



**TECOLOTE  
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**CR- 1463**

**Fermi Research Alliance (FRA)  
Earned Value Management System (EVMS)  
On-Site Implementation Validation Report**

**Tom Jaeger**

**January 18, 2010**

**SUBMITTED TO:**

**Mr. John Makepeace**

**Office of Engineering and Construction Management (MA-50)**

**U.S. Department of Energy**

**1000 Independence Ave., SW**

**Washington, DC 20585**

**CONTRACT NO.: GS-23F-0105K**

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**TECOLOTE RESEARCH, INC.  
420 S. Fairview Avenue, Suite 201  
Goleta, CA 93117-3626  
(805) 571-6366**

**TECOLOTE RESEARCH, INC.  
2231 Crystal Drive, Suite 702  
Arlington, VA 22202  
(703) 414-3290**

## **1: EXECUTIVE SUMMARY**

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Through Contract # GS-23F-0105K, the Department of Energy's (DOE) Office of Engineering and Construction Management (OECM) requested that Tecolote Research, Inc. (Tecolote) direct, lead, and perform an Earned Value Management System (EVMS) compliance review of the Fermi Research Alliance (FRA) EVMS and its application to the NUMI Off-axis electron neutrino ( $\nu_e$ ) Appearance (NO $\nu$ A) Project. The compliance review took place during the week of May 11, 2009 in Batavia, Illinois.

Tecolote was requested to review the subsequent Corrective Action Plan (CAP), provide comments on the CAP to OECM and review, verify, and validate the implementation of the CAP. Finally, after reviewing all of the above, Tecolote is required to issue an EVMS certification recommendation and review report to OECM. Following OECM's concurrence with Tecolote's recommendation to certify the contractor, OECM then sends the contractor a certification letter.

Tecolote's assessment of the original CAP was documented in CR#1415 dated June 12, 2009. At that time, Tecolote recommended that OECM accept the corrective action plan as appropriate and instruct FRA to begin implementation. A follow-up, on-site, visit was recommended in that report to ensure successful implementation could be validated. This report addresses Tecolote's assessment of the evidence files submitted by FRA in Section 4, the results of the follow-up on-site visit conducted January 12, 2010 in Section 5, and Tecolote's conclusion and recommendation in Section 6. Table 1 below lists the CARs identified in the initial certification review and the assessment during the recent on-site validation review.

**Table -1 Summary of CARs Issued at Initial Review**

<b>CAR #</b>	<b>Description</b>	<b>Assessment</b>
1	Accounting for Scientist Labor (uncosted)	Successfully Demonstrated
2	No Process/Provision for UB as Holding Account	Successfully Demonstrated
3	Direct Cost for Exempt Labor	Successfully Demonstrated

## **2: INTRODUCTION/ BACKGROUND**

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As part of the implementation of OMB Circular A-11, Part 7, the DOE under Order 413.3, Program and Project Management for the Acquisition of Capital Assets, requires earned value management is applied for its contracts/projects.

Through Contract # GS-23F-0105K DOE OECM requested that Tecolote direct, lead and conduct an EVMS compliance review of FRA's EVMS and its application to the NOvA project, leading to EVMS certification.

The purpose of the EVMS compliance review was to determine if FRA's EVMS meets the requirements and intent of the 32 EVMS guidelines embodied in the American National Standards Institute/Electronic Industries Alliance (ANSI/EIA-748) standard for earned value management systems by assessing whether:

- a. The system, as described, is fully implemented on the selected programs.
- b. The implementation is successful and complies with the requirements of the system description/organization's EVMS procedures.
- c. The system implemented provides timely, accurate, and auditable management information for both the organization's project management and the customer.

The EVMS certification process is a clinical examination of the described system, its processes, and its outputs and is not intended to assess the health of the program/projects examined during the review. Those outputs (documents and artifacts produced on the programs/projects) are used solely as evidence to validate the EVM system's compliance with the ANSI/EIA-748 standard for earned value management systems.

