



United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240



OCIO Directive 2005-014

SEP 23 2005

Memorandum

To: Heads of Bureaus and Offices

From: W. Hord Tipton *W. Hord Tipton*
Chief Information Officer

John D. Trezise *John D. Trezise*
Director of Budget

Subject: Improving Information Technology (IT) Project Planning and Execution
Independent Validation of Cost, Schedule and Performance Baselines

This directive is in response to OMB memorandum M-05-23, *Improving Information Technology (IT) Project Planning and Execution* (attached), and will begin to lay out the plan for the Department of the Interior's implementation of the independent validations of cost, schedule and performance baselines of all major projects with significant development efforts (DME). While the Department does not have all the processes and procedures in place for full implementation, here are three important items to remember:

1. For this purpose, significant means greater than \$1 million dollars of development funding in the budget year. (Attached is a list of investments that meet this criterion.)
2. For all ongoing major IT projects, independent validations need to begin prior to the obligation of any FY 2006 funding and must be completed by March 31, 2006.
3. For all new major IT projects, before beginning development beyond the planning stage, ensure cost, schedule and performance goals are independently validated for reasonableness. A baseline must be accurate, relevant, timely, and complete to be reasonable.

What needs to be done with regard to 2006 budget/funds distribution?

On-Going Projects: Bureau Budget Officers should defer allocation of 2006 DME funding for projects on the attached list until they have received a certification from their bureau or office Chief Information Officer that an independent validation has begun and will be completed by March 31, 2006. A sample certification memorandum is attached.

New Projects: Bureau Budget Officers should allocate only 2006 DME funding for planning for new projects until they have received a certification from their bureau or office Chief Information Officer that an independent validation has been completed.

Who can perform the validation?

An independent validation may be performed by a qualified source who is not involved in the project's development, implementation, management, or direct supervision. Examples include:

- The DOI Office of Inspector General
- Current independent verification and validation reviewer (Federal employee or contractor) from your bureau or office.
- Current independent verification and validation reviewer (Federal employee or contractor) from another bureau or office.

Bureaus or offices currently using Integrated Baseline Reviews (IBRs), may substitute an IBR for an independent validation.

Independent validations may not be performed by your bureau or office Capital Planning Coordinator, or the Department's Portfolio Management Division, because they are currently part of the management structure.

What should you do?

For all bureaus and offices, complete the attached spreadsheet by October 14, 2005.

1. Provide the name of the person, bureau, agency or company that will be conducting the independent validation.
2. Provide the qualifications of the reviewer or contractor.
3. Provide the start and end date for the validation.
4. Do not obligate any funding for these investments until the validation has begun and has been verified by your CIO.

If you have any questions regarding this directive please contact Kevin Andersen in the Office of Budget at 202-208-3289, or Sally Good-Burton in the Office of the Chief Information Officer at 202-208-4109.

Attachments

1. OMB Memorandum M-05-23
2. Projects with DME in FY 2006 spreadsheet
3. Sample Certification Memorandum

cc: Bureau Chief Information Officers
Bureau Budget Officers
Acquisition Management Partnership



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

M-05-23

August 4, 2005

MEMORANDUM FOR CHIEF INFORMATION OFFICERS

FROM: Karen S. Evans 
Administrator
Office of E-Government and Information Technology

SUBJECT: Improving Information Technology (IT) Project Planning and Execution

As we continue to realize the value of good project management, room for improvement remains in the execution of our IT projects. With the right tools and qualifications, managers will be better equipped to make decisions and carry out their missions. Over the past several years, agencies have improved the quality of their IT project planning and justification. We would now like to continue this improvement during the execution phase of the IT project. Therefore, the following guidance is provided to assist you in monitoring and improving project planning and execution and fully implementing Earned Value Management Systems (EVMS) for IT projects.

You are already required in your annual budget justifications to plan, invest, and document only those projects effectively linked to agency strategic and annual performance plans and which demonstrate improvement in program performance. We now want you to take the actions detailed in attachments A and B to this memorandum.

Attachment A outlines steps agencies must take for all new major IT projects, ongoing major IT developmental projects, and high risk projects to better ensure improved execution and performance as well as promote more effective oversight. Specifically, the attachment describes procedures regarding the following principles:

- Establishing and validating performance measurement baselines with clear cost, schedule and performance goals;
- Managing and measuring projects to within ten percent of baseline goals through use of an EVMS compliant with the guidelines in ANSI/EIA STD -748 or, for steady-state projects, perform operational analyses;
- Assigning to each project a qualified project manager; and
- Avoiding duplication by leveraging inter-agency and government-wide investments to support common missions or other common requirements.

