

Memoranda 97-12

April 25, 1997

M-97-12

MEMORANDUM FOR HEADS OF SELECTED AGENCIES

FROM: Franklin D. Raines

Director

SUBJECT: Evaluation of Agency Implementation of Capital Planning and Investment Control Processes

As the first-year anniversary of the Information Technology Management Reform Act (ITMRA) of 1996, P.L. 104-106 approaches, OMB would like to evaluate your agency's implementation of the act. Specifically, OMB would like to ascertain the status of agencies' capital planning processes. In addition, OMB would like to verify the status of compliance with OMB Memorandum 96-20, *Implementation of the Information Technology Management Reform Act of 1996*, regarding the duties, qualifications, and placement of the chief information officer (CIO). This memorandum requests that you provide to OMB by May 1, 1997, information to assist us in this evaluation. Subsequent to providing these written materials, each agency may be invited to meet with OMB to discuss the agency's ITMRA implementation status.

Background

ITMRA directs the head of each executive agency to design and implement processes for ensuring effective and efficient management and acquisition of information technology (IT), and makes the CIO responsible for providing assistance to the agency head in implementing these IT management and acquisition practices, focusing on:

- selecting, managing and evaluating investments in IT
- linking the selection of IT investments to the budget, financial and program management processes of the agency; and
- identifying and cooperating in cross-governmental IT investments.

A review of best practices in the private sector and Federal government demonstrates that these processes are critical elements of an agency's success in using IT. These planning and performance based management processes are consistent with the ITMRA, OMB Circular A-11 guidance, and

OMB's forthcoming Capital Programming Guide. This guide has been developed with input from many agency staffs and will be available soon for agency use.

Meeting with OMB

After materials are received, OMB may schedule a meeting with the chief operating officer and CIO of your agency to discuss your agency's implementation of ITMRA, to identify improvements for the coming year, and where appropriate, discuss preliminary agency plans for the FY 1999 budget request. In addition, each agency should be able to discuss its strategy with regard to the transition to year 2000. You should also be able to discuss how the IT investments listed in Table IV-3, *Program Performance Benefits from Major Information Technology Investments* (pp.45-46, The President's Budget, FY 1998) comply with each of the eight investment criteria contained in OMB Memorandum 97-02, *Funding Information Systems Investments*(October 25, 1996).

Written Materials Requested

In responding to this request, *the creation of new materials should be minimized -- existing materials should be referenced and attached to the submission whenever possible*. If materials are not readily available, the agency should provide a timetable indicating when the materials will be provided. In instances where an agency has several investment review processes underway -- at the department-wide level as well as at the subcomponent (or bureau level), please provide information on the integration of the review processes, discussing how the multi-level capital planning processes will interact. For the purposes of this memorandum, military departments should coordinate their submissions through the Department of Defense CIO.

By May 1, 1997, each agency listed in the Attachment needs to describe its activities in the following areas:

- CAPITAL PLANNING PROCESS
 1. The agency organization(s) and process(es) involved in selecting information technology investments. Such a description may include:
 - a) a listing of your agency's IT Investment Review Board's membership and a copy of its charter; and
 - b) the process by which the IT Investment Review Board makes its decisions for selecting investments. (For example, describe how that decision process is linked to the finance and budget process, how the Board factors programmatic priorities into investment selection decision making, or how each investment helps the agency achieve its strategic goals).

2. The agency organization(s) and process(es) involved in assuring the success of an IT investment. Such a description may include:

a) your process for tracking milestones in IT investments and selected tracking examples. For example, describe your agency's use of earned-value process or other processes that ask, "Do incremental deliverables arrive on schedule within the anticipated budget and work as expected?"

b) your process to ensure that IT investments are compliant with the agency's IT architecture as well as the other investment criteria described in OMB Memorandum 97-02; and,

c) your evaluation criteria for deciding whether to continue, modify, or terminate an investment, which should include how senior management will be able to determine, in a timely manner, that IT investments are meeting their anticipated milestones and that developing risks are being adequately addressed.

3. The process used to quantitatively assess the costs, benefits, and risks associated with a particular investment, and the process of reporting these scores to the agency officials responsible for making the investment decisions. Such a description may include:

a) a method for doing Return-On-Investment (ROI) calculations, such as an economic analysis that provides net present value dollar estimates of costs and savings for the status quo versus alternative(s); and,

b) a method for conducting IT prototype evaluations -- with the focus on validating projected benefits.

4. The way the agency obtains other Federal agency, State, and local government input in IT investments when there are shared issues being addressed.

- **CIO Appointment Process**

Provide an updated version of the materials requested under OMB. Specifically provide:

1. An organizational chart which identifies the CIO by name, the CIO's position relative to the head of the agency and other senior agency officials, and the agency staff assigned (or to be assigned) to the CIO for the performance of functions described by the PRA and ITMRA.

2. A description of the CIO's authority, responsibilities, and qualifications.

Additional Information:

Inquiries may be directed to Jasmeet Sehra, (202) 395-3123, or Lew Oleinick (202) 395-4638. Please mail all materials to the Information Policy and Technology Branch, Room 10236, NEOB, Washington, DC, 20503.

Attachment

Department of State
Department of Treasury
Department of Defense
Department of Justice
Department of the Interior
Department of Agriculture
Department of Commerce
Department of Labor
Department of Health and Human Services
Department of Housing and Urban Development
Department of Transportation
Department of Energy
Department of Education
Department of Veterans Affairs
Environmental Protection Agency
Federal Emergency Management Agency
Central Intelligence Agency
Small Business Administration
Social Security Administration
Department of the Army
Department of the Navy
Department of the Air Force
National Aeronautics and Space Administration
Agency for International Development
General Services Administration
National Science Foundation
Nuclear Regulatory Commission
Office of Personnel Management