EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

July 30, 2008

The Honorable Joseph Lieberman
Chairman
Committee on Homeland Security and
Governmental Affairs
United States Senate
Washington, DC 20150

Dear Mr. Chairman:

The enclosed report discusses the progress made by civilian agencies in implementing performance-based management for their major acquisition programs. The report is required by the Federal Acquisition Streamlining Act, Title V, Subtitle B. Additional information on major capital investments for information technology (IT) may be found in Chapter 9 of *the Analytical Perspectives* volume of the President's Budget. The information in the Budget is provided in accordance with section 5112(c) of the Clinger-Cohen Act. The Secretary of Defense reports separately on the status of major defense acquisition programs.

The Administration strongly supports use of performance-based management. This practice requires agencies to establish cost, schedule, and performance goals for all major acquisition programs and achieve, on average, 90 percent of those goals. This discipline helps agencies identify and mitigate cost overruns, schedule delays, and performance shortfalls.

For a number of years, much of the government's attention on the use of performance-based management at civilian agencies has focused on major IT acquisition programs. The Administration continues to pursue an aggressive strategy to track, analyze and evaluate the Federal government's IT portfolio. This strategy calls for agencies to develop effective business cases to support their investment decisions and the use of earned value management to monitor progress. OMB and agency managers are successfully using a number of tracking tools – including OMB's scorecard for E-Government, the Management Watch List, and the High-Risk List – to proactively identify and mitigate weaknesses in IT investments when they arise.

The Administration is committed to strengthening the use of performance-based management for non-IT major acquisition programs. As one step, OMB has been partnering with agencies and the Government Accountability Office (GAO) on the development and implementation of forward-leaning corrective action plans to address long-standing vulnerabilities on major acquisitions by agencies on GAO's High Risk List.

We look forward to working with Congress as we continue our efforts to minimize risk and maximize the return on taxpayer dollars.

Sincerely,

Paul A. Denett
Administrator

Enclosure

Identical Letter Sent to:
The Honorable Joseph Lieberman
The Honorable Susan M. Collins
The Honorable Henry A. Waxman
The Honorable Tom Davis
The Honorable Thomas R. Carper
The Honorable Tom Coburn
The Honorable Edolphus Towns
The Honorable Brian Bilbray

Report on Civilian Agency Progress in the Implementation of Performance-Based Management for Major Acquisition Programs

Executive Summary

This report discusses the progress of civilian agencies in implementing performance-based management for major acquisition programs. Performance-based management requires cost, schedule, and performance goals to be established for all major acquisition programs, and agencies to achieve, on average, 90 percent of those goals.

Most agencies are making reasonable progress in implementing performance-based management policies and practices for major information technology (IT) investments. Almost half of the 17 reporting agencies demonstrate portfolio performance within 10 percent of cost, schedule and performance goals and only two agencies have not been able to demonstrate that they are within 30 percent of their goals. Although work remains to address IT investments that are not well planned and managed, the Office of Management and Budget (OMB) and agencies are using a number of tools -- including the OMB scorecard for E-Government, the Management Watch List and the High-Risk List – to proactively identify and mitigate weaknesses in IT investments when they arise.

Progress in implementing performance-based management for non-IT acquisition programs has generally been more limited. Capital planning and investment control (CPIC) policies are generally not as well established for non-IT projects as they are for IT investments. Performance-based management systems are not always being used to track cost, schedule, and performance. OMB is taking steps to strengthen the application of performance-based management for non-IT investments. These steps include: (1) the sharing of tools, models, and metrics for different types of major non-IT investments, (2) the certification of program and project managers on competencies critical to the success of major acquisitions, and (3) partnering with agencies and the Government Accountability Office (GAO) on the implementation of forward-leaning corrective action plans to address vulnerabilities on major acquisitions of agencies on GAO's High Risk List.

I. Background

The Federal Acquisition Streamlining Act of 1994, Title V ("FASA V"), requires executive agencies to establish cost, schedule, and performance goals for acquisitions, and states that agencies should achieve, on average, 90 percent of those goals. Subtitle B of FASA V, as amended, requires the Administrator of the Office of Federal Procurement Policy (OFPP) to provide the Congress with an assessment of civilian agencies' progress in implementing this mandate for major acquisitions using information from existing management systems.

