

SECTION 53—INFORMATION TECHNOLOGY AND E-GOVERNMENT

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Ex-53 Agency Information Technology (IT) Investment Portfolio

Summary of Changes

Changes the title of section 53 to "Information Technology and E-Government."

Adds directions for linking IT Investments to the President's Management Agenda and "getting to green" on the scorecard for expanding e-government (section 53.2).

Defines life-cycle costs and provides guidance for formulating life-cycle costs (section 53.3).

Adds information on attendant documents and their requirements (section 53.5).

Provides information on formulating life-cycle costs for IT security (section 53.7).

Deletes the significant project definition and provides criteria for identifying systems as "major" or "small (section 53.7).

Requires appropriation/funding source information for each major project (section 53.7).

Adds information on identifying IT investments that support Homeland Security (section 53.7).

53.1 Why must I report on information technology?

This information helps OMB:

- Ensure that spending on IT supports an agency's mission;
- Identify investments in agency infrastructure and office automation;
- Identify investments that support agency enterprise architecture development, business process re-engineering (BPR), IT policy development, and acquisition management;
- Identify IT and E-Gov investments for review during the budget process;

- Identify opportunities for agencies to collaborate on e-Government initiatives that provide common lines of business to serve citizens, governments, and internal federal operations;
- Ensure that spending on IT prioritizes and manages e-Government projects effectively through your agency's capital planning process and enterprise architecture;
- Ensure that initiatives create a citizen-centered electronic presence and advance an e-Government strategy that includes specific outcomes to be achieved;
- Understand the amounts being spent on development and modernization of IT versus the amount being spent on operating and maintaining the status quo for IT;
- Understand an agency's governance processes (capital planning and investment control processes and enterprise architecture) for the portfolio of IT investments;
- Identify the funding sources for agency IT investments;
- Identify investments for IT security as part of agency life-cycle costs for specific investments and IT security that is crosscutting or infrastructure related;
- Ensure that life cycle costs for specific investments reflect compliance with OMB and agency privacy policies;
- Provide a full and accurate accounting of IT expenditures as required by the Paperwork Reduction Act of 1995 and the Clinger-Cohen Act of 1996;
- Ensure that spending on IT supports agency compliance with the requirements of Section 508 of the Rehabilitation Act Amendments of 1998 (Electronic and Information Technology Accessibility) and Section 504 of the Rehabilitation Act of 1973 (Reasonable Accommodation);
- Identify spending and priorities consistent with agency Government Paperwork Elimination Act (GPEA) Plans;
- Identify investments that support Homeland Security goals and objectives;
- Review requests for agency financial management systems;
- Review requests for agency grant management systems; and
- Prepare the Government-wide five-year plan required by the Chief Financial Officers (CFOs) Act of 1990.

You must provide this information using the Agency IT Investment Portfolio (exhibit 53) reporting format. This format was developed jointly by OMB and the Chief Information Officers' Council and provides basic information your agency needs to link its internal planning, budgeting, acquisition, and management of IT resources (i.e., the capital planning and investment control process). In addition, as an output of your agency's internal capital planning process, your budget justification for IT must provide results oriented information on IT operations and improvement initiatives in the context of the agency's missions and operations. Your budget justification, including the status and plans for information systems, should be consistent with your agency's submissions on financial management activities required by section 52 and the applicable guidance in Part 7 of this Circular.

Total investments costs must cover the life of each system and include all budgetary resources (direct appropriation, working capital fund, revolving funds, etc.). Budgetary resources are defined in section 20 of this circular. Life cycle costs should also be risk adjusted to include any risks addressed on the Capital Asset Plan and Business Case that have not been mitigated. Examples of areas that may cause the adjustment of life-cycle costs would be strategic risks, technological risks, human capital issues, acquisition strategy, IT security and privacy risks, enterprise architecture, and any other issues identified on the capital asset plan. These total investment costs must be formulated and reported in order for OMB to meet the Clinger-Cohen Act's requirement that "at the same time that the President submits the budget for a fiscal year to Congress under section 1105(a) of title 31, United States Code, the Director shall submit to Congress a report on the net program performance benefits achieved as a result of major capital investments made by executive agencies in information systems and how the benefits relate to the accomplishment of the goals of the executive agencies."

