ASSISTANT SECRETARY OF DEFENSE
6000 DEFENSE PENTAGON
WASHINGTON, DC 20301-6000

July 25, 1997

COMMAND, CONTROL,
COMMUNICATIONS, AND
INTELLIGENCE

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Information Technology (IT) Investment Management
Insight Policy for Acquisition

This policy memorandum updates and supersedes the ASD(C3I) interim policy memorandum, "Information Technology (IT) and National Security System (NSS) IT Acquisition Oversight," August 6, 1996.

The Department faces a revolutionary change in the philosophy of IT investment management. As the Secretary of Defense stated in his memorandum of June 2, 1997, (Implementation of Subdivision E of the Clinger - Cohen Act of 1996), "...the Department must embrace new ways of doing business, and understand the need to treat technology expenditures as investments." To do this, we must revise our polices, practices and procedures, and overcome cultural and organizational barriers. I envision an environment in which IT investment management is fully integrated with the IT capital planning and investment control process. When this vision is achieved, there should be no need for the kind of reporting that this policy. memoranda requires.

The formulation of this policy for insight of IT acquisition is part of the evolving implementation of the IT investment process. I use the term "insight" to break the image of past centralized IT oversight and to create an environment that fosters greater teamwork, open dialog and a sense of common purpose. Under this approach, my staff will contribute to the

appropriate integrated product teams; monitor selected acquisitions; and provide the visibility I need as the Chief Information Officer (CIO), DoD to maintain cognizance of the Department's significant IT investments and ensure that they are made in accordance with IT policies. To serve these purposes, I must continue to require certain acquisition information be provided to my staff.

It is my intent to continue the incremental implementation of IT investment management policy started with the interim policy memorandum of August 6, 1996. I will consider your recommendations and, specifically, the recommendations made by the DoD Chief Information Officer Council. Therefore, as part of this insight process, I am taking the following steps to fu ther streamline our current IT acquisition policy, and institutionalize IT investment management for IT acquisitions.
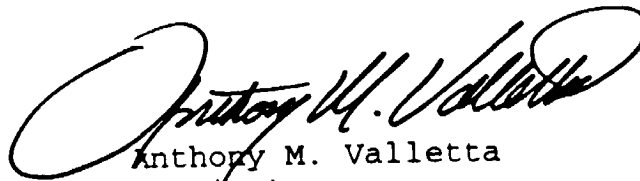
Effective immediately:

- For IT acquisitions, including NSS acquisitions, that exclusively support Major Defense Acquisition Programs (MDAP) or Major Automated Information Systems (MAIS), insight will be gained through the integrated product team process and MAIS Review Council or Defense Acquisition Board documentation. No separate submissions are required. Requirements for compliance with reform legislation are stated in the Office of the Secretary of Defense memorandum, "Requirements for Compliance with Reform Legislation for Information Technology Acquisitions (Including National Security Systems)," May 1, 1997.

- For IT acquisitions that do not exclusively support MDAPs or MAISs, DoD Components shall submit either (1) a copy of the Acquisition Plan (AP) prepared in accordance with the Defense Federal Acquisition Regulation Supplement Subpart 207.1, if an AP is required; or (2) an IT Acquisition Paper as defined in the Attachment.

- DoD Components shall incorporate an IT investment baseline performance agreement into their IT acquisition procedures. The "Guide for Managing Information Technology as an Investment and Measuring Performance," issued under ASD(C3I) Memorandum dated February 14, 1997, contains a sample investment baseline agreement which may be tailored or expanded to meet specific program requirements for developing the agreement, its breach variance and its performance measures.

I have directed my staff to develop an IT Investment Management Insight Framework. This framework will document the strategies and methods for identifying, developing and institutionalizing IT investment management insight capability and procedures throughout the Department. As IT investment practices and procedures mature within the framework, they will migrate to the 5000 and/or 8000 series.

DoD Components are invited to propose, to my Deputy Assistant Secretary of Defense (C3I Acquisition), a tailoring of this policy to facilitate the Components' acquisition reform initiatives.

Please direct questions regarding this policy and the attached implementing procedures to my action officer, Mr. Ray Boyd, at (703) 681-3169, or by email to ray.boyd@osd.pentagon.mil.