The FRA EVM system implementation was evaluated through the NOvA project. The DOE Office of High Energy Physics (OHEP) within the DOE Office of Science (SC)

operates the Fermilab complex of accelerators, which includes the Neutrinos at the Main Injector (NUMI) facility. The NUMI facility uses protons from a Main Injector accelerator complex to produce an intense beam of neutrinos for use in long-baseline neutrino experiments designed to observe the phenomena of neutrino oscillations and study the nature of neutrino mass. The NUMI Off-axis electron neutrino ( $\nu_e$ ) Appearance (NOvA) experiment is such an experiment, and is to be realized through the NOvA Project. The purpose of the NOvA project is to accomplish the following:

- fabricate the NOvA near (on the Fermilab site) and far (on the Ash River, MN site) detectors in a state ready to take data,
- provide a detector hall at the Ash River, MN site to house the far detector, and
- to upgrade the Fermilab Main Injector and Recycler accelerator facilities and the NuMI beamline facility to support NOvA

### **3: ANALYSIS OF THE CORRECTIVE ACTION PLANS**

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Identified below are the CARs issued during the compliance review. The basis of the team's position is presented followed by the corrective action proposed by FRA. In the Analysis Section that follows, Tecolote discusses the findings, to include whether the CAP was responsive to the CAR and, if provided, whether the artifacts were satisfactory to substantiate the proper implementation. Finally, a statement of the status of the CAR/CAP as a result of the review is provided.

Some of the text found in the CAR and CAP Sections are 'pictures' of the language found in the submittals to avoid the risk of misquoting or misinterpreting. Because these are a direct 'cut and paste' of the originals, no changes have been made to grammar, spelling or acronyms.

#### ***CAR 1 – Accounting for Scientist Labor (uncosted)***

##### **OEEM/Tecolote Observation/Finding:**

The FRA EVMS is not tracking the labor of its scientists and science post-graduate students who support its NOvA project. This represents approximately 18 percent of the labor hours budgeted (163k/883k) for the project. In its execution, the NOvA project has budgeted scientists' labor hours in the schedule, but there are no labor rates related to the hours. Further, the actual hours worked by scientists are not being recorded and entered into the EVM system. As a result, cost variances cannot be determined for the work being performed. Further, where scientists' labor is included in work packages performed by others who record their hours and have associated labor rates, the cost and schedule variances for such work packages cannot be correctly calculated because costs do not include the scientists' labor costs.

Since scientists' hours are budgeted, schedule variances for this work could be determined using hours rather than dollars. However, the team did not find that this is currently being done. The EVMS standard allows cost and schedule performance to be

measured using either dollars or hours. Therefore, planned, earned, and actual hours could be used for determining schedule and cost variances. Because FRA does not capture actual hours worked by its scientists, this is not possible.

It is recognized that the unique nature of the support being provided by scientists at the various universities and that the science community culture at many places does not include accounting for their labor hours worked on projects. However, accurate project status and projections of project completion schedule and costs cannot be determined without accounting for scientists' labor.

### **FRA Corrective Action Plan**

The FRA EVMS will track all budgeted labor on projects. Because labor requirements for projects are established in hours, tracking of labor "costs" can be done either in hours or in dollars. The FRA EVMS will track all costed labor in dollars and uncosted (scientist) labor, as applicable, in hours.

- FRA will perform EV in hours for uncosted Scientist effort budgeted on a project.
- A process will be established for the recording of scientist hours worked on a project where uncosted scientist effort is included in the hours budgeted.
- A process will be established for the collection of scientist hours worked on a project for comparison to budgeted hours.
- For non-FRA uncosted Scientist from other institutions, agreements will be made on the recording and reporting of hours worked on a project. These agreements will be documented in the Memorandum of Understanding (MOU) with each institution for new projects.
- The following documents will be revised to reflect the process for performing EV with hours
  - FRA Earned Value Management System Description
  - Procedure 12.PM-002 (Control Accounts, Work Packages, Planning Packages)
  - Procedure 12.PM-003 (Work Authorization)
  - Procedure 12.PM-005 (Cost Estimating)
  - Procedure 12.PM-006 (Monthly Status Reporting)
  - Procedure 12.PM-007 (Change Control)

- Training on these processes will be provided to CAMs, project office, senior management, and collaborating institutions.
- This corrective action will be implemented on the NOvA Project. Implementation will include modifying existing MOUs with collaborating institutions on agreement to record and report scientist effort.

