

AzTech International Presents...

# 32 IN 32

## The Earned Value Guidelines in Digestible Bites

We set out to provide you with the 32 NDIA Earned Value Guidelines...in 32 words or less!

This guide is a compilation of all 32 Guidelines, along with key tips gleaned from our extensive expertise in the field. Enjoy!

### Magic Guideline **#1: THE WORK**

**Gather project scope documents and break the project into manageable chunks; a work products family tree.**



What you EXCLUDE from project scope is perhaps even more important than what you INCLUDE.

### Magic Guideline **#2: ORGANIZATION**

**Create a project team organization chart with ONE project manager and ONE accountable name for each major chunk of work.**



Give managers authority, tools, and training to manage their work.

### Magic Guideline **#3: DATA INTEGRATION**

**It takes a village of systems to define, plan, budget, collect costs, claim progress, update forecasts, and analyze a project successfully.**



A smart and uniform coding approach helps integrate data.

### Magic Guideline **#4: OVERHEADS**

**Overhead (also called indirect) costs need a single manager for each department, function, or pool.**



Project teams cannot deliver scope and schedule on budget if overhead costs are out of control.

## Magic Guideline **#5: CHUNKS OF WORK**

Break projects into manageable work chunks with defined technical scope bounded by cost, schedule, and performance targets.



Assign a single work code and team code to manage each work chunk.

## Magic Guideline **#6: SCHEDULE**

Create a plan capturing authorized work scope realistically modeling the logical tasks to measure progress for phases, deliverables, and events.



Aim for the FEWEST tasks required to manage the work.

## Magic Guideline **#7: PROGRESS**

Measure progress on delivering work products with start, finish, and interim milestones—even inchstones—tracking technical performance goals.



Claim progress objectively so that your replacement could easily know percent complete.

## Magic Guideline **#8: BUDGET**

Timephase cost targets (budgets) by resource to successfully deliver the work scope, schedule, and cost.



Set realistic budget targets and document assumptions and buy-in from task and resource owners..

## Magic Guideline **#9: COST ELEMENTS**

Break budget targets into key cost elements like direct labor, material, and other costs.



Don't forget to identify costs for travel, tooling, software, equipment, facilities, material, parts, and services.

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**Magic Guideline #10: WORK PACKAGES (AND PLANNING PACKAGES)**

Break projects into manageable work chunks with defined technical scope bounded by cost, schedule, and performance targets.



Assign a single work code and team code to manage each work chunk.

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**Magic Guideline #11:  $\Sigma$  OF WORK PACKAGE + PLANNING PACKAGE BUDGETS = CONTROL ACCOUNT BUDGETS**

Budgets for Work Packages (short, near-term tasks) and Planning Packages (often larger, far-term tasks) must sum to Control Account (manageable chunk of work) budgets.



Budget hours AND costs.

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**Magic Guideline #12: IDENTIFY, BUDGET, & CONTROL LEVEL OF EFFORT**

“Discrete” tasks drive and can delay the overall project and deliverables. “Level Of Effort” tasks provide management, administrative, or other functional or as-required support.



Identify, budget, and control LOE

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**Magic Guideline #13: SETUP OVERHEAD BUDGETS BY ORGANIZATION**

Set up project overhead cost targets (budgets from Guideline 8) by Organization codes from Guideline 2.



Apply realistic and consistent overhead costs based on past and likely future overhead rates.

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**Magic Guideline #14: SETUP TWO MANAGEMENT BUCKETS FOR WORK**

Set-up two management buckets for original plus new scope and another for unplanned, in-scope changes—until work can be time-phased.



Only authorized work goes into these buckets!

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**Magic Guideline #15:  $\Sigma$  OF ALLOCATED BUDGETS = CONTRACT BUDGET**

Continually balance the project checkbook: Sum of allocated budgets equals the contract's target budget.



Authorized work means contractually agreed work scope, schedule, and budget. Likely does not equal authorized.

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**Magic Guideline #16: CAPTURE DIRECT PROJECT COSTS**

Capture actual hours and costs for labor, material, and other costs charged DIRECTLY to the project.



Setup the fewest charge numbers required to analyze variances and aid with future bids.

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**Magic Guideline #17:  $\Sigma$  DIRECT PROJECT COSTS BY WORK CODE**

Sum up actual direct hours and costs (Guideline 16) by project work products or codes (Guideline 1).



Be sure costs roll up directly to ONLY ONE lowest level work code.

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**Magic Guideline #18:  $\Sigma$  DIRECT PROJECT COSTS BY ORGANIZATION**

Sum up actual direct hours and costs (Guideline 16) by Organization (function or product team) (Guideline 2).



