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| CALIFORNIA DEPARTMENT OF TECHNOLOGY TECHNOLOGY LETTER | NUMBER: TL 14-07 | DATE ISSUED: DECEMBER 2014 |
| SUBJECT: PROJECT APPROVAL LIFECYCLE, STAGE 1 BUSINESS ANALYSIS AND STAGE 2 ALTERNATIVES ANALYSIS | REFERENCES: Government Code Sections 11545, 11546 State Administrative Manual (SAM) Sections 4800, 4900 and 5211 Statewide Information Management Manual (SIMM) Sections 05A, 17, 19, 20, 30, 40, 50 Technology Letter 13-02, 14-02, 14-05 | |

BACKGROUND

In September 2013, the California Department of Technology (Department of Technology) introduced the first stage of the State's restructured Information Technology (IT) project approval process. As documented in SIMM Section 19, the new Project Approval Lifecycle introduced a Stage/Gate Model to improve the quality, value and likelihood of success for IT projects undertaken by the State of California. The Stage/Gate Model divides the Project Approval Lifecycle into four stages (Stage 1 Business Analysis, Stage 2 Alternatives Analysis, Stage 3 Procurement Analysis and Stage 4 Solution Analysis) each separated by gates of approval. Each stage consists of a set of prescribed, cross-functional, and parallel activities to develop deliverables used as the inputs for the next stage. The gates provide a series of "go/no go" decision points that request only the necessary and known information needed to make sound decisions for that particular point in time. As additional information is collected and refined through the lifecycle, the cost estimates, schedules and business objectives will be progressively updated and evaluated to determine if the project is still practical and if the investment should continue. The Project Approval Lifecycle is intended to achieve the following:

Better business outcomes for the State through successful IT projects.

More successful projects and fewer Special Project Reports.

Improve efficiencies through effective project planning and analysis to meet State business needs, while also ensuring compliance with State IT policies.

Introduce scalability to the project approval process based on business and/or technical complexity.

Ensure each decision point requires only the necessary and appropriate level of information needed to make a sound decision, estimate, or product for that particular stage.

Determine whether there is substantiation for a proposed project, i.e., whether the expenditure of public resources on the project is justified based on the following:

- Responsiveness to a clearly-defined, program-related problem or opportunity;
- Selection of the best possible alternative;
- Agency/state entity's technical and program capabilities, capacity; and
- Financial and/or non-financial benefits over the life of the solution that exceed development and operations costs.

Provide a means for achieving agreement between Agency/state entity's executive management, program management, technology management, and project management regarding:

- The scope, benefits, schedule, and costs of a proposed project;
- Leadership and management responsibilities and commitment over the course of the project; and
- Opportunities to collaborate with and seek guidance from the Department of Technology.

Provide executive branch control agencies and the Legislature with sufficient information to assess the merits of the proposed project and determine the nature and extent of project oversight requirements.

To the extent feasible, ensure each step and work product in the lifecycle is useful input into subsequent steps.

Ensure that a “no” or a “go back and re-think” decision is communicated as early as possible if the level of detail provided and planning performed is inadequate.

SIMM Section 19A contains a revised Stage 1 Business Analysis, which has been updated to include scalability for the amount of information that Agencies/state entities¹ are required to submit to the Department of Technology for approval. Additionally, organizational readiness and stakeholder impact components were added to Stage 1. SIMM Section 19B contains the new Stage 2 Alternatives Analysis which provides a basis for how the proposal’s business objectives will be achieved, including market research, alternative evaluation, selection of the alternative that yields the highest probability of meeting the business objectives, and development of an acquisition strategy/plan for procuring services.

The Project Approval Lifecycle is being released in two segments; revisions to Stage 1 Business Analysis and the introduction of Stage 2 Alternatives Analysis are part of this first policy release and will become effective July 1, 2015. Stage 3 Procurement Analysis and Stage 4 Solution Analysis will be released together in June 2015 and will become effective January 1, 2016. This Technology Letter provides preliminary guidance on the new Project Approval Lifecycle and will be followed up by a full reconciliation of policy upon the release of the entire Stage/Gate model in June 2015. This segmented release will allow the Department of Technology to provide adequate outreach and training to Agencies/state entities, pilot each stage/gate, make revisions and provide time for Agencies/state entities to transition prior to the policy becoming effective.

PURPOSE

The purpose of this Technology Letter (TL) is to announce:

State Administrative Manual (SAM) Chapters 4800, 4900 and 5200 have been updated to replace the Feasibility Study Report (FSR) with the Project Approval Lifecycle and Stage/Gate deliverables.

SIMM Section 19 which introduces and provides an overview of the Project Approval Lifecycle.

Revised SIMM Section 19A which includes updated instructions for the preparation and submission of the Stage 1 Business Analysis.

SIMM Section 19B which includes instructions for the preparation and submission of the Stage 2 Preliminary Assessment and the Stage 2 Alternatives Analysis, which replace the FSR effective July 1, 2015.

SIMM Section 19E which includes instructions for the preparation and submission of the Project Approval Lifecycle – Reporting Exemption Request (PAL-RER), which replace the Feasibility Study Report – Reporting Exemption Request (FSR-RER) effective July 1, 2015.

SIMM Section 19F which includes instructions for the preparation and submission of Financial Analysis Worksheets, which replace Economic Analysis Worksheets effective July 1, 2015.

SIMM Section 19H which includes the Project Approval Executive Transmittal to be used for all stages.

¹ **State entity:** Includes every state office, officer, department, division, bureau, board, and commission, including Constitutional Officers. “State entity” does not include the University of California, California State University, the State Compensation Insurance Fund, the Legislature, or the Legislative Data Center in the Legislative Counsel Bureau.