Attachment B describes how agencies move to full implementation of EVMS for IT projects through:

- Developing agency policies no later than December 31, 2005;
- Including EVMS in contracts;
- Performing reviews to ensure the EVMS meets established requirements; and
- Ensuring performance goals are appropriate.

Attachment C offers additional information on resources and training to assist in developing and implementing policies for EVMS.

The Chief Information Officers Council will begin necessary actions to assist all agencies in consistently meeting these requirements including developing by October 2005 a model agency EVMS policy for IT projects. If you have any questions regarding this memorandum, please contact Stacie Higgins, at 202-395-0346 or stacie_higgins@omb.eop.gov.

Attachments

Attachment A - Procedures for Documenting and Reporting IT Project Performance

You are already required to meet these four principal criteria:

- Establish and validate a performance measurement baseline with clear cost, schedule and performance goals¹;
- Manage and measure projects to within ten percent of baseline goals through use of an EVMS compliant with the guidelines in ANSI/EIA STD -748 or, for steady-state projects, perform operational analyses²;
- Assign to each project a qualified project manager³; and
- Avoid duplication by leveraging inter-agency and government-wide investments to support common missions or other common requirements⁴.

To better ensure agency and oversight authority efforts result in improved execution and performance, we now want you to:

1. For all new major IT projects, before beginning development, ensure cost, schedule, and performance goals are independently validated for reasonableness.⁵
2. For all ongoing major IT projects with development efforts (DME), before obligating FY 2006 funds, begin independently validating for reasonableness current cost, schedule, and performance baselines, taking corrective actions as necessary. Independent validations should be completed by March 31, 2006. If proposed corrective actions include re-baselining (changing the performance measurement baseline – planned scope of work, schedule, budgeted costs, or all three), the proposal must be approved by OMB.⁶

¹ The Federal Acquisition Streamlining Act, Title V states, “the head of each executive agency should achieve, on average, 90 percent of the cost and schedule goals established for major and nonmajor acquisition programs of the agency without reducing the performance or capabilities of the items being acquired.”

² An Operational Analysis is referenced in the *Capital Programming Guide*, supplement to OMB Circular A-11, Part 7 as, “a system to measure the performance and cost of an operational asset against the baseline established in the planning phase.”

³ M-04-19, *Information Technology (IT) Project Manager (PM) Qualification Guidance*

⁴ Clinger-Cohen Act for any investment, and M-04-08, *Maximizing Use of SmartBuy and Avoiding Duplication of Agency Activities with the President's 24 E-Gov Initiatives*, for E-Gov investments.

⁵ An independent assessment may be performed by a qualified source provided such source is not involved in the project's development, implementation, management, or direct supervision. Provided they are qualified, such source may include the agency Inspector General, current independent verification and validation reviewers, or any other source internal to the agency or outside the agency including another agency. Agencies currently using Integrated Baseline Reviews (IBRs), may substitute an IBR for an independent assessment. Reasonable baselines are accurate, relevant, timely, and complete.

⁶ The *Capital Programming Guide*, Supplement to OMB Circular A-11, Part 7 states, “OMB should review the reasons for deviations for goals, the reasonableness of the corrective actions proposed, and the validity of increased cost estimates. OMB should consider approving a re-baseline proposal only when the agency has provided justification demonstrating the new goals have a high probability of success and that the acquisition will still have a benefit-cost analysis that justifies continued funding after comparison with other projects in the portfolio analysis and budget limitations.”

Additionally, for all high risk projects:

- Work with OMB to identify “high risk” projects by August 15, 2005. High risk projects as defined in OMB Circular A-11 include those requiring special attention from oversight authorities and the highest levels of agency management because⁷ –
 - the agency has not consistently demonstrated the ability to manage complex projects;
 - of the exceptionally high development, operating, or maintenance costs, either in absolute terms or as a percentage of the agency’s total IT portfolio;
 - it is being undertaken to correct recognized deficiencies in the adequate performance of an essential mission program or function of the agency, a component of the agency, or another organization; or
 - delay or failure would introduce for the first time unacceptable or inadequate performance or failure of an essential mission function of the agency, a component of the agency, or another organization.

