



Business Case

Project Name: Provide Modernization Program Management

Channel: OCIO

Project Sponsor: Steve Hawald

Project Lead: Carol Seifert

Project Description

SFA requires the technology, management and business expertise in the overall planning and execution of the Modernization Program in migration toward the Modernization Blueprint.

What is the purpose of the initiative?

To provide comprehensive program management activities that encompass the efforts of the Program Management Office (PMO) to focus on the overall business goals of the Modernization Program, while providing the continuous guidance and comprehensive program management activities needed to support the delivery of SFA's targeted business capabilities. The PMO will provide oversight and planning of all Modernization projects and initiatives. The PMO will also provide consolidated measurement and performance of the SFA Modernization Program in the areas of:

- Cost
- Schedule
- Architecture
- Quality
- Risk
- Communications
- Resources
- Use of COTS
- Realization of benefits

What is the scope of the initiative, including what it is not?

Support of program management and planning, status reporting, integrated product teams, technical consulting and communications, coordination of resources and capital, efficient and timely implementation of programs, and the rapid realization of SFA performance goals and objectives.

What is the start date and end date of the initiative?

Start Date: December 1, 2000
End Date: November 30, 2001

What other business areas/external groups are affected by the implementation of this initiative and how are they affected?



All channels are affected since Modernization projects are enterprise-wide, and require program management, oversight and planning of all Modernization projects and initiatives to ensure movement toward SFA's targeted environment.

What systems are impacted by the implementation of this initiative and how are they impacted?

All Modernization initiatives and systems are impacted by this project, including reengineering, organizational transformation, enterprise-wide technology initiatives, acquisition and financial management.

What business processes are impacted by the implementation of this initiative and how are they impacted?

Reengineering is either underway or planned to begin by SFA and the Modernization Partner for the following business processes:

- Loan Origination
- Loan Servicing
- Financial Management
- Document Management
- Customer Relationship Management
- Loan Consolidation
- Aid Awareness
- Aid Application
- Debt Collection
- Campus Based Programs Processing
- Lender Payment Processing
- Guaranty Agency Payment Processing
- Data Storage and Retrieval (i.e., data warehouse and data marts)
- Risk Modeling
- Performance Appraisals
- Human Resource Processes and Organizational Transformation
- Customer and Partner Access to SFA Systems
- IT Methodologies and Standards

Technologies Used

List the proposed technologies that will be used to implement this project

A wide range of technologies will be used to implement all of the reengineered processes. In most cases the technology has not yet been chosen. However, it is planned that all technologies will conform to SFA's architecture standards. In virtually all cases, the technology will be implemented by either the Modernization Partner or its subcontractors. The Modernization Partner is responsible for ensuring that it provides the technical expertise and all systems integration necessary to implement the technology successfully. The technology required will be outlined in the business cases which will address the reengineering efforts on the above mentioned business processes.

Name/type	Proposed use	Has technology been used at SFA before? Where?	Does Technology fit SFA's Architecture Standard?	Does SFA have the technical expertise to implement this
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			Explain.	technology? Why?

Benefits

The Modernization Partner will be the single point of responsibility for all systems reengineering and integration.

Reduce Unit Cost

Quantified Benefit (\$)	How will benefit be measured/realized?	When will benefit be realized?
Modernization will reduce costs by reengineering processes that are inefficient, implementing standards, eliminating redundant systems/data. Specific cost reductions are attributed at project level.	Unit Cost Reductions	At the completion of each reengineering project within Modernization that is expected to reduce unit costs. (Not all individual projects are intended to reduce unit costs.) These projects are expected to be completed over a three-year period.
<i>Assumptions</i>		

Increase Customer Satisfaction

Quantified/Qualitative Benefit	How will benefit be measured/realized?	When will benefit be realized?
Provide streamlined business processes.	Customer satisfaction surveys, employee satisfaction surveys.	Incremental benefits will be realized at the conclusion of each reengineering project.



