

**THE FEDERAL INFORMATION TECHNOLOGY AC-
QUISITION REFORM ACT'S ROLE IN REDUCING
IT ACQUISITION RISK**

JOINT HEARING
BEFORE THE
SUBCOMMITTEE ON
INFORMATION TECHNOLOGY
AND THE
SUBCOMMITTEE ON
GOVERNMENT OPERATIONS
OF THE
COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM
HOUSE OF REPRESENTATIVES
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THE FEDERAL INFORMATION TECHNOLOGY ACQUISITION REFORM ACT'S ROLE IN RE- DUCING IT ACQUISITION RISK

Wednesday, June 10, 2015

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INFORMATION TECHNOLOGY, JOINT
WITH THE SUBCOMMITTEE ON GOVERNMENT OPERATIONS,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The subcommittees met, pursuant to call, at 2:41 p.m., in Room 2154, Rayburn House Office Building, Hon. Will Hurd [chairman of the subcommittee] presiding.

Present from Subcommittee on Information Technology: Representatives Hurd, Walker, Blum, Kelly, Connolly, Duckworth, and Lieu.

Present from Subcommittee on Government Operations: Representatives Meadows, Walberg, Massie, Carter, Maloney, Norton, Plaskett and Lynch.

Mr. HURD. The Subcommittee on Information Technology and the Subcommittee on Government Operations will come to order. And without objection, the chair is authorized to declare a recess at any time.

Today we're going to review GAO's designation of IT acquisition as high risk and highlight how the Federal Information Technology Reform Act, FITARA, can reduce IT acquisition risk.

I represent a district that's 29 counties, very rural parts of Texas, and the urban part. Not once did I mention IT procurement on the campaign trail because it wasn't a sexy topic. And one of my first trips out in the district, we were in far west Texas, my chief of staff says: What are you going to talk about? And he says: IT procurement, and his face goes ashen, but when you tell people that the Federal Government spends \$80 billion on IT procurement, and a good majority of that is on legacy systems, they're pretty outraged, and they recognize the need for efficiency. They recognize the need to reduce the size and scope of the Federal Government, and FITARA was a good move in that direction.

I think many of the folks on this panel were involved in that. I know Darrell Issa and Congressman Connolly were instrumental in making that happen, and I'm looking forward to working with Congresswoman Kelly on this important issue and making sure, Mr. Scott, you know, you have all the tools you need to do your job. You have a tough job. This is—you know, I recognize the difficulty of the task, and IT management and acquisition has long been a prob-

lem for the Federal Government, and we all know that. And I'm hopeful that the agency CIOs will in partnership with their C-suite agency colleagues, fundamentally transform the way the Federal Government manages and buys IT.

And we cannot afford to be having the same discussion about IT management and acquisition in another 20 years. Our fiscal situation demands that we take advantage of the opportunities for cost savings in IT whether through eliminating duplication, transitioning to the cloud and shared services or ensuring agile development.

I'm particularly interested in how we might define successful FITARA implementation and how we best empower the CIOs for success.

I look forward to working with the leadership and members of the IT and Government Operations Subcommittees on both sides of the aisle and to continue the oversight of FITARA implementation. We have to get this right. And I believe this is something that has support not only on both sides of the aisle in the House and the Senate, in the White House as well.

And now I would like to recognize Ms. Kelly, our ranking member of the Subcommittee on Information Technology for her opening statement.

Ms. KELLY. Thank you, Mr. Chairman, for holding today's oversight hearing on the implementation of the Federal Information Technology Acquisition Reform Act, bipartisan legislation intended to overhaul the Federal Government's approach to managing its information technology resources and save billions of taxpayers' dollars.

I would like to commend Representative Gerry Connolly, the ranking member of the Government Operations Subcommittee and co-author of this legislation for his continued work on Federal IT issues and reforms. I look forward to working with him and other members of the committee in conducting effective oversight of the implementation of this law across the government.

FITARA includes a number of government-wide reforms for managing IT acquisitions and portfolios that will help ensure the Federal Government is making wise and efficient investment in IT. This committee plays an important oversight role that could increase transparency and accountability of agency efforts and help ensure that the law is effectively implemented.

In February of this year, the Government Accountability Office released its biannual high risk report which added the new high risk area, "Improving the management of information technology acquisitions and operations." GAO found that Federal Government spends billions of dollars on failed or poorly performing IT investments. Effective oversight is a key tool in identifying and reducing this kind of wasteful spending. Congress has a duty to conduct oversight as well as an obligation to give agencies the tools they need to conduct their own oversight. Agencies need more well-trained acquisition personnel to effectively oversee complex systems and to ensure that the government is a smart and diligent consumer. FITARA recognizes this need.

Congress must also ensure that agencies have the resources to hire and retain qualified personnel that embrace the added author-

ity and additional responsibilities provided to chief information officers by this law. Congress, together with administration, should pursue ways to retain their expertise, train them in the most cutting-edge techniques, and support their critical work.

In April 2015, OMB released for public comment proposed guidance on how agencies are to implement FITARA. Today, after soliciting public feedback and conducting numerous outreach sessions with stakeholders and experts, OMB issued its final guidance to agencies on the management and oversight of information technology resources.

I want to thank each of the witnesses for testifying today and for being here. I look forward to hearing your thoughts on this agency implementation, how we can improve the management of Federal IT. And I want to thank you again, Mr. Chairman.

Mr. HURD. Thank you, Ms. Kelly.

Mr. HURD. And now I'd like to recognize Mr. Meadows, chairman of the Subcommittee on Government Operations for his opening statement.

Mr. MEADOWS. Thank you, Mr. Chairman. Thank each of you for being here.

Mr. Chairman, I want to just thank you for taking a topic that, as you mentioned, back home in Texas may not have been the number one topic for people to talk about. But I can tell you in terms of making real impact, this particular issue, under your leadership and that of Ms. Kelly, will truly transform how we do business. You know, just in the last few days we've heard of all kinds of taxpayer information, employees, 4 million employees. When we start to think about the cyber attacks, that goes hand in glove with some of our IT acquisitions. And so I look forward to working with you and the ranking member, certainly with OMB as you work to try to streamline what we're doing and make it more efficient.

The GAO, you all have done some great work. I've read a lot of your work as it identifies this. And, Mr. Spires, I understand you have you a background with the IRS, and I was troubled to hear the other day that they still have aspects of their IT that has either COBOL or FORTRAN programming. Now, I shared that with some of the people in my office, and I said to give you an idea, those languages are older than you are. And so they were languages that I was learning when I was in college. And so just the maintenance of those kinds of languages and where we've come today, it's unbelievable that we would still be holding on to our security blanket.

And indeed when we do that, you know, we don't want to get rid of the old system because everybody's familiar with it and it's too much trouble to bring in the new system. You guys have heard it all, and yet what we find is the attackers. The one thing that may have saved us on some of those systems is the language is so old they can't figure it out. But in doing that, we've got to make a real investment. The chairman mentioned \$80 billion. Well, really, we know that it's actually higher than that. And when you look at those offline IT acquisitions that are in some of those areas that we do not actually openly debate, we know that the figure could be well in excess of \$100 billion.

And so as we start to look at this, it is critical from—not only from an accountability standpoint but from a procurement stand-

point that we actually address this in a real way. And so my compliment to all of those that have been leading the way. But I look forward to serving in a great way under the leadership of you, Mr. Chairman, and the ranking member as we move forward.

And with that I'll yield back.

Mr. HURD. Thank you, Mr. Chairman, and thank you for taking me back to my youth when we talked about COBOL as something that was super old even when I was a youngster studying computer science at Texas A&M University.

Mr. HURD. We're going to recognize Mr. Connolly when he arrives for an opening statement, but, you know, we're going to also hold the record open for 5 legislative days for any members who would like to submit a written statement.

And we will now recognize our panel of witnesses. I'm pleased to welcome Mr. Tony Scott, U.S. Chief Information Officer of the Office of E-Government and Information Technology at the Office of Management and Budget. And, sir, you have your hands full, sir, and I know you've been working on in these 4 months that you've been on the job.

The Honorable Anne Rung, Administrator for the Office of Federal Procurement Policy at the Office of Management and Budget as well. Thank you for being here, Ms. Rung.

Dr. David Powner, Director of IT Management Issues at the U.S. Government Accountability Office.

And Richard Spires, CEO of Resilient Network Systems and former Chief Information Officer at the IRS and Department of Homeland Security.

Welcome to you all, and thank you for being here, and pursuant to committee rules, all witnesses will be sworn before they testify. Please rise and raise your right hands.

Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth, and nothing but the truth?

Thank you. Please be seated. And let the record reflect the witnesses answered in the affirmative.

In order to allow time for discussion, please limit your testimony to 5 minutes. Your entire written statement will be part of the record. And, again, I think our first testimony is going to be Ms. Rung.

WITNESS STATEMENTS

STATEMENT OF THE HONORABLE ANNE RUNG

Ms. RUNG. Chairman Hurd, Ranking Member Kelly, Chairman Meadows and Ranking Member Connolly, and members of the subcommittees, thank you for the opportunity to appear before you today to discuss how the acquisition and information technology communities are working together to implement FITARA to drive greater IT performance.

As the administrator for Federal procurement policy, I appreciate how FITARA will help address some of the complexity of the Federal acquisition system which often leads to ineffective and inefficient use of taxpayer funds, especially in IT contracting.

In December 2014, I established a blueprint to simplify the acquisition system that I believe will help advance some of FITARA's key provisions such as those calling for maximizing the benefit of strategic sourcing, developing government-wide software licenses, and expanding workforce training in the use of IT cadres.

Today I would like to take this opportunity to briefly highlight some of the work that the Office of Federal Procurement Policy is doing to implement FITARA in partnership with Federal CIO Tony Scott and the Federal IT and acquisition community.

First, FITARA calls for GSA to establish an enterprise-wide software program on behalf of civilian agencies to reduce lifecycle cost and improve asset management practices. To implement this section, Tony Scott and I chartered the enterprise-wide software category team to serve as lead for IT software. The team includes representatives from the Office of Management and Budget, GSA, and the Department of Defense. The team is tasked with developing and implementing a strategic plan to increase the number of enterprise license agreements, recommend policy changes to OMB to improve the acquisition of management of software, and monitor agency progress. We will then use the existing PortfolioStat process to hold agencies accountable for moving to these shared solutions as appropriate.

Also a FITARA provision directs the Federal Acquisition Regulatory Council to implement a preference in the Federal Acquisition Regulation for strategically sourced vehicles. The FAR Council has opened this case and will issue a rule for public comment later this summer. Such a preference will help OFPP raise the visibility of these solutions, promote their use, and better leverage the government's buying power. This rule will complement other strategies that OFPP is developing around category management to better manage our spend and improve results for the taxpayer.

Category management is an approach taken from the private sector which manages entire categories of common purchases across the government and utilizes teams of experts to manage those specific categories. OFPP, DOD, and the General Services Administration have mapped the more than \$275 billion of common spend into ten super categories, including IT. While we're moving forward aggressively to collect and share information across all 10 categories, we're beginning with our deepest dive in IT. By managing IT as a category driving government-wide strategies like moving to a single software license for certain areas, we'll address many of the issues of duplications and inefficiencies raised by GAO and this committee.

