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# **Portfolio Management through Capital Planning and Investment Control: *Program Planning Best Practice Agency Level* (for the US Department of State)**

Robert A. Horrigan, PMP  
Knowledge Exchange Forum



# Moderator

Name	Title	Responsibility
Robert Horrigan, PMP	Senior Planning Analyst, Northrop-Grumman Corp.	OMB 300 Capital Asset Plan and Business Case for the Global Network. EVM Implementation following ANSI/EIA 748



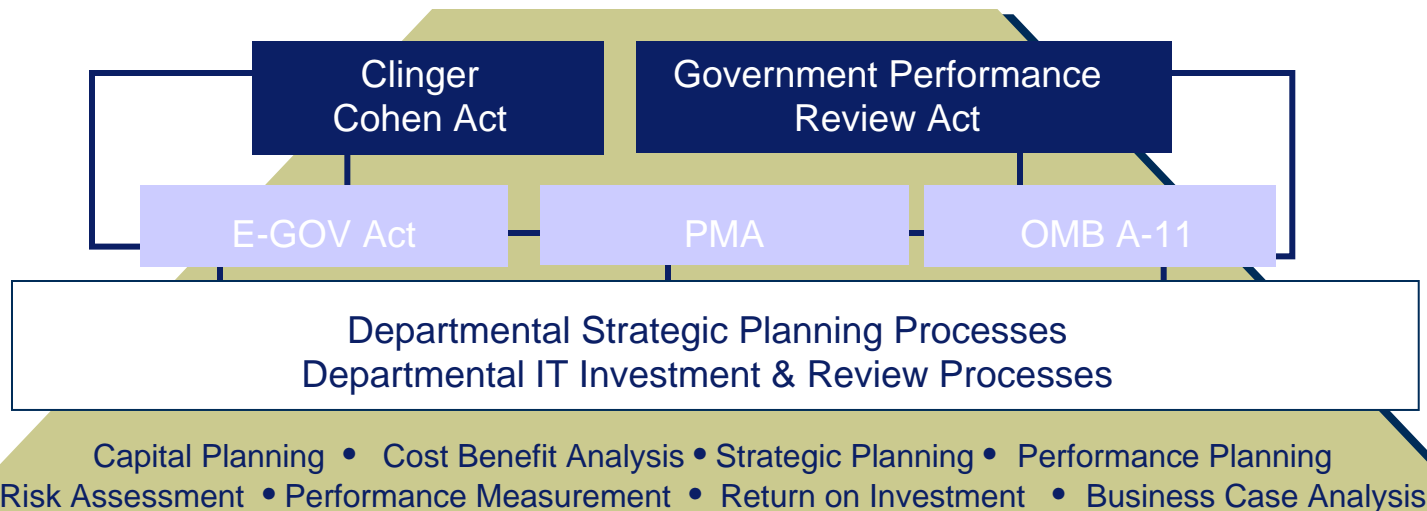
# Session Talking Points

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- Portfolio Management: Capital Planning Regulations and Requirements
- The OMB Exhibit 300 Roadmap

# Laws and Regulations

Agencies have numerous laws and regulations controlling IT Investments:



