MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Beth Cobert
Deputy Director for Management

Steven VanRoekel
Federal Chief Information Officer

SUBJECT: Fiscal Year 2014 PortfolioStat

May 7, 2014

This memorandum provides guidance for the conduct of PortfolioStat sessions in the remainder of Fiscal Year (FY) 2014. PortfolioStat is a core tool used to improve both the efficiency and effectiveness of Federal information technology (IT). Like the past two years, PortfolioStat will consist of a data-driven review of agency portfolio management between the Federal Chief Information Officer, the Agency Deputy Secretary and other senior agency officials. The FY 2014 PortfolioStat will continue to drive cost savings and efficiencies while evolving to focus on the effectiveness of high impact IT investments and the delivery of IT services.

The President’s Management Agenda\(^1\) reflects the Administration’s commitment to building a Government that focuses on results and draws on evidence-based practices to ensure that every taxpayer dollar is used wisely and to the maximum effect. This comprehensive and forward looking agenda focuses on four key areas:

- **Effectiveness**: delivering better, faster, smarter services to citizens and businesses;
- **Efficiency**: increasing quality and value in the Government’s core administrative functions;
- **Economic Growth**: opening Government-funded data and research to the public to spur innovation and economic growth; and,
- **People and Culture**: unlocking the full potential of today’s Federal workforce and building the workforce we need for tomorrow.

\(^1\) The President’s Management Agenda is supported by the Fiscal Year 2015 Budget. See Creating a 21st Century Government.
Each of these areas of the President’s Management Agenda are dependent on continuously assessing— and improving— the way the Federal Government buys, builds and deploys information technology. In order to drive this continuous improvement in IT management, the PortfolioStat initiative was launched in Fiscal Year 2012 (FY 2012). PortfolioStat is an on-going review used to consolidate and eliminate duplicative spending on Commodity IT and assess the maturity of Federal IT portfolio management in order to improve agency processes to drive mission and customer-focused IT solutions. These efforts serve as a foundation for improving acquisition through strategic sourcing, as well as to increase both the efficiency and effectiveness of IT investments.

The FY 2013 PortfolioStat streamlined agency reporting functions and reduced burden through the creation of an Integrated Data Collection (IDC) approach. Additionally, building on lessons learned from the FY 2012 PortfolioStat process, OMB developed a pilot set of key performance indicators (KPIs) designed to more effectively measure agency progress and improvements in portfolio management.

During FY 2013 PortfolioStat, OMB also integrated the Federal Data Center Consolidation Initiative (FDCCI). Agencies categorized their data centers into two categories: core and non-core. Under PortfolioStat, agencies are continuing to consolidate their non-core data centers while optimizing their core data centers across a suite of total cost of ownership KPIs.

Taken together, the KPIs measured progress across three strategic Federal IT areas— maximizing return on investment (Deliver), adopting the use of innovative technologies (Innovate), and cybersecurity (Protect). The streamlined data collection approach has improved the quality and reliability of pertinent management data, while the use of KPIs has created a focus on critical Federal policy areas.

Based on the outcomes of the FY 2012 and FY 2013 PortfolioStat sessions, agencies identified approximately $2.5 billion in savings opportunities through the end of Fiscal Year (FY) 2015. To date, agencies have saved over $1.92 billion, achieving approximately 77 percent of the $2.5 billion identified, putting the Federal Government ahead of schedule in meeting the targeted savings. At a time when doing more with less is so critical, these savings provide agencies with funds to reinvest in higher-value, mission activities and innovative approaches for improving the delivery of IT services.

