

**OMB CONTROL NUMBER 0704-0479**  
**Supporting Statement**  
**DFARS 234, Earned Value Management System**

**A. JUSTIFICATION**

1. **Requirement.** This justification supports a request for a revision of the information collection cleared under Office of Management and Budget (OMB) Control Number 0704-0479, Defense Federal Acquisition Regulation System (DFARS) Business Systems-Definition and Administration, DFARS 234, Earned Value Management System.

DFARS clause 252.242-7005, Contractor Business Systems, requires contractors to establish and maintain acceptable business systems which include contractor Earned Value Management Systems, property management systems, and others. The clause also requires contractors to respond in writing to initial and final determination from the Administrative Contracting Officer (ACO) that identifies deficiencies in any of the contractor's business systems. The information collection requirements imposed on contractors who are required to respond to findings of significant deficiencies in their accounting system, estimating system, material management and accounting system and purchasing system have submitted and previously approved by OMB under separate clearance requests.

This information clearance request specifically addresses information a contractor is required to provide to respond to significant deficiencies in a contractor's Earned Value Management System (EVMS). The requirements apply to entities that are contractually required to maintain an EVMS. DFARS subpart 234.2, Earned Value Management System, and DFARS clause 252.234-7002, Earned Value Management System, require certain contractors to—

- Use an EVMS that has been determined to be in compliance with the EVMS guidelines in American National Standards Institute/Electronic Industries Standard 748, Earned Value Management Systems (ANSI/EIA-748).
- Respond in writing to written notifications from the Government that identifies significant deficiencies in the contractor's EVMS.

2. **Purpose.** DoD needs this information to document actions to correct significant deficiencies in contractor EVMS business systems. DoD contracting officers use the information to mitigate the risk of unallowable and unreasonable costs being charged on Government contracts.

3. **Information Technology.** Contractors are required to provide a written response to an ACO determination that identifies significant deficiencies in the contractors' business systems. In accordance with the definition of "written" in section 2.101 of the Federal Acquisition Regulation (FAR), electronic submission of the notification is permitted.

4. **Duplication.** As a matter of policy, DoD reviews the FAR and DFARS to determine if adequate language already exists. This information collection does not duplicate any other requirement.

5. **Small Business.** The information collection associated with small businesses is the minimum consistent with applicable laws, Executive orders, regulations, and prudent business practices.

6. **Consequences of non-collection.** Less frequent collection of this information could result in unallowable and unreasonable costs being charged on Government contracts.

7. **Special circumstances.** Collection of the information does not require any of the special circumstances cited at 5 CFR 1320.5(d)(2).

8. **Public comments and consultation.** Public comments were solicited in the **Federal Register**, at [80 FR 10670](#) on February, 27, 2015, as required by 5 CFR 1320.8(d). DoD received no comments on the proposed information collection requirement.

9. **Payment to respondents.** No payment or gift will be provided to respondents, other than remuneration of contractors under their contracts.

10. **Confidentiality.** The information collected will be disclosed only to the extent consistent with prudent business practice, current regulations, and statutory

requirements. No assurance of confidentiality is provided to respondents.

11. **Sensitive questions.** No sensitive questions are involved.

12. **Estimate of public burden.** DFARS 242.70, Contractor Business Systems; DFARS 234.2, Earned Value Management System; and the clauses at 252.234-7002, Earned Value Management System and 252.242-7005, Contractor Business Systems, require contractors to respond in writing to written determinations from the Government that identify deficiencies in the contractor's EVMS. Based on information provided by a subject matter expert at the DCMA Operations Earned Value Management Division, approximately 12 written determinations for EVMS system reviews are expected annually. DoD estimates that it will take a contractor approximately 676 hours to prepare and submit a response to each notification. The estimated annual cost to the public is as follows:

Number of respondents (1)	12
Responses per respondent (2)	1.0
Number of responses	12
Hours per response (3)	676
Estimated hours	8,112
Cost per hour (4)	\$63.93
Total annual public burden	\$518,600

Notes: The data set used for this estimate is the average number of EVMS system reviews held annually for fiscal year (FY) 2012 through FY 2014.

