234.201 Policy.

(1) DoD applies the earned value management system requirement as follows:

(i) For cost or incentive contracts and subcontracts valued at $20,000,000 or more, the earned value management system shall comply with the guidelines in the American National Standards Institute/Electronic Industries Alliance Standard 748, Earned Value Management Systems (ANSI/EIA-748).

(ii) For cost or incentive contracts and subcontracts valued at $50,000,000 or more, the contractor shall have an earned value management system that has been determined by the cognizant Federal agency to be in compliance with the guidelines in ANSI/EIA-748.

(iii) For cost or incentive contracts and subcontracts valued at less than $20,000,000—

(A) The application of earned value management is optional and is a risk-based decision;

(B) A decision to apply earned value management shall be documented in the contract file; and

(C) Follow the procedures at PGI 234.201 (1)(iii) for conducting a cost-benefit analysis.

(iv) For firm-fixed-price contracts and subcontracts of any dollar value—

(A) The application of earned value management is discouraged; and

(B) Follow the procedures at PGI 234.201 (1)(iv) for obtaining a waiver before applying earned value management.

(2) When an offeror proposes a plan for compliance with the earned value management system guidelines in ANSI/EIA-748, follow the review procedures at PGI 234.201 (2).

(3) The Defense Contract Management Agency is responsible for determining earned value management system compliance when DoD is the cognizant Federal agency.

(4) See PGI 234.201 (3) for additional guidance on earned value management.

(5) The cognizant contracting officer, in consultation with the functional specialist and auditor, shall—

(i) Determine the acceptability of the contractor‘s earned value management system and approve or disapprove the system; and

(ii) Pursue correction of any weaknesses or deficiencies.

(6) In evaluating the acceptability of a contractor’s earned value management system, the contracting officer, in consultation with the functional specialist and auditor, shall determine whether the contractor’s earned value management system complies with the system criteria for an acceptable earned value management system as prescribed in the clause at 252.234-7002 , Earned Value Management System.

(7) *Disposition of findings—*

(i) *Reporting of findings*. The functional specialist or auditor shall document findings and recommendations in a report to the contracting officer. If the functional specialist or auditor identifies any material weakness in the contractor's earned value management system, the report shall describe the weaknesses or deficiencies in sufficient detail to allow the contracting officer to understand the weaknesses or deficiencies.

(ii) *Initial determination*.

(A) The contracting officer shall review all findings and recommendations and, if there are no material weaknesses, shall promptly notify the contractor, in writing, that the contractor's earned value management system is acceptable and approved; or

(B) If the contracting officer finds that there are one or more http://www.acq.osd.mil/dpap/dars/dfars/html/current/252234.htm#252.234-7002 material weaknesses due to the contractor's failure to meet one or more of the earned value management system criteria in the clause at 252.234-7002, the contracting officer shall—

(*1*) Promptly make an initial written determination of any material weaknesses and notify the contractor, in writing, providing a description of each material weakness in sufficient detail to allow the contractor to understand the weaknesses (see PGI 234.201(7)(ii));

(*2*) Request the contractor to respond, in writing, to the initial determination within 30 days; and

(*3*) Evaluate the contractor's response to the initial determination, in consultation with the auditor or functional specialist, and make a final determination.

(iii) *Final determination*.

(A) The contracting officer shall make a final determination and notify the contractor, in writing, that—

(*1*) The contractor's earned value management system is acceptable and approved, and no material weaknesses remain; or

(*2*) Material weaknesses remain. The notice shall identify any remaining material weaknesses and indicate the adequacy of any proposed or completed corrective action. The contracting officer shall—

(*i*) Request that the contractor, within 45 days of receipt of the final determination, either correct the deficiencies or submit an acceptable corrective action plan showing milestones and actions to eliminate the weaknesses;

(*ii*) Disapprove the system in accordance with the clause at 252.234-7002 when initial validation is not successfully completed within the timeframe approved by the contracting officer, or the contracting officer determines that the existing earned value management system contains one or more material weaknesses in high-risk guidelines in ANSI/EIA-748 standards (guidelines 1, 3, 6, 7, 8, 9, 10, 12, 16, 21, 23, 26, 27, 28, 30, or 32). When the contracting officer determines that the existing earned value management system contains one or more material weaknesses in one or more of the remaining 16 guidelines in ANSI/EIA-748 standards, the contracting officer shall use discretion to disapprove the system based on input received from functional specialists and the auditor; and

(*iii*) Withhold payments in accordance with the clause at 252.242-7005 , Contractor Business Systems, if the clause is included in the contract.

(B) Follow the procedures relating to monitoring a contractor’s corrective action and the correction of material weaknesses at PGI 234.201(7)(iii).

(8) *System approval*. The contracting officer shall promptly approve a previously disapproved earned value management system and notify the contractor when the contracting officer determines that there are no remaining material weaknesses.

(9) *Contracting officer notifications*. The cognizant contracting officer shall promptly distribute copies of a determination to approve a system, disapprove a system and withhold payments, or approve a previously disapproved system and release withheld payments to the auditor; payment office; affected contracting officers at the buying activities; and cognizant contracting officers in contract administration activities.

Parent topic: Subpart 234.2 - EARNED VALUE MANAGEMENT SYSTEM