Anthony M. Valletta
(Acting)

Attachment

PROCEDURES FOR INFORMATION TECHNOLOGY (IT) INVESTMENT MANAGEMENT INSIGHT OF DOD COMPONENT (IT) ACQUISITIONS

BACKGROUND

Division E of the Clinger-Cohen Act of 1996, formerly known as the Information Technology Management Reform Act of 1996, and hereinafter referred to as ITMRA, became effective August 8, 1996. ITMRA and Executive Order 13011 mandate performance and results-based management within a capital planning and investment control process. The General Services Administration's Government-wide procurement authority for information resources was abolished, and the requirement for delegation of procurement authority eliminated. The Assistant Secretary of Defense (C3I) issued an interim IT acquisition oversight policy memorandum on August 6, 1996, which this policy supersedes. These procedures implement applicable portions of the Secretary of Defense memorandum, "Implementation of Subdivision E of the Clinger-Cohen Act of 1996 (Public Law 104-106)," June 2, 1997. Documents referenced in this procedure can be found on the ASD(C3I) World Wide Web site at www.dtic.dla.mil/c3i.

A. PURPOSE

1. Updates and supersedes ASD(C3I) interim policy memorandum, "Information Technology (IT) and National Security System (NSS) IT Acquisition Oversight," August 6, 1996.

2. Eliminates the requirement for an IT Acquisition Paper (ITAP) for acquisition of IT or NSS which exclusively supports major Defense acquisition programs (MDAP) or major automated information systems (MAIS).

3. Provides insight procedures for IT acquisitions.

4. Establishes IT Investment Baseline Performance Agreements.

B. APPLICABILITY and SCOPE

1. These procedures apply to the Office of the Secretary of Defense (OSD), the Military Departments, the Chairman of the Joint Chiefs of Staff, the Combatant Commands, the Inspector General of the Department of Defense (IG, DoD), Defense Agencies, and DoD Field Activities (hereafter referred to collectively as "the DoD Components").

2. These procedures are applicable to the following IT acquisitions. **The term "IT" includes national security systems (NSS).**

a. IT acquisitions in exclusive support of MDAPs or MAISs.

b. IT acquisitions not exclusively in support of MDAPs or MAISs, with the following estimated IT cost:

- Army, Navy and Air Force: $120 million or greater total IT cost, or $30 million or greater in a single year.
- Other DoD Components, competitive: $30 million or greater total IT cost.
- Other DoD Components, other than full and open competition: $3 million or greater total IT cost.

C. DEFINITIONS

Many of the following terms are defined by statute. In those cases, the statutory citation is provided along with a paraphrased definition for ease of reference. If there are differences, the statutory definition prevails.

1. INFORMATION TECHNOLOGY (IT)(40 U.S.C. 1401(3))

a. The term 'information technology', with respect to an Executive Agency 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 by the Executive Agency. For purposes of the preceding sentence, equipment is used by an Executive Agency if the equipment is used by the Executive Agency directly or is used by a contractor under a contract with the Executive Agency which (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.

b. 'Information technology' includes computers, ancillary equipment, software, firmware and similar procedures, services (including support services), and related resources.

c. Notwithstanding paragraphs C.1.a and C.1.b, the term 'information technology' does not include any equipment that is acquired by a Federal contractor incidental to a Federal contract.

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Note: Information Technology includes telecommunications and communications equipment and national security systems (NSS).

2. INFORMATION SYSTEM (44 U.S.C. 3502(8)). Any combination of IT and related resources that function together to produce the capabilities required to fulfill a mission need, including hardware, ancillary equipment, software, but excluding construction or other improvements to real property.

3. NATIONAL SECURITY SYSTEM (NSS)(40 U.S.C. 1452). Any information technology in support of telecommunications or information systems operated by the United States Government, the function, operation, or use of which

a. involves intelligence activities;

b. involves cryptologic activities related to national security;

c. involves command and control of military forces;

d. involves equipment that is an integral part of a weapon or weapons system; or

e. is critical to the direct fulfillment of military or intelligence missions, except that such a system is not a NSS if it is to be used for routine administrative and business applications (including payroll, finance, logistics, and personnel management applications).

