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**State of California**  
**Department of Finance**  
**Special Project Report**  
**Preparation Instructions**  
**June 2004**

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## **INTRODUCTION TO THE SPECIAL PROJECT REPORT**

### **Overview**

These Special Project Report (SPR) instructions have been prepared to assist State of California departments in meeting the Department of Finance (Finance) requirements for documentation of changes to information technology project proposals which have approved feasibility study reports (FSRs). The requirements for SPRs, including the circumstances in which SPRs must be approved by the Finance, are described in policy statements contained in State Administrative Manual (SAM) Sections 4920 through 4945.2.

The SPR provides a basis for understanding and agreement among project management, program management, and executive management, as well as state-level control agencies. The SPR provides a summary of the results of the original feasibility study, and the justification for any changes. It should be prepared at a level of detail commensurate with the scope and complexity of the proposed technical solution. Sufficient technical detail should be included in the SPR to demonstrate that the proposed changes to the project cost, schedule, and/or scope are workable and realistic. Departments are required to complete all sections and subsections of the SPR, including the Information Technology Project Summary Package (SIMM Section 30, Item B).

### **Approved Efforts Still Under Development – Special Project Reports**

A proposal modification must be submitted for an approved IT proposal (investment) still under development if either of the following occurs (See SAM Section 4819.36):

- 1) the total information technology project costs deviate or are anticipated to deviate by ten percent (higher or lower) or more, or by more than a specifically designated amount as determined by Finance, from the last approved estimated information technology project budget (to be measured against the combined total of each fiscal year's One-time Project Costs plus Continuing Project Costs);;
- 2) The last approved overall project development schedule falls behind or is anticipated to fall behind by ten percent or more;
- 3) The total program benefits deviate or are anticipated to deviate by ten percent (higher or lower) or more from the last approved estimated total program benefits (to be measured against the combined total of each fiscal year's Cost Savings and Cost Avoidances);
- 4) A major change occurs in project requirements or methodology;
- 5) Any conditions occur that require reporting to Finance as previously imposed by Finance;  
or
- 6) A significant change in state policy draws into question the assumptions underlying the project; or

- 7) A project not previously subject to reporting now meets one of the following reporting criteria established with this Budget Letter:
- a Finance budget action is required to fund all or part of the IT expenditure;
  - the total development cost is above the cost threshold established by Finance;
  - the new system development or acquisition is specifically required by legislative mandate or is subject to specific legislative review, as specified in Budget Act control language or other legislation; or
  - any conditions occur that require reporting to Finance, as previously imposed by Finance.

Each proposal to modify an IT investment must be reported to Finance using the SPR. Finance will issue its decisions on the project proposal in writing to the department.

Finance will review each SPR placing emphasis on the following elements of the proposal:

- 1) the summary of the project's current status;
- 2) the description of the problem prompting this request for change;
- 3) the description of the proposed modifications to solve the problem;
- 4) the description of the impact to **all** benefits including programmatic benefits (tangible and intangible) to be achieved by meeting any new objectives, revenue generation, savings, and cost avoidances;
- 5) any **feasible** alternatives considered;
- 6) the description of the changes to the previously approved solution which includes the analytical basis as to why the selected solution best meets the problem/opportunity and the associated assumptions/constraints;
- 7) the description, or visual representation with appropriate narrative, of the business process upon implementation of the revised solution;
- 8) the detailed description of the current cost of any existing system that this proposal will be replacing or modifying to support programmatic functions;
- 9) the revised detailed description of the proposed costs and financial benefits by fiscal year for each year of the project;
- 10) the appropriateness/accuracy of revised proposed funding by fiscal year for each year of the project;
- 11) the revised project schedule including the schedule for realization of benefits; and
- 12) the revised project phase plan if appropriate; and
- 13) the revised Project Evaluation Plan, if necessary.

## Investment Analysis

Finance approval of IT projects, including those previously approved that have changes reported in an SPR, will be based on an evaluation of overall costs, benefits, competing statewide needs, and investment risks to the State over the life of the IT proposal. To determine whether these investments should be approved, Finance will:

- 1) evaluate each SPR and related budget request, and any supporting documentation, to determine the proposal's ongoing consistency with the State's IT policies and standards;
- 2) evaluate the SPR and related budget request, and any supporting documentation, for business and fiscal factors that establish the merits of the proposed investment; and

- 3) consider the department's assessment of the potential business risks that impact the expected benefits to be derived from the proposed IT expenditures.