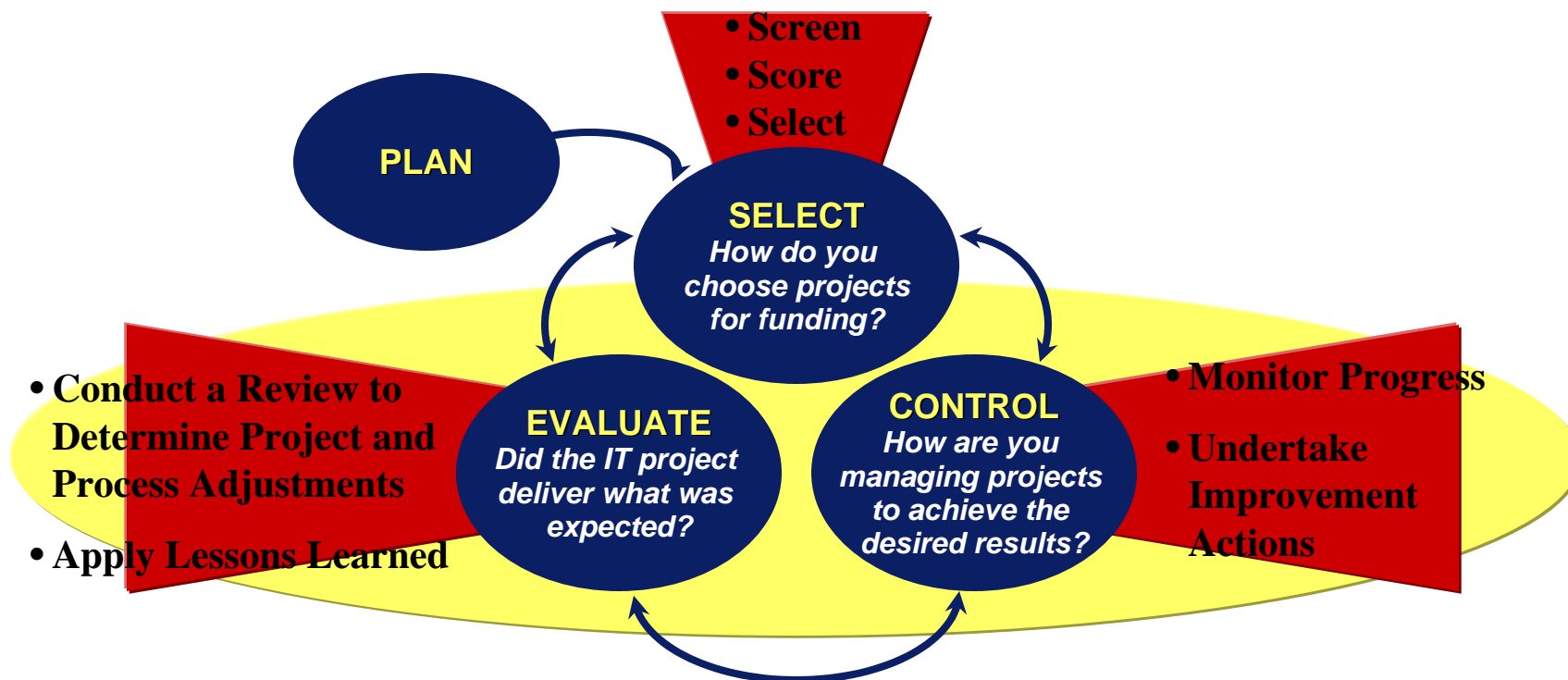
## And To Consider Security / Privacy...

OMB A-130 • Federal Information Security Management Act • Electronic Signatures in Global & National Commerce Act • OMB Memorandum 00 – 07, "Incorporating & Funding Security in GAO "Information Security Risk Assessment" • OMB Memorandum 99-20, "Security of Federal Automated Information Resources" • "Access with Trust", OMB and the Federal PKI Steering Committee • PDD-63 • Resources

## And Acquisition / Sourcing Issues.

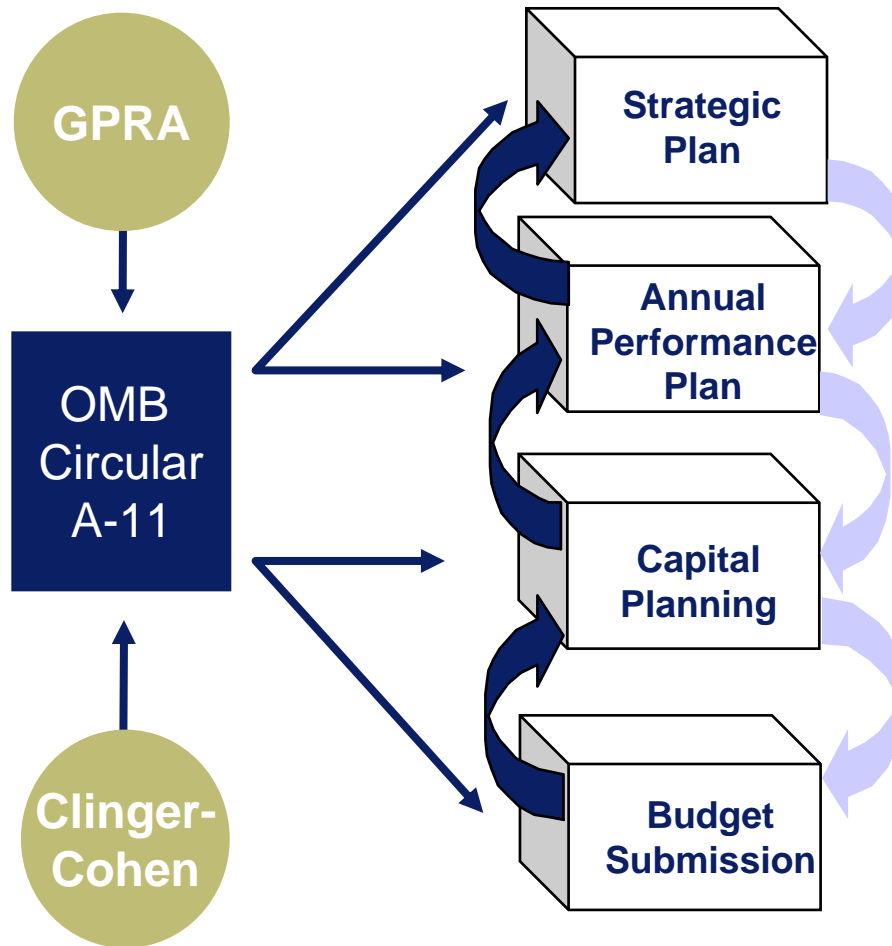
OMB A-76 • Federal Acquisition Reform Act • Federal Acquisition Streamlining Act • Federal Activities Inventory Reform Act