4. INFORMATION TECHNOLOGY (IT) ACQUISITION. IT acquisition means acquiring IT, including NSS, by any method including by contract, grant, cooperative agreement, international agreement, interagency orders or any "other transactions."

5. INFORMATION TECHNOLOGY (IT) COST. The total estimated information technology (including IT supporting NSS) costs or ceilings for the acquisition base period and all option periods. The estimate shall be in then-year dollars to include the projected inflation from the base year. Use the Maximum Order Limitation (MOL) for total contract order value (not the limitation for individual orders) as the estimated IT cost for Indefinite Delivery contracts that specify a MOL. This definition includes amendments and modifications to existing acquisition instruments when the amendment or modification includes IT.

6. MAJOR AUTOMATED INFORMATION SYSTEM (MAIS) ACQUISITION PROGRAM. An AIS acquisition program that is (1) designated by ASD(C3I) as a MAIS, or (2) estimated to require program costs in

any single year in excess of $30 million in fiscal year (FY) 1996 constant dollars, total program costs in excess of $120 million in FY 1996 constant dollars, or total life-cycle costs in excess of $360 million in FY 1996 constant dollars. MAISs do not include highly sensitive classified programs (as determined by the Secretary of Defense). For the purpose of determining whether an AIS is a MAIS, the following shall be aggregated and considered a single AIS: (1) the separate AISs that constitute a multi-element program; (2) the separate AISs that make up an evolutionary or incrementally developed program; or (3) the separate AISs that make up an a multi-component AIS program.

7. MAJOR DEFENSE ACQUISITION PROGRAM (MDAP). An acquisition program that is not a highly sensitive classified program (as determined by the Secretary of Defense) and that is: (1) designated by the Under Secretary of Defense (Acquisition and Technology) (USD(A&T)) as an MDAP, or (2) estimated by the USD(A&T) to require an eventual total expenditure for research, development, test and evaluation of more than $355 million in fiscal year (FY) 1996 constant dollars or, for procurement, of more than $2.135 billion in FY 1996 constant dollars.

D. RESPONSIBILITIES

1. The Office of Deputy Assistant Secretary of Defense(C3I Acquisition)(DASD C3IA) will:

a. Notify the DoD Component by email or fax of the receipt of their IT acquisition information submitted in accordance with Section E.

b. Review IT acquisitions in exclusive support of MDAPs or MAISs, participate in the assigned Integrated Product Team (IPT) and review the documentation required by DoD 5000.2-R.

c. For all other IT acquisitions meeting the criteria described in paragraph B.2.b:

(1) Review and approve the joint OSD/Component IT Investment Insight Plan.

(2) Review the IT acquisition information and provide feedback within 15 calendar days to the DoD Component if there are questions/concerns regarding the planned IT acquisition. If no feedback is provided, the DoD Component may continue with the release of the solicitation or other request for information.

d. Delay a solicitation, request for information, or IT acquisition, if questions remain unanswered or concerns remain unresolved.

2. The Heads of DoD Components shall follow the procedures in Section E, below.

E. PROCEDURES

1. IT acquisitions in exclusive support of MDAPs or MAISs. Submit to the appropriate working level IPT the tailored documentation required by DoD Regulation 5000.2-R as directed by the MAIS Review Council (MAISRC), or for MDAPs, the Defense Acquisition Board (DAB). Requirements for compliance are stated in the Office of the Secretary of Defense (OSD) memorandum, "Requirements for Compliance with Reform Legislation for Information Technology Acquisitions (Including National Security Systems)," May 1, 1997.

2. Other IT acquisitions. Each DoD Component CIO representative is encouraged to meet with the Deputy Assistant Secretary of Defense (C3I Acquisition) (DASD(C3IA)) policy action officer to develop a joint OSD/Component IT Investment Insight Plan. The objective of the plan is to provide early insight, and thereby gain OSD buy-in into the Component's IT investment acquisitions. The joint insight plan will be based on this policy and will be tailored to facilitate the Component's acquisition reform initiatives. When the joint investment insight plan provides the kind of disciplined review of IT investments that the CIO DoD deems necessary, the criteria for review of programs at the OSD level will be modified to reflect the agreed-upon level of investment risk or special interest.