- Beginning September 15, 2005 using the provided template, and quarterly thereafter, the Chief Information Officer must assess, confirm, and document the performance of high risk projects -
 - If all high risk projects continue to meet the four principal criteria, maintain documentation centrally and provide to oversight authorities (e.g., OMB, agency Inspectors General (IG), agency management and the Government Accountability Office (GAO)) upon request.
 - If all high risk projects are not meeting one or more of the four principal criteria, provide documentation to OMB and your agency IG (copies of your quarterly reports) and make them available to GAO upon request.
Documentation should include the following:
 - the specific performance shortfalls;
 - the specific cause of each shortfall (including inadequate performance by agency personnel or contractors),
 - a plan of action and milestones including identifying the specific actions needed to correct each shortfall, and,
 - additional funding, to the extent it is necessary, to improve performance and the source of funding from within existing agency resources.

⁷ OMB Circular A-11, Part 2, Section 53: Information technology and e-Government

Attachment B - Requirements for Fully Implementing an Earned Value Management System (EVMS) for IT projects

Full implementation of EVMS for IT projects includes five key components⁸:

1. Comprehensive agency policies;
2. EVMS requirements in contracts or agency in-house project charters;
3. Compliance reviews of agency and contractor EVM Systems;
4. Periodic system surveillance reviews to ensure the EVMS continues to meet the guidelines in ANSI/EIA-STD-748; and
5. Integrated Baseline Reviews to finalize the cost, schedule and performance goals.

As you know, for investment requests and justifications (business cases) and President's Management Agenda Scorecard purposes, you are required to demonstrate the use of EVMS for major IT projects and indicate how you have verified or will verify the system complies with the standard. For information on evaluating the use of EVMS on the E-Gov Scorecard, please refer to OMB Memorandum M-04-24 *Expanded Electronic Government (E-Gov) President's Management Agenda (PMA) Scorecard Cost, Schedule and Performance Standard for Success* (August 23, 2004).

1. Developing Comprehensive Agency Policies—No later than December 31, 2005
 - a) You are already required to have a documented agency policy for using Earned Value Management (EVM) and performing operational analyses to ensure you are using EVM to plan and manage development activities for major IT investments.
 - b) You should develop new policies if your agency does not have documented procedures in place for EVM or verify the content of existing EVM policies and begin using them as soon as practicable, but no later than December 31, 2005. You may use the Department of Defense (DoD) Earned Value Management Implementation Guide and the National Defense Industrial Association (NDIA) guides (Attachment C) to develop such guidance.⁹
2. Including EVMS Requirements in Contracts or the Agency In-house Project Charters
 - a) You are already required to include a provision and clause in major acquisition contracts directing the use of an EVMS compliant with the guidelines in ANSI/EIA STD – 748 to ensure the earned value data and analysis used to measure and report work progress on these investments are produced by an EVMS that meets the guidelines in ANSI/EIA-STD-748.

⁸ EVMS is not required for operational/steady-state projects. Therefore, in the manner described in OMB's Capital Programming Guide, you should develop and implement an agency policy for performing operational analyses to measure the performance of steady-state investments. Operational analyses should measure how close the investment is to achieving the project's expected cost, schedule, and performance goals. When performance is deficient, suitable corrective actions must be identified and scheduled for correction. Changes to baseline goals must be approved by OMB.

⁹ <http://guidebook.dema.mil/79/evmigoldversion.doc>

- b) A proposed amendment to the Federal Acquisition Regulation (FAR Case 2004-019) to standardize EVM contract policy across the government was published in the Federal Register on April 8, 2005. The rule proposes standard EVMS provisions, a standard clause, and a requirement for acquisition plans to include the planning for conducting compliance reviews and Integrated Baseline Reviews. Until the final FAR rule is issued, you may use your own provisions and clauses in solicitations and contracts or the proposed FAR provisions and clause.¹⁰

3. Compliance Reviews of Agency and Contractor EVM Systems

In addition to including a provision and clause in major acquisition contracts, you are required to provide documentation demonstrating the contractor's or your agency's in-house EVMS complies with the guidelines in ANSI/EIA STD – 748 and may use the NDIA guides (Attachment C) to conduct compliance reviews.

4. Periodic System Surveillance Reviews

In addition to conducting initial compliance reviews, you are required to periodically review the agency or contractor EVMS to ensure it continues to meet ANSI/EIA STD – 748 and may use the Surveillance Guide (Attachment C) to do so.

