ADS Chapter 577

Information Technology
Capital Planning and Investment Control

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ADS 577 – Information Technology Capital Planning and Investment Control

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**An asterisk and yellow highlight indicates that the adjacent material is new for this chapter or substantively revised.*

ADS 577 – Information Technology Capital Planning and Investment Control

577.1 OVERVIEW

Effective Date: 11/26/2008

This ADS chapter contains the policy directives and required procedures for capital planning and investment control of information technology (IT) assets. It sets the framework for selecting and managing IT investments, driven by the **Clinger-Cohen Act of 1996**. The policy directives and required procedures support the achievement of Agency strategic goals and objectives through the preparation, selection, control, and evaluation of IT assets. USAID IT investments are IT initiatives or projects funded by USAID.

This chapter also outlines the Agency's Capital Planning and Investment Control (CPIC) process, which ensures that IT investments integrate with strategic planning, budgeting, procurement, and IT management in support of the Agency's mission and business needs. It outlines roles and responsibilities for maximizing the value of and assessing and managing the risks of USAID IT investments as required by the **Clinger-Cohen Act of 1996**, the **Government Performance and Results Act**, and the **Federal Acquisition Streamlining Act of 1994**. **OMB Circular A-11** and **OMB Circular A-130**, Agency standards, and industry best practices also provide direction for USAID CPIC process.

577.2 PRIMARY RESPONSIBILITIES

Effective Date: 11/26/2008

a. **The Administrator** has ultimate authority to approve or reject Business Transformation Executive Committee (BTEC) recommendations for IT investments. The Administrator also reports Agency progress in achieving investment goals to the Office of Management and Budget (OMB) and Congress.

b. **The Business Transformation Executive Committee (BTEC)**

(1) Recommends to the Administrator USAID IT investments that will transform USAID business systems and improve organizational performance.

(2) Provides Agency-wide leadership for initiatives and investments to transform USAID business systems and organizational performance. The BTEC focus is primarily strategic. Although it receives project status information about USAID investments, the BTEC focuses on issues and investment decisions related to achieving the Agency's mission.

(3) Establishes and monitors the portfolio of USAID IT investments, with the support of the Information Technology Steering Subcommittee (ITSS).

c. **The BTEC Information Technology Steering Subcommittee (ITSS)**, co-

chaired by the Chief Information Officer (CIO) and a BTEC member who is not a representative of the Bureau for Management (M), acts in an advisory role to the BTEC and performs executive reviews of all proposals, project status reports, and assessments for Level III and IV investments.

d. The Chief Financial Officer (CFO) has a direct role in making the final determination for enhancements and upgrades to the Agency's financial management systems, in compliance with the **CFO Act of 1990** and the **Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS),** as outlined in **ADS 629, Accounting for USAID-Owned Property and Internal Use Software**. ADS 629 outlines rules related to capitalization versus expense.

e. The Bureau for Management, Office of Management Policy, Budget and Performance, Division of Policy (M/MPBP/POL) develops operational policy and undertakes budget formulation and review and execution activities that support the Agency's information technology governance and investment decision-making processes. M/MPBP/POL is a voting member of the BTEC, the ITSS, and other Agency IT governance bodies. M/MPBP/POL consults with the CIO in establishing and assessing customer service standards and performance metrics for the delivery of IT services and products.

f. The Office of the Chief Information Officer (OCIO) acts as the Agency's central IT service provider. The OCIO provides advice and planning support to the BTEC, Executive Sponsors, the ITSS, and the CIO on IT acquisition, risk assessment, policies, and standards.

g. The Chief Information Officer (CIO), or designee, monitors and evaluates the performance of USAID IT investments and advises the Administrator, the Executive Sponsor, and the BTEC whether to continue, modify, or cancel an IT investment.

h. Executive Sponsors are Agency, program, and Mission managers who identify IT investments based on recognized program needs. Executive Sponsors are responsible for overseeing and managing one or more IT investments throughout their life cycle.

i. The Change Control Board (CCB) is comprised of project-level management and functional expert decision makers who identify, evaluate, and prioritize technical and functional change requests for the project's baseline requirements, budget, and schedule. The CCB meets weekly to monitor and control the project baseline and to help implement solutions that meet stakeholder requirements and expectations. The CCB is also responsible for escalating decisions to the ITSS or BTEC, depending on the nature of the requested changes.

