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THE SECRETARY OF COMMERCE
Washington, D.C. 20230

MEMORANDUM FOR: Department Management Council Principals

FROM: Dr. Rebecca M. Blank
Acting Secretary of Commerce

SUBJECT: Policy on Commerce Acquisition Project Management

In June 2010, the Secretary of Commerce issued a memorandum mandating the immediate comprehensive review of the Department's acquisition processes. The resulting study's findings related to high-profile programs and projects recommended:

- Instituting a formal requirements validation process,
- Institutionalizing formal program management discipline, particularly program planning, and
- Ensuring proper Departmental oversight and insight of these programs.

These became imperatives guiding the development of the Commerce Scalable Acquisition Project Management Framework (the Framework). The details of the Framework were developed by Department-wide teams and have been vetted and piloted. This memorandum establishes the Framework as Department policy for implementation on all acquisition projects and programs (defined below). It shall apply until replaced by publication of a DAO.

Within 180 days, addressees are requested to provide me your specific plans to implement the Framework for programs/projects that are not overseen by the Milestone Review Board as defined herein. Within 60 days, the Office of the Deputy Secretary will issue implementation guidance for Quarterly Reviews.

I. PURPOSE:

a. This memorandum prescribes the policy, procedures, and responsibilities of implementing the Framework on all acquisition programs and projects with particular emphasis on high-profile programs and projects as defined in Section III.c. Additional procedures, processes, and document templates can be found in the *DOC Scalable Acquisition Project Management Guidebook* (the *Guidebook*). Heads of Operating Units shall adopt and/or tailor (scale) the Framework, as appropriate, for non-high-profile programs and projects in their purview.

b. This memorandum supersedes:
   i. DAO 201-45, Departmental Oversight of Major Systems (1993-06-04); and

ii. DAO 208-3, Major System Acquisitions for the Department of Commerce (1997-12-09).

II. SCOPE: The provisions of this memorandum apply Department-wide to all programs and projects with particular emphasis on those that are high-profile (see Section III.c.). The Framework's *concepts,* as implemented by each DOC Operating Unit, apply to all programs and projects that may lead to procurement, regardless of size. However, the *Guidebook* defines the minimum documents required at each milestone for high-profile programs and projects regardless of delegation status. These provisions do not apply to a level-of-effort activity (defined in Section III.d.).

III. DEFINITIONS:

a. Acquisition Framework: The Framework describes acquisition project management phases and the major decision milestones required to manage the progression of those phases (see Figure 1). The Framework

i. Describes the minimum standard processes, documents, and reviews to which all high-profile acquisition programs and projects (defined in Section III.c.) must adhere;

ii. Places emphasis on early program and project planning: requirements development and traceability, risk identification, and resource and cost expectations;

iii. Is scalable (defined in Section III.k.) depending on the program's or project's size, complexity, and risk; and

iv. Describes the principles of a life-cycle approach to managing acquisition programs/projects.