OMB Circular A-11, Part 7, *Planning, Budgeting, Acquisition, and Management of Capital Assets*, presents unified guidance to agencies on implementing the performance-based management mandate of FASA V. Major acquisitions of new capital assets must be justified in terms of agency strategic goals and needs, reflect sound acquisition and capital planning decisions, and include measurable cost, schedule, and performance goals. For ongoing acquisition programs, agencies must report progress toward achieving baseline goals, explain actual or projected deviations from those goals, and describe actual or planned corrective action as needed to achieve baseline goals.

Additional guidance is provided in OMB's *Capital Programming Guide*, a supplement to Circular A-11, Part 7. The guide, which was substantially revised in 2006, emphasizes the importance of key steps in the acquisition planning process, such as needs assessment and alternative analyses. The guide also addresses the use of earned value management (EVM) to measure project progress. EVM integrates project scope of work with cost, schedule, and performance elements for optimum project planning and control. When used correctly, EVM provides objective "early warning" information throughout the acquisition life-cycle to identify projects that may be falling short on their cost, schedule, and performance goals so that an agency may make reasoned decisions to support timely corrective action.

The primary format for agency submission of information on capital assets, which includes major acquisitions, is Exhibit 300, *Capital Asset Plan and Business Case Summary*, prescribed by A-11, Part 7.[1] The Exhibit 300 requires agencies to provide specific information on performance goals and measures, results achieved against goals, acquisition strategies, and project management. With respect to project management, agencies must report on the qualifications of the assigned program/project manager, and address the use of EVM.

This report discusses the progress of 17 civilian agencies in implementing performance-based management policies and practices. With the exception of the Department of Homeland Security (Homeland), these same agencies were the subject of previous FASA V reports prepared by OFPP.[2] Profiles of agency capital planning processes are provided in the Attachment. Because attention in implementing performance-based management has traditionally focused largely on major IT acquisition programs, the report includes separate discussions on IT investments and non-IT investments.

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[1]Agencies select which new and ongoing acquisition programs will be reported each year after consultation with OMB. Circular A-11 characterizes an investment as being "major" when it requires special management attention because it: (1) is important to agency mission or function; (2) involves financial management and obligates more than $500,000 annually; (3) is significant in terms of program or policy implications; (4) has high executive visibility; (5) has high development, operating, or maintenance costs; (6) is funded through other than direct appropriations; or (7) is defined as major by the agency's capital planning and investment control process.

[2] These agencies include: the Department of Agriculture (Agriculture), the Department of Commerce (Commerce), the Department of Education (Education), the Department of Energy (DOE), the Department of Health and Human Services (HHS), the Department of Housing and Urban Development (HUD), the Department of Interior (DOI), the Department of Justice (DOJ), the Department of State (State), the Department of Transportation (DOT), the Department of the Treasury (Treasury), the Department of Veterans Affairs (VA), the Environmental Protection Agency (EPA), the General Services Administration (GSA), the National Aeronautics and Space Administration (NASA), and the Social Security Administration (SSA).

II. Performance-based management for major IT acquisition programs

The Administration continues to pursue an aggressive strategy for tracking, analyzing and evaluating the risks and results of major capital investments for information systems. OMB oversees these investments using a variety of methods, described below. These processes are reinforced by OMB guidance to assist agencies' improvement of project planning and implementation of EVM to ensure results are achieved during the execution phase of the project.[3]

1. *Review of budget submissions*. OMB reviews and evaluates agencies' business cases for major capital investments in IT as part of an overall assessment of the agency's entire budget submission. Evaluations are based on a variety of factors, including several that expressly address FASA V considerations, such as the quality of project management and performance information. Examples of the types of elements that would be found in a strong business case include: a project manager who has been validated as qualified for the investment, EVM as a requirement on all contracts, metrics for every year of the investment, and achievement of incremental performance improvement as demonstrated by meeting prior year performance targets.

2. *Quarterly scorecard collaborations.* OMB collaborates with agencies on a quarterly basis to assess agency progress and achievements, on a portfolio basis, in meeting cost, schedule, and performance goals for major IT investments. These collaborations are part of the E-Government Initiative and are one of the standards of success on the E-Government scorecard.

For this FASA V report, OMB used information from the E-Government scorecard to gauge agency progress in implementing performance-based management principles and practices. Progress was measured by comparing the agency's level of portfolio performance at the end of FY 2005[4] to that at the end of the third quarter of FY 2008, as documented on the agency's scorecard for each of these respective quarters. An agency was rated "high" if portfolio performance was within 10 percent of goals, "medium" if portfolio performance was within 30 percent of goals, and "low" if variance was 30 percent or greater. High and medium performance also required evidence of having an established EVM policy.