*577.3 POLICY DIRECTIVES AND REQUIRED PROCEDURES

Effective Date: 04/12/2010

USAID employees must implement the policy directives and required procedures in this section when acquiring or managing IT investments for USAID.
The policies and required procedures that apply to a specific investment vary, depending on such factors as the estimated life-cycle cost of the investment and its funding source. **Table 1, Investment Funding Category Documentation and Review Requirements** summarizes these factors and aligns each factor to the investment level of the project. Project sponsors must use **Table 1** to determine which investment level, if any, will be assigned to their investment in order to identify the required documentation, approvals, and frequency of reviews.

*Note: For updates regarding privacy policy for USAID information technology systems and publicly accessible Web sites, see **Mandatory Reference 557mac, Updated Privacy Policy for USAID Information Technology Systems, Including Publicly Accessible Web Sites**.

577.3.1 USAID IT Investment Categories

Effective Date: 11/26/2008

The four categories of USAID IT investments are

(1) Investment Funding Category 1: USAID/Washington (USAID/W) Operating-Expense (OE), Capital Investment Fund, and Cost Recovery-funded IT used for USAID operations;

(2) Investment Funding Category 2: USAID/W and Mission program-funded IT used for USAID operations or within USAID Missions and offices;

(3) Investment Funding Category 3: Mission OE-funded IT used for USAID operations; and

(4) Investment Funding Category 4: USAID/W and Mission program-funded IT not used for USAID operations or within USAID Missions and offices. This category includes initiatives or IT activities that are program-funded for use by others, such as a grantee.

577.3.2 Guiding Principles for the Selection, Control and Evaluation of IT Investments

Effective Date: 11/26/2008

Several overarching principles for investments in IT guide the Capital Planning and Investment Control (CPIC) process. According to these principles, IT investments must

a. Support core/priority mission functions performed by the Federal Government;

b. Be initiated by USAID only when no alternative private sector or Governmental source can efficiently meet the need. (IT investments must not unnecessarily duplicate capabilities in USAID, other agencies, or the private sector.) (See **577.3** for specific requirements.)

c. Support work processes that have been simplified or otherwise redesigned to reduce costs, improve effectiveness, and make maximum use of commercial, off-the-shelf technology;

d. Reduce risk by avoiding or isolating custom-designed components, using components that can be fully tested or prototyped prior to production, and ensuring the involvement and support of users;

e. Be implemented in phased, successive segments as narrow in scope and as brief in duration as practicable, each of which solves a specific part of an overall mission problem and delivers a measurable benefit independent of future segments;

f. Demonstrate a projected return on investment (ROI) that is clearly equal to, or better than, alternative uses of available public resources;

The ROI may include

- Improved mission performance in accordance with Government Performance & Results Act of 1993 (GPRA) measures,
- Reduced cost,
- Increased quality, speed, or flexibility, and
- Increased customer and employee satisfaction.

The ROI should reflect such risk factors as

- The project's technical complexity,
- The Agency's management capacity,
- The likelihood of cost overruns, and
- The consequences of under or non-performance.

g. Be consistent with Federal, USAID, and joint USAID/Department of State enterprise architectures (EAs), demonstrating consistency through compliance with Agency business requirements and standards as defined in the EA**;**

h. Maximize the usefulness of information, minimize the burden on the public, and preserve the appropriate integrity, usability, availability and confidentiality of information throughout the project life cycle in accordance with the **Paperwork Reduction Act** and

the **Federal Records Act**;

i. Maintain investment documentation, including cost estimates and validations;

j. Follow Agency IT policies and standards for project development; and

k. Implement an Earned Value Management System (EVMS) for major investments consistent with the policy directives set forth in USAID **EVM Framework, System Description Document** and the **ANSI/EIA-748 criteria**.

577.3.3 Requirements for the CPIC Process

Effective Date: 11/26/2008

The Agency's Capital Planning and Investment Control (CPIC) process must meet the following requirements:

(1) Portfolio Focus: USAID must view its IT investments in relation to all current and proposed investments and within the context of Agency-wide budget, financial, and program management decisions.

(2) Risk Management: USAID staff must plan for and document the reduction of risk throughout the project life cycle when planning for or implementing IT investments.

(3) Return on Investment: USAID must include minimum criteria expressed quantitatively for evaluating investments based on the projected net present value, risk-adjusted return on investment, and specific quantitative and qualitative criteria for comparing and prioritizing alternatives.

(4) Executive Involvement: Through the USAID Business Transformation Executive Committee (BTEC), USAID senior executives must advise the Administrator on the business considerations of IT investment decisions.

(5) Architecture Driven: IT investments must align with the Federal Enterprise Architecture (FEA) and must be consistent with the joint USAID/Department of State EA.

