

Department of Defense Investment Review Board and Investment Management Process for Defense Business Systems



Report to Congress

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National Defense Authorization Act for Fiscal Year 2012**

Preparation of this report/study cost the Department of Defense a total of approximately \$31,000 for the 2012 Fiscal Year.

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Introduction

This report responds to section 2222 of Title 10, United States Code (U.S.C.), Defense Business Systems (DBS): architecture, accountability, and modernization, as revised by section 901 of the Fiscal Year (FY) 2012 National Defense Authorization Act (NDAA). Section 2222 directs the Secretary of Defense to require the Deputy Chief Management Officer (DCMO) to establish a single Investment Review Board (IRB) and Investment Management Process consistent with section 11312 of Title 40, U.S.C., to review and certify the planning, design, acquisition, development, deployment, operation, maintenance, modernization, and project cost benefits of covered defense business systems programs. Subsection 2222(a) conditions the obligation of funds for “Covered Defense Business Systems” (DBS) on IRB certification and Defense Business Systems Management Committee (DBSMC) using investment management processes the Department is in the process of establishing. This report presents the Department’s intent to implement the expanded investment review process and related actions by October 2012.

The Business Mission Area represents approximately \$7 Billion of the \$38 Billion Department of Defense (DoD) FY12 Information Technology Budget. The business area includes the management of contracts, finances, the supply chain, infrastructure support, real property, human resource management and weapons systems acquisition. The DoD is modifying its investment management review process in order to maximize the value of its investments in business systems; improve the effectiveness of its business operations; promote economies of scale and create efficiencies that will result in cost savings. Specifically, the Department is:

- Establishing a framework that will analyze business system investments by grouping individual systems into portfolios.
- Ensuring the process has access to reliable and authoritative data that will serve as a foundation for investment decisions.
- Refining the Business Enterprise Architecture (BEA) to serve as the centerpiece for defining the DoD’s target business processes.
- Designing and implementing a transition from the existing process to the new process.
- Continually promoting best practices—including those established by the Office of Management and Budget and the Government Accountability Office (GAO)—to redefine the process by which it selects, evaluates, and controls business system investments.

Background

Section 332 of the FY 2005 NDAA established the Defense Business Systems Management Committee (DBSMC) and the Investment Review process to provide investment management oversight and control for the acquisition, modernization and sustainment of DBS. The FY 2005 NDAA also required development of the BEA and the Enterprise Transition Plan (ETP) and codified these requirements in section 2222 of Title 10, U.S.C.

This investment management framework, as well as the broader management of Department's business operations, was refined and improved through subsequent NDAA's. For example, section 904 of the FY 2008 NDAA designated the Deputy Secretary of Defense as the DoD's Chief Management Officer (CMO), established an Under Secretary of Defense-level Deputy Chief Management Officer to assist the Deputy Secretary, and named the Under Secretaries of the Military Departments as their organizations' Chief Management Officers with Deputy Chief Management Officers of their own. It also created the requirement for the Department to create a Strategic Management Plan. Then, section 1072 of the FY 2010 NDAA stipulated that systems may not be certified by the IRBs and approved by the DBSMC unless appropriate Business Process Reengineering (BPR) efforts had been undertaken and approved by the DoD's DCMO or the appropriate Military Department CMOs.

Section 901 of the 2012 NDAA continues the evolution of the investment management process by eliminating the use of multiple, functionally-oriented IRBs that review only development/modernization investments over \$1 Million in favor of a single IRB, chaired by the DCMO, that reviews all DBS that have total costs greater than \$1 Million across the current future-year defense program, including legacy systems. Section 901 also prescribes specific responsibility for content, functional integration and the creation of a target environment within the BEA while establishing the Military Department CMOs as the Pre-Certification Authorities for their respective programs.

The Department will continue to use the GAO's Information Technology Investment Management (ITIM) model to assess its ability to comply with the investment selection and control requirements within 40 U.S.C. 11312.