In order for Finance to evaluate the business and fiscal factors associated with the proposed IT project, departments must provide sufficient information in the SPR and any necessary supporting documentation. The documentation provided must enable Finance to understand and concur with the relative need for, cost of, and benefits to be derived from the changes to the proposed IT investment. Specifically, the information must establish that the organization still has a solid **business case** for, and will receive meaningful **business value** from the proposed IT expenditure.

In an environment of competing needs, an acceptable business case is a compelling justification for the expenditure of public resources on IT to address a department's business needs. The business case is centered on (1) business problems that substantially and adversely impact operations and/or the delivery of services, (2) business opportunities that may substantially improve operations and/or the delivery of services, (3) revenue generation, or (4) a legislative mandate.

Acceptable business value is substantial and sustainable increases in *operational efficiency* (ability to produce desired effect with minimum expenditure of time, effort, personnel, or money as manifested in cost savings and/or cost avoidances) and/or *service effectiveness* (type, quantity, or quality of services delivered in response to, and aligned with, statutory and policy requirements).

### **Information Technology Proposal Transmittal Requirements**

All IT proposals **must be**:

- 1) Approved and transmitted under the signatures of the:
  - Department's Chief Information Officer,
  - Department's Director or designee,
  - Department's Budget Officer, and
  - Agency Secretary, if the department reports to an Agency Secretary.

The "Information Technology Project Request Executive Approval Transmittal" will be used to satisfy this transmittal requirement. (SIMM Section 30, Item A).

- 2) Submitted in duplicate to Finance.
- 3) Submitted to the Office of the Legislative Analyst (one copy).

### **Business-Based Procurement IT Proposals**

For those proposals that initially recommend a business-based procurement and the proposed technical solution is not determined in the FSR, the department must submit a SPR to Finance for review and approval prior to contract award. Conditions for proceeding with the procurement process and for initiating any other project activities will be fully outlined in the FSR approval letter. The FSR will be focused on (1) the various alternatives considered to derive the

conclusion that a business-based procurement is the best solution; (2) a project cost and schedule that details the planning and procurement resources, milestones, and timelines; and (3) provides a more general estimate of the development, implementation, and maintenance/operations resources, costs, milestones, and timelines for the expected duration of the project. The SPR will be focused on the proposed solution selected following the procurement process, updated project cost and schedule estimates, and any other changes to the project.

## **Evaluation Planning**

Finance will require submission of an updated Project Evaluation Plan if such a plan was required when the initial IT proposal was approved. The purpose of the plan is to ensure that the anticipated project benefits can be confirmed and realized as a result of completing the project proposal. Finance will issue its comments/approval of the plan in writing to the department. The plan must contain the following elements:

- 1) the identification of specific project objectives and benefits to be achieved by the project;
- 2) the methodology and schedule for measuring the current business and IT areas that are being addressed by the new IT proposal to establish the pre-project measurements;
- 3) the methodology and schedule for measuring the business areas that after project implementation will quantify the degree the business objectives and benefits have been achieved;
- 4) a discussion on how conditions/factors external to the project that may also impact the business area measurements will be handled in order to gather valid and comparable pre- and post-project measurements of business objectives and benefits; and
- 5) the methodology and schedule for preparation of the Post Implementation Evaluation Report.

## Special Project Report Preparation Instructions

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## SPR PREPARATION INSTRUCTIONS

### 1.0 Executive Project Approval Transmittal

A formal signature page will accompany each FSR submitted to Finance identifying specific information relating to the proposed IT project and containing the signatures of the approving department and agency executives. The following are the components of the Transmittal.

