

The Business Case for IT Investments: Managing for Results

Kim Nelson & Lauren Uher
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- E-Government Act of 2002:** Furthers the Administration’s “Expanding E-Government” President Management Agenda Item.
- GPEA:** Make all transactions electronic, when practicable, by October 2003.
- Clinger Cohen:** Requires sound investment through Capital Planning that is tied to Agency missions and strategic goals
- Federal Information Security Management Act:** Attention to security in all agency applications, accountability to OMB and Congress
- Privacy Act:** Continues to be the foundation of Federal policy for protecting and sharing personal information
- Section 508:** Ensure accessibility for all



- **Quantifiable, Strategic Business Needs**
- **Value Proposition for User**
- **Critical Success Factors**
- **Process, Organization, and IT Alternatives**
- **Benefit/Cost/Risk Assessment**
- **Financing Approach**
- **Management Organization and Plans**

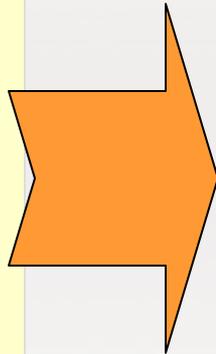


Exhibit 300

- Justification
- Performance Measures
- Program Management
- Acquisition Strategy
- Alternatives Analysis and Risk Management
- Enterprise Architecture
- IT Security



- Better – More cases met the acceptable business case criteria on the score card
- 1200 + business cases submitted
 - 621 business cases = \$22 billion on the management watch list
 - Including mission critical projects needing improvement in – Performance Measures, EVMS, and/or IT security
 - The Administration will not support expenditures until agencies have demonstrated their ability to address these weaknesses



- Clear measurable Performance Goals
- Risk Analysis – Cost/Schedule/Performance
- Life-Cycle Cost Estimates
- Contracts not performance-based and contract type not mitigating the Government's risk
- Cost and Schedule goals are not adequate
- EVMS not universally adopted by agencies for both Contractor and Government work
- Security
- Qualified Project Managers and use of IPT



- Entire investment must be framed in terms of this performance gap
 - If there's no gap, then there's no need for an investment
 - In other words, if government is already meeting all of the citizens' needs, then we shouldn't spend money on more systems, personnel, etc.
- We must demonstrate that there is a critical need for product or service, AND that this investment will meet that need



– Consequences:

- Unable to identify if there are improvements
- Performance not tied to budget
- Inability to identify problems earlier rather than later and make corrections
- Unable to identify what we are getting for the investment

– Steps For Strengthening:

- Link performance data from agency strategic plans through to project
- Use performance based contracting
- Benchmark against private industry
- Plan Order of magnitude improvements



– Consequences:

- Not accruing the benefits of the projects
- Not managing the risks effectively
- Not getting the most for our \$60B

– Steps For Strengthening:

- Take advantage of government training
- Assess the IT skills and plan for the future
- Ensure all of the right players are included
- Put your strongest project managers on your most important projects



– Consequences:

- Most cost effective solution providing greatest benefits not chosen
- Opportunities to collaborate are missed
- Innovative solutions are not pursued
- No backup plan if alternative chosen isn't the right one

– Steps For Strengthening:

- Identify all possible alternatives and then down-select
- Increase Market research to identify innovative solutions
- Benchmark against private industry
- Use consistent financial criteria across alternatives



– Consequences:

- Risks not managed throughout life-cycle
- Costs, schedule, and performance information not realistic
- Spending more than solution should cost by using crisis management as opposed to planning

– Steps For Strengthening:

- Perform Risk Assessments from the outset and manage through LC
- Training in Risk Management
- Ensure LC costs are risk adjusted
- Reuse risk criteria from like projects
- Use EA to address common risk



– Consequences:

- Unclear contracts do not mitigate risk to the government
- Relationship between primes and subcontractors not well designed thereby adding to the risk
- Failure to include procurement experts may not identify smartest choices

– Steps For Strengthening:

- Increase the use of performance based contracts
- Reduce use of Time and Material contracts
- Ensure that modernization strategies include performance based criteria
- Ensure the procurement shop is an integral player



– Consequences:

- Inability to Manage Projects
- No realistic baselines are established
- Inadequate work plans
- Inability to measure performance
- Inability to gauge impact of missed milestones on overall project

– Steps For Strengthening:

- Ensure training or expertise in WBS, earned value management, and project management
- Utilize best practices from other agencies with like projects
- Ensure consistency in the way data is collected from contractors
- Reassess agency portfolio and identify detailed project plans



– Consequences:

- Cannot ensure business link to IT
- Cannot reuse components
- Lots of wasted resources
- Difficulty gaining resource commitments from the agency
- Inability to see “family of systems” viewpoint and address interoperability issues

– Steps For Strengthening:

- Ensure projects are not duplicative
- Ensure they are an agency priority
- Reuse components
- Map to the FEA
- Include best practices from industry
- Ensure e-Gov strategy review of all legacy systems and applications



– Consequences:

- Planned spending will not adequately cover the needs of the project
- Planned estimates are not realistic in terms of long term agency planning

– Steps For Strengthening:

- Ensure the formulation criteria for the projects are consistent
- Risk adjust the life-cycle costs using the risk management plan
- Update the life-cycle costs as the project matures



– Consequences:

- Unauthorized access to sensitive information
- Security unnecessarily impeding the operations and assets that support the agency's missions
- Inadequate identification of agency's full IT security needs
- Placing "interconnected systems" at-risk
- Failure to address appropriate controls to protect privacy for systems that promote or permit public access

– Steps For Strengthening:

- Ensure security is planned from the outset and throughout LC
- Use the EA as risk management strategy addressing security throughout the layers of the EA
- Ensure that all projects meet security requirements
- Ensure risk management plans address the security issues
- Ensure privacy impact assessments are performed and managed where needed



- The President's Management Agenda (PMA): <http://results.gov/>
- E-gov: <http://www.whitehouse.gov/omb/egov/>
- The President's FY2005 Budget:
<http://www.whitehouse.gov/omb/budget/fy2005/>
- Chapter 9: Information Technology Investments from the Analytical Perspectives of the Budget:
 - <http://www.whitehouse.gov/omb/budget/fy2005/pdf/spec.pdf>
- Report on Information Technology (IT) Spending for the Federal Government:
 - <http://www.whitehouse.gov/omb/budget/fy2005/>
 - Please click on the link: *Report on Information Technology (IT) Spending for the Federal Government*
- FEA PMO: feapmo.gov
 - FEA PMO Budget Formulation Documents:
http://feapmo.gov/fea_budget_formulation_docs.asp
- Information about Earned Value Management Systems (EVMS):
 - www.acq.osd.mil/pm & <http://www.cpm-pmi.org>



– Resources for the FY 2005 Budget:

- **M-03-10, Planning for the President's Fiscal Year 2005 Budget Request:** <http://www.whitehouse.gov/omb/memoranda/m03-10.html>
- **Final FY 2005 A-11 Guidance, Section 53 & 300:**
 - Section 53: <http://www.whitehouse.gov/omb/circulars/a11/03toc.html>
 - Section 300 http://www.whitehouse.gov/omb/circulars/a11/current_year/s300.pdf
- **CIO Council web site with resources about the 2005 IT Budget Submissions:**
http://cio.gov/documents/fy_2005_Budget_Submissions.html
 - The official web site of the President's e-gov initiatives:
<http://www.whitehouse.gov/omb/egov/>

– FY2006 Budget Submission:

- FY2006 Budget Submissions due to OMB on Monday, September 13th, 2004
- DoD Point of Contact – Bonnie Hammersley at OASD(NII)
Bonnie.Hammersley@osd.mil or 703.695.3937