Finally, as FITARA recognizes, building the skills of our acquisition workforce is the single most important way to ensure that the government gets what it needs on time and on budget. Working with OMB's Office of E-Government and Information Technology, the U.S. Digital Services Team, and the Office of Science and Technology Policy, we have taken steps in the last year to drive greater IT expertise in our IT acquisition workforce. There is no doubt that FITARA will help me and my colleagues drive greater efficiencies and effectiveness in IT acquisitions in support of agency mission performances.

I want to thank you for your thoughtfulness, vision, and hard work to make this happen. This work is incredibly complex and requires commitments from the most senior agency officials to the newest members of our acquisition and technology teams, and FITARA has really helped to catalyze our efforts. Tony Scott and I will continue to work together with our respective councils to strengthen and reinforce our efforts to reduce the cost and increase the value of our IT acquisitions.

I appreciate the opportunity to be here today and look forward to any questions you might have.

Mr. HURD. Thank you, Ms. Rung. And, again, thanks for being here.

[Prepared statement of Ms. Rung follows:]

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EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503
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TESTIMONY OF ANNE E. RUNG
ADMINISTRATOR FOR FEDERAL PROCUREMENT POLICY
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE SUBCOMMITTEES ON
INFORMATION TECHNOLOGY AND ON GOVERNMENT OPERATIONS OF THE
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES

June 10, 2015

Chairman Hurd, Ranking Member Kelly, Chairman Meadows, Ranking Member Connolly, and Members of the Subcommittees, thank you for the opportunity to appear before you today to discuss how the acquisition and information technology (IT) communities are working together to implement the Federal Information Technology Acquisition Reform Act (FITARA) in support of more effective agency mission performance. I want to thank you for your thoughtfulness, vision and hard work on FITARA to help my colleagues and me drive greater efficiencies and effectiveness in IT acquisitions.

As the Administrator for Federal Procurement Policy, I especially appreciate how FITARA will help address some of the complexity of the federal acquisition system, which often leads to ineffective and inefficient use of taxpayer funds especially in IT contracting. In December 2014, my office established a blueprint¹ to simplify the acquisition system that will help advance some of FITARA's key provisions, such as those calling for maximizing the benefits of strategic sourcing, developing Government-wide software licenses, and expanding workforce training and the use of IT cadres. Today, I would like to highlight some of the work that the Office of Federal Procurement Policy (OFPP) is doing to implement FITARA in partnership with the Federal CIO, Tony Scott, and the Federal IT community in support of these important principles.

¹ Transforming the Federal Marketplace: Simplifying Federal Procurement to Drive Performance, Drive Innovation, and Increase Savings - <https://www.whitehouse.gov/sites/default/files/omb/procurement/memo/simplifying-federal-procurement-to-improve-performance-drive-innovation-increase-savings.pdf>

Each year, the Government spends over \$80 billion for IT, including common commodities – like hardware and software – and complex systems development acquisitions. However, the complexity of the Federal contracting process, with its extensive contract duplication, Government-unique requirements, and excessively prescriptive contract language, can drive up transactions costs, slow the acquisition cycles, and even stifle innovation. In the commodity space, contracting officers are not always aware of – or often do not use – existing vehicles that could meet their agencies' needs. Even when they award new contracts, they generally do not have access to critical prices-paid information, so they risk overpaying for many common commodities. Both of these challenges lead to a reduction in the Government's buying power and diminish the Federal Government's market profile. The IT and the acquisition communities are working more closely than ever to find opportunities to overcome these challenges and provide greater value to the taxpayer, and FITARA will drive better alignment of agencies' IT and acquisition functions. Below are some of the steps we are taking to simplify the acquisition process that support key elements of this important legislation.

Maximizing our Position as the World's Largest Buyer

With over 3,300 contracting offices and often thousands of contracts for the same goods and services – many with the same vendor – the Federal Government buys like many small, separate entities. Our early strategic sourcing efforts helped us save money by reducing unit prices, applying effective demand management strategies, and avoiding duplicative administrative costs, and we have saved \$467 million since 2010 as a result of these initiatives. Now, we are taking these important first steps even further through implementation of category management (CM), an approach successfully used widely in the private sector and by other governments, and builds on the success of strategic sourcing by managing entire categories of common purchases across the Government and utilizing teams of experts to manage those specific categories. By bringing common spend under management (SUM) through the collection and analysis of prices paid and other key performance information, agencies will be better positioned to get the same competitive prices and performance quality that their colleagues in other agencies are getting. Strategic sourcing will continue under CM, and will be one of the many tools that a category team can use to drive down total cost and improve performance.

OFPP and the General Services Administration (GSA) have mapped the more than \$275 billion of common spend into ten super categories, such as IT, transportation, and professional services, and are doing our deepest dive in IT. The Category Management Leadership Council (CMLC), which includes the Chief Acquisition Officers and Chief Information Officers from the largest agencies, is helping us prioritize our FITARA implementation and other IT improvement efforts. For example, we are:

- *Developing more Government-wide software license agreements* – The Government spends about \$5.5 billion on IT software, and although a majority of this spend flows through two major avenues – the GSA Schedules and NASA SEWP contract – there are over 41,000 transactions with an average spend per transaction of \$126,000, which suggests a largely inefficient and fragmented system. Further exacerbating the problem is that agencies buy and manage their licenses in a decentralized manner, are challenged to get accurate inventories of existing licenses, often purchase bundled software packages that are underutilized, and do not share pricing and/or terms and conditions to allow for better purchasing. FITARA² addressed these challenges directly, and called for GSA to establish an enterprise software program on behalf of civilian agencies to reduce life cycle cost and improve asset management practices.

To implement this section, CIO Tony Scott and I chartered the Enterprise Software Category Team (ESCT) to serve as the category management lead for IT software; the team includes representatives from the Office of Management and Budget (OMB), GSA, and the Department of Defense. The ESCT is tasked with developing and implementing a strategic plan to increase the number of enterprise license agreements, recommending policy changes to OMB to improve the acquisition and management of software, and monitoring agency progress. We will then use the existing PortfolioStat process to hold agencies accountable for moving to these shared solutions, as appropriate.

- *Establishing a preference for leveraged acquisitions* - The FITARA provision³ for establishing a preference in the Federal Acquisition Regulation (FAR) for strategically

² Section 837 of the National Defense Authorization Act (NDAA) for Fiscal Year 2015

³ Section 836 of the NDAA for Fiscal Year 2015

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sourced vehicles will help OFPP raise the visibility of these solutions, promote their use, and better leverage the Government's buying power. Later this summer, the Federal Acquisition Regulatory Council will issue a rule to implement this preference for public comment. This rule will complement other strategies that OFPP is developing with the CMLC to better manage our spend and improve results for the taxpayer.

- *Measuring our progress* - The CMLC recently approved new Cross Agency Priority Goals for Category Management; the new goals will be announced publicly soon. One of the key metrics to measuring success of CM is increasing SUM through better interagency collaboration and understanding of user requirements, market dynamics and purchasing patterns.

Giving our Workforce the Tools to Drive Innovation

Building the skills of our acquisition workforce is the single most important way to ensure that the Government gets what it needs on time, and within budget, and we were pleased to see this principle reflected in FITARA. With agencies facing increasingly complex requirements each year, however, the federal acquisition professionals need new tools and new training to help them get their work done more efficiently and effectively. Working with OMB's Office of E-Government and Information Technology, the U.S. Digital Service, and the Office of Science and Technology Policy, we have taken bold steps in the last year to drive innovation in the workforce, and FITARA will drive us to take additional steps to better support our workforce. Examples include:

- *Promoting the use of IT cadres* – FITARA codifies several of our existing efforts to improve IT acquisition, such as OFPP's July 2011 guidance for building specialized IT acquisition cadres⁴ and the December 2013 introduction of IT specialization for the civilian agency Project and Program Manager certification⁵. According to the civilian agency Acquisition Human Capital Plans received in April 2015, about half of the CFO Act civilian agencies have already implemented some form of IT acquisition cadres and

⁴ <https://www.whitehouse.gov/sites/default/files/omb/procurement/memo/guidance-for-specialized-acquisition-cadres.pdf>

⁵ <https://www.whitehouse.gov/sites/default/files/omb/procurement/memo/fac-ppm-revised-dec-2013.pdf>

many others are either planning to do so or have implemented other strategies to improve IT acquisition.

- *Developing Certified Digital IT Acquisition Specialists* - OFPP and the U.S. Digital Service are working with industry to develop and pilot the Government's first cadre of certified digital IT acquisition specialists. The contracting professionals who complete the program will be assigned to agency digital services teams to further develop these skills within their agencies.
- *Creating Tools* - To ensure our workforce has the tools it needs, we issued the *TechFAR Handbook* last summer to help agencies leverage existing regulatory flexibilities to acquire development services using strategies in the *Digital Services Playbook*, such as agile software development, that are routinely used in the private sector to successfully deliver digital services. More recently, we launched a new podcast series, "Behind the Buy," where procurement and program offices can hear how their colleagues have used agile and other strategies in the *Digital Services Playbook* and *TechFAR Handbook* to meet everyday needs, such as for web management systems, software application platforms, and cloud services.

This work is complex and requires commitment from the most senior agency officials to the newest members of their acquisition and technology teams, and FITARA has helped to catalyze our efforts significantly. Tony Scott and I will continue to work together with our respective councils to strengthen and reinforce our efforts to reduce the cost and increase the value of our IT acquisitions.

I appreciate the opportunity to be here today, and look forward to any questions you might have.

Mr. HURD. Mr. Scott, over to you for 5 minutes.

STATEMENT OF TONY SCOTT

Mr. SCOTT. Thank you, Chairman Hurd, Ranking Member Kelly, Chairman Meadows, Ranking Member Connolly, and members of the subcommittees. Thank you for your bipartisan work in passing the first major overhaul of Federal information technology in almost 20 years. Overseeing government-wide implementation of FITARA is one of my top priorities.

FITARA, as you know, strengthens key IT reform initiatives to improve efficiency, effectiveness, and security of Federal agency programs and operations by codifying PortfolioStat, TechStat, and our data center initiatives. Since 2012 the Federal Government has achieved over \$3 billion in cost savings and avoidance and countless other improvements as a result of these reform efforts. But despite these successes, major changes are needed to achieve the full potential of IT in the Federal Government. I learned in the private sector that a strong foundation of visibility into IT spending, partnerships with program leaders, and a solid understanding of IT's critical role in achieving mission outcomes is crucial for effectively managing technology in any enterprise.

A core part of my team's work will be to build this new foundation by implementing FITARA in a way that's workable and consistent. And today I'm pleased to tell you that we've released our FITARA implementation guidance. I would like to provide you with a brief overview of the development process, key components, and implementation plans related to our guidance.