53.2 How do I ensure that IT investments are linked to and support the President's Management Agenda?

All IT Investments must support the President's Management Agenda and must clearly demonstrate that the investment is needed in order to close a specific performance gap and enable agency strategic goals and missions. The President's Management Agenda Scorecard Items are:

- Human Capital;
- Competitive Sourcing;
- Financial Performance;
- E-Government; and
- Budget and Performance Integration.

The President's Budget also defines guiding principles for the investments supporting the President's Management Agenda. The principles OMB will use to implement the PMA and the supporting IT investments are to ensure that investments:

- Create a citizen centered, results oriented, and market based government;
- Support Homeland Security, War on Terrorism, and Revitalizing the Economy;
- Identify and manage corporate measures of success;
- Simplify and unify redundant activities, both within and across agencies;
- Where appropriate, investments are aligned with the President's E-Gov initiatives, identified at <http://www.whitehouse.gov/omb>
- Represent sound business cases that address overall solutions (human capital, competitive sourcing, financial performance, e-government, and budget and performance integration) as applicable; and
- Include strategic partnerships to perform business with state, local, other federal agencies, non-profit organizations, and private industry as appropriate.

OMB will give priority consideration to IT investments that leverage technology purchases across multiple entities, ensure operational objectives are met, utilize technology that improves decision making,

employ knowledge management tools, support the Federal Business Architecture, and ensure that systems and information are secure.

OMB will present investments for the President's E-Government initiatives, as well as new e-government investments identified through the Federal Business Architecture, using an integrated budget process that compliments each agency's investment portfolio. OMB will work with agencies to build from the IT and E-Government strategy outlined in this section and section 300 in identifying these cross-agency investments. Accordingly, where one agency's activities should be aligned with those of another agency in order to serve citizens, businesses, governments, and internal Federal operations, OMB will give priority to agencies that have worked collectively to present and support activities in an integrated fashion. The FY 2004 Budget will appropriately reflect such interagency collaboration, and agencies will be expected to use the Exhibit 300 to demonstrate these efforts.

Each of the line items for major projects on the Exhibit 53 are a roll-up of particular line items and elements from the Exhibit 300 detailed in Section 300. Exhibit 300 is where the agency makes the business cases, and the Exhibit 300 serves as the primary means of justifying IT investment proposals as well as managing IT investments once they are funded. The details of those business cases and their viability inform the overall Exhibit 53 and the budget decisions that are made.

As detailed in Section 300, business cases (Exhibit 300s) for IT, must:

- Demonstrate the overall strategy outlined in this section;
- Follow the guiding principles of this section;
- Support the agency's strategic plans and annual performance plans;
- Link to and support the agency strategic IRM plans;
- Be a visible part of the modernization strategy of the agency (enterprise architecture);
- Address solutions (people, processes, and technology) rather than IT alone;
- Demonstrate strong acquisition strategies that mitigate the risk to the federal government;
- Demonstrate strong program and project management;
- Identify, control, and manage risks associated with the investment;
- Demonstrate how the investment is specifically addressing a performance gap or business need of the agency and how it supports the agency's strategic and performance goals;
- Demonstrate the use of earned value management system information to manage and control the investment;
- Ensure information and systems are secure and that security is part of the management of the process from initial concept and throughout the entire life cycle of the investment;
- Protect privacy in a manner consistent with relevant laws and OMB policies, including privacy impact assessments where appropriate;

- Demonstrate that project is achieving at least 90 percent of planned costs, schedule, and performance goals; and
- Ensure life cycle costs as formulated are risk adjusted as necessary and are as inclusive as the business case would require.

The governance processes required as attendant documents to this section (IRM Plan, document CPIC process, and the EA) are used in connection with the business cases (Exhibit 300) and this "Agency IT Investment Portfolio" (Exhibit 53) to demonstrate the agency management of IT investments and how these governance processes are used to make decisions about IT investments within the agency.

The individual agency Exhibit 53s are used to create an overall "Federal IT Investment Portfolio" that is published as part of the President's Budget. OMB's portfolio review and budget process will ensure that IT investments support the strategy identified in this section and ensure that the Federal IT Investment Portfolio includes the most effective portfolio of investments that:

- Simplify and integrate processes across redundant or duplicative programs to make it easier for citizens to get service;
- Directly improve the management of programs to achieve better program outcomes;
- Ensure sound security of government information systems and appropriate protection of information held in those systems;
- Eliminate redundant or non productive IT investments;
- Bring successful e-business practices to government administrative operations, such as effective procurement and human capital management strategies, including maximizing web-based architectures;
- Make appropriate use of technology components identified through the component based architecture work of OMB and CIO Council;
- Support the Federal Business Architecture; and
- Support the President's E-Government Initiatives and Strategy.