577.3.3.1 Subcommittee Role in the CPIC Process

Effective Date: 11/26/2008

The USAID CPIC process follows Federal Government best practices for ensuring consideration of the Agency's business needs throughout the life cycle of an IT investment. The purpose of the process is to ensure that the Agency selects, monitors, and evaluates IT investments for effectiveness when implemented and for their relevance and contribution to the Agency's business needs**.**

As detailed in the Information Technology Steering Subcommittee (ITSS) charter, the Subcommittee must

(1) Advise the BTEC on investment selection, taking into account potential risk, cost, benefit, and priority in relation to other USAID investments and the Agency's EA;

(2) Recommend issues of strategic importance to the BTEC;

(3) Ensure that approved investments comply with **OMB Circular A-11**;

(4) Recommend to the BTEC approval or rejection of submitted requests for, and continuation of, Level III and Level IV investments;

(5) Develop and revise ADS policy documents related to ITSS responsibilities not outlined in this chapter; and

(6) Develop detailed guidance and forms for implementation of CPIC activities and associated IT investment requests.

577.3.3.2 Executive Sponsor Role in the CPIC Process

Effective Date: 11/26/2008

The responsibilities of the Executive Sponsor in the CPIC process include:

(1) Appointing a project manager who has overall responsibility for design and implementation for the investment;

(2) Reporting on and submitting all appropriate investment documentation; and

(3) Validating an investment's Earned Value Performance Measurement Baseline (PMB). The Executive Sponsor is a lead participant in the project's Integrated Baseline Review (IBR) and is also responsible for approving any technical, functional, or earned value baseline change requests.

Executive Sponsors must certify that all IT procurements do not duplicate existing or planned USAID, e-Gov, or Smartbuy functionality. If a planned investment does duplicate existing or planned functionality, the CIO must give special approval before funds may be obligated.

577.3.4 Stages of the CPIC Process
Effective Date: 11/26/2008

The Capital Planning and Investment Control (CPIC) process occurs in four stages: Pre-selection**,** Selection**,** Control*,* and Evaluation. See **Table 2, The CPIC Process**.

(1) **Pre-selection** includes the identification of one or more business problems, the identification and evaluation of possible solutions, the recommendation of one or more capital investments as the solution(s), and the selection of an Executive Sponsor and Project Manager (PM) to facilitate and manage each capital investment through the life cycle. During this initial stage, a Project Identification Document is prepared and presented to the Chief Information Officer (CIO).

(2) **Selection** includes the CIO's informal review of the proposed capital investment in the context of Agency priorities, resource constraints, and the EA. During this stage, the CIO confirms the applicable level of detail required for further consideration, provides the results on the proposal to the Executive Sponsor, and schedules the Information Technology Steering Subcommittee (ITSS) and the Business Transformation Executive Committee (BTEC)'s evaluation and prioritization of the proposal, where appropriate.

(3) **Control** covers investments that are in development, implementation, or a steady state. During the control stage, Executive Sponsors must report periodically on the status of these IT investment projects in accordance with the requirements in **Table 1, Investment Funding Category Documentation and Review Requirements**.

(4) **Evaluation.** During this stage, the responsible parties review the completed investment to determine its overall success and any lessons learned for improving the CPIC process.

577.3.4.1 Pre-Selection Phase: Submitting Investment Documentation
Effective Date: 04/12/2010

This section describes the Pre-Selection Phase of the CPIC process. Based on the requirements explained in **Table 1**, the Executive Sponsor must submit a business case through a Project Identification Document (PID) to the CIO through the Director of Budget and Capital Investment Planning (M/CIO/BCIP). M/CIO/BCIP will provide the PID's specified format and instructions. The Executive Sponsor must be available to the CIO and the ITSS/ BTEC for discussion of the submitted proposal upon request.

For those investments that require submission of **OMB Exhibit 300**, the Executive Sponsor must prepare the Exhibit in accordance with Office of Management and Budget (OMB) instructions found in the most recent **OMB A-11 Circular** and submit it to the

CIO as part of the annual budget cycle. The CIO or designee provides specific annual guidance to Executive Sponsors as part of budget formulation instructions.

577.3.4.2 Selection Phase: Information Technology Steering Subcommittee (ITSS) Decision Criteria

Effective Date: 04/12/2010

This section describes the Selection Phase of the CPIC process**.** The ITSS must maintain and use the ITSS Decision Criteria in **Table 3** to annually score and rank the IT investments for which it has oversight. The purpose of the ITSS Decision Criteria is to ensure that reviewers apply consistent criteria in assessing proposed investments and that selected investments demonstrate the use of the guiding principles outlined in this chapter.

