



## Appendix D – Glossary of Terms

<b>Acquisition Plan</b>	<p>A document used to facilitate acquisition planning.</p> <ul style="list-style-type: none"> <li>• It must address all the technical, business, management, and other considerations that will control the acquisition.</li> <li>• It must identify those milestones at which decisions should be made.</li> <li>• Specific content will vary, depending on the nature, circumstances, and stage of the acquisition.</li> <li>• Plans for service contracts must describe the strategies for implementing performance-based contracting methods or provide rationale for not using such methods.</li> </ul>
<b>Actual Cost (AC)</b>	The costs actually incurred for the work completed by the specified date; also referred to as the <i>actual cost of work performed (ACWP)</i> .
<b>Architectural Alignment</b>	Degree to which the IT initiative is compliant with USDA's information technology architecture.
<b>Architecture</b>	An integrated framework for evolving or maintaining existing technologies and acquiring new technologies to support the mission(s).
<b>Benefit</b>	Quantifiable or non-quantifiable advantage, profit, or gain.
<b>Benefit-Cost Ratio</b>	The Total Discounted Benefits of an investment divided by the Total Discounted Costs of the investment. If the value of the Benefit-Cost Ratio is less than one, the investment should not be continued.
<b>Budget at Completion</b>	The sum of all budgets established for the investments.
<b>Business Case</b>	Structured proposal for business improvement that functions as a decision package for organizational decision-makers. A business case includes an analysis of business process performance and associated needs or problems, proposed alternative solutions, assumptions, constraints, and risk-adjusted cost-benefit analysis (CBA).
<b>Business Process</b>	A collection of related, structured activities or chain of events that produce a specific service or product for a particular customer or group of customers.
<b>Business Process Reengineering</b>	A systematic, disciplined approach to improving business processes that critically examines, rethinks, and redesigns mission delivery processes.
<b>Capital Asset</b>	Tangible property, including durable goods, equipment, buildings, installations, and land.
<b>Contract Budget Base</b>	The total cost of all budgeted activities necessary to complete a task.
<b>Control Phase</b>	Capital planning phase that requires ongoing monitoring of information technology investments against schedules, budgets, and performance measures.
<b>Cost-Benefit Analysis</b>	An evaluation of the costs and benefits of alternative approaches to a proposed activity to determine the best alternative.
<b>Cost Performance Index</b>	Earned value divided by the actual cost incurred for an investment.
<b>Cost Variance</b>	Earned value minus the actual cost incurred for an investment.
<b>Customer</b>	Groups or individuals who have a business relationship with the



	organization; those who receive or use or are directly affected by the products and services of the organization.
<b>Data Documentation</b>	Compilation of materials including data dictionary, decomposition diagrams, and data models.
<b>Description of Initiative</b>	Brief overview of initiative of no more than 100 words to include: <ul style="list-style-type: none"> <li>• Short summary of proposed initiative</li> <li>• Statement of the business functions or processes the initiative supports</li> <li>• Brief summary of benefits resulting from the initiative (tangible or intangible).</li> </ul>
<b>Design Documentation</b>	Document that includes system design diagrams.
<b>Development, modernization, or enhancement costs</b>	Cost for new investments, changes or modifications to existing systems that improve capability or performance, changes mandated by the Congress or agency leadership, personnel costs for project (investment) management, and direct support.
<b>Discount Factor</b>	The factor that translates expected benefits or costs in any given future year into present value terms. The discount factor is equal to $1/(1 + i)^t$ where $i$ is the interest rate and $t$ is the number of years from the initiation date for the program or policy until the given future year.
<b>Discount Rate</b>	The interest rate used in calculating the present value of expected yearly benefits and costs.
<b>Earned Value (EV)</b>	The approved budget for the work actually completed by the specified date; also referred to as the <i>budgeted cost of work performed</i> (BCWP).
<b>Earned Value Management (EVM)</b>	A management methodology for integrating scope, schedule, and resources, and for objectively measuring project performance and progress. Performance is measured by determining the budgeted cost of work performed (i.e. earned value) and comparing it to the actual cost of work performed (i.e. actual cost). Progress is measured by comparing the earned value to the planned value.
<b>Estimate at Completion</b>	The actual costs incurred, plus the estimated costs for completing the remaining work.
<b>Estimate to Complete</b>	The cost necessary to complete all tasks from the actual cost of work performed end date through the investment's conclusion.
<b>Evaluate Phase</b>	Capital planning phase that requires information technology investments to be reviewed once they are operational to determine whether the investments meet expectations.
<b>Expected Outcome</b>	Projected end result of the initiative (e.g., system(s) being replaced or improved customer service) that is directly linked with performance measures.
<b>Feasibility Study</b>	Preliminary research performed to determine the viability of the proposed initiative by performing an alternatives analysis, including market research and extensive interviews with subject matter experts. Also includes a proposed technical approach and preliminary cost, scope, and schedule data.
<b>Financial System</b>	An information system used for any of the following: <ul style="list-style-type: none"> <li>• Collecting, processing, maintaining, transmitting, or reporting</li> </ul>