1. **Department Name:** Enter the name of the State department, agency, office, board, commission, or institution that prepared the SPR and is responsible for the proposed project. If an SPR represents a proposed project in which multiple departments will have a role, one department should be designated as owner.
2. **Project Title:** Enter the official name of the project as determined by the department.
3. **Project Acronym:** Enter the official abbreviation for the proposed project that will be used as a common reference to the project. Projects are often more commonly known by their acronym, e.g., the Statewide Automated Welfare System (SAWS).
4. **Departmental Priority:** Enter the department-wide priority assigned to the project. The priority assignment is a sequential number where "1" is the highest priority. Only one project per funding source in a given fiscal year may be assigned a priority of "1". For example, if a department submits three FSRs and/or SPRs for review, the priority assignments would be "1", "2", and "3". In the case of multiple funding sources, the priority assignment should be based on the primary State funding source.
5. **Agency Priority:** Enter the agency-wide priority assigned to the project. (If the department does not report through an agency, this priority would match the departmental priority.) The priority assignment is a sequential number, where "1" is the highest priority. Only one project per funding source in a given fiscal year can be assigned a priority of "1". For example, if an agency represents departments submitting five FSRs and/or for review, the priority assignments would be "1", "2", "3", "4", and "5". In the case of multiple funding sources, the priority assignment should be based on the primary State funding source.
6. **Approval Signatures:** The signatures of executives within the department are required, documenting commitment and appropriate involvement at the departmental level. The required signatures include those of the Chief Information Officer, Budget Officer, Department Director (or Chief Deputy Director), and Agency Secretary (or Agency Undersecretary).

## 2.0 Information Technology: Project Summary Package

An Information Technology Project Summary Package (Attachment 1) must be prepared and attached to each FSR or SPR. Instructions for completing the Project Summary Package follow.

### 2.1 Section A: Executive Summary

1. **Submittal Date:** The date the SPR is submitted to Finance.
2. **Type of Document:** Indicate the type of document being submitted: Special Project Report (SPR), Project Summary Package only (PSP), or Other (specify).
  - **Project Number:** Enter the Finance Project Number assigned (or previous DOIT-assigned project number, if applicable.)
3. **Project Title:** Enter the official name of the project as determined by the department.
  - **Project Acronym:** Enter the official abbreviation for the proposed project that will be used as a common reference to the project.
  - **Estimated Project Start Date:** Enter the most accurate projection available for the estimated start date (MM/DD/YYYY).
  - **Estimated Project End Date:** Enter the most accurate projection available for the estimated completion date (MM/DD/YYYY).
4. **Submitting Department:** Enter the name of the state department, agency, office, board, commission, or institution that prepared the FSR and is responsible for the proposed project described in the FSR. If an FSR represents a proposed project in which multiple departments will have a role, one department should be designated as owner.
5. **Reporting Agency:** Enter the name of the reporting agency for the department, if any.
6. **Project Objective:** Provide a brief statement of the project's primary objective in terms of the programmatic problem or opportunity to be addressed.
7. **Proposed Solution:** Provide a brief statement summarizing the proposed solution as documented in the FSR. This item should consist of a concise, non-technical, management-oriented description of the project.
8. **Major Milestones:** Identify the major milestones for project procurement, development, and implementation related to project deliverables and for which project metrics can be applied, and the estimated completion date for each milestone. Milestones typically represent measurable events, such as delivery of a product. Targeted events that should be included are requirements definition, design completion, development completion, testing, production, and post-implementation evaluation. Any other key management checkpoints critical to project success, such as procurement dates or partial implementation dates, should also be included. Include the date the PIER will be completed.
  - **Key Deliverables:** Identify the key deliverables associated with the major milestones and their estimated completion dates.

## 2.2 Section B: Project Contacts

**Contact Information:** Supply the names, phone numbers, fax numbers, and e-mail addresses of the principals involved in the project:

- Executive Contacts: Agency Secretary (if any), Department Director, Budget Officer, Chief Information Officer (CIO), and the Project Sponsor.
- Direct Contacts: Document Preparer; Primary Contact; Contract Manager; and Project Manager.

## 2.3 Section C: Project Relevance to State and/or Departmental Plans

1. **What is the date of your current Operational Recovery Plan (ORP)?** Enter the date the ORP was last approved.
2. **What is the date of your current Agency Information Management Strategy (AIMS)?** Enter the date the AIMS was last approved.
3. **For the proposed project, provide the page reference in your current AIMS and/or strategic business plan.** Indicate whether the proposed project is identified in the department's AIMS and/or strategic business plan, and enter the corresponding page number in that document.
4. **Is the project reportable to control agencies? If YES, check all that apply:**
  - a. The estimated total development and acquisition costs exceed the DOF-established departmental cost threshold.
  - b. The new system development or acquisition is specifically required by legislative mandate or is subject to special legislative review as specified in budget control language or other legislation.
  - c. The project involves a budget action.
  - d. The project meets a condition previously imposed by Finance.

