

STATEMENT OF ANIL CHERIYAN
DEPUTY COMMISSIONER, FEDERAL ACQUISITION SERVICES AND
DIRECTOR, TECHNOLOGY TRANSFORMATION SERVICES
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SUBCOMMITTEE ON GOVERNMENT OPERATIONS

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Chairman Connolly, Ranking Member Meadows, and distinguished members of the sub-committee, good afternoon and thank you for the opportunity to testify here today. I welcome the Subcommittee's interest in how the General Services Administration (GSA) is modernizing the government's Information Technology (IT), including the role of two important programs within my organization - Centers of Excellence (CoEs) and 18F.

I am Anil Cheriyan, Deputy Commissioner of the Federal Acquisition Service (FAS) and Director of the Technology Transformation Services (TTS) within GSA.

Prior to joining GSA in January of 2019, I served as the Executive Vice President and Chief Information Officer at SunTrust Banks, where as part of the Executive Leadership Team, I led digital, data, and operational transformation efforts. Prior to SunTrust, I led several transformational consulting engagements as a partner at IBM and PwC Consulting. I believe this experience provides me with the unique insight into agency IT modernization needs and the organizational capabilities needed from TTS.

One of GSA's top priorities is to improve the way the federal government buys, builds, and uses technology. My organization, TTS, contributes to this by focusing on how the Government can apply modern methodologies and technologies to improve the public's experience with government. TTS's unique approach relies on acting as the "tip of the spear" in IT modernization bringing modern technologies and techniques, working shoulder to shoulder with agency partners and harnessing industry innovative solutions. I firmly believe this approach is needed and moreover has shown great value to the taxpayers.

The Centers of Excellence (CoEs) and 18F are two integral and complementary programs within the TTS portfolio. Both programs bring state-of-the-art modernization technologies and techniques, hire experts from industry, primarily through term-based hiring authorities, to engage directly with agency partners in a fee-based, cost-recovery

model to advance IT modernization initiatives within these agency partners. Both programs focus on assisting agencies meet their IT modernization goals with an emphasis on transferring knowledge to ensure sustainable, scalable outcomes. While the CoE approach is typically a top-down comprehensive transformation initiative within an agency, 18F engagements are typically project specific initiatives.

Today, I would like to share with you some insights into the CoE and 18F missions, value propositions, current landscapes, and my vision for the impact of these programs.

Centers of Excellence (CoEs)

The CoE approach was established in October 2017 to scale and accelerate IT transformation at federal agencies. The approach leverages a mix of government talent and private sector innovation in partnership while centralizing best practices and expertise into CoEs. The program's goal is to facilitate repeatable and sustainable transformation, scaling and accelerating transformation by building on lessons learned.

Since inception, TTS has formed six CoEs: Artificial Intelligence (AI), Cloud Adoption, Contact Center, Customer Experience, Data & Analytics, and Infrastructure Optimization. These six capability areas are typically the key focus areas needed by an enterprise when driving IT Modernization and undergoing a digital transformation.

To date, the CoEs have engaged with six agencies – the United States Department of Agriculture (USDA), the Department of Housing and Urban Development, the Office of Personnel Management, the Consumer Product Safety Commission, the Department of Defense/Joint Artificial Intelligence Center and the Department of Labor, and I am happy to report that we are currently in discussions with several other agencies on leveraging these CoEs to accelerate their IT modernization initiatives. Moreover, agencies may engage in multiple centers. For example, USDA utilized five of these CoEs.

While having been in existence for little over two years, the CoE program has already begun to realize significant benefits to agencies and to the public. First, USDA has avoided significant costs by consolidating from 39 to 6 data centers. In addition, they have implemented a state-of-the-art contact center to which they currently plan on migrating all of their existing contact centers. For the public, TTS helped USDA implement a new tool that has simplified and reduced the time required by farmers to submit a loan application. They have also implemented dashboards across the USDA organization that allow for increased data-driven decision-making by mission leadership.