### **Analysis**

FRA has included the hours for scientists and graduate students contributing to the NOvA Project. These hours are without cost to FRA and are not recorded in the FRA accounting system. In its Corrective Action Plan FRA plans to budget, claim earned value on, and record and report such resources using hours rather than dollars. The NDIA PMSC EVMS Intent Guide, Guideline 9, states the following; “Budgets may be stated either in dollars, hours, or other measurable units.” FRA plans to modify its EVMS description document, appropriate policies and procedures, and its MOAs with external educational institutions who provide these science resources to incorporate changes regarding how scientist and science graduate student labor is to be budgeted, reported, and measured. This appears to be an appropriate and acceptable approach to gaining visibility of resources budgeted and used in the measuring and reporting performance for the related work. Pending review of the documented procedural changes yet to be made by FRA, Tecolote finds this to be a workable, reasonable, and compliant approach to budgeting and measuring performance related to these uncosted resources and recommends acceptance of these corrective actions.

### ***CAR 2 – No Process/Provision for UB as Holding Account***

#### **OECM/Tecolote Observation/Finding:**

FRA’s EVMS description does not address provisions for undistributed budget or processes/procedures for managing such. Para 3.5.2 of the FRA EVM system description states “At the present time, Fermilab projects do not employ undistributed budget as described in the NDIA Intent Guide. The team could find no process that addresses the tracking, use, distribution, and accounting for undistributed budget. While there is an

Undistributed Budget (UB) Log that shows funds in a UB status, that status is instantaneous, as it is negated in the next line by a debit or credit to management reserve.

The FAR has provisions for contract letters of authorization to proceed which authorize additions/deletions of scope and budget. Should DOE issue a letter of authorization to proceed pending the preparation, review, and approval of a Baseline Change Proposal (BCP), the FRA projects currently have no process for managing such budget until the BCP is approved. Contract authorizations to proceed could direct additional scope and budget or the removal of scope and budget. Without a provision for UB, the projects have no process for segregation and management of such budget into a temporary holding account. The EVMS description should have a provision for UB and a process for the managing a UB holding account.

#### **FRA Corrective Action Plan**

FRA will revise the FRA Earned Value Management System Description to provide for the possibility of utilizing undistributed budget, as well as a description of processes for tracking, use, distribution, and accounting of such budget.

#### **Analysis**

FRA does not currently have an undistributed budget. However, if DOE would provide a directed change to the contract or if the project would identify scope that should not be accomplished, FRA would need an acceptable holding account for the related budget. FRA's proposed change to their system description and related processes for managing this budget should satisfy the intent of Guideline 14 of the ANSI/EIA EVMS standard.

#### ***CAR 3 – Direct Cost for Exempt Labor***

#### **OECM/Tecolote Observation/Finding:**

FRA is not in compliance with ANSI Guideline #16 because there is not an auditable trail beyond submitted employee time records that would validate whether

salaried exempt employees' efforts are allocated to multiple projects proportionate to their actual effort. Hours recorded may or may not represent total hours actually worked. Through review of FRA policy and procedures, documentation, and interviews with both accounting department and project personnel it has been determined that the FRA timekeeping system/process does not capture total hours worked. Also, there are no detailed procedures regarding recording of time worked and there is no adequate guidance to support consistent/accurate recording of time when charging to more than one project/task. Timekeeping is accomplished using two different methods; 1) manual timekeeping records (paper based) and 2) electronic timekeeping through the Fermi Time and Labor System (FTL).

The timekeeping systems/processes (for exempt employees working more than one project or charges time to more than one task within a project) as defined creates an internal control weakness allowing for unnecessary inaccuracies in how exempt employees record their time in relation to work assignments.

### **FRA Corrective Action Plan**

All hours worked for exempt FRA employees will be recorded on a weekly basis.

The FRA Fermilab Time and Labor system will be fully implemented for exempt employees for this purpose.

Standard FRA policy and procedures have been developed. A revised Labor Capture and Distribution Policy, with specific guidance for employees regarding tracking and recording of effort, was posted on the Finance Section website on May 26, 2009. A memo was distributed from the Fermilab Director, Dr. Pier Oddone, directing employees using the FTL system to read and adhere to the new policy, which will be implemented as of June 15, 2009.

### **Analysis**

The proposed corrective actions appear to be appropriate. FRA has changed its time keeping policy effective June 15, 2009, as stated in their signed policy document, subject “Labor Capture and Distribution Policy and Procedure”. It is expected that this change will be reflected in their Cost Accounting Standards disclosure statement as well. Tecolote recommends that accounting records related to this change in policy be reviewed to verify that this change has been successfully implemented across projects in which FRA’s EVMS system is applicable prior to certification of the EVMS.