## 2.4 Section D: Budget Information

The data from the Economic Analysis Worksheets (EAW) for each fiscal year should be summarized in this section. If the proposal modifies or replaces an existing operation, savings and cost avoidances should be based upon comparison with the current method of program operation. If the SPR addresses a new program operation, estimated costs associated with the proposed information technology capability should be provided. If the proposed solution will increase program income (i.e., tax revenues, collectible audit exceptions, accounts receivable, etc.), the increased income should be reflected on the Economic Analysis Summary.

1. **Budget Augmentation Required?** Check whether or not a budget augmentation will be required to complete the proposed project (Y/N). Identify the requested dollars by fiscal year throughout the project from the Project Funding Plan.
2. **Project Costs:** Summarize IT project costs from the Proposed Alternative Worksheet.
3. **Sources of Funding:** Indicate the anticipated source of funding by fiscal year for the proposed project. If the project is to be funded from multiple sources, quantify the amount from each source. Examples include the State General Fund,

interagency reimbursements, Federal funds, special funds, grant funds, and contracts.

**Note that the amounts in lines 4 and 12 should coincide.**

- 4. Project Financial Benefits:** Indicate the amount of cost savings to be realized each fiscal year from the Project Funding Plan Worksheet in the EAW. Also enter the Revenue Increase amounts by fiscal year from the Proposed Alternative Worksheet in the EAW.

## 2.5 Section E: Vendor Project Budget

- **Vendor Cost for FSR Development.** If a vendor assisted the department in conducting the feasibility study and documenting the results in the FSR, identify the cost of these resources.
- **Vendor Name:** If a vendor assisted the department in conducting the feasibility study and documenting the results in the FSR, identify the name of the individual or company.

### Vendor Project Budget

1. **Fiscal Year.** Enter the fiscal years from beginning through completion of the proposed project.
2. **Primary Vendor Budget:** Enter the estimated costs for the primary vendor by fiscal year.
3. **Independent Oversight Budget:** Enter the estimated costs for independent project oversight and project management contract costs by fiscal year.
4. **IV&V Budget:** Enter the estimated costs for independent verification and validation contract costs by fiscal year.
5. **Total Vendor Budget:** Total of the estimated contract costs by fiscal year.
6. **Other Budget:** Enter the estimated costs for any other vendor supplied services.
7. **Primary Vendor/Organization:** Name of the primary vendor on the project.
8. **Contract Start Date:** The contract start date for the primary vendor.
9. **Contract End Date (projected):** The estimated end date of the contract for the primary vendor.
10. **Amount:** The total dollar amount of the primary vendor's contract.
11. **Primary Vendor Contacts:** Enter the contact names, phones, faxes, and e-mail addresses for the primary vendor.

## 2.6 Section F: Risk Assessment Information

1. **Risk Management Plan:** Indicate whether the department has prepared a Risk Management Plan for the proposed project (Y/N).
2. **The General Comments area** is used to provide a high-level summary of the department's Risk Management Plan.

### **3.0 Proposed Project Change**

#### **3.1 Project Background/Summary**

This section should include the following:

1. A description of the business program to be supported by the information technology proposal.
2. A description of the current business process that is the subject of the proposal (this may include narrative and/or visual representation).
3. The impact of the proposal on the business program/process.
4. The customers and users of the business program/process. Customers will typically include the subset of the public served by the business program, while users will include department staff involved in the program and State organizations requiring information from the program.

The program background should contain a brief summary of:

1. The relevant features of the department program experiencing the problem or opportunity (including the manner and extent to which information technology is currently applied); and
2. The conditions which created, or significantly contributed to, the problem or opportunity being addressed by the IT proposal. Examples include workload increases, staff reductions, additional requirements mandated by law or Federal regulations, and limitations in the capacity or capability of the information technology resources currently used in the department.

The background summary should provide the facts necessary to understand the problem or opportunity and the defined objectives within their business context. If possible, this summary should contain a definition of the affected units of work and estimates of the quantity of work processed; for example, number of cases decided, licenses issued, or loans processed during the month, quarter, or year. Estimates should address historic workload growth, seasonal variations, and future projections. Finally, business assumptions the department has made that will impact the proposed project should be documented: e.g., caseload growth, etc.

#### **3.2 Project Status**

Provide a brief description of the project status; i.e., project phases and milestones completed and in process, expenditures to date, benefits achieved, work in progress.

