MEMORANDUM FOR HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Vivek Kundra
Federal Chief Information Officer

SUBJECT: Immediate Review of Information Technology Projects

Federal information technology (IT) projects too often cost more than they should, take longer than necessary to deploy, and deliver solutions that do not meet our business needs. Pursuant to OMB Memorandum 10-25, “Reforming the Federal Government’s Efforts to Manage Information Technology Projects,” we are undertaking detailed reviews of the highest risk IT projects across the Federal Government to address these systemic problems. In order to justify future funding for these projects, agencies will need to demonstrate that project risks can be reduced to acceptable levels through actions such as setting proper project scope, defining clear deliverables and mission-oriented outcomes, and putting in place a strong governance structure with explicit executive sponsorship. Projects which do not meet these criteria will not be continued.

As part of the FY 2012 Budget formulation process, CIO Council agencies will be required to develop and put in place improvement plans for their highest-risk IT projects. Pursuant to that objective, agencies shall take the following steps:

1. Identify agency high-risk IT projects,
2. Develop improvement plans for these projects, and

The steps of this process are detailed below.

1. **Identify Agency High-Risk IT Projects**

   The Federal CIO will select, collaboratively with agency CIOs, the high-risk IT projects across the Federal Government. Using the IT Dashboard and other sources of information, agency CIOs shall describe the risk profile of the largest, most complex IT projects. Risk factors would include:

   - Significant cost or schedule variance from the current baseline\(^1\),
   - Performance targets or mission objectives have not been met,
   - Frequent re-baselines, or
   - Lack of essential executive sponsorship/leadership.

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\(^1\) Investment baseline is defined in OMB Memorandum 10-27, “Information Technology Investment Baseline Management Policy.”
The Federal CIO will schedule individual sessions with agency CIOs (as outlined in attachment A), between August 2 and August 18, to identify the highest risk projects across the Federal IT portfolio. The list of high-risk projects will be finalized by August 23. It is anticipated that 25 to 30 projects will be selected across the Federal government.

2. Develop Improvement Plans
   Agencies shall submit a proposed improvement plan for each high-risk project. Agencies shall submit proposed improvement plans to OMB no later than 30 days after their high-risk projects are identified. While formal improvement plans are only required for these projects, agency CIOs are accountable for the performance of the entire IT portfolio, not limited to just the high-risk projects. Therefore, similar improvement plans should be applied to other high-risk projects in an agency’s entire IT portfolio.

   Agency proposed improvement plans should be based on thorough analysis of the projects’ issues and risks. Plans should be comprehensive, risk-adjusted, and reviewed through appropriate agency governance bodies. The plan may incorporate short and long term solutions that may extend through Budget Year 2012. If the agency CIO does not have high confidence in the probability of success of the investment, the agency CIO should recommend that the project be materially altered or terminated.

   The proposed improvement plan should include:
   a. Major challenges and causes of variance from the project baseline,
   b. A summary of risks, mitigation strategies, and clear accountability,
   c. Stronger contractor performance metrics and controls for existing contracts, and revised acquisition strategies for contracts expected to be executed within the next fiscal year that address the issues raised in the improvement plan,
   d. A high-level schedule that articulates critical path items,
   e. Agencies should describe how the project’s governance will be more rigorous because of the improvement plan. Agencies should also describe how they will improve both contract and program management oversight internally to ensure better performance, and
   f. List the specific corrective actions to turn around the project.

3. Present Improvement Plans in TechStat Sessions
   The proposed improvement plans for the selected high-risk projects will be reviewed in OMB TechStat Accountability Sessions led by the Federal CIO. These sessions will be conducted between September and November. At the TechStat session, the agency will brief OMB on the improvement plans, revised schedules, and potential changes to budget requests.

   The TechStat sessions will be used to inform OMB decisions on FY 2012 budget requests and potential FY 2011 apportionments. TechStat sessions will also provide feedback and recommendations to agencies concerning project scope, management and oversight.

   OMB appreciates the attention your agency is giving to this initiative. We look forward to working with your staff and sharing the best practices they develop to increase savings, reduce the number of underperforming projects and improve the value of these projects for the
American people. Questions regarding this memorandum may be directed to EGov@omb.eop.gov and should have “IT Reform” in the subject line of the email.

Attachment A: High-Risk IT Investment Analysis Review Schedule

**August 2:** Department of Energy and Department of Interior  
**August 3:** U.S. Agency for International Development and Department of Justice  
**August 4:** Social Security Administration and National Science Foundation  
**August 5:** Department of Education and Department of Agriculture  
**August 6:** Smithsonian Institution and Small Business Administration  
**August 9:** Department of Homeland Security and Office of Personnel Management  
**August 10:** Department of the Treasury and National Archives and Records Administration  
**August 11:** Department of State, Department of Health and Human Services and U.S. Army Corps of Engineers  
**August 12:** Department of Housing and Urban Development and General Services Administration  
**August 13:** Department of Defense and Environmental Protection Agency  
**August 16:** Nuclear Regulatory Commission and Department of Veterans Affairs  
**August 17:** National Aeronautics Space and Administration and Department of Commerce  
**August 18:** Department of Labor and Department of Transportation