The FITARA Effect: How This New Legislation is Affecting Capital Planning and Investment Control (CPIC)

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Summary

As the lens continues to focus in on Information Technology (IT) spending in the federal Government, innovative methods to cut costs without sacrificing results have become a major point of emphasis. The Federal Information Technology Acquisition Reform Act (FITARA) aims to streamline the acquisition process and make Congressional oversight more efficient by strengthening the ability to better align IT investments to agency objectives. In layman's terms, FITARA will attempt to decrease IT costs by reducing redundancy and waste.

In essence, this new law seeks to advance federal IT management reform and aims to effectively incorporate many of the fundamental principles of the Clinger-Cohen Act of 1996. The impact of FITARA is extensive and will affect several different business functions, including Acquisitions, Budget, Governance, Cybersecurity, Capital Planning and Investment Control. The Office of Management and Budget (OMB) released the FITARA implementation guidance which focuses on improving several areas where Clinger-Cohen failed to deliver adequate results:

- Empowering agency CIOs
- Improving Risk Assessment transparency
- IT Portfolio Review Savings
- Consolidation of Federal Data Centers
- Incremental Development
- Expansion of Training and Use of IT Cadres
- Government-wide Software Purchasing Program

Within the implementation guidance, OMB establishes a "Common Baseline" which identifies a framework of IT management capabilities and associated roles and responsibilities. Agencies are to use this framework as an assessment model to measure their maturity level across identified functional areas. The Common Baseline identifies the horizontal integration of all the proper CXOs and other senior stakeholders that illustrate the corresponding level of involvement required for agencies to reach distinct levels of maturity. In applying the model, agencies can utilize the Common Baseline as a measuring stick to identify the gaps needed to successfully reach greater maturity levels. Agencies looking to set priorities for improvement must focus on five functional areas in a prioritized order: 1) Governance, 2) Budgeting, 3) Organization & Workforce, 4) Program Management, and 5) Acquisition. Improvements can be made concurrently but the list of functional areas is prioritized to illustrate that one functional area may result in greater impact of maturity progression than the next.

FITARA empowers CIOs to play a pivotal role in maximizing these maturity levels and requires them to be heavily involved in program management, budget submissions and requests, and oversight of their agency's IT workforce. Agency CIOs now also have the added responsibility to approve all bureau level CIOs and take on a significant role in budget formulation. In addition, they will need to be involved in

several facets of program management. The requirement for CIOs to provide final approval of contract IT acquisition strategy and plans and the power to single-handedly veto new IT contracts is a significant change. FITARA provides a set of tools and guidelines, and if implemented properly will allow agencies to better manage their IT assets.

As FITARA requirements begin to get implemented, Capital Planning and Investment Control (CPIC) processes will need to evolve beyond annual Exhibit 53 and 300 submissions; to serve as a cohesive platform account for greater CIO involvement in budget and project management areas.

Capital Planning and Investment Control (CPIC)

What is CPIC?

