

## I. EXECUTIVE SUMMARY

The VA Capital Investment Methodology Guide (*Guide*) provides professionals in the Department of Veterans Affairs (VA) with a basic reference for planning, preparing, evaluating and prioritizing capital investments. The *Guide* is intended to facilitate and improve VA compliance with new and existing government rules, in particular, the Government Performance and Results Act (GPRA), Clinger-Cohen Act, Federal Acquisition and Streamlining Act (FASA) and revised Exhibit 300 from the Office of Management and Budget (OMB).

As stated in VA's strategic plan, our primary mission and goals concern veterans and their families. In order to accomplish those goals, policies and procedures are being put into place to dovetail VA's capital asset initiatives and activities into strategic alignment. This *Guide* provides the framework and methodology for developing and evaluating capital investment and spending proposals to ensure they are not only consistent with the strategic plan, but also actively promote VA's goals and objectives and support the President's Management Agenda.

After reading the *Guide*, Investment Proposal Teams (IPTs) can expect to understand the Departmental capital investment planning process, from the Formulation Phase to the Execution Phase, as well as the three tiers of data input that lead to a completed application. Figure 1 describes the two phases of the capital investment process.

**Figure 1: Formulation and Execution Phases**

### **Formulation Phase**

**1. Functional Development:** This at the operational level where needs are realized, gap analyses are completed, proposals are developed, and solutions are ultimately applied. Initial ideas for capital investments are developed and concept papers are completed. If the SMC approves the CP, then the investment can be further developed for planning/pilot funds, or full funding consideration.

**2. Technical Review:** In the technical review phase approved CPs have been developed into either planning or acquisition applications and receive technical and financial scrutiny from Department-wide councils or Administration boards, as well as initial prioritization within the owner organization. Proposals that do not pass a technical review are sent back for further development, while proposals that do pass are forwarded to the VACIP and SMC for strategic review.

**3. Strategic Review:** In the strategic review phase proposals of all asset types, from all across the Department are reviewed. Proposals in this phase of formulation are presented to the SMC as a prioritized list of investments. The SMC members review the list and vote on which projects will be included in the annual budget request.

### **Execution Phase**

This phase occurs after proposals have been approved and funded, prior to the project being initiated. It is during this step that proposal teams submit progress reports to determine if schedules and costs are on target. Execution review is a crucial part of the capital planning process, since it promotes project management and corrective actions that will result in benefits to the veteran as well as the Department as a whole.

The *VA Capital Investment Methodology Guide* provides a structure and instructions on the use of various tools for the formulation phase. The tools provided in the *Guide* are Cost-Effectiveness Analysis, Alternatives Analysis, Risk Analysis, Earned Value Analysis and an application that prompts the developers with standard questions. The *Guide* includes individual guides for each tool provided. A new tool this year is the Capital Asset Management System (CAMS). CAMS provides proposal developers with a web-based application form for concept papers, planning and acquisition applications. Additional instructions for using the web-based application form in CAMS are also provided. The Business Process Procedures (BPP) document is a step-by-step guide on accessing and logging into CAMS, completing the application form, and submitting a complete application. The BPP documents for planning and acquisition applications can be found on the Capital Investment web site at <http://vaww.va.gov/budget/capital/>.

Since VA's capital investments span a wide range of complex and competing opportunities and VA's strategic goals are so diverse, decision-making requires evaluating a variety of decision criteria. A key component of the *Guide* is the Capital Investment Decision-Making Methodology, which utilizes a multi-attribute decision model based on the Analytic Hierarchy Process (AHP). The *Guide* outlines the updated methodology that the VA Capital Investment Panel and the Strategic Management Council (SMC) (for Non-CARES projects) and the CARES Senior Resource Group (SRG) (for VHA CARES projects) use to evaluate, rank, and prioritize capital proposals. The need to standardize diverse and competing investments and withstand audits were primary drivers in creating the Capital Investment Methodology (CIM) and the companion *Guide*. Overall, the *Guide* provides a framework and a method for developing and evaluating capital investment proposals to ensure they are not only consistent with VA's strategic plan, but they also actively promote VA's goals and objectives and Secretarial priorities, and emphasize program objectives in support of internal goals and the President's Management Agenda.