The ITSS Decision Criteria are based on the structure and content of the documentation required in **OMB Circular A-11** to ensure reviews that reflect OMB priorities.

a. Components of Table 3, ITSS Decision Criteria

The ITSS developed and maintains the following criteria for evaluating and recommending selection of IT investments. These criteria are essential to the IT investment selection process.

Table 3, ITSS Decision Criteria:

- **Category**: Three categories are used to evaluate a proposed project - **Value**, **Risk**, and **Cost**;
- **Definition**: The definition clarifies each category in non-technical terms;
- **Category Weight**: The Category Weight represents the value that each category holds in relation to the others;
- **Subcategory, Definition, and Scoring Criteria Questions**: Subcategories are groups of questions that assist the reviewers in determining whether the proposal has sufficiently addressed each category;
- **Initial Recommended Score:** Each reviewer must assign numeric scores based on the quality of documented responses to subcategory questions, including the extent to which the proposal is based on best practices and is aligned with program and end-user needs.

b. Applying the ITSS Decision Criteria

The following steps outline how to apply **Table 3, ITSS Decision Criteria**:

- **Designation of the Review Panel:** The ITSS Chair must convene a review

panel to compile preliminary scores for each Level III and IV investment. The Chair may adjust the composition of the review panel at his or her discretion to meet OMB timeframes for review and priorities. Each member of the review panel must be given

(1) One copy of the Project Identification Document submitted for each investment proposal;

(2) One score sheet produced to the specifications required by **Table 3, ITSS Decision Criteria**; and

(3) The scoring instructions found in **Table 3**.

- **Initial Scoring by the Review Panel:** Each member of the review panel must evaluate each investment proposal and assign a score based on the criteria described in **Table 3**. After initial scoring is complete, members must discuss their individual scores and note any significant differences.

- **Presentation of Initial Scores to the ITSS:** After scoring is complete, the panel presents its scores and comments to the full ITSS. Review panel members must be able to justify their individual scores and provide explanations for any significant differences among them.

- **Presentation of Recommendations to the BTEC:** Based upon assignment of a final score and ranking to each investment, the ITSS must establish a list of projects for the Chair to present to the CIO and the BTEC for consideration. The ITSS recommended list must also include any IT investment proposals evaluated that should not be considered.

- **BTEC Recommendation:** When the BTEC receives the ITSS recommendations, each recommendation is reviewed and then a submission of the final list of recommended IT investments to the Administrator. The BTEC has the authority to change the ranking of investments and to seek clarification or supporting documentation from the ITSS, the Executive Sponsor, or the designated PM.

577.3.4.3 Control Phase: Periodic Reviews of IT Investments

Effective Date: 0412/2010

This section describes the Control Phase of the CPIC process. As indicated in **Table 1, Investment Funding Category Documentation and Review Requirements**, most USAID IT investments must be periodically reviewed for success in meeting cost, schedule, and performance goals. The purpose of such reviews is to enable the officials indicated in **Table 1** to monitor an investment's status and to recommend project disposition, taking into account cost, risk, and value to the Agency. The ITSS must also review the progress of Level III and IV investments using the process

described in section **577.3.6,** Earned Value Management (EVM). We encourage reviewers of other IT investments to use EVM as a supplemental best practice.

577.3.5 IT Project Governance

Effective Date: 04/12/2010

Because of the proliferation of IT usage and escalating costs in the Federal Government, USAID is expected to demonstrate more effective Federal planning for its use of IT investments. IT Project Governance is one of the Agency's methods for establishing relevant internal IT standards and accountability. It introduces formal, structured, standardized evaluation and certification procedures for the acceptance of IT project deliverables, and for the project's movement through its life cycle.

The **USAID IT Project Governance Manual** provides instructions and guidance on how to progress through the IT project life cycle and successfully meet governance requirements. Project Managers should reference the Manual throughout an investment's life cycle, particularly in the control phase.

577.3.6 Earned Value Management

Effective Date: 04/12/2010

As specified by the **Clinger-Cohen Act of 1996**, **OMB Circular A-11**, and **OMB Memorandum M-05-23**, major IT investments must use management processes that employ project controls and utilize objective, performance-based measurements.

Earned Value Management (EVM) is a best practice that is such a project management tool. OMB requires it for certain investments.

a. EVM and Performance Measurement

The EVM methodology integrates cost, schedule, and scope with risk management to allow for the objective and reliable measurement of current project performance and the estimation of future performance. The metrics provided by utilizing EVM help to delineate a project's actual progress as opposed to its planned value. In addition, implementing EVM enforces management processes which demand rigorous planning and disciplined review against the project's baseline performance goals. Finally, EVM continuously measures the fundamental trends of past performance, thus enabling reliable forecasting of future performance.