#### **3.3 Reason for Proposed Change**

Provide a description of the problem or opportunity prompting this request for change to the last approved IT proposal for this project.

#### **3.4 Proposed Project Change**

Describe the proposed modifications to solve the problem or take advantage of the opportunity, including the analytical basis as to why the selected solution best meets the problem/opportunity and the associated assumptions and constraints.

### **3.5 Impact of Proposed Change on the Project**

Provide a description of the impact to all programmatic benefits (tangible and intangible) to be achieved by meeting any new objectives, revenue generation, savings, and cost avoidances. Describe all changes to project scope, schedule and cost. Include a description or visual representation with the appropriate narrative of the business process upon implementation of the revised solution.

### **3.6 Feasible Alternatives Considered**

Describe all feasible alternatives considered and the reasons the alternatives were not selected. (A feasible alternative is one that meets the project objectives and requirements.)

### **3.7 Implementation Plan**

Describe how the proposed change will be implemented.

## **4.0 Updated Project Management Plan**

Provide updates to the project management plan, as appropriate.

These guidelines show suggested formats for some subsections. Unless a specific form name is identified, these are only suggestions; the information may be presented in any appropriate format as long as the required elements are included. (Note: Although project planning includes risk management, this topic is covered separately in Part 7.)

### **4.1 Project Manager Qualifications**

The successful completion of an IT project requires that qualified project managers will be managing state IT projects. To undertake an IT project, the department must match the manager's experience and training to the complexity and risk level of the project. Include in the FSR a summary of the skills and level of project management experience required to successfully manage this particular project. These qualifications should be based on the unique characteristics of the project, and previous IT project management experiences. This section will demonstrate the department's commitment to assign a project manager with the appropriate skills, education and experience. If there has been a change in the Project Manager, indicate the change and why it has been necessary.

### **4.2 Project Management Methodology**

The Project Management Methodology (PMM) (SIMM Section 200) identifies the essential components of IT project management state agencies are expected to follow. Each agency may develop or select its own methodology as long as it meets the basic requirements identified in

the PMM. Please describe briefly the methodology selected for the IT project described in the FSR. If the methodology has changed from that in the FSR, please describe briefly the methodology selected and the reason for the change.

### 4.3 Project Organization

To better assess this project's impact on your department, Finance needs current organization charts for the following:

1. The project team, including number and classification of team members
2. The impacted program organization(s)
3. The Information Systems organization
4. The Department

### 4.4 Project Priorities

Managing a project requires the balancing of three factors: resources, schedule, and scope. These three factors are interrelated; a change in one of them causes the others to change as well. Project stakeholders need to agree on the importance of each of these factors before the project begins, as future project management decisions will be guided by these priorities. Use a project trade-off matrix to show the relative importance of each factor:

- o *constrained* means the factor cannot be changed
- o *accepted* means the factor is somewhat flexible to the project circumstance
- o *improved* means that the factor can be adjusted.

For this project, identify one variable to be *constrained*, one to be *improved* and one to be *accepted*.

Schedule	Scope	Resources

If these have changed since the last IT proposal for this project was approved, indicate the reason.

### 4.5 Project Plan

#### 4.5.1 Project Scope

Provide a concise statement of what this project will accomplish, and what it will not try to accomplish. This scope of work statement is the foundation of your project plan and must be consistent with the project objectives and requirements. If the scope has changed significantly since the last IT proposal for this project was approved, discuss the change and the reason the change is being made.

### 4.5.2 Project Assumptions

For the purposes of project planning, certain circumstances or conditions are assumed to be true. Please briefly describe the major assumptions under which this project will be executed. If the assumptions have changed since the last IT proposal for this project was approved, indicate the change and the reason for the change.

### 4.5.3 Project Phasing

State agencies should plan information technology projects to be implemented in independent phases, especially those that are expected to take longer than one year to develop and implement. Phases should consist of the smallest set of tasks, resources and risks, and utilize the shortest implementation schedules that will deliver **useful and measurable business results**. Whenever possible, the initial project phase shall be confined to delivering the essential core functionality that will provide the greatest portion of the benefits of the proposed system.