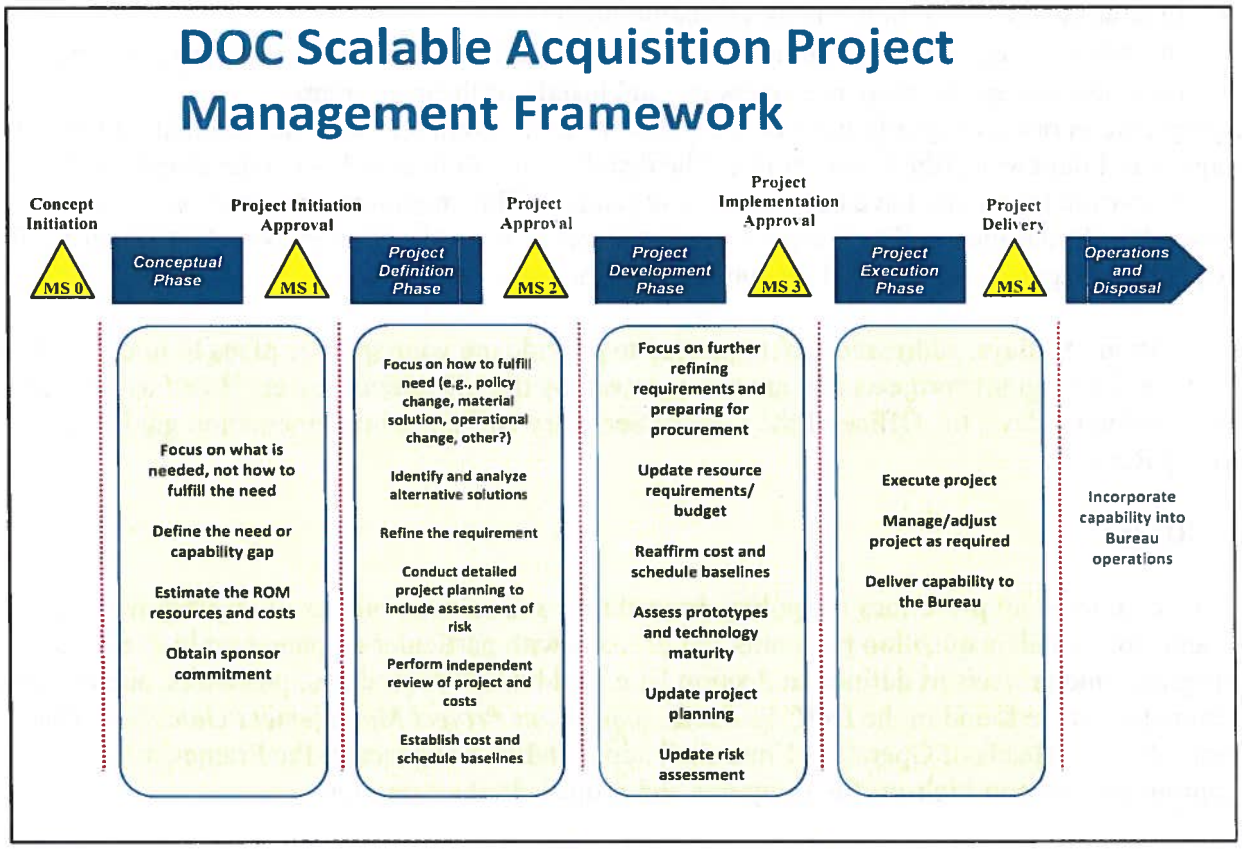

Figure 1. DOC Acquisition Framework

b. Baseline: Every high-profile program or project shall be defined by three baselines beginning at Milestone 2. These will be defined in the Program or Project Baseline document (see the *Guidebook* for the suggested template) and refined, as necessary with justification, at subsequent milestones:

i. Cost.

a) Lifecycle Cost means the total of the direct, indirect, recurring, and nonrecurring costs, including the construction of facilities and civil servant costs and other related expenses incurred or estimated to be incurred in the design, development, verification, production, operation, maintenance, support, and retirement of a program or project over its planned lifespan, without regard to funding source or management control.

b) Development Cost (a component of lifecycle cost) means the total of all costs, including construction of facilities and civil servant costs, from the period beginning with the approval to proceed into the Project Development phase (Milestone 2) through the achievement of operational readiness (Milestone 4) without regard to funding source or management control, for the life of the program or project.

ii. Schedule – the program time planned from Milestone 2 to achievement of operational readiness at Milestone 4.

iii. Performance – the key performance parameters or metrics established at Milestone 2 that define the program's or project's operational capabilities.

c. High-Profile Acquisition Program or Project: A program or project designated for oversight by the Milestone Review Board (MRB) or an Operating Unit through delegation which meets one or more of the following criteria:

i. Warrants special management attention or is deemed high risk due to its:

a) Criticality: Key to mission goals and objectives and to achieving the objectives in the DOC Balanced Scorecard;

b) Complexity: Multiple organizations' involvement and interfaces; complex and/or rare skills requirements; analogous characteristics to other challenged programs;

c) Technology: Challenges identified requiring probable research, development, and/or demonstration;

d) Visibility: Subject to external review and extraordinary media or political attention; potential to damage the reputation of the DOC if unsuccessful.

ii. Entails expenditure of significant levels of resources:

a) For any program/project: Development costs, valued in current year dollars, of more than $75 million or lifecycle costs, valued in current year dollars, of more than $250 million.

b) For information technology (IT) programs/projects: Lifecycle costs, valued in current year dollars, of more than $75 million or annual cost (all funding from all sources allocated to the project or program in a given fiscal year) exceeding $30 million.

c) For real property and facilities: Lifecycle costs, valued in current year dollars, of more than $40 million.

