

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT



OPM Cost Estimation & Assessment Policy

**Chief Information Officer (CIO)
Chief Financial Officer (CFO)
Senior Procurement Executive (SPE)**

June 2009

A New Day for the Civil Service



The Director

UNITED STATES OFFICE OF PERSONNEL MANAGEMENT

Washington, DC 20415

JUN 23 2009

MEMORANDUM FOR OPM ASSOCIATE DIRECTORS AND HEADS OF OFFICES

FROM: JOHN BERRY
Director

Subject: Applying GAO Cost Estimating and Assessment Guide Principles and Best Practices

We have begun reassessing our retirement system improvement plans. As we move forward in our planning process, and as we evaluate other ongoing and new projects and activities, OPM must be careful to ensure robust and well-documented cost estimating and other project management practices.

In order to ensure rigor and reliability in our estimating capabilities for retirement systems and for all other similar OPM projects and programs, I have concluded that OPM should establish policies and practices for cost estimation and assessment. Therefore, through this memo, I immediately establish that it is Agency policy to apply the principles, methods and best practices contained in the newly published U.S. Government Accountability Office (GAO) Cost Estimating and Assessment Guide (Guide). The Guide includes case studies, descriptions of analytic methods, checklists, and a thorough basis for common cost estimating terminology. The Guide can be accessed on the GAO website at <http://www.gao.gov/new.items/d093sp.pdf>.

This policy applies to all major investments in capital assets of the Agency as defined in Office of Management and Budget (OMB) Circular A-11, Part 7, Section 300. It applies to such investments whether they include information systems components or not. (See Attachment 1.) I believe application of the Guide's principles and best practices will improve the accuracy and credibility of OPM's project and program cost estimates for such investments. OMB Circular A-11 can be accessed on the OMB website at http://www.whitehouse.gov/omb/circulars/a11/current_year/a_11_2008.pdf.

To further ensure successful implementation, I have directed the Associate Director for Management Services Division, the Chief Financial Officer, and the Director, Office of Modernization and Human Resources Line of Business to work together to develop implementing procedures and instructions.

Attachment 1:

Definitions of Key Terms

As established in OMB Circular A-11, "Preparation, Execution and Submission of the Budget":

Capital assets means land, structures, equipment, intellectual property (e.g., software), and information technology (including IT service contracts) used by the Federal Government and having an estimated useful life of two years or more." (See OMB Circular A-11 (2008), Part 7, page 2 of Section 300.)

Major investment means a system or acquisition requiring special management attention because of its importance to the mission or function of the agency, a component of the agency or another organization; is for financial management and obligates more than \$500,000 annually; has significant program or policy implications; has high executive visibility; has high development, operating, or maintenance costs; is funded through other than direct appropriations; or is defined as major by the agency's capital planning and investment control process." (See OMB Circular A-11 (2008), Part 7, page 4 of Section 300.)

OMB Circular A-11 can be found at

http://www.whitehouse.gov/omb/circulars/a11/current_year/a_11_2008.pdf.