# CPIC Requirements



- Capital Planning and Investment Control (CPIC) is a systematic process for managing risks and returns associated with IT initiatives.
- All investments must be managed using the CPIC Process.

# Budget Submission Requirements



- OMB now requires detailed business cases for IT investments.
- GPRA and Clinger-Cohen outline specific requirements for Executive Agencies.
- These requirements, in the form of plans *and ultimately the budget submission*, must be highly integrated to ensure specific strategies are properly planned and adequately funded.

***BOTTOM LINE:*** Failure to justify a compelling rationale for pursuing a capital investment strategy will most likely result in decreased or limited funding.

Agency IT Capital Budgets depend largely on the quality of the Exhibit 300 submission.

## Budget Request Submission

OMB Circular A-11

*Summary and Highlight Statement  
Documentation / Justification of the Agency's Total Budget Needs  
Explanation of How Resources Will Be Used*

OMB Exhibit 300s

IT Investment Portfolio

Agency Capital Planning Process

The OMB 300 lays out the plan for IT management.  
It includes:

- Performance Goals and Measures
- Project Management Team and Qualifications
- Alternatives Analysis
- Cost Benefit Analysis
- Risk Inventory and Assessment
- Acquisition Strategy
- Funding Plan with earned value statistics and variance explanations
- Enterprise Architecture Alignment
- Security and Privacy



# Performance-Based Management Requirements

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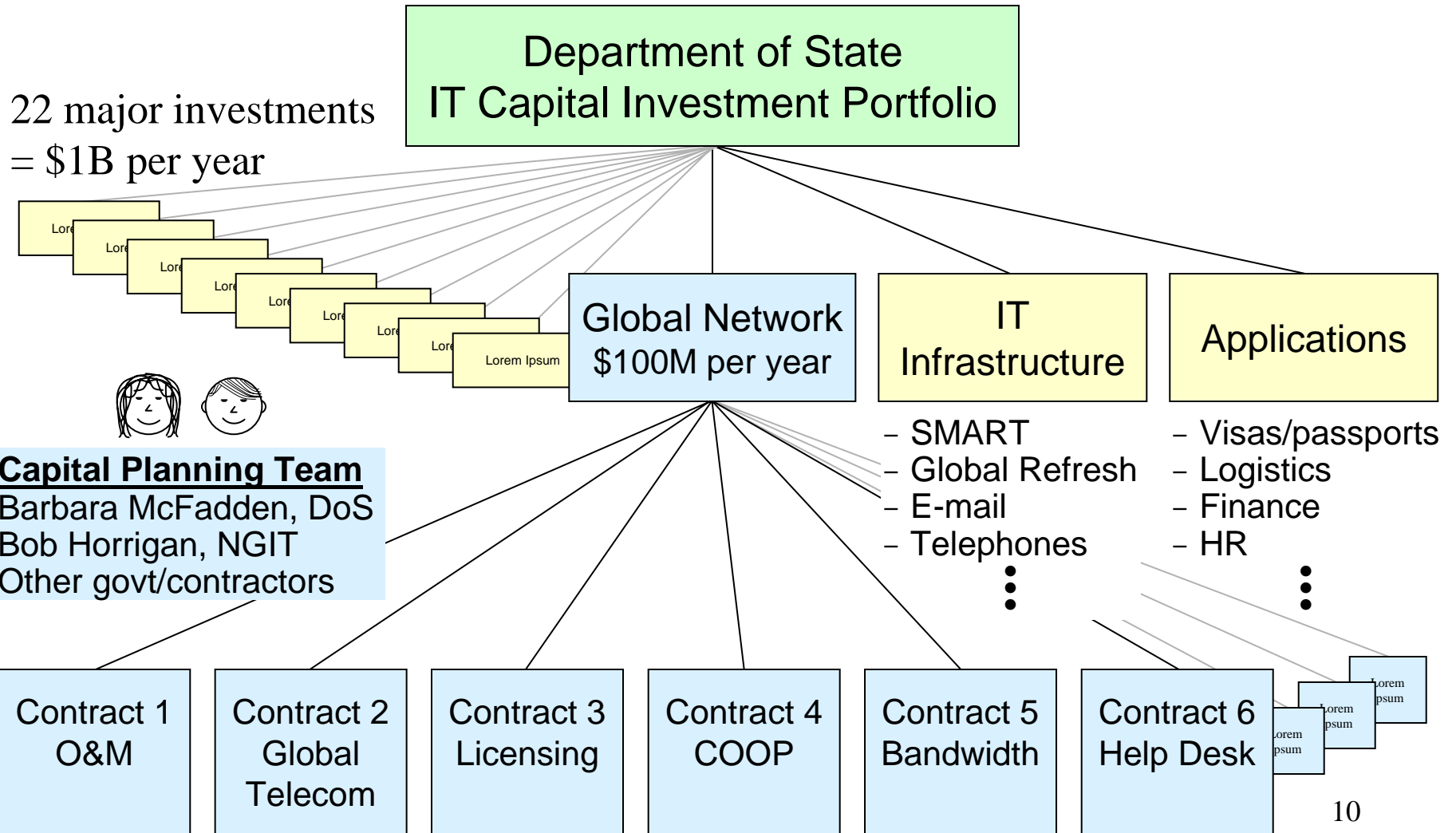
The Office of Management and Budget (OMB) now requires agencies to use an Earned Value Management System (EVMS) for capital asset management.