Guiding Principles

Alignment of business processes is essential for integrated DoD business operations. The BEA guides the Department's roadmap—the Enterprise Transition Plan—for achieving streamlined business operations. The investment review process will review proposed investments for business value and ensure compliance with and alignment to the BEA. To maximize the effective use of the Department's resources, the IRB will embrace the following principles:

- **Portfolio-Based Approach:** Business systems will be arrayed, analyzed, and certified in groupings within portfolios (vice individual systems).
- **Business Outcomes:** The Department is shifting from a systems-oriented view to a focus on business outcomes.
- **Single IRB:** Standardization will enable the IRB to ensure compliance with the BEA by aligning portfolios and bridging existing gaps in business capabilities.
- **Data-Driven:** The quality of any investment decision will be dependent on the quality of the information presented to the decision maker. This principle recognizes that all business systems will provide essential information about cost, performance, capabilities, etc., to all stakeholders in order to inform sound decision making.
- **End-to-End (E2E) Organizing Framework:** The Department's 15 E2E business processes will be used to optimize functional capabilities and encourage interoperability between processes and systems.
- **Standards-Based Architecture:** The BEA will continue to develop and enforce interoperability standards that comply with the DoD Enterprise Architecture (EA) and are necessary to achieve DOD's target business systems computing environment.
- **Incremental Approach:** The investment review process will mature as the department gains a better understanding of the business system portfolios and the capabilities therein.

In concert with the investment review process, the acquisition of Major Automated Information Systems (MAIS) will continue to use the Defense Acquisition System (DAS) framework. As established by DoD policy, the Business Capability Lifecycle (BCL) process will continue to guide DBS acquisitions. Additionally, business systems will be designed to operate within the Joint Information Environment (JIE) in order to ensure compliance with cybersecurity requirements and the employment of enterprise services such as identity management.

Governance

Effective governance is crucial to the long term success of the investment review and compliance process. The Deputy's Management Action Group (DMAG) is the Deputy Secretary of Defense's overarching management forum for the Department of Defense. When the DMAG convenes to conduct business as the DBSMC established under section 186 of Title 10, it will review DBS portfolios and approve the certification requests recommended by the single IRB to be constituted under subsection 2222(g). The DMAG/DBSMC will also continue to approve releases of the BEA. Pursuant to subsection 2222(g) of Title 10, the Deputy Chief Management Officer (DCMO) will establish subordinate governance to the DMAG/DBSMC. The DCMO governance forums include a Business Council that will serve as the IRB and provide portfolio analysis and process integration. The forums will include representation from throughout DoD and the certification process will use standard tools and baselined cost and systems data when recommending funds certification to the DMAG/DBSMC. The Under Secretaries of Defense are responsible and accountable for their respective functional areas of the BEA and the DCMO is charged with ensuring the integration and synchronization of BEA content in order to enable streamlined business processes and supporting IT.

Implementation

The Investment Management Process will be implemented in phases to accomplish the requirement to review and certify the planning, design, acquisition, development, deployment, operation, maintenance, modernization, and project cost-benefits and risks of covered defense business systems programs. The approach will provide an orderly transition for organizing and viewing business systems as portfolios and enable common decision criteria, including standards, requirements, and priorities that result in the integration of defense operations and business systems. Information collected in each phase will form the basis for selecting and controlling IT investments. The Department will issue implementation guidance that will encompass the following areas:

Portfolio-Based Approach: The Department will employ a structured methodology for classifying and assessing business investments via multiple views, including:

- An organizational view that promotes visibility across business mission areas for DoD components.
- A functional view that seeks to eliminate redundancy and enhance interoperability.
- An end-to-end view that enables visibility from a process perspective across the Department's business enterprise.

The tools used for analysis will enable the multiple portfolio views to support effective decision making (Figure 1). Initially, the IRB will use the organizational view as its framework to review and certify investments.