A summary of results is provided in Table 1. This summary shows that agencies have made progress since the end of FY 2005 in planning, managing and monitoring their IT portfolios. There was an 18 percent increase in the percentage of FASA V agencies performing within 10 percent of cost, schedule, and performance goals on a portfolio basis, and an 11 percent decline in the percentage of FASA V agencies who could not demonstrate they are within 30 percent of their goals on a portfolio basis. A breakdown by agency is provided in Table 2.

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[3] See OMB Memorandum M-05-23, *Improving Information Technology (IT) Project Planning and Execution,* available at http://www.whitehouse.gov/omb/memoranda/fy2005/m05-23.pdf.

[4] In August 2004, OMB provided guidance to explain the types of information that would be used to determine if EVM is being used. See OMB Memorandum M-04-24, *Expanded Electronic Government (E-Govt) President's Management Agenda (PMA) Scorecard Cost, Schedule, and Performance Standard for Success*, available at http://www.whitehouse.gov/omb/memoranda/fy04/m04-24.html.

Table 1. Consolidated summary of agency progress implementing performance-based management for IT major acquisitions

Performance-based management achievement level		Number of FASA V agencies meeting achievement level	
		End of 4th Quarter FY 2005	End of 3rd Quarter FY 2008
High	An established EVM policy and portfolio performance within 10 percent of cost, schedule, and performance goals	5	8
Medium	An established EVM policy and portfolio performance within 30 percent of cost, schedule, and performance goals	8	7
Low	Cost, schedule overruns, and performance shortfalls averaging 30 percent or greater on a portfolio basis	4	2

Table 2. Breakdown by agency of progress implementing performance-based management for IT major acquisitions

	Performance-based management achievement level		Progress	
Agency	End of 4th quarter FY 2005	End of 3rd quarter FY 2008	Satisfactory	Unsatisfactory
Agriculture	Medium	Medium	√	
Commerce	Medium	Low		√
Education	Medium	High	√	
Energy	Medium	High	√	
EPA	High	High	√	
HHS	Low	Medium	√	
Homeland	Low	Medium	√	
HUD	Medium	High	√	
Interior	Medium	High	√	
Justice	Medium	Medium	√	
State	High	High	√	
DOT	High	Medium	√	
Treasury	Low	Medium	√	
VA	Low	Low		√
GSA	Medium	Medium	√	
NASA	High	High	√	
SSA	High	High	√	

3. *The Management Watch List and High-Risk List.* There are two major components of the FASA V mandate. First, agencies must demonstrate sound decision-making and a results-oriented focus when planning for projects. Second, agencies must effectively manage ongoing programs to achieve intended results.

OMB tracks weaknesses in an agency's IT investment plan through the Management Watch List (MWL). Business cases provided under Circular A-11 with one or more planning weaknesses are placed on the MWL and are targeted for follow-up action. Examples of weaknesses include, among others: reliance on a project manager that is not qualified to manage the investment, lack of an acquisition plan, and performance measures that are not complete or not measurable.[5] In addition, if an agency has failed to achieve an average of 70 percent of the cost, schedule, and performance goals for acquisitions within its investment portfolio, all investments within the portfolio are placed on the MWL.

Agencies have an opportunity to remediate deficiencies. In FY 2007, OMB began collaborating with the President's Council on Integrity and Efficiency and relevant agency Inspectors General to assist with the independent verification and validation for areas of concern. Of the 810 business cases submitted to OMB this year, there were 585 cases, valued at about $27 billion on the MWL on December 31, 2007. Working with OMB, agencies took remediation steps that have resulted in the removal of more than 200 business cases, leaving 352 cases, representing more than $23 billion, on the MWL as of July 2008.[6]

OMB also tracks actual project execution and performance. Each quarter, agencies evaluate and report to OMB on the performance of projects on the "High Risk List." This list identifies projects requiring special attention from the highest level of agency management and oversight authorities due to the size, complexity, and/or nature of the risk of the project. The fact that a project is considered high-risk does not mean the project is at risk. For example, a successfully performing project may still be classified as high-risk due to exceptionally high costs.