Annually, Chapter 22 of the Analytical Perspectives of the President's Budget provides the results of OMB reviews for agency's capital planning processes, enterprise architectures, business cases, efforts on expanding e-government, IT performance management, and overall health and well being of the management of the agency IT Investments. A companion document entitled "Performance Information for Major IT Investments" uses information from the Exhibit 300s and this section to provide a snapshot of IT investments, their planned investments, support of the agency strategic goals, and the performance goals and measures identified for the investments.

Getting to Green on Expanding E-Government:

Agency plans for achieving "Green" on the E-Gov Scorecard should include plans to achieve:

- Strategic Value: all major systems investments have a business case submitted that meets the requirements of OMB Circular A-11 (Exhibit 53, Exhibit 300);

- Agency has an integrated, departmental, capital planning and enterprise architecture process;
- IT Program Performance: On average, all major IT projects operating within 90% of Exhibit 300 cost, schedule, and performance targets; and
- IT Security: Agency has implemented and manages an enterprise-wide program to monitor the IT security programs of its major components. Each component identifies and manages risks to information and information systems.

E-government and GPEA implementation (must show department-wide progress or participation in multi-agency initiative in 3 areas):

- Citizen one-stop service delivery integrated through Firstgov.gov, cross-agency call centers, and offices or service centers;
- Minimize burden on business by re-using data previously collected or using ebXML or other open standards to receive transmissions;
- Intergovernmental: Deploying E-grants or Geospatial Information one-stop; and
- Obtaining productivity improvements by implementing customer relationship management, supply chain management, enterprise resource management, or knowledge management best practices.

53.3 What special terms must I know?

Capital planning and investment control (CPIC) is the same as capital programming and is a decision-making process for ensuring that information technology (IT) investments integrate strategic planning, budgeting, procurement, and the management of IT in support of agency missions and business needs. The term comes from the Clinger-Cohen Act of 1996 and generally is used in relationship to IT management issues.

E-business (Electronic Business) means doing business online. E-business is often used as an umbrella term for having an interactive presence on the Web. A government e-business initiative or project includes web-services type technologies, component based architectures, and open systems architectures designed around the needs of the customer (citizens, business, governments, and internal federal operations).

E-government is the use by the government of web-based Internet applications and other information technologies, combined with processes that implement these technologies.

Earned Value Management (EVM) is a project management tool that effectively integrates the project scope of work with schedule and cost elements for optimum project planning and control. The qualities and operating characteristics of earned value management systems are described in American National Standards Institute (ANSI)/Electronic Industries Alliance (EIA) Standard –748–1998, *Earned Value Management Systems*, approved May 19, 1998.

Federal Enterprise Architecture Business Reference Model (IT related) is a function-driven framework for describing the Lines of Business and Internal Functions performed by the Federal Government independent of the agencies that perform them. The Business Reference Model (BRM) serves as the business layer of the Federal Enterprise Architecture (FEA). It provides a foundation on which the applications, data, and technology layers of the FEA are developed. Agency Capital Asset Plans (Exhibit

300s) will be mapped against this framework to identify opportunities for cross-agency collaboration and potential system redundancies.

The BRM employs a three-tiered hierarchy to describe the business of the Federal government. *Business Areas* provide a high-level view of the types of operations the Federal Government performs. The Four Business Areas decompose into 31 *Lines of Business* and *Internal Functions*. The Lines of Business describe more specifically the services and products the Government provides to its stakeholders, while the Internal Functions describe the back office and support activities that enable the Government to operate. Finally, there are 132 *Sub-Functions* that form the final level of decomposition within the FEA BRM and communicate the specific activities that Federal agencies perform within each Line of Business and Internal Function.

Financial management systems are financial systems and the financial portion of mixed systems (see definitions below) that support the interrelationships and interdependencies between budget, cost and management functions, and the information associated with business activities.