## **4: ASSESSMENT OF EVIDENCE FILES**

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This section contains Tecolote's assessment of the evidence files submitted by FRA in preparation for the on-site review.

### *CAR 1 – Accounting for Scientist Labor (uncosted)*

#### **FRA Corrective Action Plan**

The FRA EVMS will track all budgeted labor on projects. Because labor requirements for projects are established in hours, tracking of labor “costs “ can be done either in hours or in dollars. The FRA EVMS will track all costed labor in dollars and uncosted (scientist) labor, as applicable, in hours.

- FRA will perform EV in hours for uncosted scientist effort budgeted on a project.
- A process will be established for the recording of scientist hours worked on a project where uncosted scientist effort is included in the hours budgeted.
- A process will be established for the collection of scientist hours worked on a project for comparison to budgeted hours.
- For non-FRA uncosted scientists from other institutions, agreements will be made on the recording and reporting of hours worked on a project. These agreements will be documented in the Memorandum of Understanding (MOU) with each institution for new projects.
- The following documents will be revised to reflect the process for performing EV with hours
  - FRA Earned Value Management System Description
  - Procedure 12.PM-002 (Control Accounts, Work Packages, Planning Packages)
  - Procedure 12.PM-003 (Work Authorization)
  - Procedure 12.PM-005 (Cost Estimating)
  - Procedure 12.PM-006 (Monthly Status Reporting)
  - Procedure 12.PM-007 (Change Control)
- Training on these processes will be provided to CAMs, project office, senior management, and collaborating institutions.
- This corrective action will be implemented on the NOvA Project. Implementation will include modifying existing MOUs with collaborating institutions on agreement to record and report scientist effort.

**Evidence Files Submitted:**

- FRA Earned Value Management System Description and related procedures:
  - Procedure 12.PM-002 (Control Accounts, Work Packages, Planning Packages)
  - Procedure 12.PM-003 (Work Authorization)
  - Procedure 12.PM-005 (Cost Estimating)
  - Procedure 12.PM-006 (Monthly Status Reporting)
  - Procedure 12.PM-007 (Change Control)
- NOvA Policy dated August 2009, Subject: NOvA Instructions to NOvA Collaborators for Reporting Scientific Effort
- MOU between Argonne National Laboratory High Energy Physics Division and Fermi National Accelerator Laboratory, dated October 11, 2007.
- October and November 2009 monthly Contract Performance Reports, pages 29 thru 34.
- Fermi National Accelerator Laboratory CFO policy dated December 7, 2009, Subject: Labor Charging Practices for Projects.
- NOvA Project Manager policy to collaborating universities dated July 13, 2009 regarding requirement for scientists and other uncosted resources to report hours worked in support of Fermilab projects that require EVMS reporting.
- October and November 2009 labor charging reports of labor hours worked by uncosted FRA scientists related to the NOvA project.
- October and November 2009 labor charging reports of labor hours worked by uncosted scientists from collaborating institutions in support of the NOvA project.

**Tecolote Assessment:**

Tecolote's review of the FRA evidence files listed above concluded the following:

- Changes to the EVMS Description and related procedures resulted in provisions and procedures for establishing a baseline for uncosted scientist labor and claiming of performance and actual costs based on hours.
- MOUs and policies have been established with collaborating institutions for the reporting of scientists' hours on a weekly basis for use in reporting actual hours used in the performance of the work.

- FRA has executed policies and trained its uncosted scientists on the procedures for recording of actual hours consumed in the accomplishment of NOvA work.
- October and November labor reports verify that uncosted scientists from the collaborating institutions and FRA are reporting actual hours worked on a weekly basis.
- Recent CPRs verify that the work being performed by uncosted scientists is baselined and performance and actual hours consumed are used to determine cost and schedule performance for this work. CPRs reflect this in a separate report from the dollar-based CPR.

Tecolote also interviewed the following uncosted scientists from FRA and collaborating institutions regarding their understanding of the requirements and procedures for recording total hours: P. Shanahan, I. Kourbanis, L. Mualem, R. Talaga, and G. Velev. These interviews found that they understood the policy and procedures and that their implementation was compliant.

