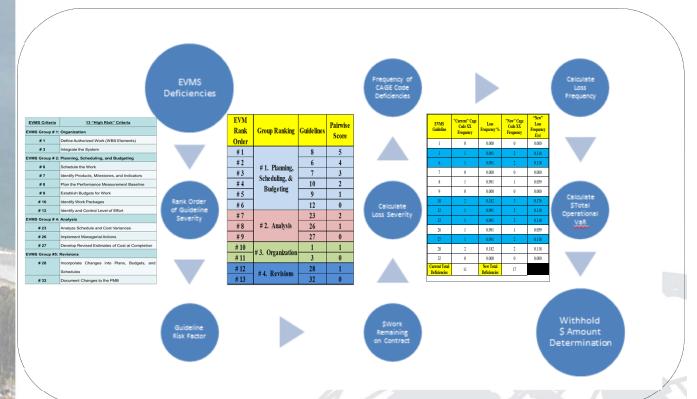


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As of August 16, 2011, the new business system rule addresses deficient contractor business systems and the Federal Government's authority to withhold 5% of contractor progress payments when a significant deficiency is present. This MBA project focuses on applying the Operational VaR model to Earned Value Management Systems (EVMS). The research team developed a quantitative EVMS risk-analysis model that can support a monetary withhold decision and withstand push-back (to include litigation) from the defense contractor.



Summary of Results

 Results show that the rank order of severity for the 13 EVMS high risk guidelines can be applied to the operational VaR model in which a monetary risk value can be calculated to withhold contractor progress payments.

· Loss frequency by CAGE code tailors the individual contract's value-at-risk to the government.

 The operational VaR model could be used by DCMA personnel as a defensible risk value model for withholding contractor payments.

 For all EVMS deficient contracts, it is likely that the total operational VaR will exceed the maximum payment withholding amount.

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