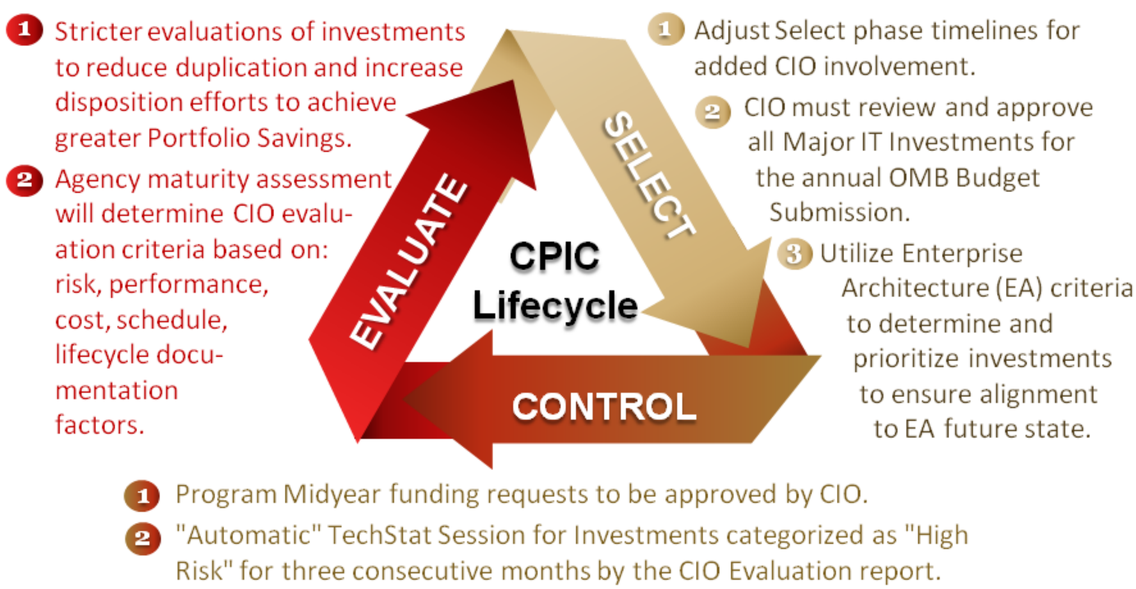
In the mid-90s, as IT was rapidly evolving, the need to systematically manage existing and new IT investments became vital. As a result, CPIC was created in 1996 as part of the Clinger-Cohen Act. Prior to CPIC, federal agencies did not have adequate policies or processes implemented to properly acquire, implement or manage IT assets. CPIC institutionalizes an approach where minimizing risk and maximizing return serves as the driving force behind successful IT Portfolio Management. It also provides the link to budget formulation and execution, and aligns new initiatives and existing investments to the agency strategic mission. The three distinct phases that carry out the objectives set by the CPIC process are Select, Control, and Evaluate. As FITARA is implemented across agencies, each CPIC phase will be impacted and will have to adjust their processes accordingly.

FITARA Impact on CPIC

The **Select phase** of CPIC is the process by which new and existing initiatives are screened, scored and prioritized for inclusion in the IT portfolio. This phase is a key input into budget formulation as it identifies which existing investments should continue to receive funding and which new initiatives should be funded in order to pursue strategic objectives. With the agency CIOs having increased responsibility in approving IT budgets, the Select phase processes and timelines should be adjusted to account for the added layer of review. Additionally, with FITARA's focus on greater agency CIO accountability, CIOs will have to submit a statement along with their budget submission that affirms that the CIO has reviewed and approved the major IT investments portion of the budget. During the Select phase, preset criteria are used to score, rank and prioritize new and existing investments. Agencies have to ensure that Enterprise Architecture (EA) and IT planning supports the development of a business approach and fosters growth to the desired future state. EA provides input into the Select phase with the criteria that is to be used to prioritize investments that align to the future state of EA.

The **Control phase** of CPIC ensures that as projects develop, and investment expenditures are incurred, the projects continue to meet mission needs at the expected levels of cost, schedule, risk and performance. If implemented correctly, the Control phase detects problems early and allows for management to mitigate those problems before they derail projects completely. The Control phase provides the information that determines whether existing investments align to the strategic mission and provides transparency into the overall health of the IT portfolio. Prior to making decisions, senior leadership will need to have clear visibility and be well informed about their entire portfolio of assets. Improved transparency will also lead to an increasingly mature capability model to ensure that undertaken efforts are not duplicated and capabilities are identified. With clearer visibility into the health of the IT portfolio, strict guidelines will require justification of the requested midyear funding. Agencies that need to fund midyear initiatives that were not planned for have to reprogram funds from elsewhere in the IT budget. Per FITARA, agencies will not be able to request reprogramming of any funds, unless the request has been reviewed and approved by the CIO of the agency. The goal is to create a cultural shift for sponsors and program managers not to depend on midyear funding when planning their projects and formulating their budget requests. Improving the risk management of IT investments is one of the main objectives of FITARA. During the Control phase, CIO evaluations are reported to the Federal IT Dashboard (FITDB) ("website enabling federal agencies, industry and general public and other stakeholders to view details of federal information technology investments"). These evaluations reflect the CIO's assessment of the current risk associated with the investment across several areas; cost, schedule, performance, human capital, project risk and dependencies.

Given FITARA's focus for greater accountability and transparency, an "automatic" TechStat session will be conducted if a major investment's rating is high-risk (red) for three consecutive months. Based on the discussion (TechStat review), a decision is then made whether to continue the investment as planned with minor corrective action plans, modify the investment through a rebaseline, halt the investment until it is proven that the investment is necessary to carry out the agency mission, or completely terminate the investment. Furthermore, if an investment is categorized with a high-risk CIO evaluation rating for one year following the TechStat review then OMB make take appropriate budgetary action until the agency addresses and mitigates the issues that has derailed the investment up to that point.



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The **Evaluate phase** compares expected versus actual results after projects have been fully implemented. This is done to assess the investments impact on mission performance and to identify any needed modifications to the project. The evaluate phase also focuses on process improvement as lessons learned are incorporated in updating the overall CPIC process. FITARA will attempt to fill the gaps of the overall process of how investments are evaluated to make sure that duplicated efforts are not undertaken. FITARA will create the overall IT portfolio management approach more stringent. CPIC has done a good job incorporating systematic processes to help agencies figure out what investments are performing well and if they still align to the agency mission. That being said, there are still tons of duplicated capabilities across all federal agencies. FITARA will attempt to tighten the measures and criteria of the ways that agencies evaluate investments. Similar to how a Work Breakdown Structure (WBS) ensures that no task falls through the cracks on a project, FITARA will tighten the ways that investments are evaluated to make sure they align to mission objectives after they have been implemented. With greater focus on agency level line of sight, the thought is that FITARA will do a better job at this than CPIC. Upon agency assessment of maturity, CIO evaluation criteria will have to be updated to account for the proper risk, performance, cost, schedule, lifecycle documentation factors.

FITARA Scorecard

Last November, the House Oversight and Government Reform Committee (image below) released a scorecard displaying FITARA implementation grades for 24 agencies across four key areas; Data Center Consolidation, IT Portfolio Review Savings, Incremental Development and Risk Assessment Transparency. The overall grades were poor; 2 B's, 5 C's, 14 D's, 3 F's:

