

## SUPPORTING STATEMENT

Defense Federal Acquisition Regulation Supplement (DFARS); Business Systems-Definition and Administration; DFARS 234; Earned Value Management Systems; OMB Control No. 0704-0479

### A. JUSTIFICATION

#### 1. Need for the Information Collection

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 determinations from the Administrative Contracting Officer (ACO) that identify deficiencies in any of the contractors' 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 been submitted and previously approved by OMB under separate clearance requests.

This information collection 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 identify significant deficiencies in the contractor's EVMS.

#### 2. Use of the Information

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. Use of Information Technology

Information technology is used approximately 100% of the time to reduce burden. 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. Non-duplication

As a matter of policy, DoD reviews the FAR to determine if adequate language already exists. This request for information applies solely to DoD and does not duplicate any other requirement. Similar information is not already available to the Government.

### 5. Burden on Small Business

The burden applied to small business is the minimum consistent with applicable laws, Executive orders, regulations and prudent business practices. The requirements for information collection are only occasional, as the circumstances dictate.

### 6. Less Frequent Collection

Less frequent collection of this information could result in in unallowable and unreasonable costs being charged on Government contracts.

### 7. Paperwork Reduction Act Guidelines

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

### 8. Consultation and Public Comments

a. For the purpose of calculating respondent burden, DoD subject matter experts at the Defense Contract Management Agency (DCMA), who perform the EVMS evaluations, were contacted to obtain current data.

b. This information collection is consistent with the guidelines in 5 CFR 1320.6. In accordance with 5 CFR 1320.8(d), public comments were solicited in the *Federal Register* on March 6, 2018 ([83 FR 9501](#)). No comments were received.

c. A notice of submission to OMB for clearance of this information collection was published in the *Federal Register* on May 23, 2018 ([83 FR 23905](#)).

9. Gifts or Payment

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

10. Confidentiality

This information is disclosed only to the extent consistent with prudent business practices and current regulatory, statutory, and Freedom of Information Act requirements. The collection of information does not include any personally identifiable information (PII) and records are not retrievable by PII; therefore, no Privacy Impact Assessment or Privacy Act System of Records Notice is required.

11. Sensitive Questions

No sensitive questions are involved in the information collection.

12. Respondent Burden, and its Labor Costs

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 subject matter experts at the DCMA Operations Earned Value Management Division, approximately 5 EVMS reviews were conducted during fiscal years 2015 through 2017 that resulted in findings that required a contractor response to a written determination by the ACO of significant deficiencies. During the prior three-year renewal period, an average of 12 similar system reviews had resulted in findings. This renewal request addresses approval for 10 contractor responses to ensure that the OMB clearance continues to remain in effect, notwithstanding recent fluctuations in the program reviews. Based on a baseline of 10 system reviews that may require contractor responses, the annual cost to the public is estimated as follows:

Estimation of Respondent Burden Hours: DFARS 252.234-7002	
Number of respondents (1)	10
Responses per respondent (2)	1

Number of responses (3)	10
Hours per response (4)	676
Estimated hours (5)	6,760
Cost per hour (hourly wage) (6)	\$76
Annual public burden (7)	\$513,760

Notes:

(1) According to DoD experts, an average of 5 contractors (respondents) submitted responses to the EVMS reviews held annually for fiscal years 2015 through 2017. DoD is requesting clearance to accommodate 10 reviews that will require responses in order to keep the OMB Control Number active and ensure continued coverage should EVMS reviews increase in number during the next three-year period.

(2) Contractors submit one written response to each initial determination.

(3) DoD estimates an average of 10 responses per year based on one response for each of the 10 respondents.

(4) DoD estimates 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 calculated 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>

(5) The estimated hours are calculated by multiplying the number of responses by the estimated hours per response.

(6) The fully burdened rate of \$76 was developed using the Office of Personnel Management (OPM) 2018 basic hourly salary (for the rest of U.S. locality) of \$55.99 for a

General Schedule (GS) 14, step 5, employee, plus a burden of 36.25 percent (per OMB Circular A-76, Attachment C), which equals \$76.29. This rate was rounded to \$76.

(7) The total annual public burden is calculated by multiplying estimated hours by the cost per hour.

13. Estimated nonrecurring costs.

There are no nonrecurring costs, i.e., capital and start—up, or operation and maintenance costs for contractors.

14. Estimated cost to the Government.

The total Government hourly and cost burden to receive, review, and analyze the information submitted by contractors is estimated as follows:

Estimation of Government Burden Hours: DFARS 252.234-7002	
Number of responses (1)	10
Hours per response (2)	306
Estimated hours (3)	3,060
Cost per hour (hourly wage) (4)	\$76
Annual public burden (5)	\$232,560

Notes:

(1) See methodology for obtaining total number of responses summarized in paragraph 12. of this supporting statement.

(2) DoD estimates the Government will incur an average of 306 hours to review and prepare a final determination based on the contractor’s response to an initial determination. The 306 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 will take approximately 20 hours; and

(d) One hundred twenty hours to prepare documentation requested by the ACO and complete the Headquarters panel review and any Boards of Review, as 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	120
Total Hours Per Response	<u>306</u>

(3) The estimated hours are calculated by multiplying the number of responses by the estimated hours per response.

(4) The fully burdened rate of \$76 was developed using the OPM 2018 basic hourly salary (for the rest of U.S. locality) of \$55.99 for a GS 14, step 5, employee, plus a burden of 36.25 percent (per OMB Circular A-76, Attachment C), which equals \$76.29. This rate was rounded to \$76.

(5) The total annual Government burden is calculated by multiplying estimated hours by the cost per hour.

15. Reasons for changes in burden.

The change in burden is the result of using: (1) actual data from the subject matter experts who manage the DoD program for conducting the EVMS reviews and using, as a baseline, the three most recent fiscal years for which EVMS reviews were conducted; and (2) the current OPM GS hourly labor rates for fiscal year 2018 to calculate the cost per hour.

The main driver in reducing respondent burden was a change made in 2015 to thresholds determining when an EVMS review is required. This was part of a DoD Better Buying Power 3.0 initiative that led to an increase in the review threshold from \$20 million to \$100 million. This reduced the number of contracts requiring an EVMS review by 50% and resulted in fewer contractors requiring an EVMS review that may result in a determination requiring a response. One area where the burden did increase was on the Government burden, where DoD has experienced more time consumed as overhead in managing the process. Accordingly, the public burden has changed as follows:

Change in Respondent Burden: 0704-0479			
Totals	2018	2015	Change
Number of respondents	10	12	-2
Responses per respondent	1	1	-
Number of responses	10	12	-2
Hours per response	676	676	-
Estimated hours	6,760	8,112	-1,352
Cost per hour (hourly wage)	\$76	\$64	+\$12

Annual public burden	\$513,760	\$518,600	-\$4,840
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16. Publication.

Results of this information collection will not be published.

17. Expiration date.

We do not seek approval not to 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. The information to respondents required by 50 CFR 1320.8(b)(3) will be provided in a separate Federal Register notice announcing the OMB approval of this collection of information.

B. Collections of Information Employing Statistical Methods

Statistical methods are not used in this information collection.