Improved communication methods.	Customer satisfaction surveys, employee satisfaction surveys.	Incremental benefits will be realized at the conclusion of each reengineering project.
<i>Assumptions</i>		

Increase Employee Satisfaction

Quantified/Qualitative Benefit	How will benefit be measured/realized?	When will benefit be realized?
Provide streamlined business processes.	Employee satisfaction surveys	Incremental benefits will be realized at the conclusion of each reengineering project.
Improved communication methods, more effective organizations.	Employee satisfaction surveys	Incremental benefits will be realized at the conclusion of each reengineering project.
<i>Assumptions</i>		

Estimated overall dollar amount of all benefits listed above.

Quantified Benefits					
BY	BY+1	BY+2	BY+3	BY+4	Total
<i>Assumptions</i>					



Quantified benefits for the Modernization Program as a whole accrue from the individual projects comprising the Modernization Program.

Costs

Provide costs, including those to implement the initiative and the costs to support it over its useful life.

COSTS						
	BY	BY+1	BY+2	BY+3	BY+4	Total
Development						
Operations						
Prod. Proc						
Key Pers.	<u>\$10,000,000</u>	<u>\$8,000,000</u>	<u>\$8,000,000</u>	<u>\$6,000,000</u>		<u>\$32,000,000</u>
Ad Hoc						
Sys. Maint.						
Telecom.						
Data Center						
Sub. Ops						
Total	<u>\$10,000,000</u>	<u>\$8,000,000</u>	<u>\$8,000,000</u>			<u>\$26,000,000</u>
<i>Assumptions</i>						
<p>\$10 million in FY01 based on costs for the previous year. FY02-FY03 costs are assuming a 20% reduction from FY00 and FY01. This should be realized since SFA will be 3 to 4 years into the Modernization Partner contract and Program Management functions and activities should be well established and managed with fewer FTEs. SFA's Modernization Partner believes that this is a reasonable expectation.</p>						



The costs for FY01 are estimated to represent the following services:

Service Provided	% of Cost	Amount
Leadership, direction setting, management support and, including: <ul style="list-style-type: none"> ▪ Integrate business functions, architecture and program direction across the enterprise ▪ Support SFA Investment Management process ▪ Prepare analyses, briefings and presentations to support Management Council ▪ Attend and facilitate Management Council and/or SFA Leadership meetings ▪ Define metrics and benchmarks to ensure PBO success criteria ▪ Develop relationships with strategic partners and vendors 	32%	\$3,200,000
Modernization Blueprint updates	7%	\$700,000
Contract and subcontractor management, including: <ul style="list-style-type: none"> ▪ Manage the Mod Partner contract and all subcontracts ▪ Support Acquisition Planning and preparation of performance-based SOWs ▪ Prepare deliverables for posting to SFA Intranet ▪ Update Procurement Plan monthly and manage to milestones in the plan ▪ Prepare for and attend contract status meetings ▪ Provide consulting support for legacy contract maintenance 	17%	\$1,700,000
Program planning, risk management, measurement, reporting, and communication support including: <ul style="list-style-type: none"> ▪ Execute policies and procedures in the Program Management Plan for quality management, change control, risk and issue management and project reporting ▪ Revise target state vision and integrated sequencing plans as necessary ▪ Design and develop a “virtual SFA” briefing room of program progress for SFA stakeholders ▪ Prepare, briefings, documentation and other communications as necessary ▪ Analyze, assess and report on program and project 	44%	\$4,400,000



<ul style="list-style-type: none"> performance and specify corrective actions ▪ Manage risk and issues database and deliverables database ▪ Conduct formal and informal quality reviews ▪ Conduct team lead meetings and cross-IPT meeting 		
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Total Cost of Ownership

What is the level of required enhancement after implementation?