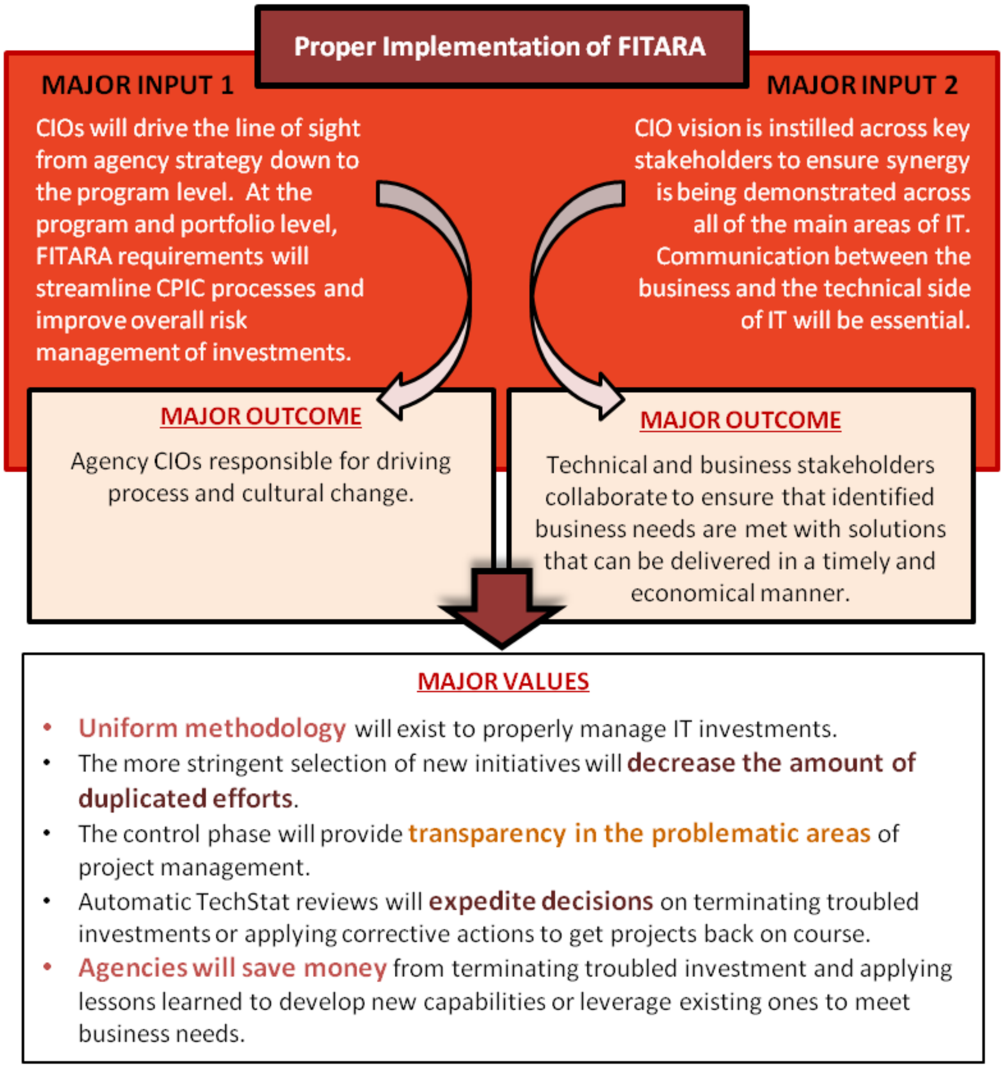
Agency	Data Center Consolidation[1]	IT Portfolio Review Savings	Incremental Development[2]	Risk Assessment Transparency	Overall Grade
USDA	F	F	D	B	**D**
DOC	A	B	C	A	**B**
DOD	F	F	F	C	**D**
Ed	F	F	F	D	**F**
DOE	F	F	F	D	**F**
HHS	F	F	B	C	**D**
DHS	A	C	F	B	**C**
HUD		F	F	A	**D**
DOI	F	B	F	A	**C**
DOJ	A	F	F	D	**D**
DOL	F	F	D	C	**D**
State	C	F	F	F	**D**
DOT	F	F	F	C	**D**
Treasury	F	B	D	D	**D**
VA	F	F	A	C	**C**
EPA	F	F	A	A	**C**
GSA	D	C	A	B	**B**
NASA	F	D		F	**F**
NRC	F	F	A	A	**C**
NSF	A	F		F	**D**
OPM	F	F	F	B	**D**
SBA		F	F	B	**D**
SSA	F	A	F	D	**D**
USAID		C		F	**D**

The explanation behind each component of the FITARA scorecard is described in the table below:

Component	Background	Method of Scoring	Formula
Data Center Consolidation	FITARA requires agencies (with a few caveats) to provide the Office of Management and Budget (OMB) with a data center inventory, a strategy for consolidating and optimizing the data centers (to include planned cost savings), and quarterly updates on progress made.	Agencies are graded based on the percentage of planned savings related to data center consolidation that they have reportedly realized. Since agencies report differing figures to OMB and the Government Accountability Office (GAO), the two percentages are averaged (note: a maximum of 100 percent is used in the average).	***Calculation 1*** Agency savings reported to GAO ÷ =X% Savings Goal (determined by OMB for each agency) ***Calculation 2*** Agency savings reported to Congress ÷ =Y% Savings Goal (determined by OMB for each agency) X% + Y% ÷ 2 = **Combined Savings %**
IT Portfolio Savings	FITARA requires the Office of Management and Budget to develop and most agencies to implement a process to review agency IT investment portfolios in order to, among other things, increase efficiency and effectiveness, and identify potential waste and duplication.	The calculation rewards agencies with higher IT Portfolio Savings ratio that as compared to the leading agency ratio. The calculation divides the total Portfolio Savings by the total IT budget for the recent 3 fiscal years. The agency with the highest grade was Treasury which resulted in a ratio of 4.9%	Agency Total PortfolioStat savings ÷ Total IT budget of recent 3 fiscal years = **Portfolio Savings %**
Incremental Development	Poor-performing projects are broadly scoped and functionality is often delivered years after project gets initiated. OMB has called for agencies' major IT investment projects deliver functionality every 12 months, since 2012 has required investments deliver functionality every 6 months.	The calculation rewards agencies who are incrementally developing and delivering projects that are tied to major Investments every 6 months. The calculation divides the # of total projects that are tied to Major Investments by the # of total projects that are tied to major Investments which have been delivered within 6 months.	# of Total projects tied to Major Investments that are delivered every 6 months ÷ # of Total projects tied to Major Investments = **Incremental Development success %**
Risk Assessment Transparency	For each major investment, FITARA requires the responsible agency Chief Information Officer (CIO) to submit an assessment of risk and the investment's ability to accomplish its goals.	The calculation rewards agencies that are reporting more risk during the CIO Evaluation. The formula divides the total dollar amount of all major investments that are rated "low-risk" by the total dollar amount of all major Investments. The lower the percentage of low risk investments, the better the grade.	Total $ amount of major Investment projects with "low-risk" rating ÷ Agency Total $ amount of <u>all</u> major Investment projects = **% rated low risk major Investments**

When you have a reform of this magnitude, it takes time to properly implement processes which start yielding positive results. Federal CIO Tony Scott indicated that "One way to look at it is a baseline. The hope is to seize the moment. The real measure will be in six months to a year from now". This initial assessment is simply a snapshot of time and the hope is that, as agencies improve their implementation of FITARA, the reform' objectives will begin to be met. The less than positive grades should not be viewed as punishment but rather as an identification of the problematic areas that have plagued agencies over the years and need to be focused on moving forward.

Achieving True Value from FITARA



Certain measures can be undertaken in order to ensure proper implementation FITARA requirements:

- Formulation of cross-departmental CIO council and CXOs – Agency and component CIOs and CXOs need to meet on regular basis to discuss objectives and challenges. This will lead to improved leadership understanding of opportunities for improved investment, acquisition, management and oversight of IT resources.
- Adapting flexible governance processes – Governance processes need to be restructured in order to align closely to functional areas, mission priority and capability. Governance needs to

have a tiered, structured approach to ensure decisions are being made at the correct levels. This will provide flexibility.

- Agency FITARA Implementation Plan – Each Agency will have distinct implementation plans. Councils and Project teams should be set up to treat the implementation plan as a project. The requirements have to be understood and deliverables have to be met. Create a start and end date and make sure to have all of the requirements implemented in a timely manner. Track progress.
- Operations and Maintenance future year budget decrease – During budget formulation, O&M funding has to be decreased in future year spending. The focus should be to innovate IT and not maintain the status quo. Every agency should have a goal to decrease O&M spending.
- Involve EA criteria in the Select phase of CPIC – Make sure that EA and CPIC teams are working hand in hand to establish criteria that will allow senior leadership to select (new initiatives) and reselect (existing investments) accordingly to align with the agency mission and future state.

Conclusion

Like past major IT reforms, it will take time to gauge whether FITARA was successful in carrying out its objectives, but what it has done to date, is identify and call out the problems that have plagued federal agencies for decades. Much has changed since Clinger-Cohen, and managing IT is drastically different now. FITARA encourages the need for innovative IT solutions and best practices, and agency CIOs will be responsible for instilling a culture of innovative collaboration amongst leadership in all areas of IT.