USAID must implement EVM to monitor the costs, schedule, and performance goals of its portfolio of major IT investments acquired in the Development/ Modernization/ Enhancement (DME) stage of the IT life cycle. USAID's EVM implementation must be based upon the **American National Standards Institute/ Electronic Industries Association Standard 748** and must be applied consistently within the **USAID EVM Framework [Note: This document is only available on the OCIO intranet]**.

b. EVM General Guidance and Primary Requirements

The sections that follow outline the USAID EVM methodology's general guidance and primary requirements. Detailed descriptions of EVM specific concepts, processes and procedures, roles and responsibilities, tools, system surveillance and compliance, and Integrated Baseline Reviews are found in the **Earned Value Management section of** the **USAID IT Project Governance Manual.**

You do not have to implement EVM for steady-state projects, such as those performing normal, ongoing operations. However, project managers are expected to perform monthly operational analysis and report the project status of investments for which the Office of Management and Budget (OMB), the Chief Information Officer (CIO), or the Information Technology Steering Subcommittee (ITSS) deem necessary.

c. Implementation of EVM at USAID

USAID implementation of EVM is based on the project management principles codified in ANSI/EIA Standard 748, which establishes 32 criteria that define an effective integrated cost, schedule, and performance management system. EVM is most effective and cost efficient when it is customized to the needs of the project. Therefore, the level of EVM rigor should be directly proportional to the size of the investment and of the impact to the organization: the larger the project size and the higher the priority, risk, or complexity, the greater the rigor of the necessary EVM requirements.

The **USAID IT Project Governance Manual** contains the guidance for implementing the Agency's EVM processes. The Manual describes the methodology used for designating the level of EVM rigor required for each IT investment and details the relevant criterion to be met under each level.

USAID uses a three-tiered approach to identify the required level of EVM rigor for each investment.

- **Tier I** investments have relatively small DME-stage costs; are of low priority to the Agency; and, are generally low risk, low complexity, or short in duration. The Agency does not require implementing EVM on such investments since the benefits of rigorous management discipline may not justify the cost of implementation. Therefore, Tier I investments have no requirement for adherence to EVM criteria.

- **Tier II** investments have moderate DME-stage costs; are of medium priority to the Agency; or are generally of moderate risk, moderate complexity, or of moderate length in duration. This level requires adherence to the most critical ANSI/EIA Standard 748 criteria for implementing basic project controls and reporting EVM metrics.

- **Tier III** investments have large DME-stage costs; are of critical priority to the Agency; or have high risk, high complexity, a significant number of external dependencies, or are long in duration. Tier III investments qualify for the highest level of EVM rigor and thus must comply with all 32 **ANSI/EIA Standard 748 criteria**.

The **USAID IT Project Governance Manual** describes the thresholds and methodology specific to and the EVM criteria required for each tier. Please note that the tiers described above are different from the investment levels described in **Table 1**, which are determined in accordance with OMB requirements.

d. Integrated Baseline Review

Establishing a performance measurement baseline (PMB) that is acceptable to both the Federal Government and the contractor helps to identify and manage risks and significantly enhances the probability of an investment's success. The Agency must perform an Integrated Baseline Review (IBR) on projects with EVM requirements (Tier II and Tier III) to ensure that the project scope, cost, and schedule are realistic. The project realizes the full benefits of EVM when the IBR is complete and the PMB has been validated by the project's Executive Sponsor, Government (direct hire) PM, Government (direct hire) functional and technical experts, other key Government (direct hire) project stakeholders, and the contractors or other parties responsible for performing the work or delivering the product.

All projects with EVM requirements (Tier II and III) are required to perform an IBR within 60 to 90 business days of contract award to finalize agreement on the PMB and to ensure all project-related expectations and risks are identified and understood. In addition, the Agency must conduct an IBR when there are major changes to the PMB that require formal re-baseline or major reprogramming, as defined in the EVM section of the **USAID IT Project Governance Manual**.

e. Baseline Change Control and Formal Reprogramming

For investments with EVM requirements (Tier II and III), USAID is required to document all changes to the PMB within each project's standard change control process. Change requests must submit to and be approved through a project appropriate IT governance process and escalation procedures. Major re-baselining or formal reprogramming is required for an over-target baseline in excess of its budget by 10 percent or more. Either change must seek the project Change Control Board (CCB)'s and the ITSS' review and approval. In addition, such major change requests may require approval from the BTEC, the Administrator, or OMB. Specific details regarding baseline change request procedures can be found in the EVM section of the USAID IT Governance Manual.

f. EVM Surveillance and Compliance Reviews

USAID must perform periodic independent evaluations of all projects with EVM requirements (Tier II and III), using EVM processes to assess, validate, and certify the assigned level of rigor (as defined in the USAID EVM Framework) and are in compliance with the appropriate guidelines set forth in ANSI/EIA Standard 748.

