

***Chapter I***  
***Selection Phase***

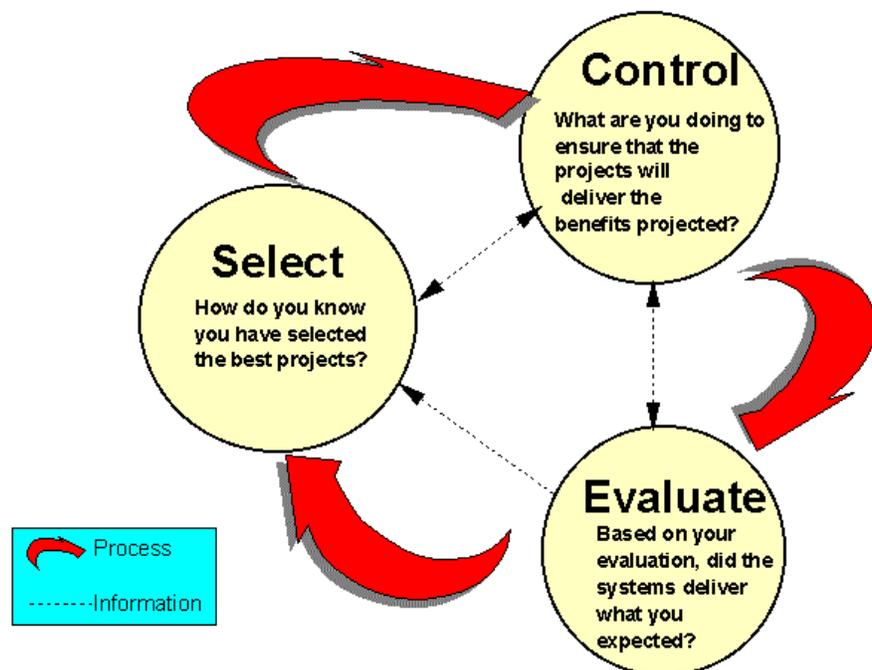




## CHAPTER I—SELECTION PHASE

### I.A INTRODUCTION

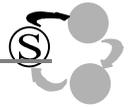
During the Selection phase, VA IT decision-makers assess and prioritize current and proposed IT projects and then create a portfolio of IT projects. In doing this the Department: (1) selects those IT projects that will best support mission needs and (2) identifies and analyzes the risks and returns of each project before spending a significant amount of project funds. A key activity that occurs during this phase is that the CIO Council, with the assistance of the CIO Investment Panel, makes project selection and prioritization decisions based on a consistent set of decision criteria that compare costs, benefits, risks, and potential returns of the various IT projects.



#### Steps of the Selection Phase

1. Initially filter and screen IT projects for explicit links to mission needs and program performance improvement targets using a standard set of decision criteria.
2. Analyze the most accurate and up-to-date cost, benefit, risk, and return information in detail for each project.
3. Create a ranked list of prioritized projects.
4. Determine the most appropriate mix of IT projects (new versus operational, strategic versus maintenance, etc.) to serve as the portfolio of IT investments.

*Evaluating Information Technology Investments, OMB, 1997*

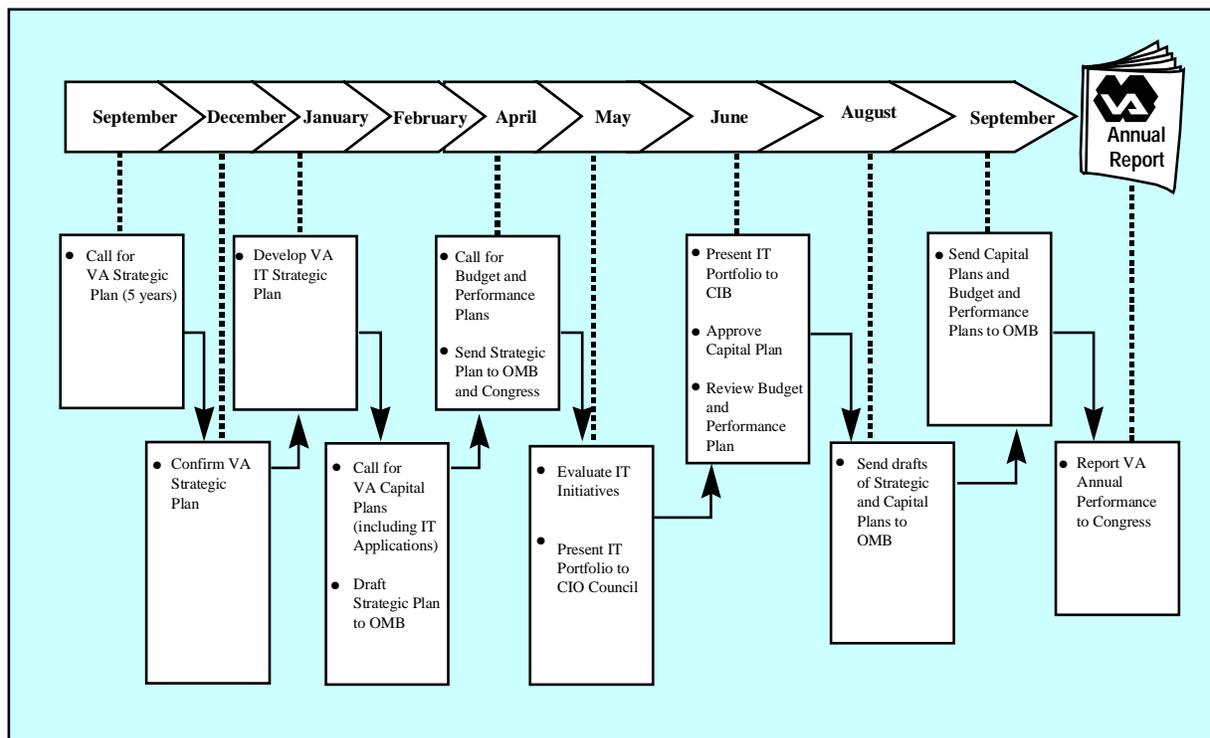


## I.B PLANNING

Top-down, Department-wide strategic IT planning is key to ensuring that VA's IT investments directly support the Department's business priorities. IT investments, especially in this era of constrained federal resources, must be treated as major business decisions, made by senior executives through a comprehensive and integrated capital planning and budgeting process, using sound economic analyses.

Strategic IT planning includes setting long-term goals, identifying performance goals, selecting the portfolio of IT investments to support those goals and continuously measuring the performance of IT investments. VA's strategic IT planning is tightly coupled with VA's overall strategic planning and is an intrinsic and integrated part of the budget process.

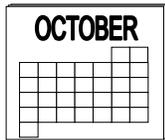
### Conceptual Planning Timeline



IT strategic planning is approached in context with other Department planning processes. These strategic, performance and capital investment planning processes converge at key executive-level decision points as well as when information must be reported to OMB and Congress. References to IT strategic goals and performance objectives, high priority projects and budgets must agree. Thus, IT strategic planning merges with the planning cycle and adds value to it. The "Conceptual Planning Timeline," (see above) shows a typical budget year and how IT strategic planning would relate to other strategic planning and budgeting processes at VA.

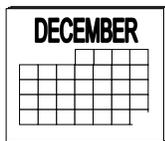


## I.B.1 IT Planning & Budgeting Cycle



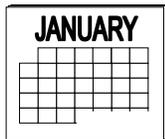
### ***Office of Planning and Analysis Issues Call for VA Strategic Plans.***

This call, issued in October of each year, asks agencies to prepare and submit their 5-year plans. This begins the planning cycle.



### ***The CIO Investment Panel Confirms VA's Strategic Plan.***

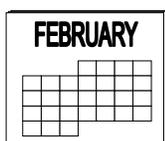
The *VA Strategic Plan* focuses on what needs to be done to accomplish VA's mission and to meet customer expectations. It leaves program execution decisions up to the individual program offices. IT is a key component of all VA programs and of VA top management's long-term vision concerning how to improve them. (See section 2.1.a)



### ***The CIO Investment Panel Develops VA IT Strategic Plan.***

The *VA IT Strategic Plan* covers a 5-year period, but it must be reviewed for applicability each year. It defines VA's IT mission, goals, and objectives. It describes cross-cutting opportunities that require collaborative solutions (*Appendix A*) and outlines a process for IT investment decision-making. It provides a situation assessment, including a review of legislation, IT forces, and the current VA infrastructure.