iii. Is nominated as a high-profile program or project by an MRB member (see Figure 2), and such nomination is approved by the Deputy Secretary.

d. Level-of-Effort Activity: A funded activity that does not meet the definition of a program or project. It may have some of the characteristics of a project or program, but not all. These activities are usually the on-going efforts of an organization.

e. Milestone Decision Authority (MDA): The Deputy Secretary, who has statutory authority, or an individual who has been formally delegated authority to make acquisition investment decisions at program/project milestones in the DOC. This authority may be delegated, in writing with rationale.

f. Milestone Review Board (MRB): The authorizing body for approval of an identified DOC high-profile acquisition program or project to proceed from one phase of the Framework to the next (see Figure 2). The authorities of the MRB are derived from those vested in or delegated to its members. It provides a collective vehicle for members to review a program or project and execute their individual authorities regarding approval to proceed to the next milestone or directing corrective action to proceed into the next phase. Specifically, the authorities vested in the Board include approval of procurements planned for the next acquisition phase (both information technology (IT) (IT Investment Authority) and non-IT).

g. MRB Chair: The DOC Deputy Secretary will be advised by the Board's members on a program's or project's readiness and risk to proceed to the next phase and recommend specific exit criteria for the phase. The Deputy Secretary may designate an individual to Chair an MRB, but the MDA shall remain with the Deputy Secretary unless formally delegated in writing with rationale.

h. Program: A consolidated effort to achieve a defined goal. A collection of ongoing activities, as well as finite projects, with objectives that achieve a specific purpose or outcome of a DOC Strategic Goal or as required by statute or regulation.

i. Project: A collection of discrete activities, acting as a system, with specific output that achieve a clearly defined objective and support an overall program goal. Projects have a finite duration with a clearly defined start and end.

j. Quarterly Reviews: Awareness and assessment updates on high-profile programs (defined in Section III.c.) to inform leadership on programmatic issues requiring corrective decisions and tied to events in budget formulation and execution. These reviews will be held at the discretion of and chaired by the Deputy Secretary.

k. Scalable: Programs and projects that are not identified as high-profile must nevertheless adhere to the Framework's *concepts* as interpreted by each Operating Unit to tailor the documentation and reporting according to project size and risk. Examples of how application of the Framework may be scaled can be found in the *Guidebook.*

IV. POLICY:

a. The Department, through the MRB, shall provide for coordinated oversight, review, and approval of planning, acquisition, and management of high-profile acquisition programs and projects, as defined above in Section III, including professional services contracts that provide support for them. Heads of Operating Units shall provide analogous oversight, review, and approval of non-high-profile and

delegated high-profile acquisition programs and projects through application of the Framework process (see Figure 1). Oversight entities, whether the MRB or Head of an Operating Unit, shall place particular emphasis on initial activities of the Framework acquisition process. These review and approval activities will be required for critical management decisions affecting any acquisition program or project (high-profile or not) including any management action that will move it to a new phase of development as defined in the Framework. Critical management decisions could include, but not be limited to:

- Establishment of mission need;
- Completion of an acquisition strategy;
- Completion of an alternatives analysis;
- Establishment of cost, schedule, and performance baselines;
- Directed remedial action following a baseline deviation, and
- Award of contracts.

b. High-profile programs and projects, including their component or subordinate projects, that have been designated for MRB oversight and decision making, shall not be subject to subordinate review by the Commerce IT Review Board (CITRB), the Contract Review Board, or the Facilities Review Board for purposes of approving a program/project milestone, approving procurements that are planned for the next acquisition phase, or approving progression to the next acquisition phase. Quarterly Reviews (defined in Section III.j.) are separate from the milestone review process. Although high-profile programs and projects will not be subject to CITRB or other review boards for the purposes indicated above, the CITRB and other review boards may, at the discretion of their chairs, be convened to support other needs for oversight and risk management of their cognizant projects.

c. All DOC designated high-profile programs and projects, regardless of size or MDA, shall have cost (lifecycle and development), schedule, and performance baselines (defined in Section III.b.) established at Milestone 2 that shall be tracked by the Program or Project Manager; deviation of any baseline by 20 percent or more shall be identified to the MDA (the MRB Chair or Operating Unit-designated MDA) within 30 calendar days of the date the deviation is identified.