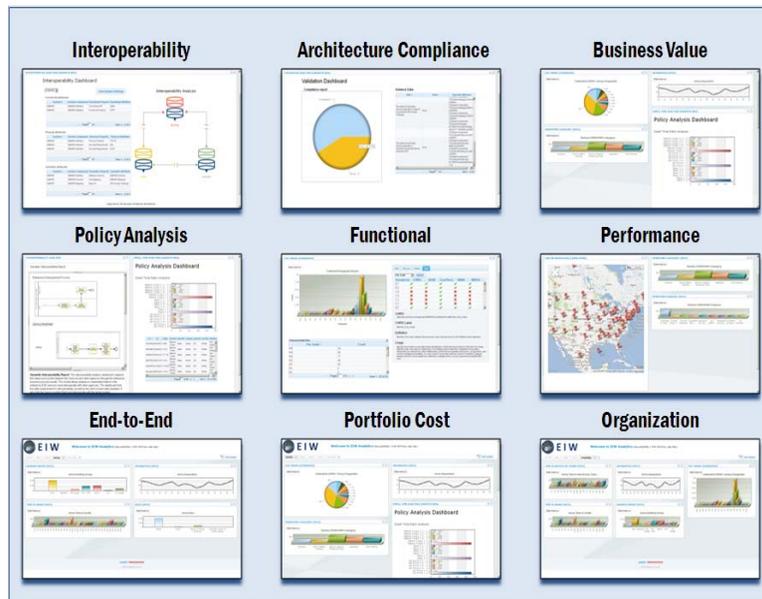


Figure 1 Multiple Portfolio Views

Investment Review Process: Optimized, business processes will drive IT Investments. In addition to certifying investments, the IRB will review and approve functional strategies that will ultimately be documented in the BEA. Figure 2 represents the convergence of the functional strategy and organizational execution that constitute an Integrated Business Plan for operations. Ultimately, the integrated plan will inform the programming and budgeting portions of the DoD’s resource management process of Planning, Programming, Budgeting and Execution (PPBE).



Figure 2 Investment Review Approach

As depicted in Figure 3 on the following page, the Investment Review Board process begins with the identification of aligned functional strategies. These strategies are aligned to the Strategic Management Plan (SMP), captured in the BEA and leveraged to create organizational execution plans. A portfolio package is an assembly of investments aligned to an execution strategy that is reviewed and approved by the IRB. The IRB recommends a portfolio to the DBSMC for approval of funds certification; and the resulting roadmap is captured within the ETP. Additionally, the IRB will highlight and define investment priorities within these plans while ensuring integration with the Department’s budgeting process.