The FY 2014 PortfolioStat (see Attachment 1) will continue to focus on driving efficiencies by measuring progress on strengthening IT portfolio management and consolidating

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2 See OMB M-12-10, Implementing PortfolioStat and OMB M-13-09, Fiscal Year 2013 PortfolioStat Guidance: Strengthening Federal IT Portfolio Management for more background.
3 See OMB M-11-29, Chief Information Officer Authorities.
4 See OMB M-13-02, Improving Acquisition Through Strategic Sourcing
5 Detailed IDC instructions are available through the FY 2014 PortfolioStat MAX page
6 OMB M-13-09 referred to these as metrics. For the sake of consistency, metrics and KPIs are the same thing.
7 Attachment 2 contains a more detailed listing of FY 2013 PortfolioStat KPI metrics.
8 Savings reported by agencies as of March 31, 2014.
commodity IT through the analysis of the KPIs established in FY 2013. In addition, PortfolioStat will focus on IT effectiveness by identifying and assessing high impact investments. In doing so, PortfolioStat will drive progress on the President’s Management Agenda by ensuring that critical IT investments deliver their intended impact and meet customer needs.

We ask each of you to focus on PortfolioStat this year, and to continue to drive improvements in the way we buy, build, and deliver information technology solutions to support our missions.

For questions regarding this memorandum, contact the Office of E-Government and Information and Technology at egov@omb.eop.gov with "FY 2014 PortfolioStat" as the subject line.

Attachment

# # #
Attachment 1

This attachment provides implementation guidance for M-14-08, *Fiscal Year 2014 PortfolioStat.*

**Fiscal Year 2014 PortfolioStat Focus Areas**

FY 2014 PortfolioStat will continue to focus on *efficiency* by assessing progress on deliver, innovate and protect key performance indicators (KPIs), while also evolving to measure the *effectiveness* of high impact investments.

**Assessing Progress on Deliver, Innovate, and Protect KPIs**

During FY 2013 PortfolioStat, OMB established a pilot series of KPIs⁹, designed to measure high-level policy outcomes and determine whether agencies cost-efficiently deployed their IT investments, drove innovation to meet customer needs, and protected Federal data and systems (see Attachments 2 and 3). The intent of the pilot KPIs was to test different modes of data-driven, decision-making across the diverse Federal IT portfolio, solicit feedback on existing IT policies and programmatic objectives and measures, and use benchmarks and peer grouping to demonstrate how an agency is performing towards IT policy goals.

Under FY 2014 PortfolioStat, OMB will collaborate with agencies to analyze Integrated Data Collection (IDC) information and assess agency progress on the FY 2013 KPIs. In addition, OMB will mature the KPIs to address other aspects of Federal IT portfolio management and allow for better tracking of policy impacts and outcomes. This analysis will serve as the foundation for the FY 2014 PortfolioStat Sessions. To advance the impact of the KPIs, OMB will work with agencies to cultivate strengthened data and analysis methods for evaluating these measures, including further refining data collection and increased linking to existing data that will provide greater insights to the maturity of agency IT portfolios.

**Measuring the Effectiveness of IT Delivery**

Agencies, in coordination with OMB, will identify IT investments that merit additional support and oversight by OMB and/or agency leadership, due to their high impact. Criteria for selecting these investments may include, but is not limited to, broad public impact; citizen-facing programs, criticality to agency mission, and scale/cost. The FY 2014 PortfolioStat sessions will include a review of high impact investments. This review will increase agency head visibility into the status and performance of these investments. Inclusion will also provide the opportunity for agency heads to improve program oversight and more effectively lead transformational change by engaging all elements of their leadership teams, to include the Chief Information Officer (CIO), Deputy Secretary and/or Chief Operating Officer (COO), Chief Human Capital Officer (CHCO), Chief Financial Officer (CFO), Chief Acquisition Officer (CAO), Performance

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⁹ These pilot KPIs (a) mirrored an existing Cross Agency Priority (CAP) Goal, established under the GPRA Modernization Act; (b) reflected objectives outlined in statute and/or existing OMB policy memorandums; and/or (c) made use of disparate data and reporting elements to construct a measure of efficiency or effectiveness.
Improvement Officer (PIO), Bureau officials, program officials, and other decision-makers to identify program risks, obstacles, and associated mitigation strategies to ensure the successful delivery of citizen-focused services.

In coordination with OMB, agencies will create an action plan that establishes goals, targets, and timelines across the three IT strategic focus areas assessed during the PortfolioStat session: deliver, innovate and protect. This action plan will include specific goals and targets for high impact investments. Development and tracking of this action plan will help inform Fiscal Year 2016 (FY 2016) budget formulation and other resource decisions.