	<p>data about financial events</p> <ul style="list-style-type: none"> <li>• Supporting financial planning or budgeting activities</li> <li>• Accumulating and reporting cost information</li> <li>• Supporting the preparation of financial statements.</li> </ul>
<b>Functional Requirements</b>	A description of system capabilities or functions required to execute a required process such as a communication link between several locations and generating specific reports.
<b>Hardware/Equipment</b>	Includes any equipment used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information (e.g., computers and modems); capital and non-capital purchases or leases.
<b>Independent Verification and Validation</b>	An independent review conducted by persons separate from the management and operation of the investment or system.
<b>Inflation</b>	The proportionate rate of change in the general price level, as opposed to the proportionate increase in a specific price. Inflation is usually measured by a broad-based price index, such as the implicit deflator for Gross Domestic Product or the Consumer Price Index.
<b>Information System</b>	A discrete set of information resources organized for the collection, processing, maintenance, transmission, and dissemination of information in accordance with defined procedures, whether automated or manual.
<b>Information System Lifecycle</b>	The duration of the system life typically organized into four phases: initiation, development, operation, and disposal.
<b>Information Technology</b>	Any equipment or interconnected system or subsystems or equipment used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information.
<b>Infrastructure</b>	The IT operating environment (e.g., hardware, software, and communications).
<b>Lifecycle Benefits</b>	<p>The overall estimated benefits for a particular program alternative over the time period corresponding to the life of the program including:</p> <ul style="list-style-type: none"> <li>• Cost/expense reduction (productivity and headcount),</li> <li>• Other expense reductions (operational),</li> <li>• Cost/expense avoidance, and</li> <li>• Revenue-related savings.</li> </ul>
<b>Lifecycle Cost</b>	The overall estimated cost for a particular program alternative over the time period corresponding to the life of the program, including direct and indirect initial costs plus any periodic or continuing costs of operation and maintenance.
<b>Major IT Investment</b>	An investment that requires special management attention because of its importance to mission or function of the agency, a component of the agency, or another organization; 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.