Based on the evidence presented by FRA, Tecolote concludes that FRA is now compliant with the ANSI/EIA-748 guidelines relevant to managing performance of work performed by uncosted resources.

### ***CAR 2 – No Process/Provision for UB as Holding Account***

#### **FRA Corrective Action Plan**

FRA will revise the FRA Earned Value Management System Description to provide for the possibility of utilizing undistributed budget, as well as a description of processes for tracking, use, distribution, and accounting of such budget.

#### **Evidence Files Submitted:**

- FRA EVM System Description, paragraph 3.6.2, updated on January 12, 2010

**Tecolote Assessment:**

Tecolote reviewed FRA's revised EVM System Description, paragraph 3.6.2 and finds that FRA now has provisions and procedures for managing undistributed budget. Specifically, the paragraph addresses the nature of UB, how it is to be managed and reported, and the means for accounting for its use. Based on this evidence and the interviews conducted, Tecolote finds FRA compliant with ANSI/EIA-748 guideline #14 regarding accounting for undistributed budget.

***CAR 3 – Direct Cost for Exempt Labor***

**FRA Corrective Action Plan**

All hours worked for exempt FRA employees will be recorded on a weekly basis.

The FRA Fermilab Time and Labor system will be fully implemented for exempt employees for this purpose.

Standard FRA policy and procedures have been developed. A revised Labor Capture and Distribution Policy, with specific guidance for employees regarding tracking and recording of effort, was posted on the Finance Section website on May 26, 2009. A memo was distributed from the Fermilab Director, Dr. Pier Oddone, directing employees using the FTL system to read and adhere to the new policy, which will be implemented as of June 15, 2009.

**Evidence Files Submitted:**

- FRA CFO policy dated June 15, 2009, Subject: Labor Capture and Distribution Policy and Procedure.
- FRA letters to exempt employees and Division/Section/Center Heads dated May 26, 2009, Subject: Reporting time worked using Fermilab Time & Labor (FTL) System
- FRA training charts used to train FRA exempt personnel and managers on procedures for reporting total hours worked on the FRA Time and Labor system.

- FRA training attendance records for FRA Time and Labor system training.
- FRA Time and Labor system screen shots showing process for recording all hours worked by project/charge code.

**Tecolote Assessment:**

Our review of the FRA time keeping policy found that it adequately addresses the requirement and procedures for FRA exempt personnel recording of total hours worked in support of projects requiring EVMS implementation. This policy was effectively communicated to exempt personnel and FRA leadership. Tecolote reviewed the training provided to FRA exempt employees and their leadership regarding uncompensated overtime and found it to be adequate. Tecolote also interviewed the following personnel regarding requirements for recording total hours and found their understanding satisfactory and their implementation compliant: S. Tariq, E. Villegas, K. Dues, L. Valerio, C. Jensen, and S. Dixon. Based on the above, Tecolote found that FRA is now compliant with ANSI/EIA-748 guideline 16.

## **5: RESULTS OF THE ON-SITE IMPLEMENTATION VALIDATION REVIEW ASSESSMENT OF EVIDENCE FILES**

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The on-site implementation validation visit was conducted January 12, 2010 at FRA's office in Batavia, IL. FRA staff provided a presentation on the actions taken to resolve the CARs issued in the review conducted in May 2009. The team also interviewed three scientists from collaborating universities and three scientists from the FRA staff regarding their understanding of FRA policy regarding the recording of uncosted labor hours in support of the NOvA project. Further, the team interviewed six FRA exempt employees to assess their understanding and compliance with the FRA policy regarding accounting for all hours worked in support of the NOvA project. The results of the on-site visit and interviews are addressed in this section.

### **Organization (ANSI Guidelines 1-5):**

The organizing process is concerned principally with: ensuring that each part of the EVMS is properly established; defining the work required to be performed; assigning the tasks to the responsible organizations, including major subcontractors; facilitating the collection of and developing information for management purposes; and identifying organizational resources that facilitate the preparation of accurate and timely estimates of project cost and schedule completion. FRA was found to be in compliance with ANSI guidelines 1-5 in the initial review conducted in May of 2009. There was nothing found during this visit to change that finding. Therefore, it is Tecolote's assessment that FRA successfully demonstrated implementation of and compliance with ANSI guidelines 1 through 5.

