your needs, please complete a brief survey at: <https://www.dcmamilitary.com/Customers/Customers-Customer-Satisfaction-Survey/>”)

This business practice remains in effect until further notice.

**ATTACHMENTS:**

- A. Surveillance Plan Template
- B. System Surveillance Report Template
- C. EVMS Recertification Memorandum Template
- D. Subcontractor CAR Flow Chart
- E. Surveillance Checklist
- F. Guideline Evaluation Templates

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