<b>Management Reserve</b>	The amount of the total allocated budget withheld for management control purposes rather than designated for the accomplishment of a specific task or set of tasks; not part of the performance measurement.
<b>Net Present Value</b>	The difference between the discounted present value of benefits and the discounted present value of costs. Also referred to as the discounted net.
<b>Opportunity Costs</b>	Cost of not investing in the initiative or cost of a forgone option.
<b>Payback Period</b>	The number of years it takes for the cumulative dollar value of the benefits to exceed the cumulative costs of an investment.
<b>Performance Indicator</b>	<p>Description of:</p> <ul style="list-style-type: none"> <li>• What is to be measured, including the metric to be used (e.g., conformance, efficiency, effectiveness, costs, reaction, or customer satisfaction)</li> <li>• Scale (e.g., dollars, hours, etc.)</li> <li>• Formula to be applied (e.g., percent of “a” compared to “b,” mean time between failures, annual costs of maintenance, etc.)</li> <li>• Conditions under which the measurement will be taken (e.g., taken after system is operational for more than 12 hours, adjusted for constant dollars, etc.)</li> </ul>
<b>Performance Measurement Baseline</b>	The time-phased budget plan against which investment performance is measured.
<b>Performance Measures</b>	Method used to determine the success of an initiative by assessing the investment contribution to predetermined strategic goals. Measures are quantitative (e.g., staff-hours saved, dollars saved, reduction in errors, etc.) or qualitative (e.g., quality of life, customer satisfaction, etc.).
<b>Planned Value (PV)</b>	The approved budget for the work scheduled to be completed by a specified date; also referred to as the <i>budgeted cost of work scheduled</i> (BCWS).
<b>Post-Implementation Review</b>	Evaluation of the information technology investment after it has been fully implemented or terminated to determine whether the targeted outcome (e.g., performance measures) of the investment has been achieved.
<b>Pre-Select Phase</b>	Capital planning phase that provides a process to assess whether information technology investments support strategic and mission needs.
<b>Project Plan</b>	A document that describes the technical and management approach to carrying out a defined scope of work, including the project organization, resources, methods, and procedures and the project schedule.
<b>Return</b>	The difference between the value of the benefits and the costs of an investment. In a cost-benefit analysis it is computed by subtracting the Total Discounted Costs from the Total Discounted Benefits, and is called the Total Discounted Net.
<b>Return on Investment</b>	Calculated by dividing the Total Discounted Net by the Total Discounted Costs. To express it as a percentage, multiply by 100. It can also be expressed as (Total Discounted Benefits minus Total Discounted Costs) divided by Total Discounted Costs.
<b>Risk</b>	A combination of the probability that a threat will occur, the



	probability that a threat occurrence will result in an adverse impact, and the severity of the resulting impact.
<b>Risk Assessment and Management Plan</b>	A description of potential cost, schedule, and performance risks, and impact of the proposed system to the infrastructure. Includes a sensitivity analysis to articulate the effect different outcomes might have on diminishing or exacerbating risk. Provides an approach to managing all potential risks.
<b>Risk Management</b>	The process concerned with identifying, measuring, controlling, and minimizing risk.
<b>Schedule Performance Index (SPI)</b>	The ratio of the approved budget for the work performed to the approved budget for the work planned. The SPI reflects the relative amount the project is ahead of or behind schedule, sometimes referred to as the project's <i>schedule efficiency</i> . You can use the SPI to date to project the schedule performance for the remainder of the task.
<b>Schedule Variance</b>	Earned value minus the planned budget for the completed work.
<b>Security</b>	Measures and controls that ensure the confidentiality, integrity, availability, and accountability of the information processes stored by a computer.
<b>Security Plan</b>	Description of system security considerations such as access, physical or architectural modifications, and adherence to Federal and USDA security requirements.
<b>Select Phase</b>	Capital planning phase used to identify all new, ongoing, and operational investments for inclusion into the information technology portfolio.
<b>Sensitivity Analysis</b>	An analysis of how sensitive outcomes are to changes in assumptions. Assumptions about the dominant cost or benefits elements and the areas of greatest uncertainty deserve the most attention.
<b>Software</b>	Any software, including firmware, specifically designed to make use of and extend the capabilities of hardware/equipment.
<b>Steady-State costs</b>	Maintenance and operation costs at current capability and performance level including costs for personnel, maintenance of existing information systems, corrective software maintenance, voice and data communications maintenance, and replacement of broken IT equipment.
<b>Steady-State Phase</b>	Capital planning phase that provides the means to assess mature information technology investments to ensure they continue to support mission, cost, and technology requirements.
<b>Sunk Cost</b>	A cost incurred in the past that will not be affected by any present or future decisions. Sunk costs should be ignored in determining whether a new investment is worthwhile.
<b>Technical Requirements</b>	Description of hardware, software, and communications requirements associated with the initiative.
<b>Variance at Completion</b>	The difference between the total budget assigned to a contract, WBS element, organizational entity, or cost account and the estimate at completion; represents the amount of expected overrun or under run.