When planning for phased project implementation, specific phases should meet the following criteria:

1. A phase is an economically and programmatically separable segment and should have an independent and substantial programmatic use even if no additional components are acquired.
2. Funding may be identified and/or approved separately for each phase or for the entire project.
3. Each phase, being separate and distinct, should provide value as a standalone project so that if a supplier relationship is terminated after a phase, the work completed is still of value.
4. A supplier will be paid when, and if, the deliverable is completed, tested and accepted.
5. Subsequent phases may be redesigned depending on the results of early phases.

In this section of the SPR, describe the phases planned for this project and what each phase will deliver; or justify why phasing is not appropriate. If the phases or deliverables have changed since the last IT proposal for this project was approved, indicate the change and the reason for the change.

Project Phase	Phase Deliverables

#### **4.5.4 Project Roles and Responsibilities**

A formal project structure provides participants with a clear understanding of the authority and responsibility necessary for successful accomplishment of project activities, and enables project team members to be held accountable for effective performance of their assignments.

Briefly describe the roles and responsibilities of the major participants in the project. These will probably include, at a minimum, the project manager, executive management, program management and staff, and project team members. In particular, if outside vendor resources will be used to assist with the project, clearly differentiate between the roles and responsibilities of State staff versus those of the vendor. Include tasks such as data conversion, training, project management and oversight, and ongoing maintenance, as appropriate. If the roles and responsibilities have changed since the last IT proposal for this project was approved, indicate the change and the reason for the change.

#### **4.5.5 Project Schedule**

Based on the project's updated work breakdown structure (e.g., Gantt Chart or similar display) identify high-level tasks for the project. Each project is different and requires a unique set of tasks. As appropriate, indicate that you have planned for tasks such as procurement, design, development/ programming and/or software modification, data conversion, installation, training for end users, training for technical staff, etc.

For the tasks identified, also provide a summary schedule for status reporting against which completion of tasks during the course of the project will be monitored. The schedule should focus on the duration of critical tasks, major management decision points, and progress reporting milestones. The milestones should reflect products and major events that may be readily identified as completed or not completed on the specified due date. Milestones should be spaced at reasonable intervals which allow management or control agency monitoring of project progress. If the schedule has changed since the last IT proposal for this project was approved, indicate the change and the reason for the change.

#### **4.6 Project Monitoring**

Describe the process for tracking and reporting on the status of project deliverables, project schedule and project budget, or identify your standard procedure that will be followed. Include a description of any planned independent project oversight, such as the use of consultants for project management oversight and/or independent verification and validation (IV&V), and the level of agency oversight to be provided. If these have changed since the last IT proposal for this project was approved, indicate the change and the reason for the change.

## 4.7 Project Quality

Briefly summarize your plan for assuring that the project's results will meet the business and technical objectives and requirements, as well as applicable Federal, State and/or state agency standards. Describe your quality assurance and/or quality control processes, and/or identify your standard procedure that will be followed. Include any independent verification and validation planned for this project. If the plan has changed since the last IT proposal for this project was approved, indicate the change and the reason for the change.

## 4.8 Change Management

Every project experiences changes from the original plan, whether minor or major, as well as creating change as a direct result of the project. Establishing the change management approach in advance helps keep the project in control and prepares the impacted end users for changes in their work environment and processes. Summarize your change management plan to describe your process to track and manage changes over the life of the project, including following initial implementation. If the plan has changed since the last IT proposal for this project was approved, indicate the change and the reason for the change.

## 4.9 Authorization Required

Identify any special authorization that must be obtained for the proposed alternative; e.g., Federal agency funding approval or State legislative review. Explain the steps that have been taken to obtain the required authorization and the results of those steps. If the plan has changed since the last IT proposal for this project was approved, indicate the change and the reason for the change.

## 5.0 Updated Risk Management Plan

The Risk Management Plan documents the process and procedures that will be used to manage project risks: identifies the persons responsible for managing various areas of risk, how risks will be tracked throughout the life cycle, how contingency plans will be implemented, and how reserves will be allocated to handle risks.

At a minimum, the Finance requires that the following components be included in the Risk Management Plan:

- Risk Management Approach (See SIMM Section 200)
- Risk Management Worksheet

## 5.1 Risk Management Worksheet

The Risk Management Worksheet is a display of the identified risks and the key attributes or characteristics for each, including:

1. **Risk Category/Event Description:** a description of the risk event and risk type (an example of a risk category is "Personnel"; an example of a risk event is "Lack of expertise in the software/hardware").