First, our FITARA guidance is the result of extensive outreach and collaboration conducted over the past several months, mirroring the collaborative process used to develop the law itself. My team and I met several times—multiple times with a diverse set of public and private sector stakeholders, and also provided for general public feedback to bring transparency to Federal policymaking and to reach a broad audience.

Our guidance takes major steps in ensuring CIOs have a seat at the table for technology-related budget, procurement, and workforce matters. And the backbone of our guidance is the common baseline which outlines roles and responsibilities for CIOs and other senior agency officials. More importantly, it establishes the groundwork for productive partnerships among these leaders to make IT decisions that best support missions.

And, finally, it positions CIOs so they can be held accountable for how effectively they manage the full life cycle of IT-related products, services, and customer and citizens outcomes, and achieve efficient, effective, and secure programs and operations.

Because agencies operate in unique environments, our guidance provides for a CIO assignment plan to give agency CIOs the flexibility to meet the baseline in a manner that's tailored to their organization. This allows CIOs to designate other officials to act as their representative in aspects of the common baseline in a rules-based manner if approved by OMB. The common baseline in the CIO assignment plan allows CIOs to retain oversight and accountability while minimizing bottlenecks.

And as discussed in the guidance, we will utilize PortfolioStat processes to hold agencies accountable for their implementation of our FITARA guidance. This guidance also details a number of other important components such as tools to enhance security, accountability, data center optimization, and our Federal technology procurement process. I'm certain that our guidance will have significant positive effects throughout government, including helping to address issues called out by GAO over the years, and most recently GAO's high risk list entry regarding improving the management of information technology acquisitions and operations.

In addition to the PortfolioStat sessions, OMB, through its policy and oversight role, is committed to working with agencies in their implementation of this guidance by number one, evaluating agency self-assessment and implementation plans; number two, requiring agencies to post their approved plans publicly, enabling consistent OMB, legislative, and public oversight; and, third, by engaging with the President's management council, the CIO council, and the FITARA executive working group to facilitate implementation and knowledge sharing.

I also look forward to working with Congress to ensure consistent oversight and implementation of our guidance in the law.

I thank the subcommittees for holding this hearing and for your commitment to ensuring successful implementation of FITARA. And I would be pleased to answer any questions you may have.

Mr. HURD. Thank you, Mr. Scott.

[Prepared statement of Mr. Scott follows:]

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**TESTIMONY OF TONY SCOTT
UNITED STATES CHIEF INFORMATION OFFICER
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE SUBCOMMITTEES ON
INFORMATION TECHNOLOGY AND ON GOVERNMENT OPERATIONS OF THE
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES**

June 10, 2015

Chairman Hurd, Ranking Member Kelly, Chairman Meadows, Ranking Member Connolly, and Members of the Subcommittees, thank you for the opportunity to appear before you today, and thank you for your bipartisan work in passing the first major overhaul of Federal information technology (IT) in almost 20 years. As some of you may know, I began my role as Federal Chief Information Officer (CIO) just over four months ago. Since then, I have come to appreciate both the complexity of Federal IT as well as the unprecedented opportunity for technology to accelerate the quality and timeliness of services delivered to the American people. Overseeing the government-wide implementation of the Federal Information Technology Acquisition Reform Act (FITARA) is one of my top priorities and is key to ensuring that agencies are able to leverage technology in carrying out their missions efficiently and effectively.

As the Federal CIO, I work with Congress, agencies, and industry to advance Federal IT by focusing on four objectives: (1) driving value in Federal IT investments, (2) delivering world-class digital services, (3) protecting Federal IT assets and information, and (4) developing the next generation IT workforce. We recently added this last objective, partly in response to FITARA's strengthened CIO role and the need to align IT professionals across each agency to support collective goals and mission outcomes. FITARA enables the achievement of these objectives by providing agency CIOs with the authorities and visibility needed to manage IT across an agency and by setting the expectation that these CIOs will work in partnership with other agency leaders.

FITARA also strengthens key IT reform initiatives that improve the efficiency and effectiveness of Federal agency programs and operations by codifying PortfolioStat, TechStat, and our data center optimization activities, among others. Since 2012, the Federal government has achieved over \$3 billion in cost savings and avoidance as a result of these reform efforts. In fact, we recently reached a significant milestone by hitting our targeted savings of \$2.5 billion from PortfolioStat alone.

Despite these successes, my past experience has taught me that, without a strong foundation, it is difficult for initiatives to fully take root throughout an organization. My time as a CIO in the private sector taught me the importance of having visibility into IT spending, forging strong partnerships with program leaders, and having a solid understanding of the critical role that IT plays in serving the organizations' mission. This critical foundation does not exist consistently throughout the Federal Government, and we have seen agencies struggle with implementation of IT projects that lack close coordination between the CIO and other agency leaders. A core part of my team's work going forward will be to build this new foundation for effective management of technology through full implementation of FITARA in a way that is workable, collaborative, effective, and consistent. Today, I am pleased to be releasing in conjunction with this hearing our final FITARA implementation guidance—Management and Oversight of Information Technology Resources.

Outreach

Our FITARA implementation guidance is the result of extensive outreach and collaboration conducted over the past several months, mirroring the collaborative, bipartisan nature of the legislation itself. My team and I met with stakeholders from within and outside the Federal government to discuss best methods of implementation by:

- Holding meetings with the President's Management Council (PMC), the CIO Council, and reaching out to the other executive councils, including the Chief Acquisition Officers Council, Chief Finance Officers Council, and Chief Human Capital Officers Council to

provide an overview of FITARA and seek recommendations in areas where additional guidance could be beneficial;

- Establishing a FITARA Executive Working group composed of senior agency executives across management domains, as well as consulting with staff from across agencies;
- Hosting a series of informational meetings and teleconferences with non-governmental groups and private-sector experts; and
- Circulating draft guidance for government-wide interagency comment.

In addition, to advance the collaborative nature of our policy development process, we released the proposed guidance for public feedback on the open source platform GitHub to provide transparency in Federal policymaking and to reach a broad audience to solicit ideas on further enhancing the policy.

Key Elements of Guidance

Our guidance takes major steps toward ensuring agency CIOs have significant involvement in technology-related budget, procurement, and workforce matters and provides details on how we will implement and provide further guidance on a number of OMB initiatives that were codified in FITARA.

The backbone of our guidance is the “Common Baseline,” which provides direction on the CIO’s and other Senior Agency Officials’ roles and responsibilities for the management of IT. More importantly, it creates a foundation for lasting partnerships among CIOs, CXOs, and program leaders to make budget and procurement decisions that best support agency missions. It also takes major steps toward positioning CIOs so that they can be held accountable for how effectively they manage the full lifecycle of IT products and services used by their agencies and how well their agencies use modern digital approaches, including incremental development, to achieve the objectives of efficient, effective, and secure programs and operations.

Because agencies operate in unique environments, our guidance provides for a “CIO Assignment Plan” to give agency CIOs the flexibility to meet the Common Baseline requirements in a manner tailored to the work and structure of the organization. This approach allows agency CIOs

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to designate other agency officials to act as their representative in certain aspects of the Common Baseline in a rules-based manner, such as by dollar threshold or existing legal requirements, as long as the plan is reviewed and approved by OMB. We believe that this combination of a Common Baseline coupled with a flexible CIO Assignment Plan allows for agency CIOs to retain oversight and accountability while minimizing the chance for bottlenecks.

As discussed in the guidance, we will utilize the PortfolioStat process to provide feedback and hold agencies accountable for their implementation of the law and Common Baseline. In addition, we will continue to use PortfolioStat to ensure efficient, effective, and secure systems and operations across the Federal IT portfolio, as mandated by FITARA. Data center optimization will remain a key component of PortfolioStat, and my office is currently developing a revised data center policy that encompasses the requirements of FITARA and offers a fresh vision for the initiative. Our FITARA implementation will also result in enhanced efficiencies in Federal technology procurements by strengthening the Federal Strategic Sourcing Initiative and requiring government-wide enterprise software licenses as part of category management. Finally, our guidance provides for the CIO visibility and involvement necessary for the consistent application of appropriate cybersecurity controls across an agency.

Implementation

OMB, through its policy and oversight role, is committed to working with agencies in their implementation of this guidance. We will do this by:

- **Evaluating Agency Self-Assessment and Implementation Plans.** Agencies are required by our guidance to submit to OMB by August a self-assessment describing how their agency currently operates compared to the Common Baseline, as well as an implementation plan describing what actions the agency will take to ensure that all Common Baseline requirements are implemented by the end of the year. Agencies must update their implementation plans at least once per year starting in April 2016.
- **Public Posting of Agency Plans.** Agencies must post their OMB-approved plans on their public website, enabling OMB, Congress, and the U.S. Government Accountability Office (GAO) to conduct consistent oversight and follow-up. OMB will make this available at a central location.

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- **Conducting PortfolioStat Oversight.** OMB will include a review of agency progress and dedicate time to discussing obstacles and successes during quarterly PortfolioStat sessions.
- **Engaging with Partners.** OMB will engage the PMC, CIO Council, and FITARA Executive Working Group to facilitate implementation and knowledge sharing across government.
- **Following Up on GAO Recommendations.** My office will work with agencies to ensure that steps are being taken to close the numerous GAO recommendations that can be remedied through FITARA implementation, which will help address the GAO High Risk entry on Improving the Management of Information Technology Acquisitions and Operations.

In addition to these actions, I look forward to working closely with Congress to ensure consistent oversight and implementation of FITARA and OMB's guidance.

I thank the Subcommittees for holding this hearing, and for your commitment to ensuring successful implementation of FITARA. I would be pleased to answer any questions you may have.

Mr. HURD. Mr. Powner, 5 minutes.

STATEMENT OF DAVID A. POWNER

Mr. POWNER. Chairmen Hurd, Meadows, Ranking Members Kelly and Connolly, and members of the subcommittees, we appreciate the opportunity to testify this afternoon on our recent addition of IT acquisitions and operations to GAO's high risk list.

The Federal Government has wasted billions of dollars over the years on failed IT acquisitions. In addition to these acquisition challenges, operational systems are fraught with duplication and inefficiencies. I'd like to thank this committee for its excellent work and persistence on getting FITARA passed. If implemented effectively by OMB and the agencies, FITARA will greatly improve IT acquisitions and operations. However, strong congressional oversight is needed to make this happen.

This afternoon I'd like to discuss five specific areas that need to be addressed, starting with two that are associated with operational systems. As my written statement shows, we spend nearly 75 percent of the IT dollars on operational or legacy systems, leaving far too little to modernize the Federal Government. So we need to find ways to shift these dollars towards acquiring new technologies to further mission performance.

The first is data center consolidation, where there is at least \$7.5 billion on the table. Agencies to date have made solid progress closing over 1,200 of the 9,700 centers and saving about \$2 billion. The plan is to close an additional 2,600 centers and save an additional \$5.5 billion. We think these savings can be higher because when we last looked at this, we saw good progress from agencies like DOD, DHS and Treasury, but six agencies reported significant closures without much in associated savings, and we recommended that they take a look at this.