**PortfolioStat Responsibilities, Deliverables and Processes**

As with FY 2013 PortfolioStat, this year’s activities will take place in three phases: (1) Preparation; (2) Session; and (3) Post-Session. The following provides details on each phase with guidance on the schedule and requirements to ensure PortfolioStat is implemented consistently.

**Phase 1: Preparation**

By May 30, 2014 OMB will complete its work with agencies to identify initial high impact investments. By May 31, 2014, agencies shall update their IDC. By June 19, 2014, OMB will complete its analysis, use the data submitted by agencies to prepare KPIs used at PortfolioStat sessions, determine the state of agencies’ IT portfolio management (to include an assessment of the effectiveness of high impact investments), share feedback with the agencies, and develop an agenda tailored to the unique insights of each agency. OMB will provide agency PortfolioStat leads with the agenda and analysis. Agencies are encouraged to work closely with OMB to provide clarifications and improvements to the preparation prior to the PortfolioStat session.

**Phase 2: Session**

Immediately following release of this memorandum, agency PortfolioStat leads shall work with OMB to schedule a two-hour PortfolioStat session to be conducted no later than July 31, 2014. In the session, the Federal CIO, along with agency senior leadership to include the Deputy Secretary, COO, CIO, CAO, CHCO, CFO, CISO, PIO, and key program and evaluation officials will review changes or updates to the agency’s Strategic Information Resources Management (IRM) Plan and Enterprise Roadmap, trending data from the agency’s IDC and other data submissions, such as FDCCI optimization metrics and progress against current and new KPIs.

Based on the discussion, OMB and the agency will identify and agree on actionable next steps and specific timeframes for the actions to be taken, which OMB will formalize and transmit in a memorandum to the agency within three weeks of the completed session, and no later than August 31, 2014. Where appropriate, results from these sessions shall be integrated into agency FY 2016 budget submissions and Congressional Budget Justifications, including planned funding needs, and actual or planned cost savings and cost avoidances realized or to be realized in FY 2013, FY 2014 and FY 2015.
Phase 3: Post-Session

Upon receipt of the action item memorandum, agency PortfolioStat leads shall work with OMB's Office of E-Government and Information and Technology to establish follow-up discussions not less than quarterly to track progress against action items identified. Deviation from the committed schedule shall trigger a requirement for follow-up briefings by the agency to the Federal CIO no less frequently than quarterly, until corrective actions have been implemented or the action item is back on schedule.

By August 31, 2014, November 30, 2014, February 28, 2015, and the last day of each quarter thereafter, agencies shall update their IDC.

Agencies are encouraged to update their IRM Strategic Plan and Enterprise Roadmap\(^\text{10}\) to reflect FY 2014 PortfolioStat sessions, FY 2015 budget execution activities and FY 2016 budget formulation.

To assist with PortfolioStat, OMB has created a MAX page to share information related to FY 2014 PortfolioStat implementation (https://max.omb.gov/community/x/-YyiKg).

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\(^{10}\) In FY 2014, consistent with broader agency strategic planning activities conducted under the GPRA Modernization Act, agency IRM Strategic Plans and Enterprise Roadmaps should be updated on an as needed basis.
# Fiscal Year 2013 PortfolioStat Pilot KPIs