V. RESPONSIBILITIES:

a. MRB Chair, the DOC Deputy Secretary (see Figure 2), with advice from the Board's members shall have milestone decision authority for high-profile programs and projects. The MRB Chair shall issue a Milestone Decision Memorandum at the conclusion of each milestone review (nominally within 15 calendar days) defining the program's or project's way ahead in the next phase including necessary procurement authorities, specific phase exit criteria, and other directed actions. The Chair may also direct that specific reviews and studies be undertaken to support a milestone review and may invite additional MRB participants as deemed appropriate to the program or project under review. The Deputy Secretary may delegate in writing, with rationale, MDA and management of any high-profile program or project to the Head of an Operating Unit. This does not exempt that program or project from adherence to the Acquisition Framework (and its minimum documentation) in this policy unless explicitly indicated in the delegation instrument.

b. MRB members bring the authorities inherent in their positions to the MRB. They shall apply approved evaluation criteria to inform their recommendations to the Chair and to ensure consistency. MRB members shall identify their staff to work with the MRB Executive Secretariat (Office of Acquisition Management (OAM)) to ensure that the documentation submitted in support of each milestone review is complete and ready for review, particularly when the program/project crosses subject-area-specific portfolios (e.g., Chief Information Officer for IT programs, the Director, Office of Administrative Services for facilities, and the Director, OAM for non-IT and non-facilities). The Chief of Staff of the Department and of the Bureau under review will be notified of a pending MRB.