3. For Components electing not to develop a joint insight plan, or those whose plans have not yet been approved, the following procedures apply:

a. Submit a transmittal memorandum. For each IT acquisition, the Component shall submit a transmittal memorandum and enclosures to the Deputy Assistant Secretary of Defense (C3I Acquisition) for review. The transmittal memorandum may be forwarded as soon as the required information becomes available but not later than 30 calendar days prior to initiating an IT acquisition. DASD(C3IA) will complete its review and respond to the Component within 15 calendar days of receiving the transmittal if there are questions/concerns regarding the planned IT acquisition. DoD Components may not proceed during the 15 calendar day OSD review period, unless mutually agreed upon by DASD(C3IA) and the Component's CIO/Milestone Decision Authority

(MDA) or designee. There is no reporting requirement for a task order or delivery order within the scope of a DoD IT acquisition previously reviewed by DASD(C3IA). The transmittal memorandum shall contain the following information.

(1) The name and phone number of the primary point of contact for the proposed IT acquisition;

(2) A copy of an Acquisition Plan (AP) prepared in accordance with Defense Federal Acquisition Regulation Supplement, Subpart 207.1. If the proposed IT acquisition does not require an AP, submit the ITAP described in Appendix A. If submitting an ITAP, the information required by subparagraphs (4), (5) and (6) below, will be included in the ITAP and need not appear in the transmittal memorandum.

(3) A statement confirming that a "Justification and Approval for Other Than Full and Open Competition" has received final approval, if proposing an other than full and open competition acquisition.

(4) A statement confirming that the IT acquisition conforms to the technical architecture as defined in the Technical Architecture Framework for Information Management (TAFIM) and the mandates of the Joint Technical Architecture (JTA), including a minimum of Level 5 Defense Information Infrastructure (DII) Common Operating Environment (COE) compliance as defined in the DII COE Integration and Runtime Specification. Components shall also state what DII COE level of integration compliance they intend to achieve. If the IT supports an architecturally non-compliant legacy system that is not being brought into compliance, explain this and name the legacy system.

(5) A statement confirming that an IT investment baseline/performance and breach variance agreement has been reached between the Program Manager and the Functional Sponsor, and has been approved by the CIO/MDA and coordinated with the Chief Financial Officer. The "Guide for Managing Information Technology as an Investment and Measuring Performance," issued under ASD(C3I) Memorandum, dated February 14, 1997, is recommended as a source document for developing the IT investment baseline/performance agreement.

(6) A statement identifying and assessing the risks associated with the IT acquisition (low, moderate, high). Assessment of risks should address, as appropriate, areas such as: project size and scope, project longevity, technical configurations, unusual security requirements, special project

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management skills, software complexity, system integration requirements, and existing technical and management expertise.

            (7)   A statement that describes coordination, as necessary, of long-haul and metropolitan area telecommunications requirements with DISA, Deputy Director for Operations (D3), Attn: Customer Support and Operational Requirements (D31).

        b.   Submit a Substantive Action/Issue Report. Provide as-required reports using the format at Appendix B. Since insight is a continuous process, substantive actions/issues concerning these IT acquisitions are to be reported as they occur. Submit an email with an attached report or fax the report to DASD(C3IA). Listed below are examples of substantive actions/issues; but this list is not all-inclusive:

            (1)   Breach of IT Investment Performance Baseline
            (2)   Protest to GAO, Courts, Agency and disputes under the Contract Disputes Act
            (3)   Acquisition Award
            (4)   Date of agreement
            (5)   Significant technical change in IT scope
            (6)   Congressional Inquiry and reply
            (7)   Change in Acquisition Strategy/Plan

        c.   Signature. The transmittal memorandum and substantive action/issues report shall be signed (or other evidence of coordination for email) by the Component's Chief Information Officer (CIO), or designee.

        d.   Format. If the AP, ITAP or Substantive Action/Issues Report is submitted on a diskette or by electronic means (email), Components shall coordinate format with the Office of DASD C3IA before sending to assure software compatibility.

        e.   Documentation. Keep on file the documentation required by Federal and DoD policies and regulations for the IT acquisition.