The Agency's Office of the CIO (OCIO) must monitor projects to ensure the continued and correct use of EVM processes. Under its discretion, OCIO must conduct EVM system evaluations (compliance reviews or surveillance) annually on projects with EVM requirements.

g. Inclusion of Government Costs

For all projects with EVM requirements (Tier II and III), Government labor and other direct costs incurred in support of the investment must be tracked during the DME investment stage of the project life cycle and included in the PMB.

h. Use of Contract Clauses to Implement EVM Requirements

All Federal agencies must establish particular provisions and contract clauses in accordance with **OMB's Memorandum M-05-23** for Improving Information Technology Project Planning and Execution, dated August 4, 2005. Therefore, all solicitations and contracts for projects that require EVM (Tier II and III) must include **FAR clause 52.234-4, Earned Value Management System**.

i. EVM Reporting

USAID must provide EVM data and project status to OMB quarterly on its portfolio of Tier III IT investments. This report must indicate cumulative planned value, cumulative earned value, cumulative actual cost, cost variance, and schedule variance for individual projects, and the cost and schedule variances at the portfolio level (combined average).

The USAID OCIO is responsible for tracking EVM data on a monthly basis for the DME stage of each Tier II and Tier III IT investment. USAID senior management and the OCIO use EVM reports to make monthly management decisions concerning each project. If further information or clarification is required concerning variance analysis or the execution of a corrective action plan, senior management may require additional information from project management.

Project management must review EVM performance data on a monthly basis to analyze variances and track corrective actions. The Contract Performance Report (Format 1) is the primary EVM report required from each project for the OCIO. At a minimum, project

management is responsible for tracking EVM metrics such as cost and schedule variance. If projects exceed the cost or schedule variance threshold of +/- 10 percent of the project baseline budget, project management must submit a corrective action plan at the control stage account level. Senior management and OCIO then must review the plan for approval.

577.3.7 Quarterly Reviews Process for Level III and IV Investments

Effective Date: 11/26/2008

a. Information Technology Steering Subcommittee (ITSS) Review. As noted in **Table 1, Investment Funding Category Documentation and Review Requirements**, the ITSS must review Level III and IV investments at least quarterly or on an exception basis when cost or schedule performance varies 10 percent from stated goals. Under the latter circumstance, the ITSS must advise the BTEC quarterly and the CIO whether to continue, modify, or cancel the investment. The monthly earned value reports to the ITSS, as described above, support the quarterly review process. The Administrator must make final action determinations on the most controversial mission-critical investments that are at risk.

b. Guidance in Rating Investment Status. During quarterly reviews of Level III and IV investments, the ITSS must look for the following evidence of potential risk to project success in the reports from the CIO and the Executive Sponsors:

- A task is significantly behind schedule or over budget;
- A major milestone, decision, or work product deadline was missed or will be significantly delayed;
- The requirements or scope are substantially changing, resulting in an initiative that does not adequately support mission or Agency business functions;
- A major technical problem with the selected technology has arisen and the resolution does not allow the project to be developed as specified; or
- The organizational environment has changed, and the current IT initiative is or cannot be part of the solution for meeting the Agency's business needs.

c. Decisions and Actions on Investment Status. The ITSS must consider the evidence of potential risk noted above and other factors that members believe will affect the project's success. The Subcommittee must then recommend one of the following actions to the Subcommittee Chair and note its conclusions in the appropriate meeting notes:

- **Continue:** If the Subcommittee makes this recommendation and it is adopted, the initiative may continue according to the planned cost, scope, and schedule baselines presented in the most recent business case for the investment.

- **Modify:** If the Subcommittee makes this recommendation and it is adopted, the Executive Sponsor must make baseline changes in accordance with the guidance in Section **577.3** in this chapter and provide the revised baseline to the ITSS for approval. The ITSS must approve the changes, recommend to the BTEC that it cancel the investment, or direct the Sponsor to again revise and resubmit the baseline for further consideration. Once baseline changes are approved, the business case for the investment, as required by **Table 1, Investment Funding Category Documentation and Review Requirements**, must be updated per the timeline that the ITSS establishes at the time of its approval of the revision.