Financial systems are comprised of one or more applications that are used for any of the following:

- Collecting, processing, maintaining, transmitting, and reporting data about financial events;
- Supporting financial planning or budgeting activities;
- Accumulating and reporting cost information; or
- Supporting the preparation of financial statements.

A financial system supports the processes necessary to record the financial consequences of events that occur as a result of business activities. Such events include information related to the receipt of appropriations or resources; acquisition of goods or services; payment or collections; recognition of guarantees, benefits to be provided, or other potential liabilities or other reportable activities.

Funding source means the direct appropriation or other budgetary resources an agency receives. You need to identify the account and the budget authority provided. Report those accounts that provide the financing for a particular investment. *To avoid double counting, do not report any accounts receiving intra-governmental payments to purchase IT investments or services as funding sources.*

Information system means a discrete set of information technology, data, and related resources, such as personnel, hardware, software, and associated information technology services organized for the collection, processing, maintenance, use, sharing, dissemination or disposition of information.

Information technology, as defined by the Clinger-Cohen Act of 1996, sections 5002, 5141, and 5142, means any equipment or interconnected system or subsystem of equipment that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information. For purposes of this definition, equipment is "used" by an agency whether the agency uses the equipment directly or it is used by a contractor under a contract with the agency that (1) requires the use of such equipment or (2) requires the use, to a significant extent, of such equipment in the performance of a service or the furnishing of a product. Information technology includes computers, ancillary equipment, software, firmware and similar procedures, services (including support services), and related resources. It does not include any equipment that is acquired by a Federal contractor incidental to a Federal contract.

Integrated Project Team (IPT) means a multi-disciplinary team lead by a program manager responsible and accountable for planning, budgeting, procurement and life-cycle management of the project to achieve its cost, schedule and performance goals. Team skills include: budgetary, financial, capital

planning, procurement, user, program, value management, earned value management, and other staff as appropriate.

Life Cycle Costs means the overall estimated cost for a particular program alternative over the time period corresponding to the life of the program, including direct and indirect initial costs plus any periodic or continuing costs of operation and maintenance.

Major IT system or project means a system that requires special management attention because of its importance to an agency mission; its high development, operating, or maintenance costs; or its significant role in the administration of agency programs, finances, property, or other resources. Large infrastructure investments (e.g., major purchases of personal computers or local area network improvements) should also be evaluated against these criteria. Your agency Capital Planning and Investment Control Process may also define a "major system or project." All major systems or projects must be reported on Exhibit 53. In addition, a "major" IT system is one reported on your "Capital Asset Plan and Business Case," Exhibit 300. For the financial management mission area, "major" is any system that costs more than \$500,000. Additionally, if the project or initiative directly supports the President's Management Agenda Items, then the project meets the criteria of "high executive visibility." Projects that are E-Government in nature or use e-business technologies must be identified as major projects regardless of the costs. If you are unsure about what systems to consider as "major," consult your agency budget officer or OMB representative. Systems not considered "major" are "small/other."

Mixed system means an information system that supports both financial and non-financial functions of the Federal Government or components thereof.

Non-financial system means a system that supports management functions of the Federal Government or components thereof and does not record financial events or report financial information.

On-Going Project means a project that has been through a complete budget cycle with OMB and represents budget decisions consistent with the President's Budget for the current year (BY-1).

Operational (steady state) means an asset or part of an asset that has been delivered and is performing the mission.

Planning means preparing, developing or acquiring the information you will use to design the project; assess the benefits, risks, and risk-adjusted life-cycle costs of alternative solutions; and establish realistic cost, schedule, and performance goals, for the selected alternative, before either proceeding to full acquisition of the capital project or useful segment or terminating the project. Planning must progress to the point where you are ready to commit to achieving specific goals for the completion of the acquisition. Information gathering activities may include market research of available solutions, architectural drawings, geological studies, engineering and design studies, and prototypes. Planning is a useful segment of a capital project. Depending on the nature of the project, one or more planning segments may be necessary.

Small/Other IT Project means any initiative or project not meeting the definition of major defined above but that is part of the agency's IT investments.

Useful segment means an economically and programmatically separate component of a capital project that provides a measurable performance outcome for which the benefits exceed the costs, even if no further funding is appropriated.

53.4 How do I determine whether I must report?

Submit an agency IT investment portfolio (exhibit 53) to OMB if either of the following are true:

- Your agency is requesting funding for IT investments via a Capital Asset Plan and Business Case (see section 300). If you are unsure whether your agency will submit exhibit 300, consult your OMB representative.
- Your financial management system budgetary resources are above \$500,000.