These agencies are GSA, HHS, Interior, Justice, Labor, and NASA. FITARA requires agencies to report on these cost savings annually, and this should be a major oversight area for the Congress.

The second area is PortfolioStat, an excellent initiative to eliminate duplicative systems. The Federal Government has hundreds of financial management and human resource systems, for example, where \$2, \$3 billion are spent annually in each of these areas. Agencies initially identified over 200 initiatives to eliminate duplication, and the plan was to save \$6 billion. In April we reported that planned savings were down from this original estimate and that the estimates were inconsistent with congressional reporting and did not follow OMB guidance. OMB needs to ensure that PortfolioStat savings are complete, especially since FITARA requires congressional reporting on this.

Now, turning to systems acquisitions. Too often we hear of failed projects like DOD's ECSS project where \$1 billion was wasted. There are three major areas where improvements would greatly help the Federal Government's delivery track record. These are, better planning, transparency, and oversight.

Starting with planning. Agencies need to go small and take an incremental approach to systems delivery. OMB's policy of requir-

ing major investments to deliver in 6 months is simply not enforced consistently, and less than half of the IT acquisitions are planning to deliver within 6 months. FITARA requires that CIOs certify that IT investments are using this incremental approach. Again, congressional oversight in this area is also needed to ensure that the incremental certification does occur.

Transparency. Of the 700 major investments reported on the IT dashboard, about 180 or roughly one-quarter are designated as moderate or high risk. These 180 projects total about \$9 billion. Many agencies have accurate information on the dashboard and use that information to tackle troubled projects. For example, HHS, DHS, Commerce, and Interior acknowledge that many projects and dollars are at risk. And we believe that this is a good sign so that appropriate attention can be given to these risky projects. Others do not have accurate information on the dashboard.

In addition to questioning CIOs on the accuracy of these ratings, this committee also needs to push OMB to make these ratings available throughout the year. Again, this year the dashboard ratings were frozen from August 2015 through March during budget deliberations. This simply needs to stop so that there is constant investment transparency. We learned just last week that OMB has plans to address this.

The final area is oversight. OMB and agencies need to hold executive governance reviews of troubled projects so that course correction can occur. And when needed, poorly performing projects need to be stopped, and those in charge need to be held accountable. These occurred frequently right after the dashboard went live with OMB's TechStat sessions with great results. Several under-performing projects were corrected, descoped, and several were even halted.

In summary, by tackling duplicative IT systems and consolidating data centers, upwards of \$10 billion can be saved. And on acquisitions, agencies need to go small, be more transparent on project status, and aggressively oversee the projects at risk.

This concludes my statement and I would be pleased to answer questions.

Mr. HURD. Thank you, sir.

[Prepared statement of Mr. Powner follows:]

United States Government Accountability Office



Testimony
Before the Subcommittees on Government
Operations and Information Technology,
Committee on Oversight and Government
Reform, House of Representatives

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INFORMATION TECHNOLOGY

Additional Actions and Oversight Urgently Needed to Reduce Waste and Improve Performance in Acquisitions and Operations

Statement of David A. Powner, Director
Information Technology Management Issues

GAO Highlights

Highlights of GAO-15-675T, a testimony before the Subcommittees on Government Operations and Information Technology, Committee on Oversight and Government Reform, House of Representatives

Why GAO Did This Study

The federal government invests more than \$90 billion annually in IT. However, these investments frequently fail, incur cost overruns and schedule slippages, or contribute little to mission-related outcomes. This underperformance of federal IT projects can be traced to a lack of disciplined and effective management and inadequate executive-level oversight. Accordingly, in February 2015, GAO added improving the management of IT acquisitions and operations to its high-risk list—a list of agencies and program areas that are high risk due to their vulnerabilities to fraud, waste, abuse, and mismanagement, or are most in need of transformation.

GAO was asked to testify on its designation of the management of IT acquisitions and operations as a federal high-risk area and the impact of recent legislation on IT acquisition reform. In preparing this statement, GAO relied on its previously published work in these areas.

What GAO Recommends

From October 2009 through December 2014, GAO made 737 recommendations to OMB and agencies to improve the management and oversight of IT. As of January 2015, only about 23 percent of these had been fully implemented.

View GAO-15-675T. For more information, contact David A. Powner at (202) 512-9286 or pownerd@gao.gov, Carol Cha at (202) 512-4456 or chac@gao.gov, or Valerie Melvin at (202) 512-6304 or melvinv@gao.gov.

June 10, 2015

INFORMATION TECHNOLOGY

Additional Actions and Oversight Urgently Needed to Reduce Waste and Improve Performance in Acquisitions and Operations

What GAO Found

Federal investments in information technology (IT) have often resulted in multimillion dollar cost overruns and years-long schedule delays, with questionable mission-related achievements. Further, the implementation of initiatives to improve IT acquisitions has been inconsistent. For example, the Office of Management and Budget (OMB) established a process for holding face-to-face investment performance reviews between agencies and OMB (referred to as "TechStats"). However, as of 2013 less than 20 percent of at-risk investments across the government had undergone such reviews, even though GAO has identified a number of ongoing IT investments with significant issues that require attention. OMB also requires investments to deliver capabilities every 6 months, but as GAO reported in 2014, less than half of selected investments at five major agencies planned to deliver capabilities in 12-month cycles.

To facilitate transparency across the government in acquiring and managing IT investments, OMB established a public website—the IT Dashboard—to provide detailed information on major investments at federal agencies. As of May 2015, the Dashboard showed that 178 of the government's 738 major investments—totaling \$8.7 billion—were in need of management attention due to their risk. Moreover, OMB does not update the public version of the Dashboard while the President's budget request is being formulated, most recently for more than 6 months. GAO has made multiple recommendations to improve the Dashboard.

Further opportunities for savings and efficiency exist in agencies' spending on "commodity" IT (e.g., IT infrastructure, enterprise systems such as e-mail, and systems that perform administrative functions) and the consolidation of federal data centers. The table below shows savings realized or planned from the consolidation of federal data centers.

Fiscal year	Estimated/Actual			Planned					Total
	2011	2012	2013	2014	2015	2016	2017	Beyond 2017	
Total savings and avoidances	\$192	\$268	\$683	\$895	\$1,250	\$917	\$1,144	\$2,100	\$7,449
	\$1,143 total			\$6,306 total					

Source: GAO analysis of agency data | GAO-15-675T

However, limitations exist in how agencies report savings in these areas: better tracking them would provide for greater transparency and oversight.

Recognizing the importance of these issues, a law was recently enacted aimed at reforming federal IT acquisition. This legislation should help address the key issue areas identified in GAO's high-risk designation. OMB has released proposed guidance for agencies to implement provisions of this law, to include implementing roles and responsibilities for senior agency officials. To improve the management of IT acquisitions and operations, it is also critical for agencies to implement GAO's prior recommendations and demonstrate measurable government-wide progress in key areas such as delivering IT systems incrementally and realizing planned data center savings.

Chairmen Hurd and Meadows, Ranking Members Kelly and Connolly, and Members of the Subcommittees:

I am pleased to be here today to discuss our recent designation of information technology (IT) acquisitions and operations as a government-wide high-risk area, as well as the impact of recently enacted federal IT acquisition reform legislation (commonly referred to as the Federal Information Technology Acquisition Reform Act or FITARA).¹ As you know, the effective and efficient acquisition and management of IT investments has been a long-standing challenge in the federal government.

The federal government has spent billions of dollars on failed and poorly performing IT investments, which often suffered from ineffective management, and spending on IT operations is inefficient. From October 2009 through December 2014, we made 737 recommendations to address weaknesses in agencies' IT management. In light of these ongoing challenges, we recently added improving the management of IT acquisitions and operations to our list of high-risk areas for the federal government.²

My statement today will discuss this high-risk designation, as well as plans for implementing FITARA and those plans' impact on IT acquisition reform. We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. A more detailed discussion of the objectives, scope, and methodology of this work is included in each of the reports on which this testimony is based.³

¹Federal Information Technology Reform provisions of the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113-291, div. A, title VIII, subtitle D, 128 Stat. 3292, 3438-3450 (Dec. 19, 2014).

²GAO, *High-Risk Series: An Update*, GAO-15-290 (Washington, D.C.: Feb. 11, 2015).

³See the related GAO products page at the end of this statement for a list of the reports on which this testimony is based.

Background

The federal government invests more than \$80 billion annually in IT, but many of these investments fail to meet cost and schedule expectations or make significant contributions to mission-related outcomes. We have previously testified that the federal government has spent billions of dollars on failed IT investments, such as

- the Department of Defense's (DOD) Expeditionary Combat Support System, which was canceled in December 2012, after spending more than a billion dollars and failing to deploy within 5 years of initially obligating funds;
- the Department of Homeland Security's Secure Border Initiative Network program, which was ended in January 2011, after the department obligated more than \$1 billion to the program, because it did not meet cost-effectiveness and viability standards;
- the Department of Veterans Affairs' (VA) Financial and Logistics Integrated Technology Enterprise program, which was intended to be delivered by 2014 at a total estimated cost of \$609 million, but was terminated in October 2011 due to challenges in managing the program;
- the Office of Personnel Management's Retirement Systems Modernization program, which was canceled in February 2011, after spending approximately \$231 million on the agency's third attempt to automate the processing of federal employee retirement claims;
- the National Oceanic and Atmospheric Administration, DOD, and the National Aeronautics and Space Administration's National Polar-orbiting Operational Environmental Satellite System, which was a tri-agency weather satellite program that the White House Office of Science and Technology stopped in February 2010 after the program spent 16 years and almost \$5 billion; and
- the VA Scheduling Replacement Project, which was terminated in September 2009 after spending an estimated \$127 million over 9 years.

These and other failed IT projects often suffered from a lack of disciplined and effective management, such as project planning, requirements definition, and program oversight and governance. In many instances, agencies have not consistently applied best practices that are critical to successfully acquiring IT investments.

Federal IT projects have also failed due to a lack of oversight and governance. Executive-level governance and oversight across the government has often been ineffective, specifically from chief information officers (CIO). For example, we have reported that not all CIOs have the authority to review and approve the entire agency IT portfolio and that CIOs' authority was limited.⁴ This has also been highlighted by Congress—the recently enacted law reforming federal IT acquisition is intended to, among other things, strengthen CIO authority and provide the oversight IT projects need.⁵

Improving the Management of IT Acquisitions and Operations

Although the executive branch has undertaken numerous initiatives to better manage the more than \$80 billion that is annually invested in IT, federal IT investments too frequently fail or incur cost overruns and schedule slippages, while contributing little to mission-related outcomes. In light of these challenges, we recently introduced a new government-wide high-risk area, *Improving the Management of IT Acquisitions and Operations*. This area highlights several critical IT initiatives in need of additional congressional oversight, including reviews of troubled projects, an emphasis on incremental development, a key transparency website, reviews of agencies' operational investments, and efforts to streamline agencies' portfolios of IT investments. Implementation of these initiatives has been inconsistent, and more work remains to demonstrate progress in achieving IT acquisition outcomes. The recent IT reform legislation holds promise for improving agencies' acquisition of IT, and the Office of Management and Budget (OMB) is developing guidance for agencies to implement its provisions. Implementing these provisions, along with our outstanding recommendations, is necessary for agencies to demonstrate progress in addressing this high-risk area.