The purpose of the High-Risk List is to ensure risk associated with identified IT projects are proactively managed to achieve intended outcomes. This process provides oversight authorities and agency management tangible data on the performance of projects. OMB then works in partnership with agencies and GAO to address deficiencies in several high-risk programs before taxpayers' dollars are wasted. As of June 30, 2008, there were 477 projects on the High-Risk List,[7] representing more than $15 billion in FY 2009 IT budget requests.

Additional information on IT investments

Each year, in accordance with section 5112(c) of the Clinger-Cohen Act, OMB reports to Congress on its progress in managing its IT investments. The report is provided as part of the President's Budget.[8] The report includes an evaluation of each agency's effectiveness in managing IT investments and E-Government processes, along with improvement milestones for the calendar year.[9]

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[5] For a complete list of criteria used to place investments on the MWL, see Budget of the U.S. Government, FY 2009, "Integrated Services with Information Technology," *Analytical Perspectives,* Chapter 9.

[6] These figures include business cases prepared by the Department of Defense.

[7] This figure includes DOD projects.

[8] See "Integrating Services with Information Technology," *Analytical Perspectives,* Chapter 9.

[9] See Table 9-1, "Effectiveness of Agency's IT Management and E-Gov Processes."

III. Performance-based management for major non-IT acquisition programs

Major acquisition programs outside of IT take a variety of forms, ranging from construction and real property management to aircraft acquisitions. Although agencies are required to justify their major non-IT investments, there currently is no uniform government-wide portfolio assessment of non-IT capital asset classes similar to that used for IT.

To assess agency progress in implementing performance-based management principles and practices, OFPP directed agencies to provide information on their new and ongoing non-IT major acquisition projects. Specifically, OFPP asked agencies to report on new projects for which funding was received in FY 2007 or for which funding was requested in the President's FY 2008 Budget. They were further asked to report on ongoing projects for which funding was received in FYs 2005, 2006, and 2007. Thirteen of the 17 FASA V agencies identified new or ongoing non-IT investments during the reporting period. [10]

In evaluating progress, OFPP considered whether the agency: (1) has capital planning and investment control (CPIC) policies for major acquisitions other than IT; (2) has cost, schedule, and performance goals for new and ongoing projects; (3) uses, or plans to use, performance-based management systems (PMBS) to monitor acquisition progress for ongoing and new programs, respectively; and (4) is achieving 90% of cost, schedule, and performance goals for at least half of the reported projects.[11]

Responses showed that the majority of agencies are generally meeting the four criteria outlined above. At the same time, agency responses also indicate that progress in implementing performance-based management for non-IT investments is generally more limited when compared to the progress demonstrated for IT investments. For example, CPIC processes for non-IT investments generally are not as well established as they are for IT investments. The maturing CPIC processes for IT provide for greater oversight and evaluation of the investments achieving and/or addressing intended results by agencies' Chief Information Officers. This oversight and understanding allows for changes in the IT portfolio to address mission priorities, consolidation, and the elimination of redundant investments in conformance with the agency's enterprise architecture.

A summary assessment of progress by agency in implementing performance-based management for their major non-IT projects is provided in Table 3.

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[10] Education, EPA, HUD, and SSA reported no new or ongoing non-IT major acquisitions during the reporting period.

[11] OFPP intends to develop a more refined reporting process for future FASA V reports.

Table 3. Breakdown by agency of progress implementing performance-based management for non-IT major acquisitions

Agency	Nature of non-IT projects	Demonstrated progress implementing performance-based management principles & practices	Performance within 10 % of goals on at least half of reported projects	Additional comments
Agriculture	No information provided	No	No information provided	Department did not provide information on non-IT investments. See Attachment for information on planning processes.
Commerce	Construction, vessels	Yes	Yes	4 projects were reported as ongoing. Two experienced variances greater than 10%. Corrective actions include: weekly production status meetings, negotiated extensions to delivery dates, multiple contracting officer letters of concern, and suspension of progress payments. DOC identified three new projects and indicated EVM will be used to monitor progress.
Energy	Construction, cleanup/ decontamination	Yes	Yes	78 projects were reported as ongoing. 20 experienced variances greater than 10% in either cost, schedule, or performance. DOE reported that some variances were due to new requirements. Corrective actions include issuance of contract stop work orders and cure notices, increased contract oversight, and contracts with new contractors. DOE identified eight new non-IT projects and reported that all (1) were linked to the agency's strategic plan and annual performance plans, (2) were using or were scheduled to use a PBMS to monitor acquisition progress, and (3) had established cost, schedule, and performance goals. In July 2008, the Secretary of DOE issued a corrective action plan to address the root causes of vulnerabilities that underlie its inclusion on GAO's High Risk List for acquisition management.
HHS	Construction, renovation	Yes	Yes	12 projects were reported as ongoing. 5 had variances greater than 10%. Corrective actions include applying greater executive oversight review in order to minimize changes or delays on the project and updating project scope in the final planning documents.
Homeland	No information provided	No	No information provided	Department did not provide information on non-IT investments. See Attachment for information on planning processes.