(1) DCMA, on average, conducts 12 reviews annually, which result in an initial determination.

(2) Contractors submit one written response to each initial determination. Accordingly, we estimate an average of 12 responses per year.

(3) We estimate that contractors incur an average of 676 hours to address findings of significant deficiencies. This includes:

(a) Three personnel working full-time over the 30 day response period to manage the process;

(b) Two to three personnel working an average of 76 hours to review, analyze and prepare a response; and

(c) Two personnel working full-time for 1.5 weeks to compile, edit, and coordinate the final response (in addition to the management effort).

Based on the above, the estimated hours are broken down as follows:

<u>Task</u>	<u>Hours</u>
Manage process	480
Prepare response	76
Edit and coordinate response	120
Total Hours Per Response	<u>676</u>

(4) The complexity of the work is estimated to be equivalent to that of a GS-14, step 5. Accordingly, the hourly rate is calculated by adding an overhead factor of 36.25% (taken from OMB Memo M-08-13, which provides standard cost factors for agency use) to the calendar year 2015 Office of Personnel Management base rate for a step 5 GS-14 as follows:

<u>Cost per Hour</u>	
GS-14, step 5	\$46.92
OMB burden @ 36.25%	\$17.01
	<u>\$63.93</u>

13. **Estimated non-recurring costs.** DoD does not estimate any annual cost burden apart from the burden in Item 12.

14. **Estimated cost to Government.** DoD estimates that it will take the Government approximately 266 hours to review and process the information in each response. The estimated annual cost to the Government is as follows:

Number of responses (1)	12
Hours per response (2)	266
Estimated hours	3,192
Cost per hour (3)	\$63.93
Total annual Government burden	\$204,065

Notes:

(1) See paragraph 12, note 2.

(2) We estimate the Government will incur an average of 266 hours to review and prepare a final determination based on the contractor's response to an initial determination. The 266 hours includes:

(a) The Review Chief and Deputy working at .75 effort for 1.5 weeks to manage the response within the prescribed timelines;

(b) Approximately three hours to analyze and respond to each deficiency;

(c) Twenty hours for management review and coordinating the results with the ACO; and

(d) Eighty hours to prepare the final determination and complete the panel review required by DCMA policy.

Based on the above, our estimated hours are broken down as follows:

<u>Task</u>	<u>Hours</u>
Manage process	45
Analyze response	121
Management review/Coordination	20
Coordination and panel review	80
Total Hours Per Response	<u>266</u>

(3) See paragraph 12, note 4.

15. **Reason for changes in burden.** The revised estimate is significantly lower than the 2011 estimate. A reassessment of the 2011 estimate indicates it may have inadvertently included the processing time associated with reviews where there was no finding of a significant deficiency. When no significant deficiencies are found during an EVMS review, the ACO will notify the contractor, in writing, that the contractor's earned value management system is acceptable and approved. In these cases, the ACO would not issue an initial determination that requires a written response from the contractor. The 2011 estimate was the first submission for this clearance, and historical information was not available for use at that time. The data set used for this renewal estimate reflects the average number of EVMS system reviews held annually for FY 2012 through FY 2014.

Based on our revised estimate, the public burden has changed as follows:

Public burden:

	<u>2014</u>	<u>2011</u>	<u>Change</u>
Hours	8,112	357,120	-349,008
Dollars	\$518,600	\$22,377,139	-\$21,858,539

16. **Publication.** Results of this information collection will not be tabulated or published.

17. **Expiration date.** DoD does not seek approval to not display the expiration date for OMB approval of the information collection.

18. **Certification.** There are no exceptions to the certification accompanying this Paperwork Reduction Act submission.

**B. Collections of Information Employing Statistical Methods**

Statistical methods will not be employed.