Reviews of Troubled Projects

In January 2010, the Federal CIO began leading TechStat sessions—face-to-face meetings to terminate or turn around IT investments that are failing or are not producing results. These meetings involve OMB and agency leadership and are intended to increase accountability and transparency and improve performance. OMB reported that federal

⁴GAO, *Federal Chief Information Officers: Opportunities Exist to Improve Role in Information Technology Management*, GAO-11-634 (Washington, D.C.: Sept. 15, 2011).

⁵Pub. L. No. 113-291, Div. A, title VIII, subtitle D, § 831(a) (Dec. 19, 2014).

agencies achieved over \$3 billion in cost savings or avoidances as a result of these sessions in 2010. Subsequently, OMB empowered agency CIOs to hold their own TechStat sessions within their respective agencies.

We have since reported that OMB and selected agencies held multiple TechStats, but additional OMB oversight was needed to ensure that these meetings were having the appropriate impact on underperforming projects and that resulting cost savings were valid.⁶ Specifically, OMB reported conducting TechStats at 23 federal agencies covering 55 investments, 30 of which were considered medium or high risk at the time of the TechStat. However, these reviews accounted for less than 20 percent of medium- or high-risk investments government-wide. As of August 2012, there were 162 such at-risk investments across the government. Further, we reviewed four selected agencies and found they had held TechStats on 28 investments. While these reviews were generally conducted in accordance with OMB guidance, areas for improvement existed. We concluded that until OMB and agencies develop plans to address these investments, the investments would likely remain at risk. Among other things, we recommended that OMB require agencies to address high-risk investments. OMB generally agreed with this recommendation.

However, over the last 2 years, OMB has not conducted any TechStat reviews. In particular, as of March 2015, the last TechStat was held in March 2013 and OMB has not listed any savings from TechStats in any of its required quarterly reporting to Congress since June 2012.

Highlighting the importance of focusing more oversight on high-risk initiatives, in our most recent high-risk report we identified a number of ongoing investments with significant issues requiring attention:⁷

- The Department of Health and Human Services' HealthCare.gov website and its supporting systems, which were to facilitate the establishment of a health insurance marketplace by January 2014, encountered significant cost increases, schedule slips, and delayed

⁶GAO, *Information Technology: Additional Executive Review Sessions Needed to Address Troubled Projects*, GAO-13-524 (Washington, D.C.: June 13, 2013).

⁷GAO-15-290.

functionality. In a series of reports we identified numerous planning, oversight, security, and system development challenges faced by this program and made recommendations to address them.⁸

- The Department of Agriculture's Farm Program Modernization, which is intended to modernize the IT systems supporting the Farm Service Agency's 37 farm programs, had not implemented a number of key management and oversight practices to ensure its successful completion. In July 2011, we reported on issues with the reliability of the program's cost estimate, weaknesses in its management approach, and a lack of clarity in its governance structure.⁹ In our report, we recommended that the agency take action to address these issues.
- The Department of Commerce's Census Enterprise Data Collection and Processing investment was initiated in fiscal year 2015 and is expected to be the backbone of the Census Bureau's target IT architecture. Particular attention to this area is warranted in order to avoid repeating the mistakes of the 2010 Decennial Census, in which the bureau had to abandon its plans for the use of handheld data collection devices, due in part to fundamental weaknesses in its implementation of key IT management practices.
- DOD's Defense Enterprise Accounting and Management System (DEAMS), which is the agency's planned accounting system designed to provide accurate, reliable, and timely financial information, has experienced significant delays and cost increases. In March 2012, we reported that DEAMS faced a 2-year deployment delay and an estimated cost increase of about \$500 million from its original life-cycle cost estimate of \$1.1 billion, an increase of approximately 45

⁸See GAO, *Healthcare.gov: CMS Has Taken Steps to Address Problems, but Needs to Further Implement Systems Development Best Practices*, GAO-15-238 (Washington, D.C.: Mar. 4, 2015); *Healthcare.gov: Actions Needed to Address Weaknesses in Information Security and Privacy Controls*, GAO-14-730 (Washington, D.C.: Sept. 16, 2014); and *Healthcare.gov: Ineffective Planning and Oversight Practices Underscore the Need for Improved Contract Management*, GAO-14-694 (Washington, D.C.: July 30, 2014).

⁹GAO, *USDA Systems Modernization: Management and Oversight Improvements Are Needed*, GAO-11-586 (Washington, D.C.: July 20, 2011).

percent.¹⁰ Further, we reported that assessments by DOD users had identified operational problems with the system, such as data accuracy issues, an inability to generate auditable financial reports, and the need for manual workarounds.¹¹ We recommended that DOD take actions to ensure the correction of system problems prior to further system deployment, including user training. DOD generally concurred with our recommendations and described its efforts to address them.

- DOD's and VA's initiatives to modernize their electronic health records systems are intended to address sharing data among the departments' health information systems, but achieving this has been a challenge for these agencies over the last 15 years. In February 2013, the two departments' Secretaries announced that instead of developing a new common, integrated electronic health record system, the departments would focus on achieving interoperability between separate DOD and VA systems.¹² The departments' change and history of challenges in improving their health information systems heighten concern about whether they will be successful.
- The Department of Homeland Security's United States Citizenship and Immigration Services (USCIS) Transformation program is to transition USCIS from a fragmented, paper-based filing environment to a consolidated, paperless environment using electronic case management tools, but it is unclear whether the department is positioned to successfully deliver these capabilities. For example, it has not yet demonstrated the extent to which it can meet six key capability requirements using its new system architecture. Further, between July 2011 and September 2014, the program's life-cycle cost estimate increased from approximately \$2.1 billion to approximately

¹⁰GAO, *DOD Financial Management: Reported Status of Department of Defense's Enterprise Resource Planning Systems*, GAO-12-565R (Washington, D.C.: Mar. 30, 2012).

¹¹GAO, *DOD Financial Management: Implementation Weaknesses in Army and Air Force Business Systems Could Jeopardize DOD's Auditability Goals*, GAO-12-134 (Washington, D.C.: Feb. 28, 2012).

¹²GAO, *Electronic Health Records: Long History of Management Challenges Raises Concerns about VA's and DOD's New Approach to Sharing Health Information*, GAO-13-413T (Washington, D.C.: Feb. 27, 2013).

\$2.6 billion.

- The Department of Homeland Security's Human Resources IT investment is to consolidate, integrate, and modernize the department's human resources IT infrastructure, but it has experienced a long history of issues. As of May 2015, this investment was rated as "moderately high risk" by the department's CIO. According to the CIO, this investment has experienced significant challenges that have inhibited delivered capabilities from being accepted by users, but the department is working to address them.
- The Department of Transportation's Next Generation Air Transportation System (NextGen) is an advanced technology air-traffic management system that the Federal Aviation Administration (FAA) anticipates will replace the current ground-radar-based system, at an expected cost of \$15 billion to \$22 billion through fiscal year 2025. However, NextGen has significantly increased the number, cost, and complexity of FAA's acquisition programs. The interdependencies among these programs heighten the importance of remaining on time and within budget. Accordingly, we recommended that FAA, among other things, require cost and schedule risk analysis, independent cost estimates, and integrated master schedules.¹³
- VA has invested significant resources into developing a system for outpatient appointment scheduling, but these efforts have faced major setbacks. After failing to implement a new solution, in October 2009, VA began a new initiative that it refers to as HealtheVet Scheduling. In May 2010, we recommended that, as the department proceeded with future development, it take actions to improve key processes, including acquisition management, system testing, and progress reporting, which are essential to the department's second outpatient scheduling system effort.¹⁴

¹³GAO, *Air Traffic Control Modernization: Management Challenges Associated with Program Costs and Schedules Could Hinder NextGen Implementation*, GAO-12-223 (Washington, D.C.: Feb. 16, 2012).

¹⁴GAO, *Information Technology: Management Improvements Are Essential to VA's Second Effort to Replace Its Outpatient Scheduling System*, GAO-10-579 (Washington, D.C.: May 27, 2010).

Incremental Development Beyond focusing attention on individual high-risk investments, an additional key reform initiated by OMB emphasizes incremental development in order to reduce investment risk. In 2010, it called for agencies' major investments to deliver functionality every 12 months and, since 2012, every 6 months.

However, we recently reported that less than half of selected investments at five major agencies planned to deliver capabilities in 12-month cycles.¹⁵ Accordingly, we recommended that OMB develop and issue clearer guidance on incremental development and that selected agencies update and implement their associated policies. Most agencies agreed with our recommendations or had no comment. Table 1 shows how many of the total selected investments at each agency planned to deliver functionality every 12 months during fiscal years 2013 and 2014.

Table 1: Number of Selected Investments Planning to Incrementally Deliver Functionality

Agency	Total number of selected investments	Investments planning to deliver functionality every 12 months
Department of Defense	37	11
Department of Health and Human Services	14	11
Department of Homeland Security	12	6
Department of Transportation	20	7
Department of Veterans Affairs	6	6
Total	89	41

Source: GAO analysis of agency data | GAO-15-675T

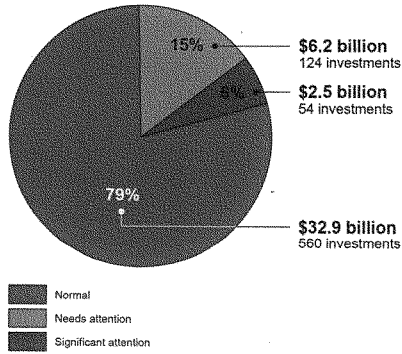
Key Transparency Website Given these issues, it is important for the federal government to be transparent both when it is acquiring new investments and when it is managing legacy investments. To help the government achieve such transparency, in June 2009, OMB established a public website (referred to as the IT Dashboard) that provides detailed information on major IT investments at 27 federal agencies, including ratings of their performance

¹⁵GAO, *Information Technology: Agencies Need to Establish and Implement Incremental Development Policies*, GAO-14-361 (Washington, D.C.: May 1, 2014).

against cost and schedule targets.¹⁶ The public dissemination of this information is intended to allow OMB; other oversight bodies, including Congress; and the general public to hold agencies accountable for results and performance. Among other things, agencies are to submit ratings from their CIOs, which, according to OMB's instructions, should reflect the level of risk facing an investment relative to that investment's ability to accomplish its goals.

As of May 2015, according to the IT Dashboard, 178 of the federal government's 738 major IT investments—totaling \$8.7 billion—were in need of management attention (rated "yellow" to indicate the need for attention or "red" to indicate significant concerns). (See fig. 1.)

Figure 1: Overall Performance Ratings of Major Investments on the IT Dashboard, as of May 2015



Source: Office of Management and Budget's IT Dashboard. | GAO-15-675T

¹⁶GAO, *IT Dashboard: Agencies Are Managing Investment Risk, but Related Ratings Need to Be More Accurate and Available*, GAO-14-64 (Washington, D.C.: Dec. 12, 2013).