Be sure costs roll up directly to ONLY ONE lowest level organization code.

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**Magic Guideline #19: CAPTURE INDIRECT (OVERHEAD) PROJECT COSTS**

Capture indirect (overhead) actual costs allocated to the project by organization (department, function, or product team).



Include labor, material, and other overhead costs and rollup per Guidelines 1 and 2.

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**Magic Guideline #20: IDENTIFY UNIT COSTS, EQUIVALENT UNIT COSTS, OR LOT COSTS (if applicable)**

Track actual material costs for whole and partially complete systems, assemblies, sub-assemblies, and lots.



Equivalent costs are for partial completion (partial units can add up to one equivalent unit).

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**Magic Guideline #21: THREE MATERIAL ACCOUNTING ESSENTIALS**

1. Capture actual material costs within manageable chunks of work.
2. Claim progress as received, consumed, or with progress milestones.
3. Track residual inventory.



Every part matters (quantities and costs).

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**Magic Guideline #22: IDENTIFY MONTHLY COST AND SCHEDULE VARIANCES**

Generate monthly reports analyzing monthly, inception to date, and at completion cost and schedule variances.



Roll up to manageable work chunks and the project level per Guidelines 1 and 2.

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**Magic Guideline #23: IDENTIFY & ANALYZE MONTHLY COST & SCHEDULE VARIANCES**

Identify monthly cost (underrun / on target / overrun) and schedule (ahead / on target / behind) variances. Explain root causes.



Ask WHY questions to get to root causes. Focus on impacts at completion.

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**Magic Guideline #24: IDENTIFY & EXPLAIN INDIRECT (OVERHEAD) OVERRUNS AND UNDERRUNS**

Generate reports analyzing budgeted versus actual indirect (overhead) cost variances—explaining significant overhead pool, department, or function overruns or underruns.



Document the right level, frequency, and thresholds for effective management control

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**Magic**  
**Guideline #25: GENERATE PERFORMANCE VARIANCE**  
**REPORTS FOR MANAGERS AND CUSTOMERS**

Generate work and organizational performance reports summarizing variances. Highlight performance and compliance concerns, issues, and risks for all management levels.



Use 80/20 rule to focus on drivers and outliers.

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**Magic**  
**Guideline #26: DEVELOP AND TRACK CORRECTIVE**  
**ACTIONS TO CLOSURE**

Using earned value data, develop and track concrete corrective actions to prevent or mitigate technical issues, schedule delays, and cost overruns.



Continually seek ways to capture opportunities and mitigate risks.

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**Magic**  
**Guideline #27: GENERATE THE LATEST REVISED ESTIMATE**  
**AT PROJECT COMPLETION**

Dial past performance into realistic estimates for remaining work — including labor, material commitments, and other project costs.



Explain key drivers for deltas between the baseline and between previously reported estimates.

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**Magic**  
**Guideline #28: DIAL AUTHORIZED CHANGES INTO THE COST**  
**AND SCHEDULE BASELINE DATA AND LOGS**

Dial customer and management authorized changes into the schedule, budgets, and change logs for impacted chunks of work.



For timely updates on authorized work, use estimates even before completing negotiations.

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**Magic**  
**Guideline #29: TRACK BASELINE BUDGET CHANGES**  
**FOR AUTHORIZED WORK**

Monthly, tie a ribbon around budget changes for major chunks of work and the management buckets from Guidelines X and Y.



Don't forget to identify costs for travel, tooling, software, equipment, facilities, material, parts, and services.

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**Magic  
Guideline #30: WITH RARE EXCEPTIONS, DON'T CHANGE THE  
PAST**

Avoid changing previously reported inception-to-date budget, performance, or actual cost data.



Rare exceptions are error corrections, routine accounting adjustments, or customer / management-directed changes to improve data integrity.

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**Magic  
Guideline #31: ONLY CHANGE BUDGETS VIA A CHANGE  
CONTROL AND WORK AUTHORIZATION  
AUDIT TRAIL**

After initial work authorization, scheduling, and budgeting, any subsequent baseline changes require a formal change control and work authorization audit trail.



Always keep technical work scope, schedule, and budget aligned.

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**Magic  
Guideline #32: KEEP AN AUDIT TRAIL TO CHANGES IN THE  
PROJECT'S PERFORMANCE MEASUREMENT  
BASELINE**

The time-phased technical work scope, schedule, and budget must align to the contract targets.



Only the customer can formally authorize cost or schedule baseline changes that exceed contract targets.

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