- **Cancel:** If the Subcommittee makes this recommendation, the Subcommittee Chair must decide whether to adopt the recommendation and must inform the initiative's Executive Sponsor of his or her decision. Under such a circumstance, the Chair recommends to the BTEC, on behalf of the Subcommittee, that the initiative be terminated. If appropriate, the BTEC submits recommendations to the Administrator for a final decision on the initiative.

*577.4 MANDATORY REFERENCES

Effective Date: 04/12/2010

577.4.1 External Mandatory References

Effective Date: 04/12/2010

a. **American National Standards Institute/Electronic Industries Association (ANSI/EIA) Standard 748**

b. **Capital Programming Guide: Supplement to Part 7 of Circular No. A-11**

c. **CFO Act of 1990 (31 U.S.C. 902a5)**

d. **Clinger-Cohen Act of 1996**

e. **FAR Clause 52.234-4, Earned Value Management System**

f. **Federal Acquisition Streamlining Act of 1994 (S. 1587) (P.L.103-355) (October 13, 1994)**

g. **Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS)**

h. **Federal Records Act (44 U.S.C. 3101)**

i. **Government Performance and Results Act of 1993 (GPRA)**

**An asterisk and yellow highlight indicates that the adjacent material is new for this chapter or substantively revised.*

j. OMB Circular A-11, Preparation and Submission of Budget Estimates

k. OMB Circular A-130, Management of Federal Information Resources

l. OMB Federal Enterprise Architecture (FEA)

m. OMB Memorandum M-05-23

n. Paperwork Reduction Act of 1995 (PRA)

***577.4.2 Internal Mandatory References**
Effective Date: 04/12/2010

a. ADS 548, Program-Funded Information Technology

***b.** 557mac, Updated Privacy Policy for USAID Information Technology Systems, Including Publicly Accessible Web Sites

b. ADS 629, Accounting for USAID-Owned Property and Internal Use Software

c. Table 1, Investment Funding Category Documentation and Review Requirements

d. Table 2, The Capital Planning and Investment Control (CPIC) Process

e. Table 3, Information Technology Steering Subcommittee (ITSS) Decision Criteria

f. USAID IT Project Governance Manual

577.5 ADDITIONAL HELP
Effective Date: 04/12/2010

a. **CIO Council Web site at http://www.cio.gov/**

b. **USAID Business Transformation Executive Committee (BTEC) Web site. [Note: This site is only available on the USAID intranet at http://inside.usaid.gov/BTEC. Please contact ads@usaid.gov if you need information contained within.]**

c. GAO Executive Guide, Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity, GAO-04-394G, March 2004.

577.6 DEFINITIONS
Effective Date: 04/12/2010

See the ADS Glossary for all ADS terms and definitions.

**An asterisk and yellow highlight indicates that the adjacent material is new for this chapter or substantively revised.*

Capital Planning and Investment Control (CPIC) process
A decision-making process for ensuring that information technology (IT) investments integrate strategic planning, budgeting, procurement, and the management of IT in support of Agency missions and business needs. In concert with strategic planning, budget, and procurement processes, the CPIC process is the basis for identifying, prioritizing, and managing a portfolio of IT investments compatible with the Agency enterprise architecture to achieve performance and compliance goals with the lowest life-cycle costs and risks. (Chapter 577)

earned value management (EVM)
Earned value management (EVM) is a set of disciplined management processes which seek to integrate a project's technical scope, schedule, and budget to provide transparency and reduce risk in project execution. (Chapter 577)

enterprise architecture (EA)
Enterprise architecture (EA) is the explicit description and documentation of the current and desired relationships among business and management processes and information technology. It describes the "current architecture" and "target architecture" to include the rules and standards and systems life cycle information to optimize and maintain the environment which the Agency wishes to create and maintain by managing its IT portfolio. The EA must also provide a strategy that will enable the Agency to support its current state and also act as the roadmap for transition to its target environment. These transition processes will include the Agency 's capital planning and investment control processes, Agency EA planning processes, and Agency systems life cycle methodologies. The EA will define principles and goals and set direction on such issues as the promotion of interoperability, open systems, public access, compliance with the Government Paper Elimination Act (GPEA), end user satisfaction, and IT security. (Chapter **542**)

e-Government
The Government's use of Web-based Internet applications and other information technologies, combined with the processes that implement these technologies. (Chapter 577)

e-gov project
A kind of IT Investment that uses Web-based Internet applications and other information technologies, combined with processes that implement these technologies, to address Government-to-Citizen, Government-to-Government, and Government-to-Business relationships, internal efficiency and effectiveness, or E-Authentication requirements. (Chapter 577)