Although the accuracy of Dashboard cost and schedule data has improved over time,¹⁷ in December 2013, we reported that agencies had removed major investments from the site, representing a troubling trend toward decreased transparency.¹⁸ For example, several of the Department of Energy's supercomputer investments had been classified as facilities, rather than IT, thus removing those investments from the Dashboard, and OMB staff stated that they had no control over such decisions.

Further reducing transparency, OMB does not update the public version of the Dashboard as it and the agencies work to assist in the formulation of the President's annual budget request. According to an OMB Office of E-Government and Information Technology staff member, OMB considers information submitted during the budget process to be pre-decisional and will only release it to the public in tandem with the President's budget. However, the information submitted as part of an investment's CIO rating does not meet OMB's own definition of "pre-decisional,"¹⁹ meaning that the CIO risk ratings could be updated independent of the budget process without disclosing information that might compromise that process. Moreover, as of December 2013, the public version of the IT Dashboard had not been updated for 15 of the previous 24 months. More recently, OMB stopped updating the public version of the Dashboard on August 31, 2014, and did not update it until March 10, 2015, a span of more than 6 months. Over the past several years, we have made over 20 recommendations to help improve the accuracy and reliability of the information on the IT Dashboard and to increase its availability.

Reviews of Operational Systems

In addition to spending money on new IT development, agencies also plan to spend a significant amount of their fiscal year 2015 IT budgets on the operations and maintenance (O&M) of legacy (i.e., steady-state) systems. Over the past 6 fiscal years, this amount has increased, while

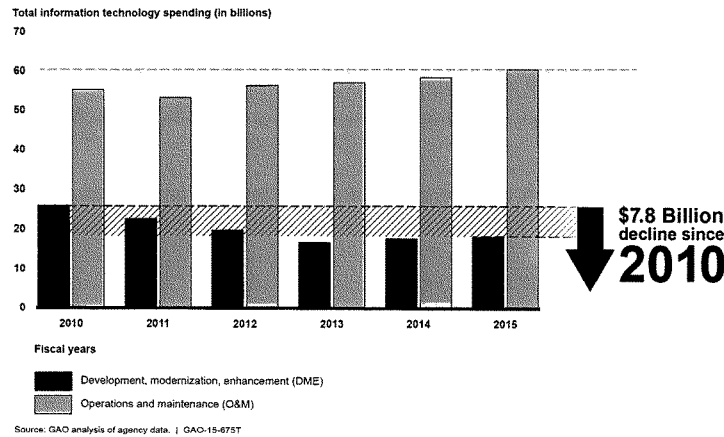
¹⁷GAO, *IT Dashboard: Accuracy Has Improved, and Additional Efforts Are Under Way to Better Inform Decision Making*, GAO-12-210 (Washington, D.C.: Nov. 7, 2011).

¹⁸GAO-14-64.

¹⁹The Dashboard's web page for frequently asked questions defines pre-decisional information as "new" investments, planned IT spending levels in the budget year, costs of projects and activities that were completed during or after the budget year, and eliminated or downgraded investments. See <http://www.itdashboard.gov/faq>.

the amount invested in developing new systems has decreased by about \$7.8 billion since fiscal year 2010. (See figure 2.) This raises concerns about agencies' ability to replace systems that are no longer cost-effective or that fail to meet user needs.

Figure 2: Summary of IT Spending by Fiscal Year from 2010 through 2015 (Dollars in Billions)

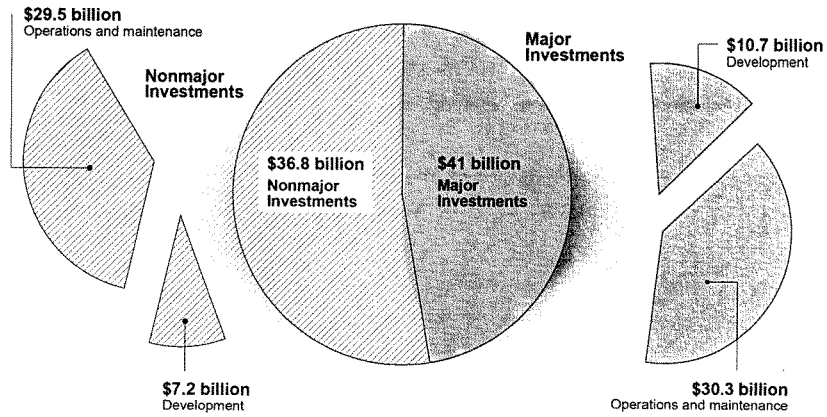


Of the more than \$78 billion budgeted for federal IT in fiscal year 2015,²⁰

²⁰This \$78 billion represents what agencies reported to OMB on how much they plan to spend on IT and how these funds are to be allocated. This figure does not include spending for DOD classified IT systems, details of which are not included on the IT Dashboard. Moreover, this \$78 billion figure is understated. Specifically, it does not include IT investments by 58 independent executive branch agencies, including the Central Intelligence Agency, or by the legislative or judicial branches. Additionally, not all executive branch IT investments are included in this estimate because agencies have differed on what they considered an IT investment. For example, some have considered research and development systems as IT investments, while others have not.

26 federal agencies²¹ plan to spend about \$60 billion, more than three-quarters of the total budgeted, on the O&M of legacy investments. Figure 3 provides a visual summary of the relative cost of major and nonmajor investments, both in development and O&M.

Figure 3: Summary of Planned Fiscal Year 2015 Major and Nonmajor Investments in Development and Operations and Maintenance (Dollars in Billions)



Source: GAO analysis of agency data. | GAO-15-675T

Given the size and magnitude of these investments, it is important that agencies effectively manage the O&M of existing investments to ensure that they (1) continue to meet agency needs, (2) deliver value, and (3) do

²¹The 26 agencies are the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs; U.S. Army Corps of Engineers; Environmental Protection Agency; General Services Administration; National Aeronautics and Space Administration; National Archives and Records Administration; National Science Foundation; Nuclear Regulatory Commission; Office of Personnel Management; Small Business Administration; Social Security Administration; and U.S. Agency for International Development.

not unnecessarily duplicate or overlap with other investments. To accomplish this, agencies are required by OMB to perform annual operational analyses of these investments, which are intended to serve as periodic examination of an investment's performance against, among other things, established cost, schedule, and performance goals.

However, we have reported that agencies were not consistently performing such analyses and that billions of dollars in O&M investments had not undergone needed analyses.²² Specifically, as detailed in our November 2013 report, only 1 of the government's 10 largest O&M investments underwent an OMB-required operational analysis. We recommended that operational analyses be completed on the remaining 9 investments. Most agencies generally agreed with our recommendations.

Portfolio Management

To better manage existing IT systems, OMB launched the PortfolioStat initiative, which requires agencies to conduct an annual, agency-wide IT portfolio review to, among other things, reduce commodity IT²³ spending and demonstrate how their IT investments align with the agency's mission and business functions. In November 2013, we reported that agencies continued to identify duplicative spending as part of PortfolioStat and that this initiative had the potential to save at least \$5.8 billion through fiscal year 2015; however, weaknesses existed in agencies' implementation of the initiative, such as limitations in the CIOs' authority.²⁴ We made more than 60 recommendations to improve OMB's and agencies' implementation of PortfolioStat. OMB partially agreed with our recommendations, and responses from 21 of the agencies varied.

²²GAO, *Information Technology: Agencies Need to Strengthen Oversight of Multibillion Dollar Investments in Operations and Maintenance*, GAO-14-66 (Washington, D.C.: Nov. 6, 2013), and *Information Technology: Agencies Need to Strengthen Oversight of Billions of Dollars in Operations and Maintenance Investments*, GAO-13-87 (Washington, D.C.: Oct. 16, 2012).

²³According to OMB, commodity IT includes services such as IT infrastructure (data centers, networks, desktop computers and mobile devices), enterprise IT systems (e-mail, collaboration tools, identity and access management, security, and web infrastructure), and business systems (finance, human resources, and other administrative functions).

²⁴GAO, *Information Technology: Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings*, GAO-14-65 (Washington, D.C.: Nov. 6, 2013).

More recently, in April 2015, we reported that agencies decreased their planned PortfolioStat savings to approximately \$2 billion—a 68 percent reduction from the amount they reported to us in 2013.²⁵ Additionally, although agencies also reported having achieved approximately \$1.1 billion in PortfolioStat-related savings, inconsistencies in OMB's and agencies' reporting make it difficult to reliably measure progress in achieving savings. Among other things, we made recommendations to OMB aimed at improving the reporting of achieved savings. OMB agreed with the recommendations.

We have also recently reported on three key areas of agency's IT spending portfolio: data center consolidation, software licensing, and mobile devices.

Data Center Consolidation: Concerned about the size of the federal data center inventory and recognizing the potential to improve the efficiency, performance, and environmental footprint of federal data center activities, OMB, under the leadership of the Federal CIO, established the federal data center consolidation initiative in February 2010. In a series of reports, we found that, while data center consolidation could potentially save the federal government billions of dollars, weaknesses existed in the execution and oversight of the initiative.

Most recently, we reported that, as of May 2014, agencies collectively reported that they had a total of 9,658 data centers;²⁶ as of February 2015, they had closed 1,236 data centers and were planning to close an additional 2,607—for a total of 3,843—by the end of September 2015. We also noted that between fiscal years 2011 and 2017, agencies reported planning a total of about \$5.3 billion in cost savings and avoidances due to the consolidation of federal data centers. In correspondence subsequent to the publication of our report, DOD's Office of the CIO identified an additional \$2.1 billion in savings to be realized beyond fiscal year 2017, which increased the total savings across the federal government to about \$7.4 billion.

²⁵GAO, *Information Technology: Additional OMB and Agency Actions Needed to Ensure Portfolio Savings Are Realized and Effectively Tracked*, GAO-15-296 (Washington, D.C.: Apr. 16, 2015).

²⁶GAO, *Data Center Consolidation: Reporting Can Be Improved to Reflect Substantial Planned Savings*, GAO-14-713 (Washington, D.C.: Sept. 25, 2014).

Table 2 below provides a summary of agencies' total data center cost savings and cost avoidances between fiscal years 2011 and 2017, as well as DOD cost savings and cost avoidances to be realized beyond 2017.

Table 2: Agencies' Data Center Consolidation Cost Savings and Avoidances (Dollars in Millions)

Fiscal year	Estimated and actual			Planned					Total
	2011	2012	2013	2014	2015	2016	2017	Beyond 2017	
Total savings and avoidances	\$192	\$268	\$683	\$895	\$1,250	\$917	\$1,144	\$2,100	\$7,449
	\$1,143 total			\$6,306 total					

Source: GAO analysis of agency data | GAO-15-675T

Note: Totals may not add due to rounding.

However, we noted that planned savings may be understated because of difficulties agencies encountered when calculating savings and communicating their estimates to OMB. We concluded that it was important for OMB to continue to provide leadership and guidance on this initiative, and we made recommendations to ensure the initiative improves governmental efficiency and achieves cost savings. Most agencies agreed with our recommendations or had no comment.