CoE initiatives are “top-down” programs sponsored by senior executives within an agency. These initiatives can span multiple years due to their overall complexity, scope and scale. The CoE engagement model involves three distinct phases:

- In the first phase, Staging, the CoE team works closely with agency leadership to establish the foundation for the initiative through engagement scoping, research, team formulation, and funding identification.
- This is followed by the second phase, Discovery, where the CoE team partners with industry to lead a comprehensive discovery of modernization pain points, a future state vision and the identification of high-impact modernization initiatives.
- During the third and final phase, Implementation, the focus is on implementation of agreed upon Discovery recommended initiatives, and building ongoing sustainable modernization capacity at the agency.

CoE engagements are typically wound down and transitioned back to the agency when agency partners have begun realizing benefits and have built the capacity to sustain the transformation on their own.

When the CoE program began, opportunities were typically identified from discussions between agency leaders, the White House Office of American Innovation (OAI), the Deputy Director of the Office of Management and Budget (OMB), the office of the Federal Chief Information Officer (CIO), the GSA Administrator, and TTS leadership. The first “lighthouse” agency to prove the CoE model was USDA with significant participation from the USDA Secretary and his leadership team. As the model has matured, we are finding an organic pipeline of agencies interested in partnering with the CoE program rather than being guided by OAI, OMB, or GSA leadership.

As I mentioned earlier, industry is foundational to the CoE model. The CoE is a lean team of experienced innovation leaders who carry out impactful work through partnership with industry. The CoEs engage with industry in two main areas.

- First, the CoE leverage industry System Integrators (SIs) during the Discovery phase through blanket purchase agreements (BPAs). We have 22 BPA vendors of which about 1/3 are small businesses. These industry partners assist the CoE team in defining and planning Implementation projects.
- Second, we assist the agency partner in selecting industry SI and technology partners for the Implementation phase of the agency’s program. The Industry SI selected to help in this third, Implementation, phase is not the same as the one selected to aid during the second, Discovery, phase. This ensures the independence and quality of the work done in either phase.

The CoE typically transitions implementation activities to industry partners at the later stages of the Implementation phase of the program.

From a financial standpoint, the CoEs were fully cost recoverable in fiscal year (FY) 19 while more than doubling the size of the team, increasing the agency partners and adding a new AI-focused center. The positive financial results were driven by a high staff utilization rate of over 80 percent.

18F

In March 2014, recognizing that too many of our government's digital services were not designed to meet the needs of the people who use them, delivered on time, and often over budget, GSA launched 18F. The 18F mission is to make the government's digital services simple, effective, and easier to use for the American people. 18F partners with agencies to improve the user experience of government services.

The focus is on human-centered design for usable and intuitive systems. 18F accomplishes this through rapid discovery, experimentation, and iteration with agency partners. 18F also supports agency partners with agile-oriented acquisition consulting and assisted acquisition services primarily for software development.

18F's model can be thought of as a "teach to fish" approach where the goal is to embed modern software development approaches within the agency. After prototyping the solutions, 18F typically assists its agency partners to select and contract an industry SI partner for implementation services. Similar to the CoE, the goal is to transition responsibility from 18F to the agency and industry SI partner versus a long-term role with 18F.

In the last 5 years, 18F has attracted cutting edge technologists from both the industry and the public sector and has worked on more than 372 projects with 109 government entities.

However, 18F in its early years, suffered from growing pains typical of many start-up organizations which resulted in some process control deficiencies. Some of the more significant control deficiencies included:

- 18F staff grew ahead of the demand thereby resulting in the program generating operating financial losses;
- Projects were started without signed agreements with Agencies; and
- Technologies were acquired and utilized without the necessary approval from GSA IT.

I am pleased to report that the following corrective action steps have been taken to rectify these control deficiencies:

- 18F workforce has been right-sized to meet program demand. At its peak the staff levels were in excess of 225. We are currently at just under a 100 staff.
- Billable utilization of the staff has grown by 6.6% from FY18 to FY19 resulting in a significant improvement in cost-recoverability.
- All current work performed by 18F was started only after signed Interagency Agreements were in place.
- All newly acquired software installed and operated by 18F has been approved by GSA IT through the IT Standards Process and received an Authorization to Operate as appropriate.