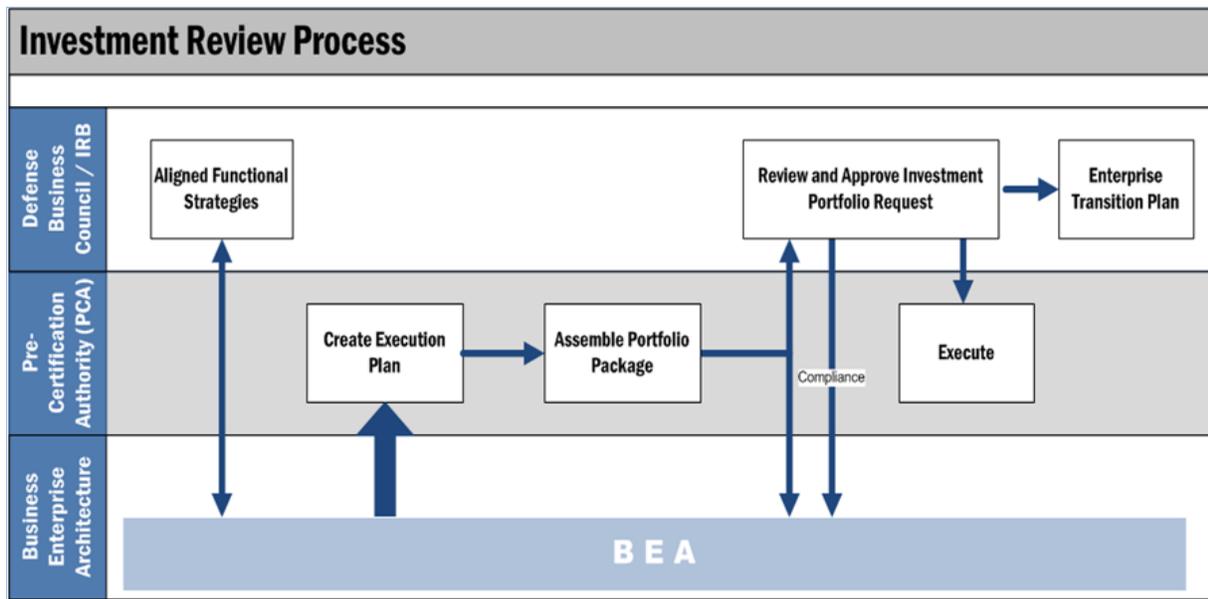


Figure 3 High-Level Investment Review Process

Information Transparency: Investment analysis requires a thorough understanding of the systems, the capabilities they provide, the processes they enable, and their associated cost. Access to authoritative data is a key aspect of the transparency required to make sound investments and ensure alignment to the BEA and ETP. The Department’s CIO will facilitate the examination of innovative approaches to extract authoritative data from disparate legacy data bases upon which the Department can render sound investment decisions. The process will incrementally add to the business system IT information available, with an ultimate goal of identifying total costs of operation including people, infrastructure, etc. By leveraging authoritative data at the source, portfolios can be displayed by function, organization, and process.

Transition: DoD is moving from its current system-by-system review of investments to the review of organizational portfolios aligned to functional strategies. As depicted in Figure 4, the IT and system costs are only portions of the total cost of providing a capability. Over time, the investment review process will expand to include consideration of the total cost of business operations.

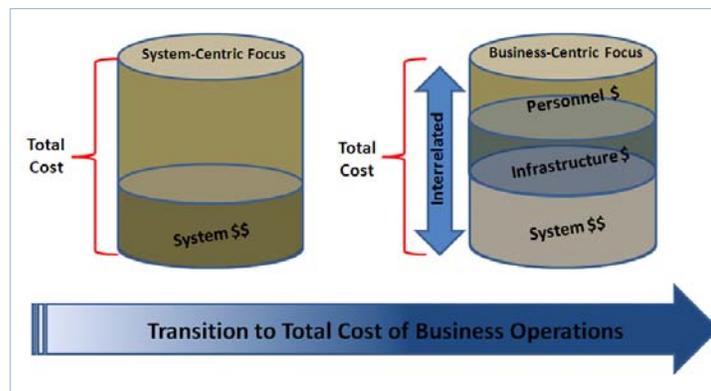


Figure 4 Transition Approach

Figure 5 identifies the Department’s timeline for establishing the new IRB and investment management processes under subsection 2222(g). There are many actions that must be completed before the Department fully implements the revised statutory framework for review and approval of DBS investments and operations. For the remainder of FY 2012, the Department will continue to use the existing section 2222 IRB certification process for the review and approval of DBS modernizations. The Department intends to implement subsection 2222(a) as modified by section 901 of the FY 2012 NDAA using the schedule outlined in Figure 5 to allow for transition to the expanded certification coverage.