Software Licensing: An additional area of concern is agencies' management of their software licenses. We recently reported on federal agencies' management of software licenses and determined that better management was needed to achieve significant savings government-wide.²⁷ In particular, 22 of the 24 major agencies identified in the Chief Financial Officers Act of 1990 did not have comprehensive license policies, and only 2 had comprehensive license inventories. As a result, agencies' oversight of software license spending was limited or lacking, and thus they may miss out on savings. The potential savings could be significant considering that, in fiscal year 2012, one major federal agency reported saving approximately \$181 million by consolidating its enterprise license agreements, even though its oversight process was ad hoc.

We recommended that OMB issue needed guidance to agencies and made more than 130 recommendations to the agencies to improve their policies and practices for managing software licenses. OMB disagreed

²⁷GAO, *Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide*, GAO-14-413 (Washington, D.C.: May 22, 2014).

with the need for guidance. However, without such guidance, agencies will likely continue to lack the visibility into what needs to be managed. Most agencies generally agreed with the recommendations or had no comments.

Mobile Devices: We have also identified weaknesses in agencies' management of their mobile devices. Both a 2011 executive order and OMB's 2012 Digital Government Strategy call for agencies to, among other things, take steps to ensure they are not paying for unused or underused mobile devices and services and to move toward an enterprise-wide model for purchasing these devices and services in order to reduce costs. However, in May of this year we reported that agencies need to implement more effective controls on their mobile devices and services in order to realize potential cost savings.²⁸ Specifically, most of the 15 agencies we reviewed did not have an inventory of mobile devices and associated services that can be used to assess device usage, and only 1 of the 15 agencies had documented procedures for monitoring spending by reviewing devices and associated service plans for overuse, underuse, or zero use. A key reason for these weaknesses was that agencies took a decentralized approach to managing mobile device spending. We also noted that OMB had not measured progress toward its stated goal of achieving financial savings related to mobile devices and services.

Highlighting the potential for savings in this area, agencies reported paying a range of rates per line for various service combinations, from \$21 for 200 voice minutes, unlimited data, and 200 text messages, to \$122 for unlimited voice, data, and text messages. Agencies also paid different rates for the same bundle of services. For example, for the unlimited voice, text, and data bundles, agencies paid between \$69 and \$122 per month.

Accordingly, we recommended that the agencies in our review take actions to improve their inventories and control processes and that OMB measure and report progress in achieving mobile cost savings. OMB and 14 of the agencies generally agreed with the recommendations or had no

²⁸GAO, *Telecommunications: Agencies Need Better Controls to Achieve Significant Savings on Mobile Devices and Services*, GAO-15-431 (Washington, D.C.: May 21, 2015).

comment. One agency, the Department of Defense, partially agreed, but we maintained that actions are still needed.

Recent Legislation Can Help Improve Agencies' Management of IT

Recognizing the severity of issues related to government-wide management of IT, in December 2014, Congress led the enactment of FITARA. Among other things, the law includes the following requirements:²⁹

- Agencies, except for DOD, shall ensure that CIOs have a significant role in, among other things, programming and budgeting decisions, as well as management, governance, and oversight processes related to IT.³⁰ For example, agencies (other than DOD) may only enter into contracts for IT and IT services that are reviewed and approved by the agency CIO.
- OMB shall provide guidance that requires CIOs to certify that IT acquisitions are adequately implementing incremental development.
- OMB shall issue guidance that requires the CIO to adequately reflect each major IT investment's cost, schedule, and performance in the investment evaluation.
- OMB shall make available to the public a list of all major IT investments, including data on cost, schedule, and performance, and report to Congress on any investment that is evaluated as high risk for 4 consecutive quarters.
- The General Services Administration shall identify and develop a government-wide program for the acquisition, dissemination, and shared use of software licenses.
- OMB, in consultation with agency CIOs, shall implement a process to assist agencies in managing their IT portfolios.

²⁹Pub. L. No. 113-291, div. A, title VIII, subtitle D (Dec. 19, 2014). Unless otherwise noted, the provisions apply to the agencies covered by the Chief Financial Officers Act of 1990, 31 U.S.C. § 901(b).

³⁰For DOD, the law requires that the DOD CIO review and provide recommendations to the Secretary of Defense on the department's IT budget request.

-
- Agencies shall annually report to OMB's Administrator of the Office of Electronic Government specific information, to include progress in consolidating federal data centers and the associated savings.

The new IT acquisition reform requirements codified in the law, when fully implemented, should help address key issue areas identified in our high-risk report related to the management of IT investments.

In April 2015, OMB released proposed guidance for public comment on how agencies are to implement the law.³¹ OMB's proposed guidance states that it is intended to, among other things, assist agencies in aligning their IT resources to statutory requirements; establish government-wide IT management controls that will meet the law's requirements, while providing agencies with flexibility to adapt to unique agency processes and requirements; clarify the CIO's role and strengthen the relationship with agency CIOs and bureau CIOs; and strengthen CIO accountability for IT cost, schedule, and performance.

The proposed guidance includes several actions agencies are to take within specified time frames to implement a basic set of roles and responsibilities for CIOs and other senior agency officials (referred to as the "common baseline") needed for the management of IT and to implement the specific authorities described in the law. Such roles and responsibilities described include those related to budget formulation and planning, acquisition and execution, and organization and workforce. To implement the common baseline, the proposed guidance includes the following more specific requirements:

- By August 15, 2015, each agency is to conduct a self-assessment and articulate a plan describing the changes it will make to ensure that all common baseline responsibilities are implemented by December 31, 2015. Agencies are to submit their plans to OMB's Office of E-Government for review and acceptance and make the plans publicly available on agency websites no later than 30 days after OMB acceptance.

³¹OMB, *Management and Oversight of Information Technology Resources, Proposed Guidance from OMB*, accessed June 3, 2015, <https://management.cio.gov>. OMB sought feedback and suggestions on the proposed guidance through May 30, 2015.

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- By December 31, 2015, agencies are to implement specific responsibilities and processes for the management of IT from the common baseline.
 - By April 30, 2016, agencies are to update their self-assessment to identify any obstacles or incomplete implementation of common baseline responsibilities over the preceding 12 months. The self-assessment is to be updated on an annual basis thereafter.

Additionally, the proposed guidance reiterates OMB's existing guidance on PortfolioStat, the IT Dashboard, and the federal data center consolidation initiative, and expands its existing guidance on TechStat sessions. In particular, with respect to TechStat sessions, the proposed guidance calls for agencies to hold these sessions for investments that for 3 consecutive months have a "red" risk rating, which indicates that the CIO has significant concerns with the investment. If the CIO continues to give a "red" rating for 1 year following the TechStat session, the guidance states that OMB may intervene with appropriate performance and budgetary actions until the agency has addressed the root cause of the problems and ensured that the investment will complete remaining activities within its planned cost and schedule.

Finally, OMB's proposed guidance also includes requirements to help support agency implementation of the roles and responsibilities for CIOs and other senior agency officials (i.e., the common baseline). For example, through the end of fiscal year 2016, the Federal CIO Council³² is to meet quarterly to discuss topics related to the implementation of the common baseline and to assist agencies by, for example, sharing examples of agency governance processes and IT policies. Additionally, by June 30, 2015, the President's Management Council³³ is to select three members from the council to provide an update on government-wide implementation of FITARA on a quarterly basis through September 2016. The updates are to improve the agencies' awareness of policies and procedures that have worked well in other agencies.

³²The Federal CIO Council is the principal interagency forum to improve agency practices on such matters as the design, modernization, use, sharing, and performance of agency information resources.

³³The President's Management Council is chartered to ensure that management reforms are implemented across the executive branch. It is composed of a senior official responsible for organizational management from each cabinet-level department and selected agencies.

Key to effectively implementing CIOs' and other officials' responsibilities in this area is ensuring consistent reporting on their IT reform efforts. In April 2015 we reported that, although OMB uses the information reported by CIOs to help it oversee the federal government's use of IT, the majority of CIOs at the 24 agencies covered by the Chief Financial Officers Act do not, for the most part, use this information for their own IT management efforts.³⁴ We recommended, among other things, that OMB, in collaboration with CIOs, ensure a common understanding of priority IT reform initiatives and their reporting requirements. OMB neither agreed nor disagreed with our recommendations.

**Actions Needed to
Address This High-Risk
Area**

In our February 2015 high-risk report, we identified actions that OMB and the agencies need to take to make progress in this area.³⁵ These include implementing the recently enacted statutory requirements promoting IT acquisition reform, as well as implementing GAO's previous recommendations, such as updating the public version of the IT Dashboard throughout the year. As noted in that report, from October 2009 through December 2014, we made 737 recommendations to improve agencies' management of their IT acquisitions; however, as of January 2015, only about 23 percent of these had been fully implemented.

Also in our high-risk report, we stated that OMB and agencies should demonstrate measurable government-wide progress in the following key areas:

- OMB and agencies should, within 4 years, implement at least 80 percent of GAO's recommendations related to the management of IT acquisitions and operations.
- Agencies should ensure that a minimum of 80 percent of the government's major acquisitions deliver functionality every 12 months.

³⁴GAO, *Federal Chief Information Officers: Reporting to OMB Can Be Improved by Further Streamlining and Better Focusing on Priorities*, GAO-15-106 (Washington, D.C.: Apr. 2, 2015).

³⁵GAO-15-290.

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- Agencies should achieve no less than 80 percent of the planned PortfolioStat savings and 80 percent of the savings planned for data center consolidation.

In summary, with the recent passage of IT reform legislation, the federal government has an opportunity to improve the transparency and management of IT acquisition and operations, and strengthen the authority of CIOs to provide needed direction and oversight. OMB and federal agencies should expeditiously implement the requirements of the legislation and continue to implement our previous recommendations. To help ensure that these improvements are achieved, continued congressional oversight of OMB's and agencies' implementation efforts is essential.

Chairmen Hurd and Meadows, Ranking Members Kelly and Connolly, and Members of the Subcommittees, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contacts and Staff Acknowledgments

For additional information about this high-risk area, contact David A. Powner at (202) 512-9286 or pownerd@gao.gov, Carol Cha at (202) 512-4456 or chac@gao.gov, or Valerie Melvin at (202) 512-6304 or melvinv@gao.gov. Individuals who made key contributions to this testimony are Dave Hinchman (Assistant Director), Scott Borre, Chris Businsky, Kaelin Kuhn, Lee McCracken, Kevin Walsh (Assistant Director), and Jessica Waseikow.

Related GAO Products

Telecommunications: Agencies Need Better Controls to Achieve Significant Savings on Mobile Devices and Services. GAO-15-431. May 21, 2015.

Information Technology: Additional OMB and Agency Actions Needed to Ensure Portfolio Savings Are Realized and Effectively Tracked. GAO-15-296. April 16, 2015.

Federal Chief Information Officers: Reporting to OMB Can Be Improved by Further Streamlining and Better Focusing on Priorities. GAO-15-106. April 2, 2015.

High-Risk Series: An Update. GAO-15-290. February 11, 2015.