This has all been done while continuing to drive impact for the agency partners and the American public. A recent example is the findtreatment.samhsa.gov site for the Substance Abuse and Mental Health Services Administration (SAMHSA). The agency realized the need to lower the challenges for people in crisis to find the help they need. The 18F human-centered design approach involved talking to treatment providers, interviewing substance use disorder experts and conducting usability audits to make it easier for people in crisis to take the next step to recovery. The new site was developed in conjunction with SAMHSA personnel and its industry partner and was successfully launched in October 2019.

As with the CoEs, these teams work side-by-side with the agency personnel with a goal to infuse these processes and approaches within the agency as opposed to a long-term role in a specific initiative. 18F works with agencies to change the way the government approaches technology in the following ways:

- We partner with agencies to build prototypes, web applications, and software that model ways to use modern technology methods and practices used by top technology companies.
- We provide acquisition services to help our agency partners become smarter buyers of private sector technology services and products.
- We build shared technology platforms that can be used across the government to address common challenges. For example, we developed cloud.gov, a platform built on an industry-backed, open-source solution that helps our agency partners access cost-effective vendor-supplied cloud infrastructure services; and login.gov, a platform that acts as the authentication platform for the public to access government websites.
- We provide agency partners with education, workshops, training, outreach, and communication tools to help them develop core capacities for building and managing digital services in the government.

There are two main phases in an 18F engagement:

- The first phase is Path Analysis. This is an 8-10-week engagement that is customized to the needs of an agency, with the goal of moving them from identifying a problem to working on a solution.
- The second phase is Experiment & Iterate phase where the 18F team works shoulder-to-shoulder with the agency's team to explore the challenges its users face and to develop solutions to those problems. The Experiment & Iterate phase can focus on building a working product, preparing a procurement package, or training the agency team to take over development. This flexible model allows the agency to stay in control of its budget and implementation.

18F receives their demand for assistance from agencies via general marketing efforts, the 18F website, blogs and industry events. 18F also has a high percentage of repeat customers as it works with other offices and programs within those agencies. In FY19 we have seen a robust increase in demand for 18F services from new and repeat agency partners. In FY20 we have ongoing work with 23 offices in 18 agencies.

Towards the end of FY19, to better serve our agency partners, 18F created two new portfolios by organizing pools of specialized 18F talent: Human Services and National Security and Intelligence Portfolios. As 18F teams work with agencies that share a common mission or face similar challenges, the staff began to acquire expertise that can be used to address common problems in these domain areas. The Human Services Portfolio works with Federal and state agencies that support health and human service programs. The National Security and Intelligence Portfolio works with DOD and intelligence community. We are excited by the formation of these portfolio teams as a sign of maturity of the 18F capabilities in solving real issues for the agency partners and the public.

From a FY19 financial standpoint, 18F's gross margin has improved by over \$3.5 million from FY18. Unfortunately, there was a marginal loss of approximately \$600,000, on a revenue base of \$32.5 million. This loss was primarily attributable to the loss of approximately \$1.3 million in revenue during the lapse in appropriations and limited opportunity to offset costs during that period. Billable utilization rates for 18F increased by 6.6 percent in FY19 from FY18 and was a primary factor in improved financial performance. There continues to be high demand for the services provided by 18F across the agencies and we anticipate that FY 20 results will show full cost recovery.

Conclusion

In conclusion, I would like to summarize my statement in a few words:

- I believe that we have made significant progress in fulfilling the CoE's mission to accelerate agencies adoption of IT modernization technology and practices

- I believe that the 18F program has made strides in improving its performance and has positioned itself to be a leader in helping agencies improve their user experience of government services.
- I am committed to leveraging my role and industry experience to work with agencies and industry to further the impact of both of these programs by driving real outcomes for agencies and the American public that we serve.
- Finally, I welcome further feedback and engagement with the sub-committee to address any concerns or areas of improvement we can be making with both of these programs.

Again, thank you and I look forward to the opportunity to answer your questions on how my organization contributes to GSA's efforts to modernize technology for the Federal government.