5. Integrated Baseline Reviews (IBRs) of Developmental Projects

- a) You are already expected to achieve 90 percent of cost, schedule and performance goals.¹¹
- b) You are required to conduct an IBR on contracts with an EVMS requirement, before or after award as appropriate, in order to establish the Performance Measurement Baseline agreed to by both parties and against which performance will be measured. This requirement applies to agency in-house projects as well. The IBR process enables project managers to effectively use the project Performance Measurement Baseline to assess performance, and to better understand inherent risks. IBRs should be conducted using the Program Managers' Guide to the Integrated Baseline Review Process (attachment C) and until the agency has begun conducting IBRs, independent assessments must be performed.¹²

¹⁰ See Federal Acquisition Regulation website (<http://www.acqnet.gov/far/>) under "proposed rules."

¹¹ The Federal Acquisition Streamlining Act, Title V states, "the head of each executive agency should achieve, on average, 90 percent of the cost and schedule goals established for major and nonmajor acquisition programs of the agency without reducing the performance or capabilities of the items being acquired."

¹² An independent assessment may be performed by a qualified source provided such source is not involved in the project's development, implementation, management, or direct supervision. Provided they are qualified, such source may include the agency Inspector General, current independent verification and validation reviewers, or any other source internal to the agency or outside the agency including another agency. Agencies currently using Integrated Baseline Reviews (IBRs), may substitute an IBR for an independent assessment. Reasonable baselines are accurate, relevant, timely, and complete.

Attachment C- Additional Resources and Training to Assist Developing and Implementing Policies for EVMS

For your information, the current EVMS criteria contained in the ANSI Standard was developed and promulgated through the ANSI process by the NDIA Program Management Systems Committee. Agencies may send representatives to the committee meetings to learn more about EVMS at no cost, other than the cost of travel to the meetings. Details on the committee can be found at the NDIA website: <http://ndia.org>. If you are interested in sending a representative to attend the meetings, please contact either Peter Wynne, Committee Chairman at: peter.a.wynne@lmco.com, telephone 817-935-5107, or Robert Loop, Committee Vice Chairman at: robert.c.loop@lmco.com, telephone 703-293-5302.

The NDIA Program Management Systems Committee has produced a number of publications and supplemental guidance to assist agencies with EVMS implementation. The guides can be found on the NDIA website and also on the Defense Acquisition University website (<http://acc.dau.mil/evm>) under Recommended References. You should use these guides as appropriate (see attachment B). These publications are:

- ANSI EIA 748 Intent Guide: This guide is currently used by the contractor community for performing an initial compliance assessment and for performing implementation surveillance. The guide defines in detail the management value and intent for each of the 32 guidelines in the Standard.
- Program Managers' Guide to the Integrated Baseline Review Process: This guide defines the purpose, goals, and objectives of an IBR which is to provide a mutual understanding of risks inherent in offerors'/contractors' performance plans and underlying management control systems and to formulate a plan to handle these risks.
- Surveillance Guide: This guide defines a standard industry approach for surveillance of an EVMS to confirm processes and procedures continue to satisfy the guidelines in ANSI/EIA - 748.

The committee is also working on a proposed EVMS Acceptance Process that would be applicable to both industry and government and has expanded that project to develop a draft EVM Process Implementation Guide. This publication will connect the three guides with more specific information on how each part interrelates.

The Federal Acquisition Institute (co-located with the Defense Acquisition University (DAU)) is expanding EVMS training to the program management and contracting communities. The DAU also maintains a community of practice at <http://acc.dau.mil/evm>, which includes: six hours of narrated EVM tutorials (Training Center); descriptions and links to EVM tools (Tools); additional EVM related references and guides (Community Connection); DoD policy and contracting guidance (Contract Documents & DoD Policy & Guidance); a discussion forum (Note Board); and an on-line reference library (under development) (Research Library).

Bureau/Office Letter Head:

To: Budget Officer - DM
Budget Officer – NPS
Budget Officer – FWS
Budget Office – BOR
(Memorandum goes to each bureau who has DME money directly budgeted;
WCF amounts need only go to Budget Office for DM or NBC as applicable)

From: Bureau/Office CIO

For on going investments insert this language:

I hereby certify that the following information technology projects have begun an independent review and validation of its current cost, schedule, and performance baseline and such review will be completed by March 31, 2006. These projects included DME funding for the following bureaus: <bureau name>.

For all new projects insert this language:

I hereby certify that an independent review and validation of its cost, schedule, and performance baseline for <insert project name> has been completed. It was conducted by < insert name of validation entity > and performed on < date >.

s/Bureau/Office Chief Information Officer