                            EFFECTIVE DATE: July 25, 1997

Enclosures:
  1. Appendix A, Information Technology IT Acquisition Paper (ITAP)
  2. Appendix B, Information Technology (IT) Acquisition Substantive Actions/Issues Report Format

Appendix A
IT ACQUISITION PAPER (ITAP)

1. **Agency Information**.

    a. Provide agency name, address, and location where the Information Technology (IT) will be installed or services will be performed.

    b. Provide the name, position title, organizational identity, and telephone number of the program/project manager, technical manager, and contracting officer assigned to the acquisition.

2. **Program/Project title and description**.

    a. Check all that apply: ___ IT Acquisition
    ___ IT Acquisition for NSS

    b. Provide the IT acquisition title, and a brief but specific description of the primary agency programs that the IT will support, to include how they will support the component's mission/goals.

3. **Current support**. Provide a brief but specific description of the current IT supporting these programs.

4. **IT to be acquired**. Provide a brief but specific description of the IT to be acquired.

5. **Acquisition Strategy**.

    a. Projected issue date (month/year) of proposed solicitation, request for information or equivalent acquisition document:

    b. Estimated award/agreement date (month/year) for IT acquisition:

    c. Competitive/Other than full and open:

    d. IT Acquisition life (include base period and all optional periods):

    e. IT Acquisition type:

    f. List of using organizations or users (e.g., DoD-wide):

6. IT Cost. The total IT cost (for all years) should correspond to the planned life of the IT Acquisition.

Type of IT	Estimated Cost
-IT Equipment	
-IT Software	
-IT Services	
-IT Support Services	
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Total IT Cost	
Total Cost Other Than IT	
Total Acquisition Cost	

7. IT Investment Baseline/Performance Agreement. A statement confirming that an IT investment baseline/performance and breach variance agreement has been reached between the Program Manager and the Functional Sponsor, and has been approved by the CIO/Milestone Decision Authority and coordinated with the Chief Financial Officer. The Guide for Managing Information Technology as an Investment and Measuring Performance, issued under ASD(C3I) Memorandum dated February 14, 1997, is recommended as a source document for developing the IT investment baseline/performance agreement.

8. Risk Assessment. Identify and assess the risks associated with the IT acquisition (low, moderate, high). Assessment of risks should address, as appropriate, areas such as: project size and scope, project longevity, technical configurations, unusual security requirements, special project management skills, software complexity, system integration requirements, and existing technical and management expertise.

9. Architectural Compliance. A statement confirming that the IT acquisition conforms to the technical architecture as defined in the Technical Architecture Framework for Information Management (TAFIM) and the mandates of the Joint Technical Architecture (JTA), including a minimum of Level 5 Defense Information Infrastructure (DII) Common Operating Environment (COE) compliance as defined in the DII COE Integration and Runtime Specification. Components shall also state what DII COE level of integration compliance they intend to achieve. If the IT supports an architecturally non-compliant legacy system that is not being brought into compliance, explain this and name the legacy system.

Appendix B

INFORMATION TECHNOLOGY (IT) ACQUISITION
SUBSTANTIVE ACTIONS/ISSUES REPORT FORMAT

REPORT DATE: <u>Enter report date</u>

I. <u>**Title**</u>: (Enter title of IT Acquisition)

II. <u>**Substantive Actions/Issues**</u>: (refer to Section E of the Policy Attachment) Enter a synopsis of the substantive actions/issues.

III. <u>**IT Acquisition Information**</u>: *

    A. Contractor or Source; Award Date or Date of Agreement; IT Acquisition Duration: Enter contractor's name, or the source for acquisitions that do not involve contracts; award or agreement date; and IT acquisition maximum duration, e.g., 2 year base period and 3 1-year options.

    B. Total IT Cost: Enter estimated or MOL dollar value to include all possible options and periods.

    C. Estimated Usage Value: Enter the estimated value of the IT acquisition if this value is less than the IT cost ceiling such as the MOL.

IV. <u>**Program/Project Manager's Assessment**</u>: Enter a one or two paragraph synopsis of the assessment of the progress and success of the IT acquisition (unsatisfactory, marginal, satisfactory).

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* Include contracts, grants, cooperative agreements, blanket purchase agreements, international agreements, interagency orders, or any "other transactions".