“Agencies must use a performance-based acquisition management system, based on the ANSI/EIA Standard 748, to obtain timely information regarding the progress of capital investments.”

“Agencies are expected to achieve, on average, 90 percent of the cost, schedule, and performance goals for major acquisitions.”

“The system must also measure progress towards milestones in an independently verifiable basis...”

# Investment Portfolio Example





# OMB Measures Reported Monthly

Item	Code	Status / Plans for Improvement
WBS (ENM)	<b>C</b>	<If project not defined in ENM Dictionary, state plan for completion> <b>R=NS</b> (WBS not started), <b>Y=IP</b> (WBS in progress), <b>G=C</b> (WBS complete)
WBS (Project)	<b>PNS</b>	< If no Project Plan with detailed WBS, state plan for completion> <b>R=PNS</b> (plan not started), <b>Y=PP</b> (plan in progress), <b>G=PC</b> (plan complete)
Cost (CPI)	<b>1.0</b>	<State the reason for being over/under budget status and get well plan. <b>R= &lt;0.9, Y= 0.9-.94 or ≥1.5, G= .95-1.99</b>
Schedule (SPI)	<b>.75</b>	<State reason for ahead/behind schedule status and get well plan. <b>R= &lt;0.9, Y= 0.9-.94 or ≥2.0, G= .95-1.99</b>
Performance Measures	<b>MD</b>	<State FY05 measure and status> <b>R=MND</b> (measures <u>not</u> defined) <b>Y=MD</b> (measures defined, no data collected), <b>G=MDC</b> (measures defined and data collected)
Security Compliance	<b>O</b>	<Provide C&A status and activities taken to comply with security requirements> <b>R=O</b> (C&A overdue), <b>Y=OS</b> (C&A not complete but plans on schedule), <b>G=C</b> (C&A complete (planning annual self-assessment and Security Plan review))
Risk Management	<b>5</b>	<Summarize risk status and refer to next slides for plans> <b>R=≥1</b> (high-exposure M&T risks); <b>Y=#</b> (medium risks <u>not yet</u> mitigated), <b>G=#</b> (medium & low risks w/ mitigation plans started)

- **Improved Baseline Management**
  - Projects must have a well-defined plan before work begins.
  - Management authorizes scope, budget, and schedule.
  - Project managers are held accountable for cost and schedule goals.
- **Early Visibility for Variances**
  - Reports' timeliness allows management to quickly act on variances.
- **Basis for Management Decisions**
  - What-if analysis: Shows how schedule changes affect costs and vice-versa.
  - Historical data provides basis for improved cost and schedule estimates.



# Questions/Contact List

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