



OFFICE OF FEDERAL
PROCUREMENT POLICY

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

October 29, 2009

MEMORANDUM FOR SELECTED CHIEF ACQUISITION OFFICERS
SELECTED SENIOR PROCUREMENT EXECUTIVES

FROM:

Lesley A. Field 
Deputy Administrator

SUBJECT:

Performance-Based Management Systems

Section 5051 of the Federal Acquisition Streamlining Act of 1994 (FASA) requires the Office of Federal Procurement Policy (OFPP) to report to Congress annually on the progress of civilian agencies in their implementation of performance based management systems (PBMS) for major acquisition programs. Performance-based management requires that major acquisition programs in each agency achieve, on average, 90% of their cost and schedule goals without reducing the performance or capabilities of the items being acquired. The purpose of this memorandum is to request civilian agency input for OFPP's report.

PBMS is a key component of an agency's acquisition system and is especially critical for programs that undertake major acquisitions to meet their objectives. PBMS requires agencies to effectively integrate acquisition, project, and program activities. This integration lies at the heart of an agency's ability to achieve desired cost, schedule, and performance outcomes from their contractors. OMB guidance on the use of PBMS, which is set forth in Office of Management Budget (OMB) Circular A-11 Part 7 and its supplement, the Capital Programming Guide, emphasizes the importance of project and acquisition planning, Earned Value Management (EVM), and operational analysis. Agencies are encouraged to review this guidance. OFPP has also developed a reference document, *Strengthening Outcomes through the Alignment of Acquisition, Project, and Program Activities*, that agencies may use, as appropriate, to evaluate where opportunities for improved alignment in agency activities may exist. The document is posted at http://www.whitehouse.gov/omb/procurement_index_gov_contracting/.

The President's March 4, 2009, Memorandum on Government Contracting directs agencies to improve the effectiveness of their acquisition practices and the results achieved from their contracts. Strengthened use of PBMS is an important building block to achieving this goal. OFPP is committed to improving use of PBMS generally, and for non-IT acquisition programs, in particular, where progress has been more limited. OFPP will evaluate appropriate strategies for applying performance-based management to different non-IT investments, in consultation with the Program Managers' Working Group of the Chief Acquisition Officers Council and the Office of Management and Budget's Resource Management Offices. As one step, agencies are requested, as part of this initiative, to provide budget and performance data for their 10 largest planned and/or current major real property asset construction projects. The responses will be used, in part, to help identify programs where PBMS practices are strong and may serve as a model for other agencies. The responses will further be used to begin defining portfolios of

non-IT investments, similar to the portfolio for IT found at Exhibit 53 in Circular A-11, that will lay the foundation for more comprehensive evaluations of program performance.

OMB has developed a short set of questions to obtain general information on the state of civilian agency PBMS practices (Attachment 1) and a spreadsheet to gather information on select major construction projects (Attachment 2). The spreadsheet is available for download from OFPP's webpage. The link is http://www.whitehouse.gov/omb/procurement_index_memo/.

Agencies should provide the name, telephone number and email address of a point of contact to OFPP by November 13, 2009 and the information requested in the attachments by December 10, 2009. Responses should be sent to Jim Wade at jwade@omb.eop.gov. If desired, an agency may have more than one point of contact.

Thank you for your attention to this matter.

Attachments

cc: Selected Chief Financial Officers
Selected Chief Information Officers
Selected Senior Real Property Officers

Distribution:

Department of Agriculture
Department of Commerce
Department of Education
Department of Energy
Department of Health and Human Services
Department of Homeland Security
Department of Housing and Urban Development
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Department of Justice
Department of Labor
Department of State
Department of Transportation
Department of the Treasury
Department of Veterans Affairs
Environmental Protection Agency
General Services Administration
National Aeronautics and Space Administration
Social Security Administration

**Reporting on the Use of Performance-Based Management Systems (PBMS)
for Major Acquisition Programs**

To assist the Office of Management and Budget (OMB) in assessing agency progress in implementing Performance-Based Management Systems (PBMS) and the Office of Federal Procurement Policy in meeting its responsibilities under Subtitle B of the Federal Acquisition Streamlining Act of 1994, agencies shall report the following information: (I) a short description of key performance-based management practices and governance structures, and (II) investment data on IT and non-IT investments.

I. Performance Based Management Practices and Governance Structures

Describe the following agency practices and governance structures:

A. Information Technology

1. Describe the methodologies used to evaluate the cost and schedule performance of major IT investments where EVM is not being used.
2. Identify the official(s) and/or organization within the agency that is responsible for implementing performance-based management.
 - a. Describe what, if any, authorities the official or organization has to ensure corrective action is taken to address poorly performing projects.
 - b. Provide examples of actions that the official/organization has taken within the last 12-18 months to address performance shortcomings. (Examples should identify specific programs and projects.)

B. Non-Information Technology

1. Describe the methodologies used to evaluate the cost and schedule performance of major non-IT investments where EVM is not being used.
2. Describe the governance structures used to make decisions as acquisitions reach critical decision points in their lifecycle, specifically –
 - a. The use of review boards.
 - b. The use of Program/Project Management Offices (PMOs) to support major non-IT investments, management executives, program and project managers, contracting officials and others.

