

Information Technology Resource Management Council (ITRMC)

ENTERPRISE GUIDELINES – G200 PROJECT SUMMARY

Category: G225 – COST-BENEFIT ANALYSIS

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I. DEFINITION

A Cost–Benefit Analysis (CBA) is a calculation of the costs of a large-scale IT project relative to the benefits of the project.

II. RATIONALE

These guidelines are intended to assist Agencies in the evaluation and preparation of an Information Technology (IT) Project Cost-Benefit Analysis in conformance with *ITRMC [Policy 2030 - IT Large-Scale Project Review](#)*. These guidelines represent general categories to be considered in completing a cost-benefit analysis while leaving the specific format open to be consistent with the Agency’s business planning needs. Agency administrators can use cost-benefit analysis results for a number of purposes, such as project planning, decision making, budgeting, and historical documentation.

III. GUIDELINE

The completion of a Cost-Benefit Analysis for a large-scale IT project should be noted in the “Cost-Benefit Analysis” section of the *Large-Scale Project Profile* (see [G210 – IT Project Profile](#)).

To ensure the CBA process is in harmony with business processes, existing Agency business, budgeting, and financial planning (time value of money, etc.) methodologies should be used to complete the IT Cost-Benefit Analysis. The CBA should be completed during normal business and IT planning cycles and for all phases of the project life cycle. Agencies may need to enhance existing methodologies in order to quantify any intangible, qualitative, or other non-quantitative items (either costs or benefits).

The following categories and related discussions can be used as a guideline for the preparation of an Agency large-scale IT project Cost-Benefit Analysis.

The costs associated with an IT project can include, but are not limited to, items in the following areas:

1. Software acquisition and maintenance;
2. Software development and maintenance;
3. Personnel (permanent, temporary, contract, etc.);
4. Legal/administrative;
5. Systems integration;
6. Supplies;
7. Training;
8. Operations;
9. Documentation;
10. Hardware purchase, lease, upgrade, maintenance;
11. Telecommunications systems and services;
12. Professional services;
13. Opportunity costs (compared to other alternatives); and
14. Intangible costs.

IV. BENEFITS

The benefits associated with an IT project can include, but are not limited to, the items in the following areas:

1. Support for Agency, Enterprise or Government Strategic Goals Cost Reduction / Avoidance / Redirection – Reduce costs or avoid an increase in the costs of personnel, materials/supplies, work space, maintenance, support, training, utilities, avoid penalties, etc.;
2. Enhanced Service Benefits – Increase citizen service availability and access, reduce response time, improve delivery of services, better presentation of information, etc.;

3. Improved Operational Effectiveness – Reduce error rates, increase resource efficiency/productivity, process improvement, expand capacity or capability, improved management information systems, reporting, etc;
4. Enhanced Financial Benefits – Increases in charges/fees or additional fees collected through enhanced collection efforts, grants, new or increased revenue sources;
5. Compliance with Enterprise Technology Standards (ITRMC); or
6. Compliance with Statute, Health, Safety or Security Requirements – State or federal statutes, regulations, etc.

V. TIMELINE

Last Revised: April 11, 2007
Effective Date: June 19, 2002

VI. REVISION HISTORY

4/11/2007 – Replaced “Major Project” language with “Large-Scale Project” to remain consistent with Idaho code.