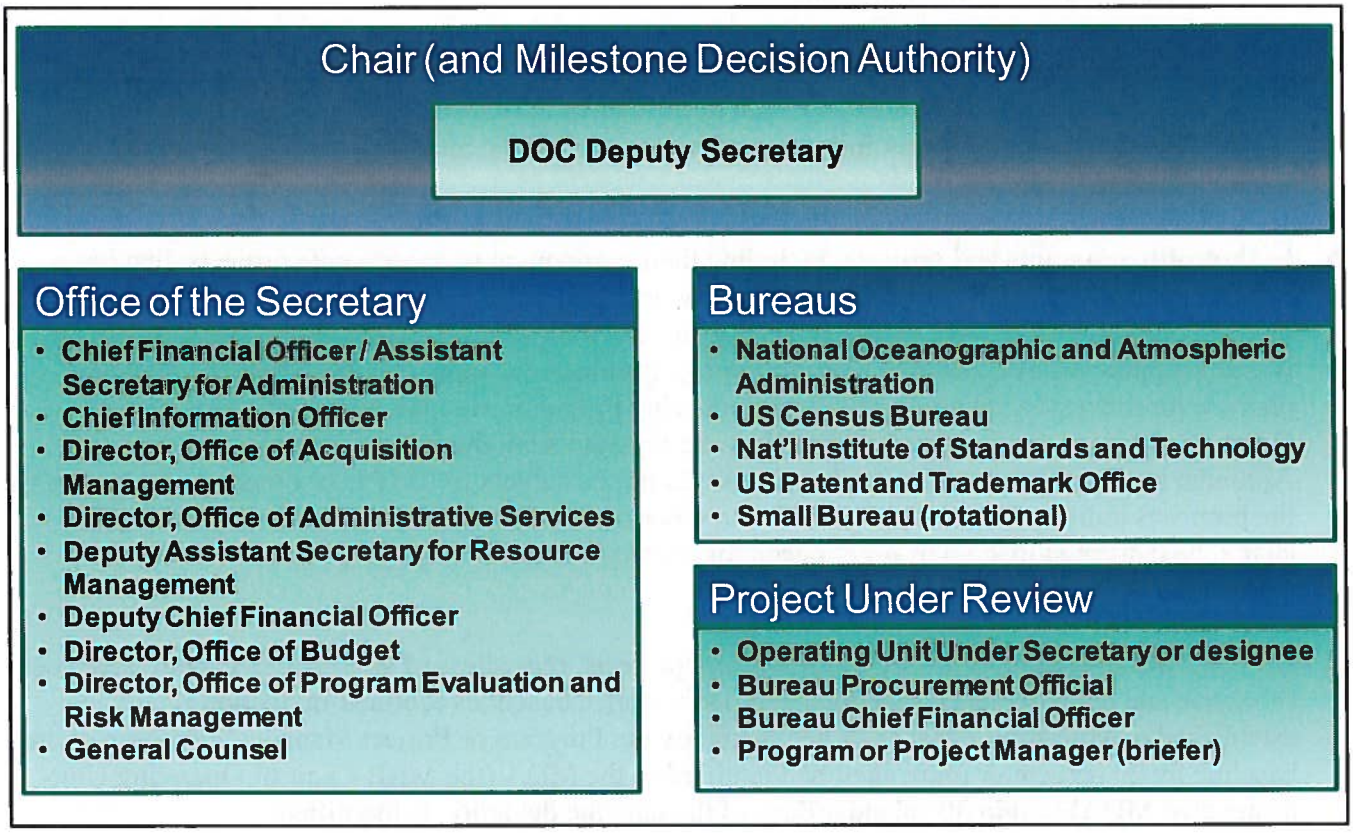

Figure 2. Membership of the Milestone Review Board (MRB)

c. The Office of Acquisition Management shall serve as the MRB Executive Secretariat and the DOC organization responsible for implementation of the Acquisition Framework, management and promulgation of processes and best practices which implement the Framework, centralized training of acquisition program management professionals operating within the Framework, and recommending Framework modifications to respond to lessons learned. OAM, with inputs from the MRB members and Bureaus, shall maintain and update at least semi-annually the list of high-profile programs and projects identified for MRB oversight to include the schedule for reviews and milestone dates.

d. Program and Project Managers shall follow the tenets of the Framework and prepare the mandated and directed milestone documentation as evidence of having undertaken the process activities specified in each Framework phase (see Figure 1). They shall also submit cost (lifecycle and

development), schedule, and performance baseline estimates beginning at Milestone 2 and notify their MDA (MRB Chair or as delegated) and the OAM, for high-profile programs/projects, if any baseline will experience a deviation of 20 percent or more from the last established baseline.

e. Heads of Operating Units shall identify to the MRB Executive Secretariat programs and projects in their purview which meet one or more of the threshold criteria or have the potential to do so. They shall develop, tailor, and institute analogous acquisition review boards and processes to implement the Acquisition Framework for non-high-profile programs and projects. They shall also keep the MRB Secretariat informed of program/project review schedules and decisions from their internal milestone reviews. If delegated as the MDA for a high-profile program or project by the Deputy Secretary, the Head of an Operating Unit shall manage that program or project in accordance with the Acquisition Framework defined in Figure 1 and with the minimum processes and milestone document deliverables defined in the *Guidebook.* This MDA authority cannot be re-delegated. The Head of the Operating Unit will forward the Milestone Decision Memorandum (and if requested by the Deputy Secretary, the pertinent milestone documents) for each such delegated program or project to the Deputy Secretary within 30 calendar days of the milestone decision.

VI. PROCEDURES:

a. Milestone Review Board: Meetings shall be called by decision of the Chair. Deputy Secretary-chaired MRBs (unless delegated) shall occur at Milestones 1, 2, and 3. Milestones 0 and 4 and review processes as defined by the Framework are the responsibility of the Heads of Operating Units. The Deputy Director for Program Management, OAM shall serve as the Executive Secretary. The Executive Secretary shall circulate background and meeting read-ahead materials to the members, organize MRB meetings, prepare Milestone Decision Memorandums for the Chair (and MDA) approval, and maintain all MRB records and a current list of MRB oversight programs and projects and their next planned milestone and probable timing of the milestone review. Based on the MRB staff review of milestone documentation and issues identified and coordinated with MRB members, the Chair may elect not to convene a formal MRB meeting.

b. High-Profile Program/Project Managers (PM) shall submit milestone documentation, both specified by the Framework and by the preceding Milestone Decision Memorandum, to the Executive Secretary not less than 45 calendar days before the scheduled milestone review. They shall send the mandated read-ahead charts not less than 5 business days before the review. They shall also notify the MRB Chair and MRB Secretariat of any cost, schedule, or performance baseline deviation of 20 percent or more from the last established baseline within 30 calendar days of identification.

c. Baseline Deviation: For high-profile programs or projects subject to MRB oversight or delegated, the operating unit shall report cost, schedule, or performance baseline deviation of 20 percent or more from the last established baseline to the MRB Secretariat. OAM will analyze the deviation report and recommend corrective actions to the appropriate official(s). For programs or projects not subject to MRB oversight, program or project managers shall report deviation of 20 percent or more from the last established baseline to the authorities designated in the procedures established to implement the Framework within the Operating Unit.