- c. The development of business cases in accordance with A-11 (list portfolio areas where business cases are being developed and could be reviewed by OMB upon request).
3. Identify the official(s) and/or organization within the agency responsible for implementing performance-based management.
 - a. Describe what, if any, authorities this official or organization have to ensure corrective action is taken to address poorly performing projects.
 - b. Provide examples of actions that this official/organization has taken within the last 12-18 months to address performance shortcomings. (Examples should identify specific programs and projects.)
4. List any actions OMB could take to contribute to the success of major non-IT acquisitions.

II. Investment Data

A. IT Performance Data

Provide a copy of your agency's most recent monthly/quarterly EVM report for IT investments prepared in accordance with OMB memorandum M-05-23 "Improving Information Technology (IT) Project Planning and Execution." Data provided in the report should be current as of September 30, 2009, or a more recent date if such data is available.

B. Non-IT Performance Data

Provide budget and performance data for your agency's 10 largest major planned and/or current construction projects using the spreadsheet found at http://www.whitehouse.gov/omb/procurement_index_memo/. Instructions are provided below. In addition, an example of a completed spreadsheet is available for reference at the same address.

General Instructions

1. The spreadsheet requests information for 10 major investments in real property that are planned or under construction. For this exercise, agencies should not identify real property investments that are in the Operations and Maintenance (O&M) phase of the lifecycle or investments that are not classified as major. O&M and non-major investments may be added to the portfolio in the future.
2. The spreadsheet is divided into two parts to differentiate investments that are being tracked using EVM from those that are not. Enter major investments that are using EVM in Part 1. If EVM data is not available, enter the investment in Part 2. Note that the cells for the EVM data are grayed-out in Part 2. Do not enter anything in the grey cells.

3. If the agency does not have 10 major construction projects, state this in your response.
4. If the highest value projects are concentrated in one bureau or similar component of the agency, agencies may select alternative major acquisitions to achieve broader agency representation in the pilot. Agencies should note in their response when they are selecting alternative projects.
5. Agencies may have different definitions of planning, acquisition and O&M. For example, one agency may consider design to be part of the planning process while another agency may consider design to be part of the acquisition process. For this exercise, agencies may use their current definitions provided that the total of the planning, acquisition and O&M columns on the spreadsheet equals the total amount budgeted for the investment.
6. An agency may intend to apply EVM to an investment, but the investment may not have reached the point in its lifecycle where EVM reporting is scheduled to begin. For example, a major investment that is still in the planning phase may intend to use EVM, but since the construction phase has not yet begun, EVM data is not available. In this case, enter the investment in Part 2 of the spreadsheet and explain the situation in the narrative discussion.
7. Please do not change the column headings, the formulas or the format of the spreadsheet.

Detailed Instructions

Investment: Enter the name of the investment.

Description: Enter a brief description of the investment. Short phrases, such as “New field office for inspectors” are acceptable.

FY 2010 Planning: Enter the amount, in millions of dollars, budgeted for the planning of the investment in FY 2010.

FY 2010 Acquisition: Enter the amount, in millions of dollars, budgeted for the acquisition of the investment in FY 2010.

FY 2010 O&M: Enter the amount, in millions of dollars, budgeted for the operations and maintenance of the investment in FY 2010.

Total Planning: Enter the total estimated cost, in millions of dollars, of planning the investment.

Total Acquisition: Enter the total estimated cost, in millions of dollars, of acquiring and building the facility so that it is ready for use.

Average Annual O&M: Since the expected life of many facilities is not known, a total O&M cost is difficult to calculate in many cases. Therefore, enter the estimated average annual cost of operating and maintaining the facility.

Start Date: Enter the start date as defined by the Performance Measurement Baseline (PMB). The date should be consistent with reports generated by scheduling software.

End Date: Enter the completion date as defined by the PMB. The date should be consistent with reports generated by scheduling software.

Budget at Completion (BAC): Enter the BAC, in millions of dollars, as defined in ANSI/EIA Standard 748. The data should be consistent with reports generated by project management software.

Budgeted Cost of Work Scheduled (BCWS): Enter the current BCWS or Planned Value (PV), in millions of dollars, as defined in ANSI/EIA Standard 748. The data should be consistent with reports generated by project management software.

Budgeted Cost of Work Performed (BCWP): Enter the current BCWP or Earned Value (EV), in millions of dollars, as defined in ANSI/EIA Standard 748. The data should be consistent with reports generated by project management software.

Actual Cost of Work Performed (ACWP): Enter the current ACWP or Actual Costs (AC), in millions of dollars, as defined in ANSI/EIA Standard 748. The data should be consistent with reports generated by project management software.

Remaining Columns: The spreadsheet will calculate the remaining EVM data. Please do not enter any data in these cells.

Totals: The spreadsheet will calculate the Part 1 subtotal, the Part 2 subtotal and the grand total. Please do not enter any data in these cells.