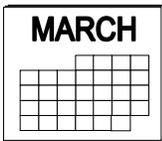
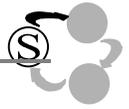
The result of the IT investment decision-making process is a Department level IT Portfolio of strategic technology investments sponsored by the CIO Council and subsequently approved by the Department's Capital Investment Board (CIB). Performance gaps in the existing portfolio give rise to new strategic and cross-cutting opportunities.



### ***The Office of Financial Management and the Office of Information and Technology Issue Call for Capital Plan Applications.***

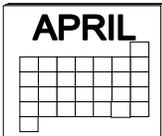
This planning call defines the capital planning process, timetable, and information that must be submitted for each affected project. Projects that do not meet review thresholds and other criteria will be part of capital planning; however, they will not require CIB examination. (See section 2.1.b)

Projects that meet threshold and other criteria go forward to the CIB. Project sponsors complete IT project applications. These applications require concise statements describing each project, its objectives, expected benefits, risk management strategies and budget information. Completed applications contain sufficient information for subsequent portfolio analysis steps as well as cost and performance specifics in support of the VA's Budget and Performance Plans. Though what is reported to OMB and Congress is summarized, this material is frequently used to answer more detailed follow up questions.



***Office of Planning and Analysis Sends Draft of the Strategic Plan to OMB.***

The Strategic Plan includes a comprehensive mission statement, long-term goals for the Department and how they will be achieved, a description of the relationship between annual performance goals in the Annual Performance Plan and the long-term goals in the Strategic Plan; and an identification of external factors that could affect achievement of long-term goals.

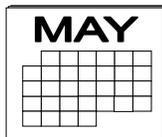


***Office of Financial Management Issues Calls for Budget and Performance Plans.***

These calls ask for detailed fiscal and performance information about projects requiring appropriations from Congress. The budget provides the financial blueprint for all Department projects. Information is provided for all VA efforts, including capital projects. To maintain consistency, data provided for the budget and performance plan should match data being submitted in IT Applications.

***Office of Planning and Analysis Sends Strategic Plan to OMB and Congress.***

At this point in the process, recommendations from OMB have been reviewed and the Strategic Plan updated accordingly. The Strategic Plan is then sent to OMB and the Congress.



***CIO Investment Panel Evaluates IT Initiatives.***

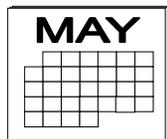
The CIO Investment Panel uses information contained in the IT Applications, contrasting it with the previous year's Portfolio as a baseline. Over a period of years, the accumulated Applications provide an historical record of actual progress juxtaposed against cost and performance targets.

The panel evaluates existing and proposed projects against performance, affordability, life cycle cost, savings and benefits, technology integration issues, risk and management capacity criteria. These criteria may be updated annually as the Strategic Plan changes and/or the evaluation process is refined. The selection process focuses on a complete portfolio of IT investments that must compete for funding, not just new projects. Even though sponsoring organizations will have chosen projects based on appropriate criteria to advance through the capital investment process, the CIO Investment Panel selection process may still remove some initiatives.

A Departmental cross-organizational team conducts the project evaluations. The result of their analysis is a departmental consensus position— as opposed to an aggregation of separate analyses staffed by OI&T. The outcome is a ranking of projects and supporting analyses that can be used by senior managers to make the actual portfolio decisions. Though projects will have undergone a selection process within their sponsoring organizations prior to submission as IT capital investments, there may be some that still fall out of the capital investment process.



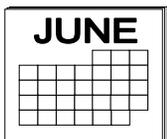
**Note:** The only projects that fall out of the capital investment process will be those that do not pass the validity review. The CIO Investment Panel/CIO Council ranks and prioritizes all valid proposals and forwards them to the Capital Investment Board (CIB). The CIB has a broader view of the Department's requirements. It can choose to approve projects that are not part of the CIO Council's recommended mix.



#### ***Present IT Portfolio to CIO Council.***

The CIO Council reviews the IT Portfolio package, which contains all source documentation, including IT Applications, IT scoring sheets, and any relevant reports (e.g., GAO reports, congressional interest documents, and in-process and post-implementation review findings).

In addition, the package includes an analysis by the CIO Investment Panel of the portfolio of IT investments and Project Criteria Ranking Sheet, which is a summary of the scoring of all proposed investments. After its own comparisons and tradeoffs, the Council recommends a strategic mix of IT projects (new, ongoing, mission-critical, infrastructure, cross functional, administrative and R&D) for presentation to the CIB.



#### ***Present IT Portfolio to CIB.***

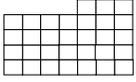
The CIO Council presents its recommendations for the IT portion of the Capital Investment Portfolio. As noted in the previous paragraph, the Council recommends a strategic mix of IT projects that includes existing projects as well as new investments. The CIO Council's IT investment portfolio, gap analysis and supporting documentation are key inputs to the Board's decision-making process.

#### ***CIB Approves Capital Plan.***

The CIB assembles to review and approve or disapprove investment plans for the Department's major capital assets. For purposes of capital planning and programming, computer hardware, software, and IT services are considered capital assets. (A capital asset is defined as: land, structures, equipment and intellectual property [including software] that is used by the federal government and has an estimated useful life of two years or more.) The approved investment plans constitute the Department's *Capital Plan*.

#### ***Office of Financial Management and Office of Information and Technology Review Budget and Performance Plans.***

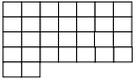
The results of the Board's decisions will be compared with the Department's Budget and Performance Plan to ensure consistency of the presentation to OMB.

**AUGUST*****Office of Financial Management Sends Draft Capital Plan to OMB.***

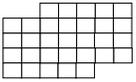
At this point, references to IT strategies, performance and priority projects *must* agree.

OMB's *Capital Programming Guide* suggests the following elements be included in agency capital plans:

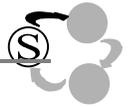
- Statement of mission,
- Strategic goals and objectives,
- Annual performance plans,
- Description of the planning phase,
- Baseline assessment of the existing portfolio,
- Justification for spending for proposed new capital assets,
- Plans for proposed capital assets once in use,
- Summary of risk management plan, and
- Coordination with OMB guidance.

**SEPTEMBER*****Office of Financial Management Sends Capital Plans and Budget and Performance Plans to OMB.***

After the budget is defined, there are always instances where new requirements are introduced by legislation or otherwise. In those "exceptions," funding will usually be absorbed by an organization, otherwise the CIO Council and the CIB must revisit investment plans for the Department.

**OCTOBER*****The Office of Financial Management Reports VA Annual Performance to Congress.***

In summary, the Department develops the *VA IT Strategic Plan* through a combination of top-down direction, horizontal cooperation and data-driven analyses. The CIO and the CIO Council provide leadership and direction, ensuring that both business and IT objectives are met. The CIB determines which IT investments will be included in the *VA Capital Plan*.



### **I.B.1.a VA IT Strategic Plan**

The *VA IT Strategic Plan* provides the Department's administrations and staff offices with the overarching strategy and priorities they need to guide the capital, budget, operational, and tactical planning for IT within VA. It also provides the foundation on which IT will be applied to support the Department's business operations.

#### Plan Organization and Structure

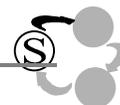
The Office of Information Technology, in cooperation with the administrations and staff offices annually reviews and updates the *VA IT Strategic Plan*. Each edition covers an upcoming five-year period. (For instance, the *Information Technology Strategic Plan for FY 2002 –2006* was published in May 2000.) The plan defines the Department's information technology:

- (1) Mission
- (2) Vision
- (3) Goals and Objectives for the use of IT
- (4) Strategies for achieving objectives
- (5) Performance Goals
- (6) Processes for IT investment decision-making

The plan provides a situation assessment, including a review of legislation, the current VA infrastructure, IT forces and trends and environmental factors. It discusses how program evaluations will be used to establish or revise strategic goals. Details of planned IT spending and performance measures for initiatives implementing this plan are provided in the *VA IT Portfolio*.

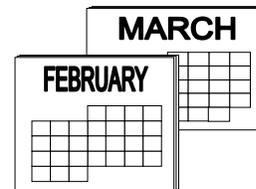
The *VA IT Strategic Plan* supports the business goals of the Department, as well as goals of each VA administration and staff office. The plan incorporates and references other key VA planning documents such as:

- *VA Strategic Plan*
- *One VA: Vision of Information Technology Enhanced Customer Service*
- *IT Baseline Report*
- *VA Technical Architecture; Technical Reference Model and Standards Profile*
- *Assessment of New Telecommunications Technologies*
- *VA Capital Investment Methodology Guide*



### I.B.1.b VA Capital Proposal Call

The Offices of Financial Management and Information and Technology jointly issue an annual planning call during the February-March time frame. The call describes the capital planning process and provides administrations and staff offices with the timetable, and information that must be submitted for each project, including information technology projects, that will require review by the VA Capital Investment Board (CIB). Although administrations and staff offices include projects that do not meet review thresholds and other criteria in the capital planning process, those projects do not require CIB examination.



The Capital Proposal Call requests data for all types of capital investments, including information technology, infrastructure, non-medical equipment, leases including GSA space assignments, and new capital initiatives undertaken by the Franchise Fund on behalf of an Administration. Both the VA Capital Investment Panel and the VACIB assess proposals using a weighted criteria and validity assessment form. The CIO Investment Panel/CIO Council applies a special validity checklist to IT projects.

Because the capital planning process is an exercise in strategic planning to support VA's budget requests, the Department encourages administrations and staff offices to submit complete capital investment proposals based upon justifiable program need and not just budget expectations. A detailed discussion of IT capital investment proposals is found in *section I.B.2.d* of this guide.

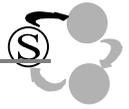
#### Thresholds

Administrations and staff offices forward IT capital investment proposals that exceed thresholds, or are considered to be high risk or high visibility investments, to IRMPAS for inclusion in the VA IT capital investment selection process. IT acquisition cost thresholds are for the total acquisition cost of the asset (not based on single year resource request amounts). IT investments also have a threshold for total life cycle costs.

#### ***Thresholds for Capital Investments Requiring VACIB Approval***

| Category                  | VHA   | VBA  | NCA  | Staff Offices |
|---------------------------|-------|------|------|---------------|
| IT Total Acquisition Cost | \$10M | \$2M | \$1M | \$1M          |
| IT Life Cycle Costs       | \$30M | \$6M | \$3M | \$3M          |

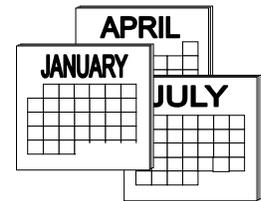
*GAO recommended during March and July, 1999 Congressional hearings, that VA administrations and staff offices subject investment proposals below the established thresholds to a process that identifies similar criteria and provides linkage to the Department's Strategic Plan and the organizations' plans, goals, and objectives. VA administrations and staff offices should comply with this recommendation.*



### Proposals That Do Not Meet the Thresholds

IRMPAS maintains the VA IT Portfolio. A complete portfolio requires a summary of all IT spending plans, not just those that meet the thresholds. Administrations and staff offices are asked to submit the following items to IRMPAS for those IT investment proposals that do not meet the thresholds:

- A listing and brief description of the IT project,
- A breakout of funds required for the next five years, and
- A schedule of key milestones and dates (i.e., feasibility study, design, development, implementation, operation, maintenance, termination).



#### **I.B.1.c Out-of-Cycle Proposals**

Proposals become out-of-cycle proposals for one of three reasons:

- ❶ After failing validity assessment the proposing organization required more time than was available to improve the proposal,
- ❷ The proposal was insufficiently developed and was not submitted to the panel by the suspense date, or
- ❸ The project is in response to a totally new requirement.

The problem with introducing proposals out-of-cycle is that once the budget has been defined for a given fiscal year, any monies required to fund the new projects must come out of the already approved budget.

The IT investment process accommodates late submissions from the time of the initial call until the year of acquisition. This is accomplished quarterly with out-of-cycle information requested at the same time Execution Review data is requested. If a proposal fails and it is so important that it cannot wait for the quarterly Execution Call, the administration or staff office may make a special request with justification to the VA Deputy Secretary who is the Chair of the Capital Investment Board for out-of-cycle review.



## I.B.2 VA IT Capital Investment Process

The capital investment planning process measures all capital proposals against overall Department strategic plans and objectives. This requires identifying performance measures (*Appendix B*) and selecting a mix of investments that meet VA strategic goals and maximize return to the taxpayer.

Prior to VA Capital Investment Board review, IT capital investment proposals progress through several levels of review, including a technical review by the CIO Investment Panel and CIO Council. Decisions about proposals whose costs fall below established thresholds are made at Administration and staff levels. Those decisions should nonetheless promote each Administration's strategic goals and objectives.

The decision-making flow requires feedback. Decision-makers provide constructive feedback to administration and staff levels, which use that feedback as they develop current and future proposals.

The validity assessment and the mitigation plan are the two primary tools used to document deficiencies and provide recommendations to improve capital investment applications.

### I.B.2.a IT Investment Proposal Levels of Review

CIO Council and CIO Council Investment Panel Review—IT investments that meet VA capital investment criteria (high visibility, crosscutting, in excess of cost thresholds) are subject to the Department's capital investment process.

Ideally, this occurs before the budget cycle – two years prior to acquisition. For instance, VA organizations should have completed their planning for FY2002 before the FY2002 budget cycle (that occurred during FY2000).

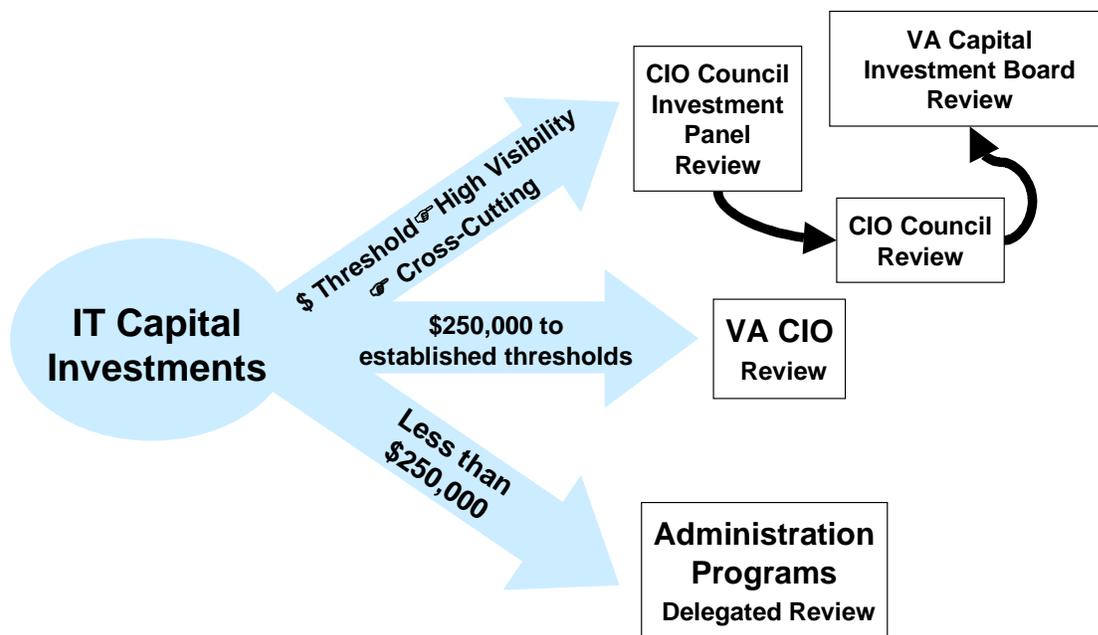




The CIO Council Investment Panel conducts IT technical evaluations for the VA CIO Council. This chartered cross-organizational team presents its findings and recommendations to the Council. The Council accepts, modifies or rejects the recommendations and forwards the results to the VA Capital Investment Board (CIB) for strategic level review.

**Chief Information Officer (CIO) Review**—The VA CIO must review and approve IT capital investments that meet capital investment criteria, as well as those investments valued at or in excess of \$250,000 prior to acquisition. Organizations should submit their requests for IRM approval to the Office of Information and Technology, Office of IRM Planning and Acquisitions (IRMPAS).

**Administration Delegated Review**—Administration CIOs and Senior IRM Officials in other organizations are delegated general authority by the VA CIO to acquire IT resources valued at less than the blanket threshold (currently \$250,000) without prior IRM approval. IT resources include the cost of equipment, software and services, and all optional quantities over the life of the project.



**I.B.2.b IT Capital Investment Application (Appendix D-2)**

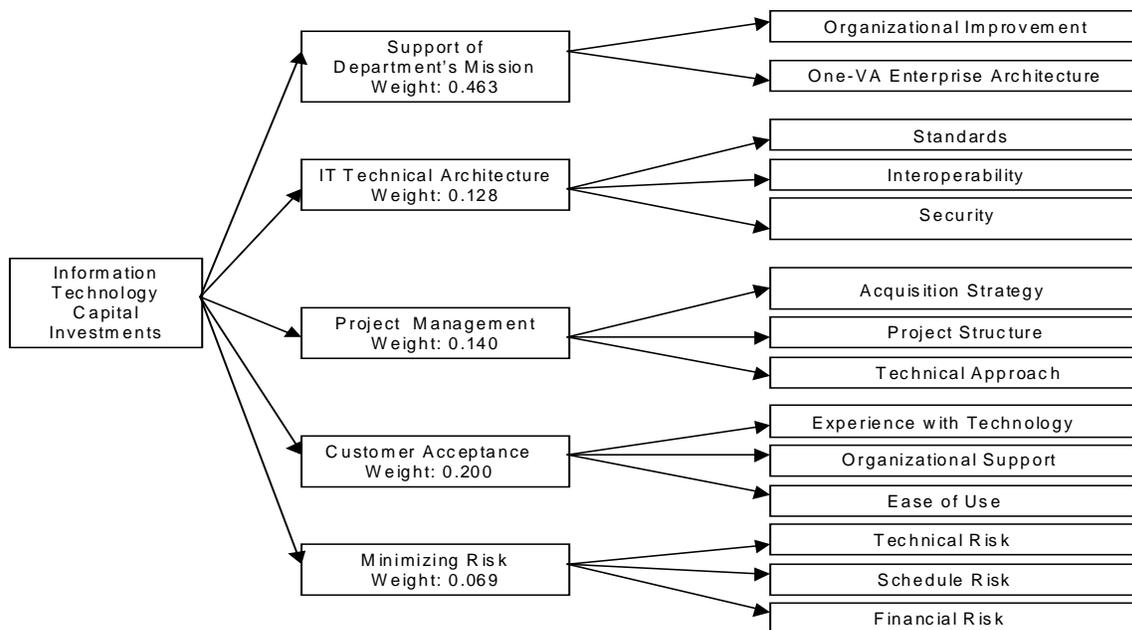
The IT Capital Investment Application, the standardized electronic templates and corresponding guides (see appendices of this guide or *Chapter IV* of the *VA Capital Investment Methodology Guide*) and the Data Validation Forms (pages 17-23 of this guide) simplify the process of integrating capital investment planning into the strategic planning framework.



The types of data required in the Application are explicitly specified. The intent is to produce uniform responses that do not result in variable or confusing information for each proposal that is submitted. The Application solicits information on each of the major criteria categories that the Panel will use in making their recommendations to the Board. The data in the Application will be evaluated using the Data Validation Form to determine whether or not information is sufficient for completing the review process. The Data Validation Form lets the proposal team know exactly where deficiencies exist and how to correct them.

### I.B.2.c Decision Making Hierarchy

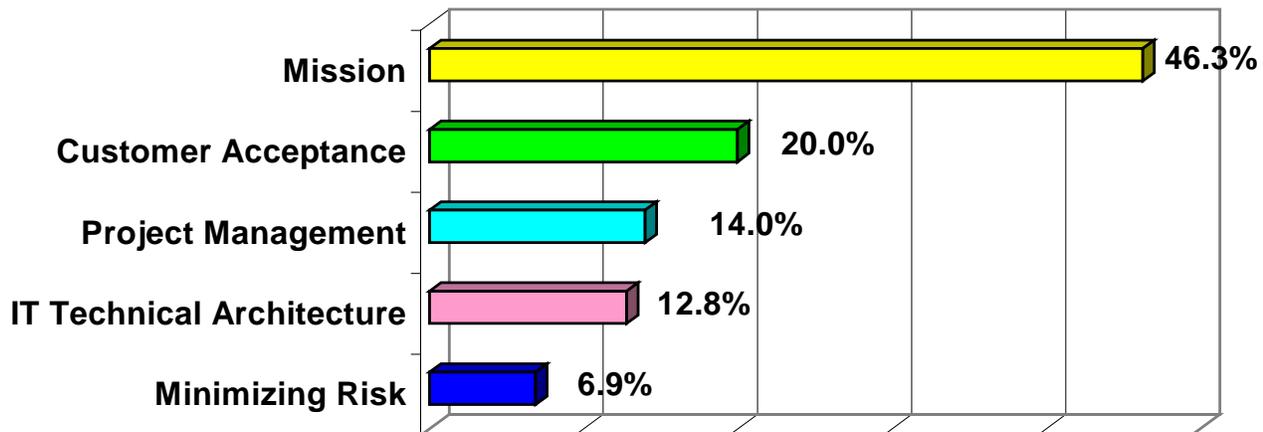
VA's capital investment decision-makers prioritize projects by asset type (technical level) and across asset types (strategic level). They use multi-attribute decision modeling techniques to assess proposed IT investments. Standard methods of cost-benefit analysis typically fail to capture all of the true values and costs of a proposed investment. For example, some obvious benefits such as increased accessibility and reduced waiting times for customers are difficult to quantify in dollar terms. Certain prioritization methods can be used to accommodate the more judgmental factors and impose a disciplined approach to the decision-making process. A hierarchical approach helps to structure the problem and break it down into specific components.



The VA Decision-Making Hierarchy used for FY2003 CIO technical evaluations is shown above. These criteria, based on *OMB Memorandum M-97-02, Funding Information Systems Investments* include IT architecture (standards, interoperability, and security) and strategic linkage.



In addition to the hierarchy, the VA CIO Council has developed *CIO Criteria Priority Weights for FY 2003*. These weights may change as corporate direction changes, new IT issues surface or lessons learned are fed back into the process. Changes will be defined in the annual Capital Call.



***CIO Criteria Priority Weights for FY 2003***

#### **I.B.2.d Capital Formulation Process**

IT capital investment proposals move through a variety of decision checkpoints. At any point, if information is inadequate, the reviewers at that level will send a proposal back to its developers for additional work. The level of the organization at which the decision is made often determines the kinds of decisions made and the decision tools used. Each organizational level should receive *input* data from below and supply improved value added *output* data to the next higher level. At the same time, information is also fed back to previous levels in the organization. Thus, the ability to make decisions at any given level depends upon the quality of data and decisions made at lower levels, as well as upon the quality of feedback from higher levels. The aim is to accurately identify the links in the decision-making chain so that the whole process flows without bottlenecks.

The process extends beyond VA. OMB and Congress also make decisions. The formulation process flow is shown on the next page. The process begins with the identification of a need or performance gap and is further impacted by the enactment of laws by Congress and the establishment of procedures and guidelines by OMB. VA upper management issues policy statements to administration and staff levels within VA, which then provide policy direction to program offices.



## Capital Formulation Process—Functional Development Phase

The Functional Development Phase is at the operational level and depending on the administration, it may occur either at the Central Office or field level, where needs are realized, gap analyses are completed, proposals are developed, and solutions are ultimately applied. Program offices respond by determining what assets and resources are required to carry out Department policy, and thereby meet Department and Administration strategic goals. This phase also includes the development of capital proposals. After proposals are developed, the proposal team fills out the Capital Investment Application, which is an executive summary of the proposal (*Appendix C*) and forwards it for review, along with the proposal and supporting documentation.

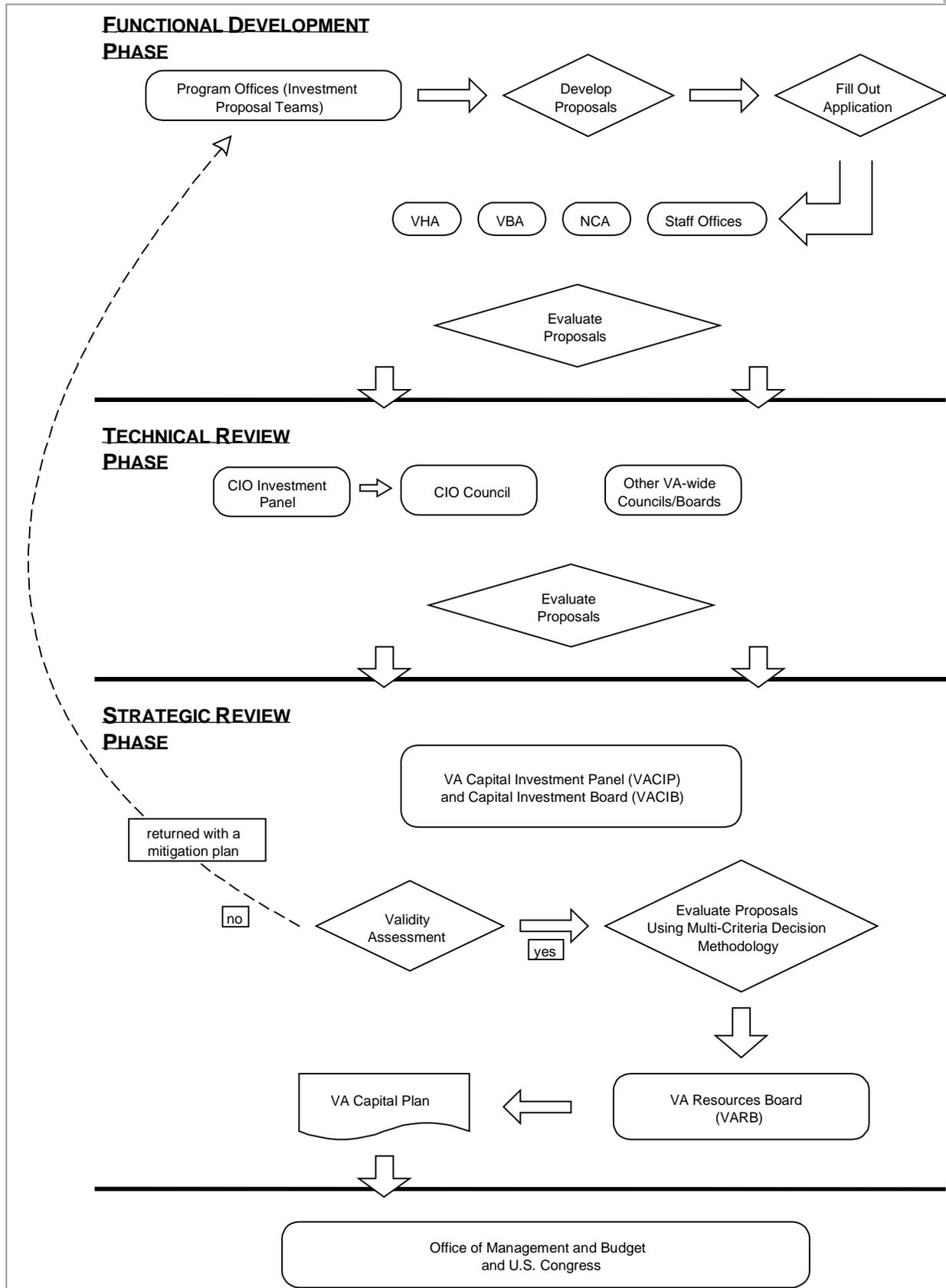
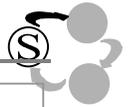
As proposals are developed, they undergo review first within the separate administrations. A decision is made whether to pass the proposal back for further development, decline the proposal, or pass the proposal forward for higher-level consideration.



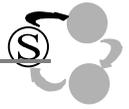
## Capital Formulation Process—Technical Review Phase

During the Technical Review Phase, IT proposals receive technical and financial scrutiny from the CIO Investment Panel/CIO Council as well as some initial prioritization within the owner organization. Proposals that do not “pass,” are sent back to the originating organization for further development, while proposals that do pass are forwarded to the VA CIP and VACIB for strategic review.

*Neither the CIO Investment Panel nor the CIO Council limit proposals to those that they believe will be funded. The VA Capital Investment Board makes its decisions from an overall VA perspective, and might consider choices not anticipated by the administrations, staff offices, or even the CIO Council. Accordingly, the CIO Council forwards all technically viable proposals that might serve additional strategic objectives.*



**Formulation Process Flow**



Information Technology Investment Proposal Criteria (Appendix D-2)—IT Capital Investment Proposal Criteria apply to IT proposals only. The CIO Investment Panel (CIP) validates and evaluates IT capital investment proposals during the Technical Review Phase of the Capital Planning Process. The CIP presents the results of its review to the CIO Council for the Council's review and validation.

The CIP assesses each IT capital investment proposal's supporting documentation against the five criteria and their sub-components (see the diagram on page 12) and then uses its assessments to technically review, score and rank that proposal with respect to all other IT capital investment proposals. As shown on the IT Validation Data Form, an originating organization must address certain sub-criteria in order for a proposal to be considered valid and ready for further review.

Validation—An IT capital investment proposal must first pass *validation*, then pass *evaluation* in order to proceed to the Strategic Review Stage. During *validation*, proposals are graded on their ability to meet the acceptable or good response requirements. Unacceptable responses receive 0 points, acceptable responses receive 1 point and good responses receive 2 points. To pass validation, an IT proposal must achieve a minimum of 14 points from a possible 28 points.

Proposal writers *should* use the IT Validity Checklist as a guide as they address the validation component of the IT Capital Investment Proposal Criteria. (*Appendix D-2*)

Once a proposal has passed validation, the CIP evaluates it based upon its merit, ability to substantiate claims and statements, and overall ability to meet the goals and mission of VA. During evaluation, the CIP evaluates proposals against the criteria requirements and provides a ranking of proposals to the CIO Council. After review and validation by the CIO Council, the VA CIO forwards IT proposals to the VA Capital Investment Panel for the Strategic Review Phase of the VA Capital Planning Process.

Cost Benefit Analysis—Each IT proposal *must* include a Cost Benefit Analysis (CBA), as defined by OMB Circular A-94. VA requires a full CBA for very large, complex and costly IT projects, including those subject to this capital investment process.

The CBA should provide vital management information on the allocation of personnel, financial and information resources that support the project. Originating organizations should address *Alternatives Analysis, Customer Satisfaction Survey, Cost, Schedule and Risk Analysis* as part of the CBA. Organizations must ensure sufficient levels of detail. For instance, they should describe the results, both in terms of life cycle costs, life cycle savings, and benefit cost ratio for each alternative analyzed. Additionally, they should include, as an attachment, analysis and documentation concerning the anticipated Return on Investment. They should also include any available pilot/prototype data and performance measures so improvements can be quantified through the measurement of program outputs.



**IT Data Validation Form**

| Three Pesky Questions   | Yes/No       | Comments                |
|---|--------------|-------------------------|
| 1. Does the investment in a major capital asset support core/priority mission functions that need to be performed by the Federal Government?  |              |                         |
| 2. Does the investment need to be undertaken by the requesting agency because no alternative private sector or government source can better support the function?                                     |              |                         |
| 3. Does the investment 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? |              |                         |
| <b>Document</b><br>(Documents must be provided, or their absence explained)   |              |                         |
| 1. Cost Benefit Analysis (Required in all cases)  |              |                         |
| 2. Pilot/Prototype Data   |              |                         |
| 3. Performance Measures   |              |                         |
| 4. Government Paperwork Elimination Act Support *   |              |                         |
| 5. Rehabilitation Act Section 508 Support**   |              |                         |
| *Discussion included within subcriteria 1.1   |              |                         |
| **Discussion included within subcriteria 2.1  |              |                         |
| <b>SCORE: 0 = UNACCEPTABLE 1 = ACCEPTABLE 2 = EXCELLENT</b><br>(Items marked with a double asterisk (**)) must be addressed with an acceptable response)  |              |                         |
|   | <b>Score</b> | <b>Comments</b>         |
| <b>1. Mission</b>   |              | MINIMUM = 1 MAXIMUM = 4 |
| 1.1 Organizational Improvement**<br>a. Blank or not addressed=0<br>b. No effect or limited explanation=1<br>c. Justification with analysis=2  |              |                         |
| 1.2 One-VA Service<br>a. Blank or not addressed=0<br>b. No effect or limited explanation=1<br>c. Justification with analysis=2  |              |                         |
| Subtotal  | 0            |                         |
| <b>2. IT Architecture</b>   |              | MINIMUM = 3 MAXIMUM = 6 |
| 2.1 Standards**<br>a. Blank or not addressed=0<br>b. No effect or limited explanation=1<br>c. Justification with analysis=2   |              |                         |
| 2.2 Interoperability**<br>a. Blank or not addressed=0<br>b. No effect or limited explanation=1<br>c. Justification with analysis=2  |              |                         |
| 2.3. Security**<br>a. Blank or not addressed=0<br>b. No effect or limited explanation=1<br>c. Justification with analysis=2   |              |                         |
| Subtotal  | 0            |                         |
| <b>3. Project Management</b>  |              | MINIMUM = 2 MAXIMUM = 6 |
| 3.1 Acquisition Strategy<br>a. Blank or not addressed=0<br>b. No effect or limited explanation=1<br>c. Justification with analysis=2  |              |                         |
| 3.2 Project Structure**<br>a. Blank or not addressed=0<br>b. No effect or limited explanation=1<br>c. Justification with analysis=2   |              |                         |
| 3.3 Technical Approach**<br>a. Blank or not addressed=0<br>b. No effect or limited explanation=1<br>c. Justification with analysis=2  |              |                         |
| Subtotal  | 0            |                         |



**IT Data Validation Form (Continued)**

|   |   |                            |
|---|---|----------------------------|
| <b>4. Customer Acceptance</b>   |   | MINIMUM = 1    MAXIMUM = 6 |
| 4.1 Experience With Technology<br><i>a. Blank or not addressed=0</i><br><i>b. No effect or limited explanation=1</i><br><i>c. Justification with analysis=2</i> |   |                            |
| 4.2 Organizational Support<br><i>a. Blank or not addressed=0</i><br><i>b. No effect or limited explanation=1</i><br><i>c. Justification with analysis=2</i>     |   |                            |
| 4.3 Ease of Use<br><i>a. Blank or not addressed=0</i><br><i>b. No effect or limited explanation=1</i><br><i>c. Justification with analysis=2</i>                |   |                            |
| Subtotal  | 0 |                            |
| <b>5. Minimizing Risk</b>   |   | MINIMUM = 3    MAXIMUM = 6 |
| 5.1 Technical**<br><i>a. Blank or not addressed=0</i><br><i>b. No effect or limited explanation=1</i><br><i>c. Justification with analysis=2</i>                |   |                            |
| 5.2 Schedule**<br><i>a. Blank or not addressed=0</i><br><i>b. No effect or limited explanation=1</i><br><i>c. Justification with analysis=2</i>                 |   |                            |
| 5.3 Financial**<br><i>a. Blank or not addressed=0</i><br><i>b. No effect or limited explanation=1</i><br><i>c. Justification with analysis=2</i>                |   |                            |
| <b>Total Points</b>   | 0 |                            |
| <b>Total Score (Minimum of 14 Needed to Pass)</b>   | 0 |                            |

\*\* **Critical Items.** A minimum score of one is needed for each attribute or the proposal will be returned to the applicant.

**To pass validation an IT proposal must address all criteria and must have acceptable or good responses for the following criteria:**

- Mission - Organizational Improvement
- IT Architecture - Standards
- IT Architecture - Interoperability
- IT Architecture - Security
- Project Management - Project Structure
- Project Management - Technical Approach
- Minimizing Risk - Technical
- Minimizing Risk - Schedule
- Minimizing Risk - Financial



Legacy System Investment Proposal Criteria (Appendix E)—Legacy Systems are fully developed information technology systems. Even though a system has been developed, fully deployed and implemented, it still requires continued evaluation for flexibility of integration with newer systems to ensure business applications and infrastructure align with strategic goals.

The funding of legacy systems falls under the project phase category operational/maintenance. IT Capital Investment proposals that fall in this category generally involve acquiring assets or activities necessary for sustaining the legacy system and ensuring that it continues to operate at the optimal level of performance.

An effective capital investment program requires senior management to review ongoing projects along with new projects and to make go/no-go decisions. In addition to reviewing new projects, the CIO Council uses the Quarterly Review as a forum to review the status of each legacy system every three years. The originating organization prepares a Capital Investment Proposal for review by the CIO Investment Panel/CIO Council. The CIO Investment Panel uses the *Legacy System Data Validation Form* (next page) to validate the legacy system under review.

By periodically challenging legacy systems, the CIO Council ensures that VA does not continue funding ineffective or nonessential programs. The CIO Council forwards its findings and recommendations concerning legacy systems to the VACIB.

### **Capital Formulation Process—Strategic Review Phase**

The VA Capital Investment Panel (VA CIP) uses the Data Validation Form to verify that the data provided is complete and assumptions are acceptable. Validity scores establish a minimum requirement for supporting data and analysis. If the VA CIP evaluates data as unacceptable, then the proposal is returned to the originating office with a validity assessment for corrective action that includes comments and recommendations for improving the application.

Panel members evaluate proposals that pass validity review, scoring them on each of the sub-criterion listed in the Decision-Making Hierarchy (see page 12). These scores, which are different than the Data Validation scores, are then fed into an analytic hierarchy process (AHP) tool to strategically prioritize the proposals based on the assigned weights of the major criteria (established by the Board) and sub-criteria (established by the Panel). A decision will be made on a case by case basis if missing information can be provided in time for the proposal to continue in the current review process or be postponed until the next review cycle.

This process produces a prioritized list of sound proposals that the VA CIP forwards to the VA Capital Investment Board. The Board members then review the list of proposals and vote on the strategic mix of proposals that enable the Department to achieve the highest priority goals and objectives. The results are then submitted to the VA Resource Board for budget consideration.



