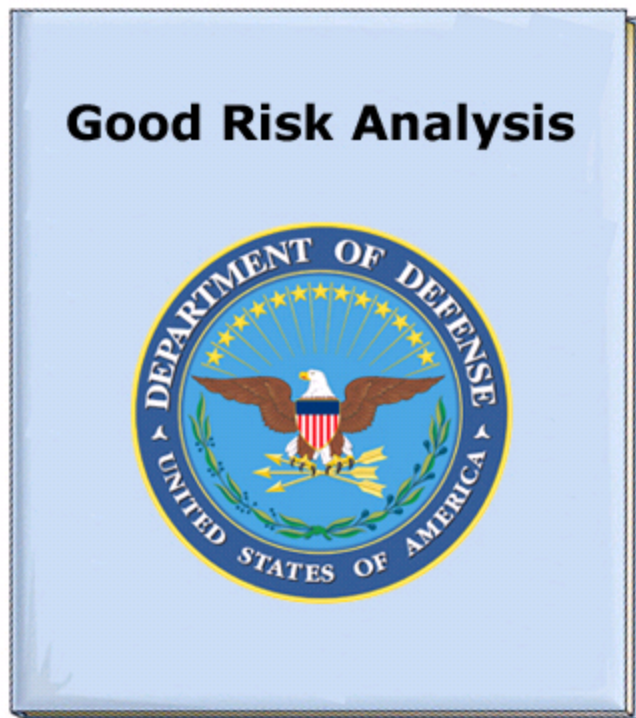


Lesson Objectives

This lesson provides an overview the characteristics of a successful risk analysis. The following objectives covered in this lesson:

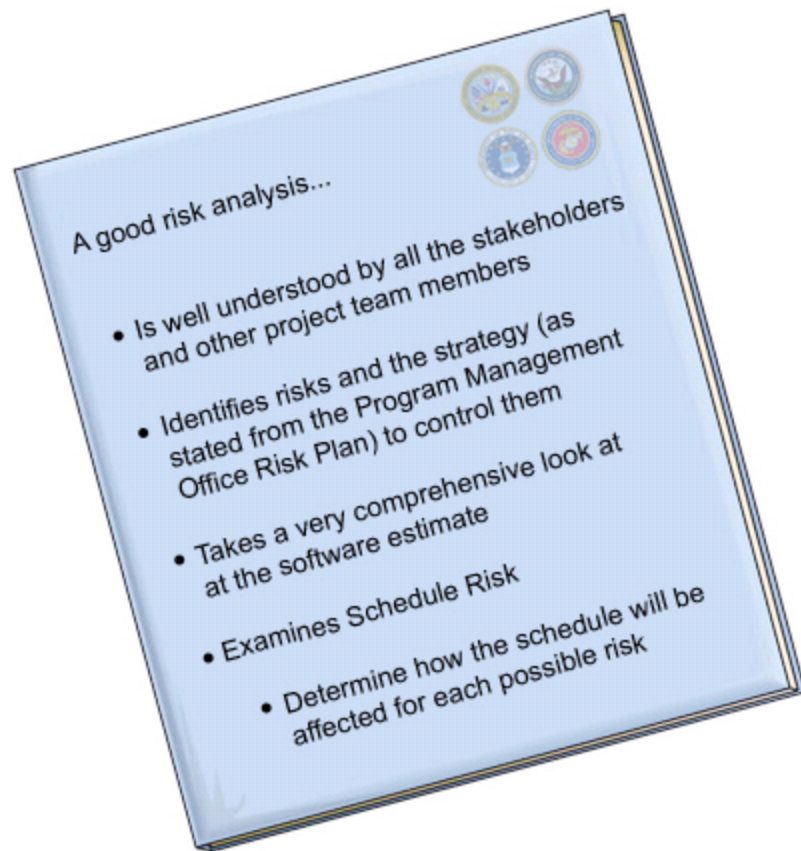
- Describe what makes a good cost risk analysis
- State the benefits of a good cost risk analysis



Good Risk Analysis

Accomplishing a program cost risk analysis can be a formidable task because it can be an abstract and complex process.

A good cost risk analysis provides potential overall cost of a weapons system. Creating a good cost risk analysis depends on the accuracy of the inputs.



