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Chairman, House Oversight and Government Reform Committee

House Armed Services Committee Hearing

2014 National Defense Authorization Act

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Mr. Chairman, ranking member Smith, thank you for this opportunity to discuss the Federal Information Technology Acquisition Reform Act, or FITARA. FITARA is a major Government-wide information technology acquisition reform bill recently reported from my committee by unanimous voice vote. Although FITARA does not directly amend Title 10, the Department of Defense is an enormous user of the government-wide acquisition resources that are at the heart of the FITARA legislation. I believe the bill would therefore significantly enhance the Department's acquisition capabilities.

Major acquisition reforms have often advanced as part of the National Defense Authorization Act. In fact, the original Clinger-Cohen legislation that FITARA updates was enacted as Sections D and E of the National Defense Authorization Act in 1996.

FITARA is the outgrowth of oversight by the Committee on Oversight and Government Reform concerning the means and methods by which the federal government acquires a critical resource - those IT systems essential to its operation. Starting in the 112th Congress[1], we began a detailed inquiry into the organizational structures and processes that continue to impede the implementation of this critical infrastructure.

IT is indeed a critical pathway to efficient and responsive government. Information technology plays a pivotal role in the efficient operation of government. Without modern IT systems, government is incapable of providing basic services, curtailing waste, fraud and abuse or managing internal operations.

These failures directly impact progress towards improving citizen services and conducting effective oversight. Approximately $80 billion is spent annually by the Federal Government on information technology, and these expenditures impact the entire $3.5 trillion dollars of annual federal outlays. For example, without state-of-the-art IT-- and the oversight

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[1] Starting in the 112th Congress, the Oversight and Government Reform Committee began a detailed reexamination of the basic framework by which the government acquires and deploys IT assets. Our oversight hearings confirmed that despite spending more than $600 billion over the past decade, too often federal information technology (IT) investments run over budget, behind schedule, or never deliver on the promised solution or functionality. Indeed, some industry experts have estimated that as much as 25 percent of the annual $80 billion spent on IT is attributable to mismanaged or duplicative IT investments.

capability it brings --the Government cannot tackle the $108 billion lost to improper payments in fiscal year 2012 alone.[2] In terms of potential cost savings to be had in this area, some in industry have estimated that more than one trillion dollars could be saved over the next decade if the Government adopted the "proven" IT best practices currently in use by the private sector.[3]

The existing legal framework for IT acquisition and deployment is now 17 years old[4], a virtual eternity in terms of the evolution of IT technology. While our Government stands by, industry is experiencing tectonic shifts in IT, such as the transition to cloud computing; the shared services model of IT delivery; and the need for data center optimization. Although modest revisions have been made to the procedures used to acquire and deploy modern IT, increasingly the management structure and acquisition procedures currently in place are causing the Government to fall further behind.

The Federal Information Technology Acquisition Reform Act (FITARA) addresses this rapidly changing landscape by addressing key underlying issues. First, it creates a clear line of responsibility, authority, and accountability over IT investment and management decisions within each agency.

Second, it creates an operational framework to drastically enhance government's ability to procure commonly-used IT faster, cheaper, and smarter. The majority of IT needs such as infrastructure or back office systems and applications are common throughout the Government and could be met by commercially-available solutions. A meaningful IT transformation must target such common and expensive problems.

Third, it strengthens the IT acquisition workforce. No matter how many laws we pass, the effectiveness of our federal acquisition system ultimately depends on a vital human

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[2] For example, without state-of-the-art IT and the oversight capability it brings, the Government cannot tackle the $108 billion lost to improper payments in fiscal year 2012 alone.[2] In fiscal year 2012, federal agencies reported a government-wide improper payment rate of 4.35%.

Source: http://www.paymentaccuracy.gov/about-improper-payments

[3] "One Trillion Reasons," The Technology CEO Council. Page 1. Executive Summary. http://www.techceocouncil.org/clientuploads/reports/TCC%20One%20Trillion%20Reasons.pdf

[4] The Clinger-Cohen Act of 1996 (P.L. 104-106)

component – the acquisition workforce. Each failed IT procurement a better-trained acquisition professional manages to prevent will save the taxpayers tens of millions of dollars. If IT contract overspending is reduced just one percent, taxpayers will save more than $800 million each year.