### **Planning, Budgeting and Scheduling (ANSI Guidelines 6-15):**

During the initial compliance review conducted in May 2009, FRA was found to be in compliance with ANSI guidelines 6-8, 10-13 and 15. There was nothing found during this visit to change that finding. Actions taken to resolve the CARs written against guidelines 9 and 14 were reviewed during this review.

As stated in section 4 above, Tecolote reviewed the evidence submitted to resolve CAR 1 regarding the recording and reporting of work performed by uncosted scientists. Interviews with six randomly selected uncosted scientists found that they understood the requirements and procedures for recording of their hours worked in support of the NOVA project and were recording such hours weekly. The project is reporting the cost and schedule performance of such work using hours rather than dollars. Accordingly, Tecolote finds FRA compliant with guideline #9.

The team also reviewed and accepted the corrective actions taken to resolve CAR 2 regarding establishing a process and procedures to account for undistributed budget. The team found that the changes to the FRA EVMS Description satisfied the requirements of guideline 14 regarding undistributed budget.

Tecolote concludes that FRA has demonstrated successful EVMS implementation of and compliance with guidelines 6 through 15.

**Accounting (ANSI Guidelines 16-21):**

The intent of the accounting guidelines is to ensure there is a timely and accurate transfer of actual cost information from the accounting system into the EVMS. The site implementation execution review in the accounting area focused on effective implementation of the recording and allocation of exempt overtime hours, as this was the only guideline that was rated as deficient in the initial certification review in May 2009.

The team reviewed FRA's policies and practices related to the capture and allocation of overtime hours for exempt employees and randomly interviewed six exempt personnel regarding their understanding of the policy and procedure regarding recording of all hours worked. Training records were reviewed, as well as the training courses that were provided to exempt personnel. Personnel demonstrated a clear understanding of the policy, procedures, and were found to be recording all hours worked in compliance with

the policy. Employees use the FRA Time and Labor (FTL) system to record and allocate hours to the appropriate charge numbers. All interviewees were able to show receipt of policy/training, understanding of concepts, and were able to provide documentation and demonstration of total time recording.

Based upon the above, Tecolote finds that FRA has successfully implemented their corrective action plan for CAR #3 and are in compliance with accounting guidelines 16 through 21.

**Management Reports and Analysis (ANSI Guidelines 22-27):**

Management and variance analyses are the evaluation and feedback loop of the EVMS. Management actions are determined based on analysis of problems, corrective actions implemented, and the effects on cost and schedule performance are projected. During the initial compliance review conducted in May 2009, FRA was found to be in compliance with ANSI guidelines 23 through 27. There was nothing found during this visit to change that finding. Our review of this area focused on actions taken by FRA to resolve discrepancies noted in CAR #1 relative to guidelines 22 and 23 and reporting of uncosted scientist hours.

As noted in section 4 above, FRA now reports cost and schedule performance of work being performed by uncosted scientists in their monthly contract performance reports. FRA has revised the EVMS Description and related procedures for reporting of uncosted scientist work using hours rather than dollars and has established variance thresholds accordingly. Our review of the contract performance reports for November and December found that reporting is sufficient to assess performance for this work and to assess variances when thresholds have been exceeded.

It is Tecolote's assessment that FRA has demonstrated successful implementation and compliance with guidelines 22 through 27.

**Revisions (ANSI Guidelines 28-32):**

The revisions process addresses the controlled and disciplined methods used to incorporate formal changes, conduct internal replanning, and adjust past, present, and future information to accommodate changes. During the initial May 2009 compliance review Tecolote found FRA in compliance with guidelines 28-32. There was nothing found during this visit to change that finding.

Therefore, Tecolote finds that the requirements of Revisions guidelines 28-32 are being satisfactorily implemented by FRA's implementation of its EVMS.

## **6: CONCLUSION**

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Based on the findings herein, Tecolote finds that FRA successfully demonstrated that its EVMS is in compliance with the ANSI/EIA-748 guidelines and recommends that OECM issue a certification letter.

**Table -2 Summary of On-Site Validation**

<b>CAR #</b>	<b>Description</b>	<b>Assessment</b>
1	Accounting for Scientist Labor (uncosted)	Successfully Demonstrated
2	No Process/Provision for UB as Holding Account	Successfully Demonstrated
3	Direct Cost for Exempt Labor	Successfully Demonstrated