

Title: Continuous Improvement Opportunity (CIO)	Page # 1 of 1	Encode: C3	Rev #: 0
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1. Subject: Current Variance Thresholds	2. Guideline Ref (if applicable): 22	3. Control Number: 5
4. CA#, WBS#, or Functional Area: Analysis and Management Reports		

5. Description:

REQUIREMENT: ANSI/EIA-748 GL22 states: “At least on a monthly basis, generate the following information at the control account and other levels as necessary for management control using actual cost data from, or reconcilable with, the accounting system: 1) Comparison of the amount of planned budget and the amount of budget earned for work accomplished. This comparison provides the schedule variance. 2) Comparison of the amount of the budget earned and the actual (applied where appropriate) direct costs for the same work. This comparison provides the cost variance.

DISCUSSION: The Intent Guide #22 states the following: On at least a monthly basis, generate schedule variance and cost variance data that provide visibility into root causes, and take actions to achieve better project completion. Accurate and reliable EVMS data supports management control needs by allowing the project manager to focus on those areas in need of attention. The first intent of this criterion is to recognize that analysis must be accomplished on a regular, periodic basis. The second intent is to foster analyses and identification of root causes of the variances and their resulting impacts at the control account level. Since the control account is normally the lowest level at which management and control responsibility exists for specific WBS increments of work, it is the logical point for not only the planning, scheduling, budgeting, and accounting efforts but also for the analysis effort as well. All data analyzed must be from, or be reconcilable with, the accounting system. In order for control account managers to have full management control responsibility, they must be able to analyze the work performance and associated costs against the performance measurement baseline. Since the control account is the level at which performance measurement is performed, the project manager must, as a minimum, ensure traceability of project performance down to the control account. However, analysis should also be performed at the most meaningful level of the WBS, which may be determined by risk, critical path, technical performance metrics, or utilization of thresholds.

OBSERVATION / FINDING: The FRA Procedure 12.PM-006 “Monthly Status Reporting”, Section 4.4 establishes joint threshold limits based on the percent variance and dollar magnitude. The dollar magnitude is a practical test to avoid unnecessary attention to insignificant problems. It is likely a good dollar threshold for cumulative variances. It may be high for current variances given that 80% of the cost accounts may not ever plan over \$50K per month.

The review team observed that some current variances were relatively large, but did not meet the dollar thresholds. These indeed may never present a problem, but could be an underlying trend that is a precursor to a greater problem. CAM attention may dismiss the variance as a short-term anomaly or determine that it merits early intervention.

RECOMMENDATION: The team recommends that the FRA Office of Project Management Oversight (PMO) establish different variance thresholds for current month versus the cumulative variances.

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