Modernization is a continuous process. It is expected that as technology and customer expectations change, enhancements will be made to provide increased customer and employee satisfaction and further reduce unit costs to the extent that it makes economic sense.

What is the life span of this initiative?

The Modernization Program, as defined in the Modernization Blueprint, is expected to span a three- year period plus up to two years for implementation, transition and limited operation of new systems.

Alternatives

Discuss what could be done in place of this initiative and describe the consequences of each alternative.

Alternative	Consequence
Remain as-is	Customer satisfaction would remain static or decline. This could result in the privatization of student aid. Employee satisfaction would remain static or decline. This could result in the loss of highly qualified staff and the inability to hire highly qualified replacements. Contract costs would continue to increase.
Non-technology solution	There are no non-technology solutions available to process student aid at the volumes SFA experiences.
Enhance an existing system	Existing systems will be enhanced where it makes technical and economic sense.
Implement on a smaller scale	The Modernization Program is being implemented under the philosophy of “build a little, test a little, fix a little.” This allows SFA to implement improvements using a phased approach with smaller scale projects. Value should be realized at the conclusion of each project. Decisions can then be made on whether to proceed with follow-on projects based on the success of previous efforts.



Other	
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Risks

Risk	Description of Risk	Mitigation Strategy
Financial	The Program Management aspect of the Modernization Program has low financial risk. Estimates for this task are based on previous program management tasks performed by the Modernization Partner for SFA.	Carefully define the scope of the task to ensure that it stays within budget.
Technology	Difficult to implement in existing environment of multiple systems and contractors. Low level of experience with the new technology among SFA staff and some contractors.	Maintain the legacy contract transition plan and acquisition plan to streamline contracts. Establish written standards and procedures for contractors to follow. Upgrade skills in SFA and contractors through training and new hires. Use proven demonstrable technologies from relevant commercial enterprises and government agencies. Use appropriately skilled people, both internal to SFA and externally to augment existing skill sets.
Scope	Very large scope, short timeframe to complete modernization, high degree of complexity.	Develop modernization program plan to guide tasks and limit scope. Include milestones in performance plans tracked at all levels of the organization. Establish budgets and schedules that provide contingencies for associated risks. Define work in manage
Management	High degree of executive commitment. However requires sponsorship across the enterprise, contributing to management complexity.	Establish management council and investment management process to ensure goals of each organization are in synch with enterprise-wide goals. Track progress at the executive level through the sequencing plan. Modernization team will communicate regularly with senior management.
Exposure	Very high risk of exposure of any failure.	Develop communications plan to ensure that customers, OMB, Congress, et.al., are informed of progress and problems as we proceed and are "bought in" to the processes and outcomes. Monitor sequencing plan milestones to ensure regular delivery of incremental



		capabilities. Publicize “good news” about program progress.
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Acquisition Strategy

Sources

Project tasks orders will be awarded to the Modernization Partner under SFA’s existing Blanket Purchasing Agreement with Andersen Consulting.

Competition

The competitive procurement for this work has already been concluded, with the result being the award of the Modernization Partner BPA. The Modernization Partner is required to use competitive procedures, where appropriate, in selecting subcontractors.

Contract Considerations

Multiple contracts are not contemplated for this effort. Most task orders awarded to the Modernization Partner will be firm fixed price and performance based, including share-in-savings.

Schedule/Milestones (including acquisition cycle)

#	Milestone	Start Date	End Date
1	Exercise Options in Program Management Task 38 for deliverables to provide support through 6/10/01	11/1/00	11/6/00
2	Work with Mod Partner to determine approach for Program Management for the following year and issue Statement of Objectives	3/15/01	4/15/01
3	Complete proposal review and award task	4/15/01	5/31/01
4	Modernization Blueprint Update	2/1/01	4/30/01
5	Modernization Management Services Summary, delivered monthly	1/10/01	11/30/01
6	Modernization Procurement Plan, delivered monthly	1/10/01	11/30/01
7			
8			
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