Title I of FITARA increases the responsibility, authority, and accountability of the Chief Information Officer (CIO) for each of the major civilian federal agencies by providing them with budget and personnel-related authority over IT investments within the entire agency.

Currently, CIOs in most agencies lack the necessary over how the agency's IT budget is allocated and executed. Many large federated agencies such as Department of Homeland Security or Department of Commerce have numerous CIOs at their component organizations with little or no accountability to the central agency CIO.[5]

As a result, the primary role of agency CIOs has been typically limited to policymaking and infrastructure maintenance. An agency CIO should play a central role in all aspects of IT within the entire agency. CIOs must be able to design and deliver transformational enterprise-wide IT solutions that support the mission and business function while overcoming bureaucratic impediments and parochialism. With increased stature and authority, each CIO can be held accountable for success or failure of the agency's overall IT management. As an extension of this intra-agency leadership, FITARA expands the role of the CIO Council to encompass a more active role in cross-agency shared services and collaboration.

Title II of FITARA is designed to optimize the usage and efficiency of federal data centers. As of September 2011, 24 CFO Act agencies had identified almost 2,900 data centers.[6] Operating such a large number of centers is a significant cost to the federal government, including hardware, software, real estate, and cooling costs. According to the Environmental Protection Agency, the electricity cost alone is about $450 million annually.[7] My committee

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[5] According to the research conducted by the Congressional Research Service (CRS), there are currently more than 240 CIOs in 24 major departments and agencies that are subject to the Chief Financial Officers Act. The Department of Transportation alone has 35 CIOs.

[6] GAO, "DATA CENTER CONSOLIDATION: Agencies Making Progress on Efforts, but Inventories and Plans Need to Be Completed"; GAO-12-742 (Washington, D.C.: July 2012).

[7] Ibid. p2.

recognizes that there is an on-going Administration initiative to consolidate data centers.[8] FITARA requires such initiative to place greater emphasis on performance and savings, rather than merely focusing on the number of data centers closed or consolidated.

FITARA's use of the term "optimization," rather than "consolidation" is used to make this important distinction. As required in the bill, there should be appropriate consideration of utilizing commercially owned data centers where appropriate. The government IT managers must evolve from the mindset of IT hardware ownership to outcome-based citizen service delivery.

Title III of FITARA aims to eliminate wasteful duplication in IT assets, processes, and contracts. Unnecessary duplications and unaccounted or underutilized IT assets cost both the government and the industry money and administrative effort. This not only redirects resources away from other needed investments, it hampers the adoption of new and innovative solutions. The bill requires an inventory of IT assets with particular focus on software licenses. It directs the Office of Management and Budget (OMB) to reshape government web strategy to facilitate the creative use of government data by the public. I recognize that commercial cloud computing services may offer a critical part of such consideration. The flexibility offered by cloud technology necessitates appropriate re-consideration of how Government should consume and pay for needed software and services while keeping pace with technology upgrades.

Title IV of FITARA focuses on acquisition operations. Recognizing that there currently is and will continue be a severe shortage of skilled IT acquisition personnel in the foreseeable future,[9] the Government must better leverage its current IT acquisition capabilities while

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[8] In 2010, the Office of Management and Budget (OMB) launched the Federal Data Center Consolidation Initiative (FDCCI), a Government-wide effort to consolidate data centers.
[9] Testimony of Daniel I. Gordon, Associate Dean for Government Procurement Law Studies, the George Washington University Law School and Stan Soloway, President & CEO, Professional Services Council, before the House Committee on Oversight & Government Reform, February 27, 2013.

strengthening the IT acquisition workforce. Experts from both Government and industry have pointed out that particular weakness exists in IT program management.[10]

Almost all major IT acquisition failures stem from poorly drafted requirements[11] and federal agencies often pursue individualized approach for common problems, without building upon collective knowledge and experiences. Mandatory centralized acquisition, however, may hamper a specific agency's need to support its mission and inappropriately dilute its ownership of its own acquisition decisions. Therefore, the bill takes a balanced approach by creating central acquisition resources and capabilities for common IT requirements that individual agencies are allowed the choice to utilize.

The most notable IT waste and duplication exists in the area of infrastructure and common IT systems and business applications.[12] For example, in the fiscal year 2011 budget submissions, agencies reported 622 separate investments or $2.4 billion in human resource management systems, and 580 investments or $2.7 billion in financial management systems.[13] Considering most of these back office systems perform similar functions, there are opportunities to consolidate them into smaller, manageable numbers within each major agency, and even share services across multiple agencies.[14]

FITARA aims to eliminate unnecessary duplication and streamline IT acquisitions by first targeting numerous, commonly-used IT commodity-like investments such as these. FITARA requires establishment of a Federal Infrastructure and Common Application

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[10] Ibid. Also see testimony of Richard A. Spires, Chief Information Officer, U.S. Department of Homeland Security, before the House Committee on Oversight & Government Reform, February 27, 2013.

[11] GAO, "INFORMATION TECHNOLOGY: Critical Factors Underlying Successful Major Acquisitions"; October 2011.

[12] See OMB M-13-09, "Fiscal Year 2013 PortfolioStat Guidance: Strengthening Federal IT Portfolio Management." This is referred to as "commodity IT" by OMB. "Commodity IT" was defined in the memorandum as including services such as, "IT infrastructure (data centers, networks, desktop computers and mobile devices); enterprise IT systems (email, collaboration tools, identity and access management, security, and web infrastructure); and business systems (finance, human resources, and other administrative functions)."

[13] Testimony of David A. Powner, Director, Information Technology Management Issues, GAO, Before the Committee on Oversight and Government Reform, House of Representatives, January 22, 2013.

[14] Ibid.

Collaboration Center (Collaboration Center) to serve as a focal point for the program and technical expertise necessary for coordinated IT acquisition best practices. In developing such common requirements, it is imperative that the Collaboration Center keep its focus on "common" -- the so-called 80 percent solution required by all agencies -- and not non-standard or non-commercial features desired by each individual agency. This Center will be funded by *existing* interagency acquisition fees, without the need for any additional appropriation or agency expense.

With respect to the formation of specific contracts for commonly-needed IT, FITARA recognizes that individual agency contracting personnel often lacks the relevant experience and knowledge of market conditions to get the best value for taxpayer dollars. FITARA therefore provides for OMB to designate fee-for-service Assisted Acquisition Centers of Excellence (AACEs) to promote expedient, best value procurement practices. By engaging in repeated acquisitions of the same basic IT requirement, the contracting personnel in the AACEs will develop a keen acquisition expertise and market awareness that can benefit multiple agencies and promote demand aggregation where possible and appropriate.

The Committee expects that AACEs will ultimately be able to expedite the acquisition cycle for common IT requirements to a matter of months rather than years. When used properly, an individual agency should be able to obtain a well-constructed IT requirement "template" from the Collaboration Center, customize to its specific needs, and then avail itself of expert contracting support from an AACE. This would enable the agency to fulfill its purchasing need by leveraging acquisition expertise and resources it does not alone possess..

Between fiscal years 2002 and 2012, acquisition spending by the federal government expanded by 95 percent, from $264 billion to close to $514 billion. While contract spending has risen dramatically, the number of acquisition professionals did not keep pace. Moreover, a significant portion of the current acquisition workforce will be eligible to retire over the next decade. Statistics from the Office of Personnel Management show that there are seven times as

many IT workers in government over 50 as under 30 -- the diametric opposite of the commercial world.[15]

The complexities and challenges in rebuilding the acquisition workforce under the current budget-constrained environment make an acquisition workforce plan essential. FITARA directs OMB to prepare and implement a 5-year strategic plan, to be accompanied by annual implementation reports to Congress and GAO verification.

Title V of FITARA makes additional reforms to improve acquisition practices and transparency. The Committee reaffirms that government IT managers must maintain technology neutrality and should fairly consider open source solutions, alongside proprietary ones, when making procurement decisions. I agree with the report language accompanying the FY 2009 National Defense Authorization Act that there are many instances where the use of open source software and its attendant business model would greatly benefit the Government while promoting transparency and engagement with and by the public.

Mr. Chairman, we believe that FITARA will significantly advance the effective, timely and cost-effective adoption of emerging IT capabilities by the federal government. While we may never reach the day when the Government is called "state-of-the-art," at least we can ensure that it is not left behind as a technology backwater in the face of tectonic shifts in the IT landscape.

Thank you for providing me the opportunity to testify, and I look forward to discussions with this Committee concerning the inclusion of FITARA in the 2014 National Defense Authorization Act.

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[15] Ibid. Testimony of Stan Soloway.