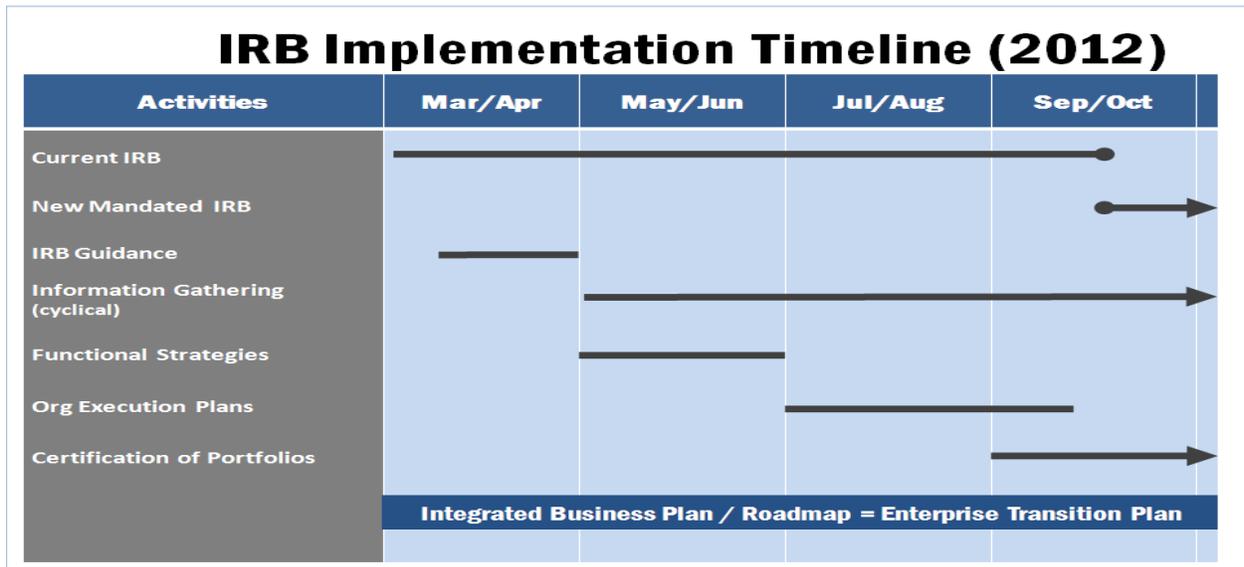


Figure 5 Proposed Transition Timeline

In accordance with the proposed timeline, the Under Secretaries of Defense will complete their respective functional strategies in the May/June timeframe. Initial organizational execution plan reviews for the Military Departments and Defense Agencies will begin in July and are expected to complete in September with formal implementation of the new certification process applicable to all Defense Business Systems covered under the new process to begin on October 1, 2012.

BEA Alignment: Future releases of the BEA will be driven by functional strategies that will serve as a blueprint for defining the Department’s target business environment. The BEA will continue to capture required Enterprise capabilities and align performance metrics to data standards, interoperability rules, business processes, the Department’s Enterprise Architecture and Strategic Management Plan.

APPENDIX A

Title 40 Subtitle III SECTION 11312

TITLE 40 > SUBTITLE III > CHAPTER 113 > SUBCHAPTER II > § 11312

§ 11312. Capital planning and investment control

(a) Design of Process.— In fulfilling the responsibilities assigned under section 3506 (h) of title 44, the head of each executive agency shall design and implement in the executive agency a process for maximizing the value, and assessing and managing the risks, of the information technology acquisitions of the executive agency.

(b) Content of Process. — The process of an executive agency shall—

(1) provide for the selection of investments in information technology (including information security needs) to be made by the executive agency, the management of those investments, and the evaluation of the results of those investments;

(2) be integrated with the processes for making budget, financial, and program management decisions in the executive agency;

(3) include minimum criteria to be applied in considering whether to undertake a particular investment in information systems, including criteria related to the quantitatively expressed projected net, risk-adjusted return on investment and specific quantitative and qualitative criteria for comparing and prioritizing alternative information systems investment projects;

(4) identify information systems investments that would result in shared benefits or costs for other federal agencies or state or local governments;

(5) identify quantifiable measurements for determining the net benefits and risks of a proposed investment; and

(6) provide the means for senior management personnel of the executive agency to obtain timely information regarding the progress of an investment in an information system, including a system of milestones for measuring progress, on an independently verifiable basis, in terms of cost, capability of the system to meet specified requirements, timeliness, and quality.

APPENDIX B

Acronyms

Acronym	Description
AT&L	Acquisition, Technology & Logistics
BEA	Business Enterprise Architecture
BPR	Business Process Reengineering
C	Comptroller
CCA	Clinger-Cohen Act
CIO	Chief Information Officer
CPIC	Capital Planning and Investment Control
DBS	Defense Business Systems
DBSMC	Defense Business Systems Management Committee
DCMO	Deputy Chief Management Officer
DITPR	Defense Information Technology Portfolio Repository
DMAG	Deputy's Management Action Group
DoD	Department of Defense
E2E	End-to-End
ETP	Enterprise Transition Plan
FY	Fiscal Year
GAO	Government Accountability Office
IRB	Investment Review Board
IT	Information Technology
ITIM	Information Technology Investment Management
MILDEPs	Military Departments
NDAA	National Defense Authorization Act
P&R	Personnel and Readiness
PfM	Portfolio Management
PPBE	Planning, Programming, Budgeting and Execution
SMP	Strategic Management Plan
SNaP-IT	Select and Native Programming Data System - Information Technology
USD	Under Secretary of Defense
U.S.C.	United States Code