Data Center Consolidation: Reporting Can be Improved to Reflect Substantial Planned Savings. GAO-14-713. September 25, 2014.

Federal Software Licenses: Better Management Needed to Achieve Significant Savings Government-Wide. GAO-14-413. May 22, 2014.

Information Technology: Agencies Need to Establish and Implement Incremental Development Policies. GAO-14-361. May 1, 2014.

IT Dashboard: Agencies Are Managing Investment Risk, but Related Ratings Need to Be More Accurate and Available. GAO-14-64. December 12, 2013.

Information Technology: Agencies Need to Strengthen Oversight of Multibillion Dollar Investments in Operations and Maintenance. GAO-14-66. November 6, 2013.

Information Technology: Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings. GAO-14-65. November 6, 2013.

Information Technology: Additional Executive Review Sessions Needed to Address Troubled Projects. GAO-13-524. June 13, 2013.

Information Technology: Agencies Need to Strengthen Oversight of Billions of Dollars in Operations and Maintenance Investments. GAO-13-87. October 16, 2012.

IT Dashboard: Accuracy Has Improved, and Additional Efforts Are Under Way to Better Inform Decision Making. GAO-12-210. November 7, 2011.

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Mr. HURD. Mr. Spires, the floor is yours for 5 minutes.

STATEMENT OF RICHARD SPIRES

Mr. SPIRES. Good afternoon, Chairmen Hurd and Meadows, Ranking Members Kelly and Connolly, and members of the subcommittees. I'm honored to testify today, and I wish to acknowledge Representative Connolly's leadership in sponsoring FITARA. Since I served as a CIO of the IRS and later DHS, I hope my in-the-trenches experience is of value to help guide FITARA implementation.

Earlier this year GAO placed improving the management of IT acquisitions and operations on its High Risk List. For decades, the government has been underperforming in its delivery of major IT programs. Deeply embedded cultural and skills issues must be addressed if we are to improve the government's delivery of IT. This is where FITARA can make a significant positive difference if implemented effectively.

GAO has identified nine critical factors underlying successful major IT acquisitions. Yet how does an agency ensure these factors are top of mind and implemented for all IT acquisitions? My experience from participating in and reviewing hundreds of programs leads to two foundational areas of focus critical to success.

The first area of focus is the program governance model, which should ensure a collaborative partnership between various stakeholder organizations that have key roles in the IT acquisition. Even the best program manager fails if the program governance model does not work.

The second area of focus involves the Program Management Organization, PMO, having the requisite skills and proper representation of various stakeholders to operate effectively. All members of the PMO must be aligned and incentivized to work toward a common set of outcome-based success measures.

FITARA must enable agency CIOs to ensure proper program governance and PMO models are in place for all significant IT acquisitions. I note that it is not the agency CIO that has the last say regarding major program decisions, but rather that the governance process is working effectively to ensure major decisions are made with all appropriate stakeholder input. For FITARA to be successful, it is critical that an initial rollout within agencies be effective. I'm very pleased to see the approach OMB and the new Federal CIO Tony Scott are taking to support this rollout.

OMB recently issued draft FITARA implementation guidance based on seeking significant outside input. This will improve content, understanding, and buy-in over the longer term. Yet there's a wide disparity in the maturity level of IT organizations across the agencies. A number of agencies will struggle with both the what and how to implement FITARA. To support this implementation effort, the American Council for Technology and Industry Advisory Council, ACT-IAC, a nonprofit organization, is forming a working group to support the development of tools that can provide agencies help to implement FITARA.

The workings group intent, is to draw from the best of both the public and private sectors' models for managing IT. The group will

focus on providing a range of proven implementation models for budget formulation and oversight, program governance, and delegation of authorities that should cover the array of different agency models from centralized to highly federated management of IT.

Mr. Darren Ash, CIO of the U.S. Nuclear Regulatory Commission, will serve as the government lead, and I will serve as the industry lead for this effort.

Even with a solid FITARA implementation plan, success will be dependent on two additional factors. First, the agency CIO needs to have the leadership, management, and political experience to drive this change, as well as a deep understanding of IT management. And, second, the agency leadership must be supportive of the agency CIO, particularly in agencies that are operating in a federated environment. Congress, through these subcommittees, can support these efforts by demanding aggressive implementation of FITARA by agencies, development of measures for assessing FITARA's impact, and transparency in reporting of ongoing progress.

The benefits of FITARA implementation will take years to realize so we will need to have persistence and patience. Implementation of this level of change takes 2 to 3 years, and benefits of that change being felt in year 3 and beyond. Regarding how to measure FITARA's success, I would start with the metrics GAO has spelled out regarding what is required to remove IT acquisition from their High Risk List. To these metrics I would add agency-specific measures of how IT can more effectively support the mission and business outcomes of the agencies. This current administration has a golden opportunity to set the correct foundation for implementing FITARA so that when the next administration arrives, the critical elements of FITARA are already taking root.

And while I'm pleased with the work to date, it is critical to make enough progress during the next 18 months to ensure that leadership commitment to FITARA is sustained into the next Congress and administration. Thank you.

Mr. HURD. Thank you, Mr. Spires.

[Prepared statement of Mr. Spires follows:]

STATEMENT OF RICHARD A. SPIRES
FORMER CHIEF INFORMATION OFFICER OF THE U.S. DEPARTMENT OF
HOMELAND SECURITY AND INTERNAL REVENUE SERVICE,
CURRENTLY CEO OF RESILIENT NETWORK SYSTEMS, INC.

BEFORE THE
SUBCOMMITTEES ON INFORMATION TECHNOLOGY AND ON GOVERNMENT
OPERATIONS OF THE COMMITTEE ON OVERSIGHT AND GOVERNMENT
REFORM

JUNE 10, 2015

Good afternoon Chairmen Hurd and Meadows, Ranking Members Kelly and Connolly, and members of the Subcommittees. I am honored to testify in regards to “The Federal Information Technology Acquisition Reform Act’s Role in Reducing IT Acquisition Risk”. I was pleased to see Congress pass FITARA, and I wish to acknowledge Representative Connolly’s leadership in helping craft and sponsor this legislation.

Serving as the CIO of a major department (DHS) as well as the CIO for a large bureau (IRS) in the Department of Treasury, I had ample opportunity to understand the dynamics inherent in federal government IT acquisition, and the areas in which high risk factors can lead to outright program failure. Based on that experience, I worked at both the IRS and DHS to implement approaches to address these risk factors, and based on those experiences, worked to influence IT acquisition across the federal government during my tenure as the Vice Chair of the Federal CIO Council. Given the importance of this topic to the effective and efficient business of government, I hope my testimony is of value to Congress and the Administration as a means to help guide FITARA implementation with resulting improved IT acquisition and operations outcomes.

Earlier this year, the Government Accountability Office (GAO) placed “Improving the Management of IT Acquisitions and Operations” on its High Risk List, and GAO’s latest report states that “federal IT investments too frequently fail to be completed or incur cost overruns and schedule slippages while contributing little to mission-related outcomes.”¹ During my government career, I dealt extensively with two items on the list: 1) IRS Modernization (now off the list); and 2) The Need to Strengthen the Department of Homeland Security’s Management Functions. In both cases, there was intense congressional scrutiny, and significant attention shown by the Office of Management and Budget (OMB) and the agencies that found their programs on the High Risk List.

Although agencies grouse about it, I have found that having a program on the High Risk List focuses valuable attention and resources on systemic issues in government. The IRS spent more than a decade maturing its IT acquisition and program management, and along the way demonstrated improved capabilities to deliver successful programs, before finally coming off the list in 2014. IT acquisition across government deserves this level

¹ GAO, High-Risk Series: An Update, GAO-15-290: Published: Feb 11, 2015. Publicly Released: Feb 11, 2015.

of sustained attention and I believe GAO was correct to add it to the High Risk list. For decades, the government has been underperforming in its delivery of major IT programs. Deeply embedded cultural and skills issues must be addressed if we are to improve the government's score card in delivering IT programs. Those changes, while certainly doable, take sustained leadership over time to have a major positive impact. This is where FITARA can make a significant positive difference, if implemented effectively.

As requested, my testimony will focus on three critical areas for improving IT acquisition and so that IT can more effectively and efficiently enable US federal government agencies to provide mission and business services to citizens. First, I will comment on the factors identified by the General Accountability Office (GAO) that lead to acquisition success and how FITARA implementation can help ensure these factors are appropriately addressed. Second, I will provide my views on how to properly implement FITARA in order to have the most positive impact on IT acquisition and operations. Lastly, I will provide views on how agencies should be measured and held accountable for IT acquisition and operations outcomes.

Critical Success Factors for IT Acquisition

GAO has identified nine critical factors underlying successful major acquisitions that support the objective of improving the management of large-scale IT acquisitions across the federal government: (1) program officials actively engaging with stakeholders; (2) program staff having the necessary knowledge and skills; (3) senior department and agency executives supporting the programs; (4) end users and stakeholders involved in the development of requirements; (5) end users participating in testing of system functionality prior to end user acceptance testing; (6) government and contractor staff being stable and consistent; (7) program staff prioritizing requirements; (8) program officials maintaining regular communication with the prime contractor; and (9) programs receiving sufficient funding.²

I certainly agree with these success factors, and when I look at the large-scale IT acquisitions that have been successful, they map well to these nine factors. Yet how does an agency ensure these factors are top-of-mind and implemented for all IT acquisitions? There are clearly many areas that must be right for IT acquisitions to succeed, from using best practices and incremental development techniques, to proper requirements management and testing. But overall, there are two foundational areas of focus that are critical to ensure these success factors are addressed. The first area of focus is the **Program Governance** model, which should ensure a collaborative partnership between various stakeholder organizations that have key roles in the IT acquisition. Too often I have reviewed programs in which the program manager is attempting to address executives' differing – and in some cases, opposite – views of what constitute the program priorities. In such cases, even the best program manager fails if the program governance model does not work. The second area of focus involves the **Program**

² GAO, Information Technology: Critical Factors Underlying Successful Major Acquisitions, GAO-12-7 (Washington, D.C.: Oct. 21, 2011).

Management Organization (PMO) having the requisite skills and proper representation from various stakeholders to operate effectively. All members of the PMO must be aligned and incentivized to work toward a common set of outcome-based success measures. If both of these areas of focus are properly addressed, then I have confidence a program can appropriately address the first eight of GAO's critical success factors. The ninth success factor, receiving sufficient funding, is typically outside the control of the program and in many instances influenced by forces outside the agency.

The subsections below outline why the program governance and the PMO are so critical to the overall success of any IT acquisition.

Program Governance

The right partnership via proper governance drives alignment among key decision makers in an organization. We have heard for decades that IT programs fail because of ill-defined requirements or poorly managed requirements scope throughout the life cycle of a program. While true, this is a symptom of a more fundamental underlying cause: The inability for all key stakeholders in a program to be on the same page in defining both desired outcomes and the approaches to meet those outcomes.

Change is inevitable in all programs, so achieving such alignment is not a one-time exercise at the start of a program. