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M-12-10

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

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SUBJECT: Implementing PortfolioStat

        The stove-piped and complex nature of the Federal enterprise has led over the years to a proliferation of duplicative and low priority investments in information technology (IT). At the same time, agencies too often seek to develop homegrown, proprietary solutions first, before assessing existing options for shared services or components. The Federal Government must have the overarching goal of innovating with less as it pertains to technology. In order to do so, we must end the investment in low priority and duplicative investment in IT.

        The Federal Government must focus on maximizing the return on American taxpayers' investment in government IT by ensuring it drives efficiency throughout the Federal Government. The Administration's Campaign to Cut Waste directed agencies to seek opportunities to shift to commodity IT, leverage technology, procurement, and best practices across the whole of government, and build on existing investments.[1]

        In support of this strategy, the Director of the Office of Management and Budget (OMB) issued a memorandum to Agency heads on August 8, 2011, entitled "Chief Information Officer Authorities" (M-11-29), which clarified the role of Chief Information Officers (CIO). M-11-29 required that agencies, "pool their purchasing power across their entire organization to drive down costs and improve service for commodity IT...CIOs must show a preference for using shared services as a provider or consumer instead of standing up separate independent services."[2]

        Then, in October 2011, the Office of Management and Budget (OMB) launched the Shared First initiative aimed at rooting out waste and duplication across the Federal IT portfolio.[3] In order to implement these initiatives, executive departments and agencies (agencies) will

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[1] http://www.whitehouse.gov/goodgovernment/actions/campaign-cut-waste
[2] http://www.whitehouse.gov/sites/default/files/omb/memoranda/2011/m11-29.pdf
[3] http://www.cio.gov/pages.cfm/page/Federal-CIO-Steven-VanRoekel-Launches-Shared-First-and-Future-First-Initiatives

review their respective IT investment portfolios to identify opportunities to consolidate the acquisition and management of commodity IT services, and increase the use of shared-service delivery models.

In support of this review process, Agency Chief Operating Officers (COO), on an annual basis, shall be required to lead an agency-wide IT portfolio review within their respective organization (PortfolioStat).[4] A PortfolioStat session is a face-to-face, evidence-based review (e.g., including data on commodity IT investments, potential duplications, investments that do not appear to be well aligned to agency missions or business functions, etc.) of an agency's IT portfolio.

PortfolioStat will be a new tool that agencies use to assess the current maturity of their IT portfolio management process, make decisions on eliminating duplication, augment current CIO-led capital planning and investment control processes, and move to shared solutions in order to maximize the return on IT investments across the portfolio. While TechStat examines IT performance at the specific project or investment-level, PortfolioStat examines the portfolio as a whole and draws on the agency's enterprise architecture to help identify and eliminate areas of duplication and waste.[5]

PortfolioStat will help implement the Shared First initiative and the requirements set forth in the Executive Order 13589 (Promoting Efficient Spending),[6] which targets employee IT devices as a primary area for eliminating waste and duplication. This effort should also assist agencies in meeting the targets and requirements under other initiatives, such as Federal Data Center Consolidation Initiative (FDCCI), the Cloud Computing Initiative, and the draft IT Shared Services Strategy.

CIOs, CFOs, and CAOs must support the PortfolioStat process by providing the necessary data and analysis, attending the PortfolioStat meeting, and support all decisions made through the process. This is necessary so that the portfolio-wide review results in concrete actions to maximize the investment in mission and support IT, consolidate the acquisition and management of commodity IT, reduce duplication, and eliminate waste.

To support this process, OMB is requiring that each agency take the following actions:

- **Designate Lead for Initiative.** Each agency's COO shall designate and communicate to OMB within 10 days of issuance of this memorandum an individual with direct reporting authority to the COO to lead the agency's efforts to implement the PortfolioStat process and guidance contained in this memo.

- **Complete a High-Level IT Portfolio Survey.** The data collection at the Departmental level is a high-level survey of agency IT portfolio status, and shall be completed by the designated lead in

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[4] Chief Operating Officers were designated by the GPRA Modernization Act of 2010, Pub. L. No. 111-352, 124 Stat. 3866 (2011).
[5] http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m_10-25.pdf
[6] http://www.whitehouse.gov/the-press-office/2011/11/09/executive-order-promoting-efficient-spending

the <u>MAX Collect Tool</u>, with support from the CIO, CFO, and CAO, and submitted to OMB by May 31, 2012.

- **Establish a Commodity IT Investment Baseline.** Each bureau, if applicable, must complete an information request identified in the <u>MAX Collect Tool</u> for specific types of commodity IT investments (including enterprise IT systems, IT infrastructure, and business systems) that will be used to baseline the maturity of agency portfolios. Bureau heads, if applicable, shall lead this request, which shall be completed by OMB by June 15, 2012.

- **Submit a Draft Plan to Consolidate Commodity IT.** Based on the analysis used to respond to the information requests above, the COO, in partnership with the CIO, CAO, and CFO, shall draft a proposed action plan to consolidate the commodity IT spend under the CIO, and establish a measurable financial goal to reduce total IT spend based on more consolidated commodity IT buys and intra-agency shared services. This proposed action plan shall be submitted to OMB by June 29, 2012.

- **Hold PortfolioStat Session.** Agencies shall hold their first PortfolioStat session by July 31, 2012. Further guidance on the process is detailed in Attachment A.

- **Submit a Final Plan to Consolidate Commodity IT.** By August 31, 2012, each Federal Agency shall complete and submit to OMB a document outlining its plan to rationalize and consolidate its IT portfolio, including the adoption of intra and inter agency shared IT services. These comprehensive plans will be informed by the PortfolioStat Process, and will cover at least three years of agency activities.

- **Migrate at Least Two Duplicative Commodities IT Services.** Agencies shall complete the transition of two commodity IT areas by December 31, 2012. In addition to the examples provided in M-11-29, commodity IT would also include IT hardware and software as well as the following services for which Federal Strategic Sourcing Initiative (FSSI)7 solutions exist or will soon be awarded: print management, telecommunication expense management, and wireless devices and services. Agency use of these FSSI solutions will count toward meeting this migration goal.

- **Document Lessons Learned.** Agencies shall document and catalogue successes, challenges, and lessons learned from this process into a document that must be submitted to OMB by February 1, 2013.

Through the PortfolioStat process, COOs will have a clearer picture of where duplication exists across their respective agencies. This analysis should inform the budget process and help agency COOs eliminate waste and duplication within the IT portfolio. A specific focus must be placed on reducing duplication within commodity IT by shifting to intra- and inter-agency shared services. Duplicative systems or contracts that support common business functions within an

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[7] <u>http://www.gsa.gov/portal/content/112561</u>

agency should be targeted for consolidation in order to leverage the purchasing power of the agency.

To assist with the data collection and reporting requirements listed under this memorandum OMB has created a MAX Collect Tool that will be the required repository for all of the information requested. Please go to the MAX Community for more information.

For any questions regarding this memo, please contact Andrew McMahon at egov@omb.eop.gov, with "PortfolioStat" as the subject line.

Attachment

The PortfolioStat process is structured around five discrete phases: (1) Baseline Data Gathering; (2) Analysis and Proposed Action Plan; (3) PortfolioStat Session; and (4) Final Action Plan Implementation, (5) Lessons Learned. The following provides further details on each phase with guidance on the schedule and requirements surrounding the PortfolioStat process to ensure that this essential management reform is consistently implemented by agencies. In order to maximize the return on investments in IT, agency leadership must engage in proactive performance management using high-quality, targeted data on the maturity of agency portfolios, as well as architectural and asset inventory information.

Phase 1: Baseline Data Gathering
Agencies shall provide the following information to OMB that will be collected through the MAX Collect Tool:

- By May 31, 2012, a high-level survey of agency IT portfolio status;
- By June 15, 2012, an information request for specific types of commodity IT investments (including enterprise IT systems, IT infrastructure, and business systems) that will used to baseline the maturity of agency portfolios. Bureau heads, if applicable, shall complete this data request for each of the identified areas.

Phase 2: Analysis and Proposed Action Plan
Using the portfolio data gathered in Phase 1, combined with other data available at the bureau and agency level, COOs shall:

- Identify wasteful or duplicative investments, procurements, and/or commodity IT areas;
- Make frequent use of the agency's enterprise architecture future plans for program, system, and service changes;
- Use the agency valuation model to assess the IT portfolio and measure expected outcomes vs. actual business value delivered for major investments; and
- Review the current state of governance and program management.

Based on this analysis, the agency COO, in partnership with the CIO, CAO, and CFO, shall draft a proposed action plan to:
- Consolidate commodity IT spending under the agency CIO;
- Establish targets for commodity IT spending reductions and deadlines for meeting those targets;
- Move at least two commodity IT areas to shared services (e.g. E-mail, collaboration tools, web infrastructure, etc.)
- Target duplicative systems or contracts that support common business functions within an agency for consolidation in order to streamline processes and leverage the purchasing power of the agency;
- Illustrate how investments within the IT portfolio align with the agency's mission and business functions;
- Establish criteria for identifying wasteful, "low-value," or duplicative investments

- Establish a process to identify these potential investments and a schedule for eliminating them from the portfolio;
- Improve governance and program management utilizing best practices and, where possible, benchmarks.

The draft action plan shall be submitted to OMB by June 29, 2012.

Phase 3: PortfolioStat Session

A PortfolioStat session is a face-to-face, evidence-based review (e.g., including data on commodity IT investments, potential duplications, investments that do not appear to be well-aligned to agency missions or business functions, etc.) of an agency's IT portfolio. In the session, the Federal CIO along with the agency CIO, CAO, CFO, and COO, meet for one focused hour to review the agency's portfolio data and proposed action plan. Participants agree on concrete next steps to rationalize the agency's IT portfolio, resulting in a final plan that articulates corrective actions, anticipated results, and which establishes specific timeframes for the actions to be taken.

Agencies shall hold their first PortfolioStat session by July 31, 2012.

Phase 4: Final Action Plan Implementation

The anticipated cost savings and portfolio improvements realized through the PortfolioStat session must be memorialized in a communication from the COO to the agency. Additionally, in the FY 2014 budget process, agencies must document the cost savings and avoidance realized in FY 2013 and into subsequent out years. Effective implementation of the PortfolioStat process will require agencies to incorporate the following activities into their approach:

- Agencies shall complete and submit to OMB a document outlining its plan to rationalize and consolidate its IT portfolio, including the adoption of intra and inter agency shared IT services.

The final action plan to consolidate commodity IT spending shall be shared with OMB by August 31, 2012.

Phase 5: Lessons Learned

The process established in this memo will be an annual requirement for all agencies to continually assess the maturity of IT portfolio management and ensure that any inertia, which would relegate the Federal Government to the status quo, be rooted out on a recurring basis. In order to do so with maximum impact, agencies must document successes, challenges and lessons learned through the PortfolioStat process.

Additionally, OMB will gather its own successes, challenges, and lessons learned through the process and update this memo and data collection parameters accordingly each year. As this process evolves, we will ask agencies to look deeper into their portfolios at more mission oriented and high-value investments. The intention is that this process will inform governance and budget decisions each fiscal year.

- Agencies shall document and catalogue successes, challenges, and lessons learned throughout the process and must submit a consolidated document to OMB. This document shall be submitted to OMB by February 1, 2013.

By undertaking the portfolio review described above, COOs will get a better picture of where potential duplication exists across their respective agencies. In addition, the reviews will enable agencies to use the asset inventory and architectural information to help refine their IT investment portfolios in the future.