Agency	Nature of non-IT projects	Demonstrated progress implementing performance-based management principles & practices	Performance within 10 % of goals on at least half of reported projects	Additional comments
Interior	Construction, repair/ replacement work, upgrades	Yes	Yes	100 projects were reported as ongoing. 46 experienced variances greater than 10%. DOI identified 9 new non-IT projects. DOI indicated that the projects are linked to the agency's strategic plan and annual performance plans, and that a PBMS will be used to monitor the projects' progress, but six projects were identified as not having established clear goals for cost, schedule, and/or performance.
Justice	Construction	No	Insufficient information	13 projects were reported as ongoing. DOJ stated that it is using PBMS to monitor progress on all projects. Four were reported as within a variance of 10%. No information was available on the remaining projects.
State	Construction	Yes	Yes	186 projects were reported as ongoing. State reported that none experienced variances greater than 10% in either cost, schedule, or performance. Many projects were rebaselined, due in large part to unanticipated changes in requirements. State uses a critical path methodology to ensure results are achieved during execution phase.
DOT	No information provided	No	No information provided	DOT does not have a process for identifying major acquisitions for non-IT investments. DOT reported that it is conferring with agencies that have PBMS for non-IT investments to learn best practices for implementing a system.

Agency	Nature of non-IT projects	Demonstrated progress implementing performance-based management principles & practices	Performance within 10 % of goals on at least half of reported projects	Additional comments
Treasury	Renovation of properties, replacement of equipment	Yes	Yes	4 projects were reported as ongoing. Two had variances greater than 10%. The Department assigned a new project team for one project; in the second case variance was due to a dramatic increase in the number of new positions; senior management approved an increase in project scope to accommodate the new positions they approved during the budget process. Treasury identified three new non-IT projects and reported that each was linked to the agency Strategic Plan and annual performance plan and that cost, schedule, and performance goals had been established.
VA	Construction	Yes	Yes	32 projects were identified as ongoing. VA reported that it is using PBMS to monitor progress and is within a 10% variance on the majority of its projects. VA identified 15 new non-IT projects and stated that they will use PBMS to monitor progress.
GSA	Development of facilities	Yes	Yes	55 projects were identified as ongoing. Nine had variances greater than 10%. Status reports are issued monthly and reviewed quarterly by senior management. Results are published in GSA's Performance and Accountability Report. 12 new projects were identified and will be tracked with PBMS.
NASA	Modification of facilities and real property, Space Flight Projects	Yes	Yes	10 projects were identified as ongoing. NASA reported that none experienced variances greater than 10%. EVM is used for all space flight projects valued over $20 million and, generally, for construction of facilities projects that are developmental or high risk and above $20 million. For most construction projects, NASA uses an alternative "critical-path" to identify the amount of planned work actually accomplished, compares actual work accomplished against planned work. NASA is developing a corrective action plan, in consultation with OMB and GAO, to address the root causes of vulnerabilities that underlie its inclusion on GAO's High Risk List for acquisition management.

Strengthening the application of performance-based management to non-IT investments

OMB is taking steps to strengthen the application of performance-based management to non-IT investments. These steps include the following:

1. *Increased collaboration*. In late 2007, the Chief Acquisition Officers Council (CAOC) established the Project Management Working Group (PMWG) to work with OMB in achieving the consistent implementation and use of capital planning and project management principles and practices to improve outcomes on federal projects, both for IT and non-IT. Among other things, the PMWG will serve as an inter-agency focal point to help evaluate the appropriate application of performance-based management -- including tools, models and metrics -- to different types of major non-IT investments, such as construction and aircraft.

2. *Mitigating high risk in major acquisitions*. For a number of years, DOD, DOE, and NASA have been listed on the High Risk List established by the GAO for significant vulnerabilities in contract management, including on major acquisitions. In 2007, OMB partnered with each of these agencies and the GAO to facilitate the collaborative development of corrective action plans (CAPs). The goal is for each plan to identify a clear definition of success tied to successful attainment of cost, schedule, and performance goals. Plans, which are scheduled to be finalized no later than this fall, are to include outcome and process goals as well as metrics on cost and schedule containment, along with corrective steps to meet each goal. DOE's CAP was finalized in July 2008. Goals and metrics will be shared between the agencies so agencies may build on each other's efforts to mitigate risk and maximize return on investment.

3. *Strengthened workforce competencies in program and project management*. OFPP, in conjunction with the Federal Acquisition Institute (FAI) and more than twelve federal agencies, developed a federal acquisition certification program for program and project managers to standardize training and experience requirements for the civilian agencies. The certification program promotes development of competencies that are critical to successful performance-based management, such as requirements analysis, cost estimating, financial management, risk management, and quality assurance. Certification is required for program/project managers assigned to major acquisitions. FAI and the PMWG are collaborating on human capital issues, such as the development of project manager workload models, and skill mix standards.

4. *Improved assessment of internal controls*. OFPP issued guidance to standardize the approach agencies use to assess their acquisition activities and requires agencies to integrate their assessments with other agency internal control reviews established under Circular A-123. The template, which is modeled on an analytical framework developed by the GAO, is designed to ensure reviews address the areas that most significantly influence the effectiveness and accountability of the acquisition process – namely, organizational alignment and leadership, policies and practices, human capital, and information management and stewardship. The template provides a series of critical questions to help agencies identify factors that may contribute to weaknesses in the planning and execution of major projects. The template helps agencies asses if they are integrating organizational goals into the capital decision-making process, evaluating, selecting, and controlling capital assets using an investment approach, and balancing budgetary control and managerial flexibility when funding capital projects.

Attachment

Profiles of Agency Capital Planning Processes

The following profiles were prepared based on information agencies provided to the Office of Federal Procurement Policy about their capital planning processes:

The **Department of Agriculture** (USDA) has instituted a comprehensive capital planning and investment control (CPIC) process, including a department-wide Enterprise Architecture Program, that is used to make decisions about IT investments, and an IT Investment Project Management Training Program. The most recent revision of the USDA CPIC Guide to Information Technology was issued in April 2007.

In October 2007, USDA began implementation of a Capital Programming and Investment Process (CPIP) for real property that provides a consistent and auditable method for investment portfolio management. The guide provides the Department and the agencies with the ability to manage risks and returns on real property assets throughout their lifecycle to ensure that USDA's investments are well-conceived, cost-effective, and support strategic mission and business goals.

The **Department of Commerce** (DOC) has an established IT capital planning and investment control process, a Strategic Information Technology Plan FY 2008 – 2012 that links with the Department of Commerce Strategic Plan, and an IT Program Management training program. The Commerce IT Review Board (CITRB), chaired by the CIO and co-chaired by the CFO, advises the Secretary and Deputy Secretary on critical IT matters.

The **Department of Education** has developed capital planning processes for IT systems (hardware, software and modifications, and support services). It has an IT portfolio management process, a Planning and Investment Review Working Group and an Investment Review Board that work with the agency's Chief Information Officer (CIO) in selecting and monitoring IT investments. All IT projects must be linked with the Department's strategic priorities. The agency's IT Investment Management Guide, Enterprise Architecture guidance, and EVM guidance are being updated for the FY 2009-2010 investment planning cycle.

The **Department of Energy** (DOE) has demonstrated continued progress implementing performance-based acquisition management. DOE's primary program and project guidance, DOE Order 413.3A, "Program and Project Management for the Acquisition of Capital Assets" and its accompanying manual, DOE M413.3-1, provide agencywide policies and processes for capital planning and investment control for both IT and non-IT investments. Departmental policy requires that all capital investments must align with the agency's strategic plan and the processes described in OMB's *Capital Programming Guide*. The Department has been tracking project performance using EVM since 2002 through its Project Assessment and Reporting System, a web-based tool for collecting monthly project performance data for non-IT projects.

The **Environmental Protection Agency** (EPA) has developed a structured, integrated approach to manage IT investments through its CPIC. EPA's Information Investments Subcommittee meets on a quarterly basis to evaluate investments' performance. The Quality Information Council establishes the direction of IT for the agency. EPA IT project managers are taking critical steps along with their acquisition counterparts, to improve the thoroughness and reliability of its EVM program. Steps include:

- Ensuring that FAR EVM requirements are included in all subsequent contracts for Development, Modernization, and Enhancement (DME), the development phase of the system life cycle;
- Providing further review and outreach in the areas of planning, scheduling, and budgeting and analysis and management reports;
- Providing further information to program investment management officers and senior information officers about the critical elements of the EVM program; and
- Creating partnerships with program offices and establishing an EVM mentoring plan.

The **Department of Health and Human Services** (HHS) has portfolio management policies and processes in place for IT and certain non-IT (i.e., construction and real property acquisition) major investments. HHS uses CPIC to make decisions about initiatives and systems in which HHS should invest, assess the effectiveness of the investment process, and refine policies and investment procedures as necessary. The Department's use of EVM to monitor project cost and schedule process has generally been limited to IT investments. However, the Office of the Assistant Secretary for Administration and Management is engaged in deliberations with the Department's Biomedical Advanced Research and Developmental Authority, under the auspices of the Assistant Secretary for Preparedness and Response to identify potential major non-IT projects that may benefit from the application of EVM and other performance-based management systems.

The **Department of Homeland Security** (DHS) has established capital planning policies and procedures (e.g., DHS Join Requirements Council, DHS Investment Review Board) that address both major IT and non-IT investments. For example, Chapter 3034 of the DHS Acquisition Manual (HSAM), which applies to all DHS programs, provides clear definitions of the agency's major investments, applicable thresholds, and guidance for use of EVMS to implement requirements in the Federal Acquisition Regulation (FAR) and OMB Circular A-11. DHS has also issued a Memorandum of Agreement with the Defense Contract Management Agency (DCMA), under which DHS components may obtain a variety of EVM services. The Coast Guard (USCG), with an acquisition portfolio of approximately $25.8 billion of critical investments spanning 16 major acquisitions, is consolidating its fragmented acquisition activities under a single directorate, and implementing a *Blueprint for Acquisition Reform* built upon "lessons learned" from Deepwater and other complex programs. USCG has also updated its Major Systems Acquisition Manual to institute a more rigorous approach to identify projects, ensure proper execution of acquisition program management functions, and better align with DHS investment review policy.

DHS' Science & Technology Directorate has instituted the Integrated Product Team process to involve all components in the development and validation of all of the Department's science and technology requirements. To support the agency's program management function, the Deputy Secretary established the DHS Program Management Council (PMC), which reports to the Deputy in several key areas of program management. The PMC is chaired by the Office of the Chief Procurement Officer and an operational program manager. In addition to the PMC, the Chief Procurement Officer has established a program management SES-level organization to develop and disseminate policy on program management to DHS components. The organization is revising the process for reviewing and approving major Department programs.

The **Department of Housing and Urban Development** (HUD) has implemented a comprehensive Information Technology Investment Management (ITIM) process to ensure that its portfolio of IT projects adequately address HUD's business strategies, and are managed to achieve expected benefits in accordance with accurate and complete cost, schedule, technical, and performance baselines. ITIM is a systematic process for managing the risks and returns associated with IT initiatives. HUD uses the ITIM process not only to manage its technology portfolio, but also as a complement to the budget process, and as a tool for implementing the Department's Enterprise Architecture. The Department utilizes an EVM tool to assess IT project performance. EVM is also included in the contract language for major IT acquisitions. Outside of the IT arena, HUD does not have written capital planning policies, processes, or procedures for non-IT acquisitions. For non-IT projects, HUD has a Contract Management Review Board process for acquisition planning of both non-major and major acquisitions.

The **Department of the Interior** (DOI) has established capital planning and investment control/portfolio management policies and processes for both IT and non-IT investments. Funding recommendations are made by Investment Review Boards at the bureau and departmental levels. Capital assets must be linked with DOI's Strategic Plan. DOI has placed enhanced emphasis on tracking projects' earned value as a critical measure to ensure that they are within budget, schedule, and scope. Policy requires all major projects to submit a quarterly report that uses earned value as a means to determine variance in cost and/or schedule. If the variance is greater than ten percent from the established baseline, the project manager is responsible for determining the cause of the variance and identifying solutions for their mitigation.

The **Department of Justice** (DOJ) has established an agency-wide IT Investment Review Board to provide department-level oversight of major IT investments and to ensure component investments are aligned with the Department's IT strategy. In April 2007, the DOJ Office of the Chief Information Officer (OCIO) issued the IT Governance Guide to define and integrate new and existing governance processes to manage the Department's IT investments. DOJ's CPIC policies for IT are established in DOJ Order 2880.1B, Information Resources Management Programs (September 2005). The Bureau of Prisons monitors performance, adherence to schedule, and cost control using PBMS.

The **Department of State** (State) has a policy that IT investments use ANSI/EIA Standard 748 standard-compliant earned value management processes for monitoring project progress, State's Bureau of Overseas Buildings Operations (OBO), uses an EVM alternative, a cost-loaded target schedule, incorporating critical path method for management of activities to complete a project within the specified contract period.

The **Department of Transportation** (DOT) has established IT capital planning and investment control policies and procedures. The Department's Enterprise Architecture Transition Strategy provides linkages between various investments in the Department and the goals outlined in the Departmental Strategic Plan. Further, DOT uses the results of the linkage analysis to enhance decision-making on IT investments to continuously improve alignment of investments to strategic goals. DOT has established an IT Program Management Office to implement systematic processes and requirements for a consistent agency-wide approach to program management. DOT's CPIC process helps ensure that its portfolio of IT investments addresses the DOT's overall mission and strategic objectives. However, DOT does not have a process or system for identifying and tracking major acquisitions for non-IT investments.

The **Department of the Treasury** (Treasury) has developed IT and non-IT capital planning processes and guidance, and established Investment Review Boards. The Department uses a portfolio management solution that enables identification, selection, and prioritization of strategic initiatives and projects which span business and technology investments. In late 2006, as part of its capital planning and investment control review, Treasury initiated use of an automated system that supports its contracting officers' quarterly contract reviews for all contracts in the agency's portfolio of major IT investments. In March 2008, Treasury completed modification of the system to expand its application to non-IT major investments. The system tracks EVM information, e.g., inclusion of EVM-related FAR contract clauses, Integrated Baseline Review data, and project cost, schedule, and performance information.

The **Department of Veterans Affairs** (VA) initiated a realignment of its IT program in 2005. The goal of realignment was to centralize IT management under the Department's CIO and standardize operations and the development of systems across the Department. Work continues on various aspects of VA's IT realignment. One of the areas in which there has been much emphasis within the past year has been agency-wide application of EVMS to major IT acquisitions. Accomplishments include assignment of IT Program Management liaisons from the Office of Information and Technology's (OI&T) Enterprise Strategic Policy, Plans & Programs Office to facilitate the practice of EVM through IT Program and Project Managers within OI&T. Further, OI&T's Office of Enterprise Development has conducted an independent review and assessment of its skills and processes required to implement EVMS effectively. Recommendations have been made to remediate deficiencies and are being considered for implementation.

Much of VA's non-IT capital asset investments involve construction and leases. Schedules and funding for major construction and leases are monitored against baselines. Contract payments for major construction are made against a critical path model schedule for work accomplished. However, VA reported that EVM is now being applied to VA's major construction projects. Department policy requires earned value templates to be completed and submitted with major construction projects' Exhibit 300 business cases as part of the planning and budgeting process of the Departmental strategic review phase.

The **General Services Administration** (GSA) links its capital programming and strategic planning processes through its Performance Management Process Guide. The guide encourages collaborative decision-making among the agency's senior leaders across Service and Staff Organizations at the Central and Regional Offices. GSA tracks cost, schedule, and performance data on all construction and major repairs and alterations projects, and produces monthly reports showing the status of each active project. Senior management reviews these reports on a quarterly basis. Chapter 4 of GSA's Budget Administration Handbook (GSA Order CFO P 4251.4A of September 15, 2005) contains detailed information on the Financing of GSA Operations, including real estate and IT products and services. Part 14 of Chapter 4 provides regulatory and policy guidance on the acquisition of IT resources.

The **National Aeronautics and Space Administration** (NASA) requires that all space flight and IT programs and projects valued greater than $20 million apply EVM principles. Whenever NASA Construction of Facilities projects are developmental or high risk, EVM is also usually used above the $20 million threshold. However, for the majority of NASA's construction projects, an alternative agency-developed performance-based management system is used in the design and construction phases. The critical path-based PBMS identifies the amount of planned work actually accomplished, compares actual work accomplished against planned work.

The **Social Security Administration** (SSA) has an established IT capital planning policy that aligns with the agency's Strategic Plan. It has enhanced its IT planning and execution policies and practices to fully implement an EVMS, which, together with existing management processes and systems, provides management information to ensure that the agency achieves the expected returns from its IT investments.