53.5 How do I submit exhibit 53 and when is it due?

Section 53 requires the submission of the Exhibit 53 and several attendant documents. OMB Circular A-130, "Management of Federal Information Resources", requires that agency initial budget submissions include:

- Agency IRM Plan;
- Documented Capital Planning and Investment Control (CPIC) process; and
- Agency Enterprise Architecture.

For specifics on what should be included in these attendant documents and their requirements, please refer to section 8B of Circular A-130. OMB Circular A-130 is available on the OMB Website at <http://www.whitehouse.gov/omb/circulars/a130/a130trans4.html>.

You must submit exhibit 53 in an electronic format either by e-mailing a spreadsheet version of exhibit 53 to exhibit53@omb.eop.gov or, if your agency uses I-TIPS, by submitting it directly from I-TIPS. The attendant documents must all be submitted electronically in whatever format the agency used to create the documents. All of these items will be assessed as part of the budget process and information provided to the agency via passback. The subject line must have the three digit OMB agency code (see [Appendix C](#)) and the full agency name.

Your exhibit 53 and the attendant documents are due to OMB by September 9th. In addition, you must update each exhibit 53 and the accompanying Capital Asset Plans and Business Cases (Exhibit 300) you submitted in September to reflect any changes due to final budget decisions (see [section 100.1](#)).

53.6 If I submitted exhibit 53 last year, how do I revise it this year?

If your agency provided an exhibit 53 for the FY 2003 Budget, you may choose to update the file that your agency submitted last year. The file should be updated to reflect any new column headings in the FY04 reporting requirements. It is important that you ensure that the file is updated to reflect PY for FY2002, CY for FY2003, and BY for FY2004. The exhibit 53 will also need to be updated to add the financial percentage and IT security percentage of spending for the entry.

53.7 How is exhibit 53 organized?

(a) *Overview.*

As a general rule, exhibit 53 covers IT for your agency as a whole. Provide investment amounts in millions (to one decimal point) PY through BY. Information reported here must be consistent with data you report in MAX schedule O, object classification (specifically, object classes 11.1 through 12.2, 23.1,

23.2, 25.2, 25.3, 25.7, 26.0, 31.0, and 41.0). Include all major IT systems, projects, and initiatives, including financial management systems, reported in exhibit 300.

Exhibit 53 has four major parts:

- Part 1. IT systems by mission area.
- Part 2. IT infrastructure and office automation.
- Part 3. Enterprise architecture and planning.
- Part 4. Grants management.

All parts use the following common data elements:

- **Title** means a definitive title that explains what the project or investment is entitled. This should include a short project description for each project of one-hundred words or less. This description should explain the entry item, its components, and what program(s) it supports. This description should be understandable to someone who is not an expert in the agency.
- **Development/modernization/enhancement** means the program cost for new systems, changes or modifications to existing systems that improve capability or performance, changes mandated by Congress or agency leadership, personnel costs for project management, and direct support. This amount equals the sum of amounts reported for planning and full acquisition of that system in exhibit 300 and is required for "major" systems only.
- **Steady state** means maintenance and operation costs at current capability and performance level including costs for personnel, maintenance of existing information systems, corrective software maintenance, voice and data communications maintenance, and replacement of broken IT equipment. This amount equals amounts reported for maintenance of that system in exhibit 300 and is required for "major" systems only.
- **Percentage financial** means an estimated percentage of the total system budget authority associated with the financial components. See the financial system definition for a description of financial functions.
- **Supports Homeland Security** means an IT system or project that supports homeland security goals and objectives, i.e., 1) improves border and transportation security, 2) combats bioterrorism, 3) enhances first responder programs, 4) improves information sharing to decrease response times for actions and improves the quality of decision making.
- **Percentage IT security** means an estimated percentage of the total investment for budget year associated with IT security for a specific project. Federal agencies must consider the following criteria to determine security costs for a specific IT investment:
 1. The products, procedures, and personnel (Federal employees and contractors) that are primarily dedicated to or used for provision of IT security for the specific IT investment. Do not include activities performed or funded by the agency Inspector General. This includes the costs of:
 - risk assessment;
 - security planning and policy;