2. **Probability:** the likelihood of the risk event occurring (use a decimal value from 0 to 1 (e.g., 0.70) to express the probability of the risk event occurring).
3. **Affected Project Area/Element:** the component of the project that will be impacted by the risk event (e.g., schedule, budget, system/project interfaces, hardware, software, etc.).
4. **Preventive/Contingency Measure(s):** the measures or actions that will be taken to minimize the effect of the risk event.

Risk management sets forth a discipline and environment for identifying, analyzing and responding to project risks. It includes maximizing the results of positive events and minimizing the consequences of adverse events.

Risk management addresses the following risk phases:

- **Risk Assessment:** the identification, analysis, quantification, and prioritization of risks.
- **Risk Response:** the actions taken to manage risk, such as risk avoidance, risk acceptance, risk mitigation, risk sharing, and project oversight.
- **Risk Tracking and Control:** the process of monitoring risks and risk response actions to ensure that risk events are actively dealt with over the course of the project.
- **Risk Reserves:** the resources (cost, time and staff) allocated to manage risks.

To be effective, risk management must be an integral part of the way projects are managed. The process that the project team will use to manage project risks should be defined in the planning stage and executed throughout the life of the project. If the plan has changed since the last IT proposal for this project was approved, indicate the change and the reason for the change.

### **5.1.1 Assessment**

Risk assessment is the process of identifying risks, analyzing and quantifying risks, and prioritizing risks. It includes a review and determination of whether the identified risks are acceptable. Risk assessment is not a one-time event; it should be performed on a regular basis throughout the life of the project.

### **5.1.2 Risk Identification**

The first step in the assessment process is risk identification. Risk identification involves speculating about risks that could affect a project and documenting the characteristics of each. Both internal and external risks should be identified and documented. Internal risks are those that the project team controls or influences, such as staff assignments. External risks are beyond the control or influence of the project team, such as legislative actions.

Risk identification is the responsibility of all members of the project team. Areas to consider as potential sources of risk include:

1. The product of the project

2. The cost of the project
3. The duration of the project
4. The size of the project
5. The complexity of the project
6. The technology used on the project
7. The environment in which the project is executed
8. The skill levels of the project team
9. The relationships between team members
10. Project management methods and procedures
11. How well the project fits the culture of the enterprise
12. How great a change will result from the project

Tools to aid in the identification of risks include:

1. **Work Breakdown Structure (WBS):** The WBS (e.g., Gantt Chart or similar display) encompasses the structure of everything that will be done or delivered on the project and provides a comprehensive framework for assessing every aspect of the project for potential risks.
2. **Historical Information:** Historical information/lessons learned on previous projects can be especially helpful in identifying potential risks.
3. **Project Team Brainstorming:** Individual members of the project team may remember previous occurrences or assumptions.
4. **Interviews:** Interviews with various stakeholders may also aid in the risk identification process. Such communication may help identify risks not identified during the normal planning activities. Records of pre-project interviews (e.g., those conducted during a feasibility study) may also be useful.

### **5.1.3 Risk Analysis and Quantification**

Risk analysis and quantification involves evaluating risks to assess the range of possible project outcomes. It provides information that allows managers to determine what is important to the project, to set priorities, and to allocate resources.

Risk analysis and quantification should be continuously performed and the resulting information should be used for decision-making in all phases of the project. Each risk must be analyzed and sufficiently understood in order to facilitate the decision-making process.

Properly implemented, the risk analysis and quantification process will produce a list of opportunities that should be pursued and threats or risks that should be managed. The risk analysis and quantification process should also document the sources of risk and risk events that the project management team has consciously decided to accept.

Factors to consider during the risk analysis and quantification process include stakeholder risk tolerances, sources of risk, potential risk events, and cost/activity duration estimates.

#### **5.1.4 Risk Prioritization**

The final step in the risk assessment process is risk prioritization. Risk prioritization involves ranking the risks to place more management effort on those that are the most critical. Key evaluation factors are probability and potential impact or consequences on missions and business objectives.

#### **5.1.5 Risk Response**

Risk response is the action taken to manage risk. Risk response actions include avoidance, acceptance, mitigation, sharing, and project oversight. When assessing risk response options, the project team should consider such factors as schedule, resources, and stakeholder risk tolerances.

It is important to note that risk is a part of any activity and may never be entirely eliminated, nor can all risks ever be known. However, as new risks are identified, appropriate response actions should be developed and the Risk Management Plan should be updated accordingly.