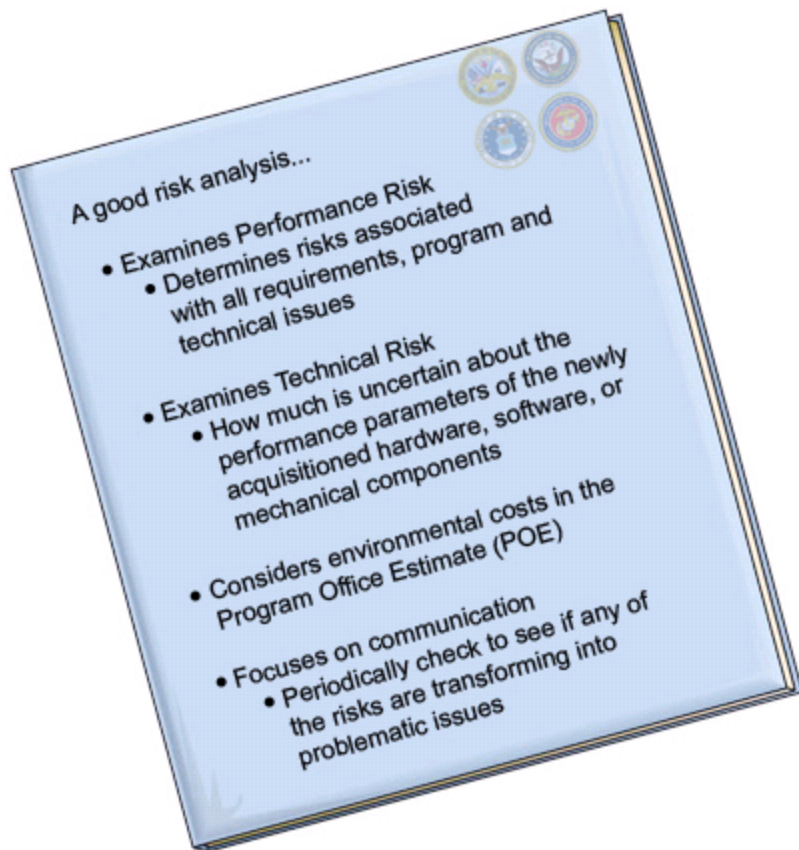
Long Description

Risk Analysis blue book open to a page with the following content:

A good risk analysis...

- Is well understood by all the stakeholders and other project team members
- Identifies risks and the strategy (as stated from the Program Management Office Risk Plan) to control them
- Takes a very comprehensive look at the software estimate
- Examines Schedule Risk
 - Determine how the schedule will be affected for each possible risk

Good Risk Analysis, Cont.



Long Description

Good Risk Analysis Bluebook open to a page with the following content:

A good risk analysis...

- Examines Performance Risk
 - Determines risks associated with all requirements, program and technical issues
- Examines Technical Risk
 - How much is uncertain about the performance parameters of the newly acquisitioned hardware, software, or mechanical components
- Considers environmental costs in the Program Office Estimate (POE)
- Focuses on communication
 - Periodically check to see if any of the risks are transforming into problematic issues

Knowledge Review

The _____ outlines what strategies are used to control possible risks.

- CAIG (Cost Analysis Improvement Group) Integrated Master Plan
- CEAC (Cost and Economic Analysis Center) Life Cycle Cost Management Plan
- PMO (Program Management Office) Risk Management Plan
- PAED (Program Analysis and Evaluation Directorate) Risk Abatement Plan

Check Answer



The **PMO (Program Management Office) Risk Management Plan** outlines what strategies are used to control possible risks.

Summary

- Contingency is the difference between the desired budget (and its associated probability of success) and the program estimate
- The point estimate typically lies between the 15-35 percentile of the total cost distribution
- A good risk analysis examines all uncertainties in a weapons system cost estimate
- The Program Management Office (PMO) Risk Management Plan identifies risk and provides a strategy to manage risks
- A good risk analysis keeps communication open to all participants in its development throughout the life cycle of the acquisition



Lesson Completion

You have completed the content for this lesson.

To continue, select another lesson from the Table of Contents on the left.

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