**Legacy System Data Validation Form**

| Validity Scoring Table   |       |                         |
|--|-------|-------------------------|
| Score: 0=UNACCEPTABLE 1=ACCEPTABLE 2=GOOD  |       |                         |
|  | Score | Comments                |
| <b>1. Mission</b>  |       | (Max = 4      Min = 1)  |
| Total Points   |       | Pass    Fail            |
| <b>2. Customer Service</b>   |       | (Max = 10      Min = 5) |
| 2.1 Quality *  |       |                         |
| Blank or not addressed = 0<br>No effect or limited explanation = 1<br>Justification with analysis = 2                    |       |                         |
| 2.2 Waiting Time   |       |                         |
| Blank or not addressed = 0<br>No effect or limited explanation = 1<br>Justification with analysis = 2                    |       |                         |
| 2.3 Increase in New Customers  |       |                         |
| Blank or not addressed = 0<br>No effect or limited explanation = 1<br>Justification with analysis = 2                    |       |                         |
| 2.4 Increased Benefits   |       |                         |
| Blank or not addressed = 0<br>No effect or limited explanation = 1<br>Justification with analysis = 2                    |       |                         |
| 2.5 Increased Access to Existing Customers*  |       |                         |
| Blank or not addressed = 0<br>No effect or limited explanation = 1<br>Justification with analysis = 2                    |       |                         |
| Total Points   |       | Pass    Fail            |
| <b>3. IT Architecture</b>  |       | (Max = 6      Min = 3)  |
| Total Points   |       | Pass    Fail            |
| <b>4. Return on Taxpayer Investment</b>  |       | (Max = 8      Min = 4)  |
| 4.1 Cost-Effectiveness Analysis *  |       |                         |
| Blank or not addressed = 0<br>No effect or limited explanation = 1<br>Justification with analysis = 2                    |       |                         |
| 4.2 Alternatives Analysis *  |       |                         |
| Blank or not addressed = 0<br>No effect or limited explanation = 1<br>Justification with analysis = 2                    |       |                         |
| 4.3 Cost Savings Analysis *  |       |                         |
| Blank or not addressed = 0<br>No effect or limited explanation = 1<br>Justification with analysis = 2                    |       |                         |
| 4.4 Non-Quantifiable Benefits  |       |                         |
| Blank or not addressed = 0<br>No effect or limited explanation = 1<br>Justification with analysis = 2                    |       |                         |
| Total Points   |       | Pass    Fail            |
| <b>5. Risk</b>   |       | (Max = 6      Min = 3)  |
| Total Points   |       | Pass    Fail            |
| <b>Total Validation Score</b>  |       | Pass    Fail            |
| * Critical Items. A minimum score of one is needed for each attribute or the proposal will be returned to the applicant. |       |                         |



### Standard Data Validation Form

VA developed the *Standard Data Validation Form* (next page) to meet Office of Management and Budget (OMB) requirements especially in the areas of workload assumptions, performance measures, and the analytical comparison of alternatives. The VA CIP uses the form for all capital investment proposals it reviews during the Strategic Review Phase of the Capital Formulation Process.

The first step in the application process at the VA CIP is developing and using *Standard Data Validation Form* (next page). The second step is scoring the proposal using an AHP. The VACIP uses this two-step process to verify assumptions and validate data prior to the application of any strategic analytical tools used for evaluating and scoring the proposals. The validity assessment is intended to assist proposal teams and reviewers, at all levels, in developing sound business investments by:

- Ensuring the three Pesky Questions are answered

- Ensuring projected workloads can withstand external audit by verifying that the data and assumptions used are valid and reliable

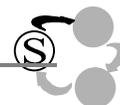
- Providing comparable cost-effectiveness analysis for each alternative

- Linking each alternative to the Departmental and administrations' or staff offices' strategic plans by identifying objectives, performance measures, and anticipated outcomes

- Ensuring all viable alternatives are fully explored and compared against the chosen option

The *Standard Data Validation Form* is divided into three sections. Sections 1 (*3 Pesky Questions*) and 2 (*VA Architecture and VHA Workload Issues*) are critical. If the proposal does not address the first two sections, it will not proceed to the third section where scores are applied. Each item in Section 3 corresponds to a specific section in the Capital Investment Proposal Criteria portion of the Application (Chapter IV-A). During the validity assessment, items in Section 3 are given a score (0, 1, or 2) to determine if the item is addressed, and whether the proposal team provided sufficient supporting data.

The VA CIP sets the minimum model score and establishes the critical elements that must be fully addressed or the application will not pass. The critical elements in the validity are the Return on Taxpayer Investment and Strategic Alignment. A minimum score is needed to confirm that the proposals are substantially complete and are ready for VA CIP review and evaluation. You must receive at least a "Good" scoring (2 points) for two of the sub-criteria. In addition, it is imperative that minimum scores are achieved for each section or the proposal will be returned to the originating office with a validity assessment that consists of comments and guidance on how to improve the proposal. A decision will be made on a case by case basis if missing information can be provided in time for the proposal to continue in the current review process or be postponed until the next review cycle.



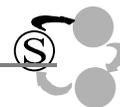
**Standard Data Validation Form**

| Section1: Three Pesky Questions   | Yes/No | Comments |
|---|--------|----------|
| 1. Does the investment in a major capital asset support core/priority mission functions that need to be performed by the Federal Government? (Is more than one mission/goal identified?)  |        |          |
| 2. Does the investment need to be undertaken by the requesting agency because no alternative private sector or government source can better support the function? (Is there a valid statement to support this? Is there any documentation of other alternatives?) |        |          |
| 3. Does the investment 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?  |        |          |
| Section 2: VA IT Architecture (IT proposals only)   | Yes/No | Comments |
| 1. Does the project have CIO certification that it adheres to the IT architecture?  |        |          |
| VHA Workloads/Demographics (Projects: Construction, Lease, Enhanced-Use and Medical Equipment)  | Yes/No | Comments |
| 1. Did workload projections and assumptions pass technical review of Task Group?  |        |          |

*Task group to the Panel comprised of VHA representatives (10N, designated VISNs, 105,17) and other panel members.*

| Section 3: Validity Scoring Table           |       |                    |
|---|-------|--------------------|
| Score: 0=UNACCEPTABLE 1=ACCEPTABLE 2=GOOD   |       |                    |
|   | Score | Comments           |
| <b>1. Customer Service</b>                  |       | (Max = 10 Min = 5) |
| 1.1 Quality *                               |       |                    |
| a. Blank or not addressed = 0               |       |                    |
| b. No effect or limited explanation = 1     |       |                    |
| c. Justification with analysis = 2          |       |                    |
| 1.2 Waiting Time                            |       |                    |
| a. Blank or not addressed = 0               |       |                    |
| b. No effect or limited explanation = 1     |       |                    |
| c. Justification with analysis = 2          |       |                    |
| 1.3 Increase in New Customers               |       |                    |
| a. Blank or not addressed = 0               |       |                    |
| b. No effect or limited explanation = 1     |       |                    |
| c. Justification with analysis = 2          |       |                    |
| 1.4 Increased Benefits                      |       |                    |
| a. Blank or not addressed = 0               |       |                    |
| b. No effect or limited explanation = 1     |       |                    |
| c. Justification with analysis = 2          |       |                    |
| 1.5 Increase Access to Existing Customers * |       |                    |
| a. Blank or not addressed = 0               |       |                    |
| b. No effect or limited explanation = 1     |       |                    |
| c. Justification with analysis = 2          |       |                    |
| Total Points                                |       | Pass Fail          |
| <b>2. Return on Taxpayer Investment</b>     |       | (Max = 8 Min = 4)  |
| 2.1 Cost-Effectiveness Analysis *           |       |                    |
| a. Blank or not addressed = 0               |       |                    |
| b. No effect or limited explanation = 1     |       |                    |
| c. Justification with analysis = 2          |       |                    |
| 2.2 Alternatives Analysis *                 |       |                    |
| a. Blank or not addressed = 0               |       |                    |
| b. No effect or limited explanation = 1     |       |                    |
| c. Justification with analysis = 2          |       |                    |
| 2.3 Cost Savings Analysis *                 |       |                    |
| a. Blank or not addressed = 0               |       |                    |
| b. No effect or limited explanation = 1     |       |                    |
| c. Justification with analysis = 2          |       |                    |

\* Critical elements that must pass validity (a score of 1 or 2)