#### **5.1.6 Risk Avoidance**

Risk avoidance involves eliminating the risk by eliminating the cause or by using an alternate approach that does not involve the risk. This method is not always an option; however, it is the most effective technique if it can be applied.

#### **5.1.7 Risk Acceptance**

Risk acceptance involves simply accepting the risk event and the consequences.

#### **5.1.8 Risk Mitigation**

Risk mitigation involves reducing the probability of risk occurrence (e.g., using proven technology to lessen the probability that the product of the project will not work). It involves revising the project's scope/delivery, budget, schedule, or quality to reduce uncertainty on the project.

#### **5.1.9 Risk Sharing**

Risk sharing involves shifting some of the risk or risky activities to others, such as contractors, and accepting the remainder.

### **5.2 Risk Tracking and Control**

Risk tracking and control involves establishing and maintaining risk status information, defining action plans, and taking corrective action when appropriate. It involves executing the Risk Management Plan in order to respond to risk events throughout the life of the project.

The elements of risk tracking and control are very similar to the tracking and control functions in project management and can be easily integrated into a project's existing management activities.

### **5.2.1 Risk Tracking**

Risk tracking is required to ensure the effective implementation of the Risk Management Plan. The goal of risk tracking is to provide accurate and timely information to the project management team to enable risk management and help prevent risks from adversely affecting the project.

Risk tracking is considered the "watchdog" function of risk management. It involves monitoring the progress toward resolving risks and reporting on the status and the actions taken. Information that should be tracked and reported on include:

1. The top ten risk items
2. The number of risk items resolved to date
3. The number of new risk items since the last report
4. The number of risk items unresolved
5. The unresolved risk items on the critical path

To facilitate the risk tracking process, a database that includes information on all significant risks should be developed and maintained for the life of the project. In addition, metrics for measuring performance and progress toward resolving risks should be established and maintained.

### **5.2.2 Risk Control**

Risk control is necessary to help prevent failure on a project. Risk control focuses on the risk response actions. It involves executing the Risk Management Plan in order to respond to risk events before they become serious problems. The control function ensures that risk procedures are documented and executed according to plan.

As anticipated risk events occur or fail to occur, and as actual risk events are evaluated and resolved, the Risk Management Plan should be routinely updated.

## **6.0 Updated Economic Analysis Worksheets (EAWS)**

The economic analysis should document the cost and resource assumptions the department made during the feasibility study process. Examples include the amount allocated for on-going maintenance and projected workload growth. This section should also document any special conditions or issues related to the source(s) of funding for the proposed project. (The special conditions may be documented as footnotes on the EAWs.)

The proposed project should be costed out for at least one full year beyond implementation in order to reflect estimated on-going maintenance and operations costs and establish the ongoing baseline support costs of the new system. If the program supported by the proposed project is

cyclical in nature, the economic analysis should reflect the system in operation for one complete cycle.

The Economic Analysis Worksheets (EAWs) provided in the attachments provide a standard format for documenting the projected costs and financial benefits of the current method of operation and the proposed alternative. The worksheets are used to perform cost analyses of the full range of alternatives under consideration. The following Economic Analysis Worksheets **must** be included in the SPR:

1. **EAWs from the Original FSR**
2. **EAWs from the Most Recent SPR (if any)**
3. **EAWs for the Proposed Change**
  - a. **Existing System Cost Worksheet:** documenting the current and projected operations/maintenance costs of the current method of operation (baseline). This worksheet reflects the cost of maintaining the existing systems and program process if the proposed solution is not implemented;
  - b. **Proposed Alternative Worksheet:** documenting the projected one-time costs (development/acquisition costs), continuing costs (operations/maintenance costs), and impacted program costs of the *proposed* alternative;
  - c. **Alternative System Worksheet(s):** documenting the projected one-time costs (development/acquisition costs), continuing costs (operations/maintenance costs), and impacted program costs of other alternatives that satisfactorily meet the objectives and functional requirements;
  - d. **Economic Analysis Summary:** comparing the estimated costs of the proposed alternative, other alternatives meeting the objectives and functional requirements, and the existing system; and,
  - e. **Project Funding Plan:** documenting the estimated resources needed for implementing the proposed system and the necessary budget actions anticipated.

**EAW Instructions and the EAW templates are available in SIMM Section 30, Item C.**