<table>
<thead>
<tr>
<th>Area</th>
<th>KPI</th>
<th>KPI Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deliver</td>
<td>Deliver on Budget.</td>
<td>Percent of IT project costs within 10% of budgeted cost (% “green” on IT Dashboard)</td>
</tr>
<tr>
<td></td>
<td>Deliver on Schedule.</td>
<td>Percent of IT projects within 10% of budgeted schedule (% “green” on IT Dashboard)</td>
</tr>
<tr>
<td></td>
<td>Meet Customer Expectations.</td>
<td>Percent of “customer results” and “mission and business results” performance metrics met</td>
</tr>
<tr>
<td></td>
<td>Control Operating Costs.</td>
<td>Percent of IT spending on new solutions (Development, Modernization, &amp; Enhancement)</td>
</tr>
<tr>
<td>Innovate</td>
<td>Design for Modularity.</td>
<td>Average planned duration of activities providing key deliverable and usable functionality</td>
</tr>
<tr>
<td></td>
<td>Deliver Faster.</td>
<td>Average actual key deliverable and usable functionality duration</td>
</tr>
<tr>
<td></td>
<td>Attain Technical Readiness.</td>
<td>Percent of operational Internet Protocol version 6 (IPV6) Enabled Domains</td>
</tr>
<tr>
<td></td>
<td>Adopt New Technologies.</td>
<td>Percent of investments that evaluated cloud alternatives</td>
</tr>
<tr>
<td>Protect(^1)</td>
<td>Assess Risks in Real-Time.</td>
<td>Average percentage of hardware assets with automated access to an automated inventory, configuration management, or vulnerability management.</td>
</tr>
<tr>
<td></td>
<td>Control Access.</td>
<td>Percentage of all users required to use a Personal Identity Verification (PIV) card to authenticate.</td>
</tr>
<tr>
<td></td>
<td>Secure External Connections.</td>
<td>Percentage of external network traffic passing through a Trusted Internet Connection (TIC).</td>
</tr>
<tr>
<td></td>
<td>Monitor External Connections.</td>
<td>Percentage of required TIC capabilities implemented by TIC(s) used by the organization.</td>
</tr>
</tbody>
</table>

\(^1\) Protect KPIs are each based on a component of the Cybersecurity Cross-Agency Priority Goal described on Performance.gov. Each of these components is described in detail at: http://www.dhs.gov/xlibrary/assets/nppd/ciofismametricsfinal.pdf
As part of Fiscal Year 2013 PortfolioStat, the Federal Data Center Consolidation Initiative Task Force established optimization KPIs\textsuperscript{12}, which measure agency progress towards optimizing their core data centers. The optimization KPIs are listed below\textsuperscript{13}:

<table>
<thead>
<tr>
<th>KPI</th>
<th>KPI Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power Usage Effectiveness (PUE)</td>
<td>Total power consumed / total IT power consumed</td>
</tr>
<tr>
<td>Cost Per Operating System per Hour (COSH)</td>
<td>Total costs of a data center / number of operating systems per hour</td>
</tr>
<tr>
<td>Virtualization Optimization %</td>
<td>Average of the following three metrics: virtualized operating systems, virtualization density and virtual hosts</td>
</tr>
<tr>
<td>Virtualized Operating Systems %</td>
<td>Number of virtualized operating systems / total operating systems</td>
</tr>
<tr>
<td>Virtualization Density</td>
<td>Virtual operating systems / virtual hosts (recalibrated to a %)</td>
</tr>
<tr>
<td>Virtual Hosts %</td>
<td>Virtual hosts / total servers</td>
</tr>
<tr>
<td>Server to Full Time Equivalent (FTE) Ratio</td>
<td>Total servers / total data center personnel (federal employees and contractors)</td>
</tr>
<tr>
<td>Facility Utilization %</td>
<td>(total rack count * 30 square feet) / (total square feet reported)</td>
</tr>
<tr>
<td>Storage Utilization %</td>
<td>Total storage used / total storage</td>
</tr>
<tr>
<td>Core to non-core physical server ratio</td>
<td>Number of physical servers in core data centers vs. number of physical servers in non-core data centers</td>
</tr>
<tr>
<td>Core to non-core OS ratio</td>
<td>Core to non-Core OS Ratio (Number of OS’s in core data centers vs. OS’s in non-core data centers).</td>
</tr>
</tbody>
</table>

\textsuperscript{12} OMB M-13-09 referred to these as metrics. For the sake of consistency, metrics and KPIs are equivalent.

\textsuperscript{13} The optimization metrics listed were used during the FY 2013 sessions. In coordination with agencies and the FDCCI Task Force, OMB will continue to refine these metrics as we prepare for FY 2014 PortfolioStat sessions.