FLDS-03, Calculating Acceptable Variance and Risk Assessment Guidelines

Definitions. Capitalized terms used herein are defined in Rule 60GG-1.001(5), F.A.C.

Calculating Acceptable Variance

Enterprise Agencies must calculate Variance using the Earned Value Analysis or Variance Analysis methodologies and report such Variance to FLDS. FLDS will review such Variance report, but will ultimately assess Variance based on the defined, documented, and the Enterprise Agency approved, original baseline Project Management Plan, Schedule, budget, and spending plan.

Earned Value Analysis is an approach to measuring Project performance that is based on comparing actual progress against planned progress and includes the use of the Cost Performance Index (CPI) and Schedule Performance Index (SPI).

- CPI is a measure of Cost efficiency of budgeted resources for the work completed. CPI is expressed as a ratio of Earned Value (EV) to Actual Project Cost (AC), calculated as EV divided by AC, where Earned Value is the measure of work performed expressed in terms of the budget amount authorized for that work. Schedule Performance Index (SPI) is a measure of Schedule efficiency expressed as a ratio of Earned Value (EV) to Planned Value (PV), calculated as EV divided by PV, where Earned Value is the measure of work performed expressed in terms of the budget amount authorized for that work, and Planned Value is the authorized budget assigned to scheduled work. Planned Value corresponds to the approved, original Baseline budget.

Variance Analysis includes the calculation of cost Variance and Schedule Variance.

- Cost Variance is the difference between the Planned Project Cost and the Actual Project Cost, calculated as the Planned Project Cost minus Actual Project Cost then divided by the Planned Project Cost. This formula indicates whether the Project is under or over budget.
- Schedule Variance is the difference between the planned time and the actual time expended on a Project, calculated as the planned time minus the actual time then divided by the planned time. This formula indicates whether the Project is ahead of or behind Schedule.

The matrix below lists the assessment criteria used by FLDS to calculate a Project's overall risk level. The assessment metrics delineate the thresholds for low, medium, and high impact levels, providing a framework for Risk evaluation and serving as a quantitative and qualitative analytical tool that enables FLDS to systematically evaluate the potential impact of identified Risks within a Project lifecycle. FLDS will review and document the Project's progress monthly using the project documentation required by Rule 60GG-1.003, F.A.C., and will assess risk at least quarterly based on the guidelines set forth herein.

Assessing the impact to the Project requires the determination of both the impact scores and the relative weights of each criterion—cost, Schedule, and Scope—reflecting their significance to the Project's success.

To determine the overall Risk level, the matrix employs a composite calculation that multiplies the impact score by the corresponding weight for each criterion. The sum of these products yields an overall Risk score, which is then mapped onto a predefined scale indicating the overall Risk level. FLDS will maintain a record of the Project's overall risk level assessments.

Table 1: Project Risk Assessment Criteria Matrix

Criteria for Assessment	**Low Impact Threshold (Score: 1)**	**Medium Impact Threshold (Score: 2)**	**High Impact Threshold (Score: 3)**	**Weight**
Cost (Budgetary Impact)	Variance ≤ 5% of original Baseline budget	Variance > 5% and < 10% of original Baseline budget	Variance ≥ 10% of original Baseline budget	0.4
Schedule (Timeline Impact)	Variance ≤ 5% of original Baseline Project Schedule	Variance > 5% and <10% of original Baseline Project Schedule	Variance ≥ 10% of original Baseline Project Schedule	0.3
Scope Impact	Minor deviations from original Baseline Scope not affecting core functionality, quality, or final deliverables	Notable deviations from original Baseline Scope affecting functionality, quality, or requiring additional resources	Significant deviations from original Baseline Scope leading to non-compliance or quality issues compromising Project deliverables	0.3

Risk Level Scale:

- Overall Low Risk: Total Score ≤ 1.4
- Overall Medium Risk: Total Score > 1.4 and ≤ 2.1
- Overall High Risk: Total Score > 2.1