EVM Procedure Guide
A detailed procedure guide for implementing earned value management (EVM) on projects and reporting EVM metrics. The guide includes specifics on participants and

their roles in EVM processes and the steps required for conducting an Integrated Baseline Review, approving change requests, major re-baselining, or formal reprogramming. (Chapter 577)

EVM Framework
The USAID Earned Value Management Framework defines which USAID investments must implement EVM. Additionally, the framework specifies which ANSI/EIA-748 Standards criteria are applicable, based on a given investment's characteristics. (Chapter 577)

information technology (IT)
(a) The term information technology, with respect to an executive agency, means any equipment or interconnected system or subsystem of equipment that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by the executive agency. For purposes of the preceding sentence, equipment is used by an executive agency if the equipment is used by the executive agency directly or is used by a contractor under a contract with the executive agency which (i) requires the use of such equipment, or (ii) requires the use, to a significant extent, of such equipment in the performance of a service or the furnishing of a product.

(b) The term information technology includes computers, ancillary equipment, software, firmware and similar procedures, services (including support services), and related resources.

(c) Notwithstanding subparagraphs (a) and (b), the term information technology does not include any equipment that is acquired by a Federal contractor incidental to a Federal contract. (Source: Clinger-Cohen Act) (Chapters **518**, **541-548**, **552**, 577)

information technology property
Any equipment, interconnected system, or subsystem of equipment that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information. It includes, but is not limited to computers, ancillary equipment, software, firmware and similar procedures, services (including support services), and related resources. (Chapter **629**)

internal use software
Software that is purchased from commercial vendors "off-the-shelf," internally developed, or contractor-developed solely to meet USAID internal or operational needs. (Chapter **629**)

Integrated Baseline Review (IBR)
An Integrated Baseline Review is the technical review of an investment's budget, schedule, and scope. It provides an opportunity for both the Government and contractor to validate the investment performance measurement baseline and identify project risks. (Chapter 577)

investment proposal presentations
Developed by the Executive Sponsor in concert with budget, acquisition, and technical staff, each presentation outlines the proposed investment; details the attendant costs, benefits, and risks; and, summarizes the associated analyses and plans. The presentations provide decision-makers with information they need when considering an investment decision. (Chapter 577)

investment levels
The funding categories for IT investments (funded by USAID/W operating-expense, CIF, or Cost Recovery used for Agency operations) based on cost and other factors. More details on investment levels can be found in **Table 1, Investment Funding Category Documentation and Review Requirements**. (Chapter 577)

life-cycle cost
The overall estimated cost for a particular project over the life of the program, from concept development through termination, evaluation, and archival. Archival refers to storage and maintenance of an application when it becomes inactive. Life-cycle cost includes direct and indirect initial costs, plus any periodic or continuing costs for operation and maintenance. (Chapter 577)

major investment
A system or acquisition requiring special management attention because of its importance to the mission or function of the Agency, a component of the Agency, or another organization; it is used for financial management and obligates more than $500,000 annually; it has significant program or policy implications; it has high executive visibility; it has high development, operating, or maintenance costs; it is funded through other than direct appropriations; or, it is defined as major by the Agency's capital planning and investment control process. OMB may work with the Agency to declare other investments as major investments. Systems not considered "major" are "non-major." (Chapter 577)

OMB exhibit 300
The exhibit 300 document is a budget justification and reporting requirements established by the Office of Management and Budget (OMB) for major acquisitions and

major information technology systems or projects. Exhibit 300 can be found in OMB Circular No. A-11, Section 300; Exhibit 300, Appendix 300.

Performance Measurement Baseline (PMB)
A PMB is a project's technical scope integrated with the budget and milestone dates. It is the plan for accomplishing or delivering the project's specific set of requirements within a specified amount of funding and time. Tracking actual costs and progress against a project's PMB is how an Earned Value Management System measures a project's performance. (Chapter 577)

portfolio management
The process by which assets are selected based on the optimal mix for the Agency, including consideration of program impact, relationship to ongoing projects, synergy with other projects, displacement of other projects, and long-term budget projections. The process is regularly reviewed for risk and return and to ensure their successful contribution to the portfolio. (Chapter 577)

Project Identification Document (PID)
The PID is a document which outlines a business case that must be completed for all Level II, III, and IV investments. ITSS uses the PID business cases to score and rank investments. The questions on the PID follow many of the same themes as exhibit 300. However, because they are written earlier in the CPIC cycle and often include investments that are in the planning stage, the PID is often high level and dominated by narrative content. (Chapter 577)

USAID IT investments
IT initiatives or projects in USAID/W or at Missions, regardless of funding source, that the Agency or its contractors own, lease, or operate. (Chapter 577)

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