**Standard Data Validation Form (Continued)**

|  |        |                    |
|--|--------|--------------------|
| 2.4 Non-Quantifiable Benefits<br>a. Blank or not addressed = 0<br>b. No effect or limited explanation = 1<br>c. Justification with analysis = 2                  |        |                    |
| Total Points   |        | Pass Fail          |
| <b>3. High Performing Workforce</b>  |        | (Max = 6 Min = 3)  |
| 3.1 Recruitment and Retention<br>a. Blank or not addressed = 0<br>b. No effect or limited explanation = 1<br>c. Justification with analysis = 2                  |        |                    |
| 3.2 Training and Development<br>a. Blank or not addressed = 0<br>b. No effect or limited explanation = 1<br>c. Justification with analysis = 2                   |        |                    |
| 3.3 Employee Morale *<br>a. Blank or not addressed = 0<br>b. No effect or limited explanation = 1<br>c. Justification with analysis = 2                          |        |                    |
| Total Points   |        | Pass Fail          |
| <b>4. Risk</b>   |        | (Max = 6 Min = 3)  |
| 4.1 Risk Score<br>a. Blank or not addressed = 0<br>b. No effect or limited explanation = 1<br>c. Justification with analysis = 2                                 |        |                    |
| 4.2 Quality of Risk Analysis<br>a. Blank or not addressed = 0<br>b. No effect or limited explanation = 1<br>c. Justification with analysis = 2                   |        |                    |
| 4.3 Quality of Risk Control Plan *<br>a. Blank or not addressed = 0<br>b. No effect or limited explanation = 1<br>c. Justification with analysis = 2             |        |                    |
| Total Points   |        | Pass Fail          |
| <b>5. Special Emphasis (VHA Construction only)</b>   | Yes/No | Comments           |
| At least 70% of project value  |        |                    |
| <b>6. Seismic (VHA Construction only)</b>  | Yes/No | Comments           |
| At least 70% of project value  |        |                    |
| <b>7. Strategic Alignment</b>  |        | (Max = 10 Min = 5) |
| 7.1 Quality of Life<br>a. Blank or not addressed = 0<br>b. No effect or limited explanation = 1<br>c. Justification with analysis = 2                            |        |                    |
| 7.2 Ensure Smooth Transition<br>a. Blank or not addressed = 0<br>b. No effect or limited explanation = 1<br>c. Justification with analysis = 2                   |        |                    |
| 7.3 Honor and Memorialize<br>a. Blank or not addressed = 0<br>b. No effect or limited explanation = 1<br>c. Justification with analysis = 2                      |        |                    |
| 7.4 Public Health and Socioeconomic Well Being<br>a. Blank or not addressed = 0<br>b. No effect or limited explanation = 1<br>c. Justification with analysis = 2 |        |                    |
| 7.5 One VA *<br>a. Blank or not addressed = 0<br>b. No effect or limited explanation = 1<br>c. Justification with analysis = 2                                   |        |                    |
| Total Points   |        | Pass Fail          |
| <b>Total Validation Score</b>  |        | Pass Fail          |

\* Critical elements that must pass validity (a score of 1 or 2)



## I.C BUDGETING

The Budgeting Phase of the capital programming process occurs when decisions are made across the Federal Government on how much to spend and how to allocate the spending among different priorities. Budgeting overlaps Planning. It begins when VA incorporates budget concerns into its strategic and annual performance planning, including consultation with OMB staff and perhaps Congressional staff. Budgeting realities become a greater concern when VA formally requests budget authority for a proposed capital investment in its submission to OMB for the coming year. The Budgeting Phase ends when Congress appropriates funds for the acquisition and OMB apportions the funds to VA. If OMB or Congress chooses not to fund an acquisition, VA has the option to submit it again in a later year or to develop a new solution if the requirement continues to exist in order to meet strategic goals and objectives.

Following criticism from OMB about the Department's capital planning practices and legislation mandating changes, VA revamped its capital planning process in 1996. Using OMB's *Capital Programming Guide* as a reference, VA developed its own Capital Investment Planning Process. In 1997, VA hired a private contractor to survey the best capital planning practices of other government entities and private industry. The survey identified 28 best practices. VA adopted more than 20 of those best practices to refine its FY 1999 process of planning, preparing, reviewing, prioritizing, and selecting capital investments. This new and evolving capital planning process assists VA in meeting the requirements of *the Government Performance and Results Act of 1993* and the *Clinger-Cohen Act of 1996*. The process ensures that capital investment proposals are tied to Department goals and objectives before they are considered for funding. This process also ensures, once funding is secured, that planning assumptions approved 18-24 months earlier are reviewed and validated before funds are obligated.

### I.C.1 Budget Reporting

Administration and staff offices prepare their budget submissions and reports, incorporating IT initiatives and existing projects and systems selected by the VA CIO Council/CIB for new funding or continued funding. Organizations use information and documentation developed during the IT capital investment Selection phase (such as benefit cost analysis results, IT project schedules, and cost and performance goals and measures) to prepare budget submission documents including:

- *OMB Circular A-11 Exhibit 53, Report on Information Technology,*
- *OMB Circular A-11 Exhibit 300a, Impact of Full Funding of Capital Assets,* and
- *OMB Circular A-11 Exhibit 300b, Capital Asset Plan and Justification.*

OMB provides detailed instructions on how to complete budget materials in *OMB Circular A-11*.

*Exhibit 53—Report on Information Technology.* This report was developed jointly by OMB and the Chief Information Officers' Council to provide the basic information an



agency needs to link its internal planning, budgeting, acquisition and management of IT resources. As an output of VA's internal capital programming process, the budget justification must provide results oriented information on IT operations and improvement initiative within the context of VA's missions and operations.

Note: The budget justification, including the status and plans for information systems, must be consistent with VA's *Exhibit 52, Information on Financial Management* and *Exhibit 300a, Impact of Full Funding of Capital Assets*, and *Exhibit 300b, Capital Asset Plan and Justification*.

*Exhibit 300B—Capital Asset Plan and Justification*. This exhibit covers major acquisitions, including acquisitions of financial management systems and other information technology, that require special management attention because of their:

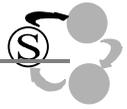
- Importance to VA's mission;
- High development, operating, or maintenance costs;
- High risk;
- High return; or
- Their significant role in the administration of VA programs, finances, property or other resources.

This exhibit provides:

- Summary of spending for project stages;
- Justification for the asset and cost of the asset;
- Program management information;
- Acquisition strategy;
- Financial basis for selecting the project;
- Cost, schedule, and performance goals; and
- Additional information such as spikes, account structure, multi-year availability of appropriations, and organizational observations concerning the planning, budgeting, and acquisition of capital assets.

## **I.C.2 Operating Budget Plans**

VA's *Capital Plan* provides a starting point for the development of organizational Operating Budget Plans. VA is unlikely to receive the full funding that it requests for any given budget year. Once appropriations are released to the Department, the Office of Financial Management, in concert with the VA Resource Board, determines how available funds will be allocated to VA organizations. Organizations develop Operating Budget Plans for the use of the funds that they have been allocated, ensuring that the highest priority projects are addressed to the extent that funds allow.



### **I.C.3 The 1VA+FUND**

The end of a Fiscal Year typically challenges program and staff offices as they seek to obligate all appropriations by the September 30 deadline for the current fiscal year. The *1VA+FUND* (established through the Office of Acquisition and Materiel Management's Supply Fund) allows VA program offices to obligate current funding to the VA Supply Fund for future re-obligation to fulfill currently-needed program purposes in later years. This fund can only be used to provide currently needed goods and services.

To achieve best value in contracting, program offices often need more time to plan and develop requirements; to identify and initiate procurement strategy; to complete site preparation; to obligate funding necessary to support a contract award; and to comply with the established policies for IT and Capital Investment Board approvals. In any or all such cases, the *1VA + FUND* program offers a valuable alternative mechanism to preserve currently available funding to support a program or staff office's IT investments and, importantly, with no additional cost to the organization.

So long as there is a current bona fide need, the *1VA + FUND* program will extend expiring program obligation authority for fulfilling those needs for as long as five additional years. Defining bona fide needs will be most adaptable to larger programs that require longer planning and site development lead time (IT Systems, Telecommunications Projects, major equipment and Activations).

The program requires a *1VA + FUND* agreement between the program/ administrative office and the VA Supply Fund. The agreement must define and certify the bona fide need and must obligate the available program funding to the VA Supply Fund.

The Supply Fund, which operates without fiscal year limitations, will hold the obligated balance (as an "Unfilled Customer Order") for optimum achievement of the specified needs through subsequent award of third party contracts. Without regard to which office administers the contracting support, third party contracts will be obligated and paid through Supply Fund accounts with corresponding recoveries from the balance obligated under the *1VA + FUND* agreement.

There is no fee for placing funds under an agreement. Cost recovery fees may, however, be charged in instances where the Office of Acquisition and Materiel Management (OA&MM) is requested to award/administer the subsequent third party contracts.

Further information concerning this fund is available in *VA Handbook 7127/2 Part 5*.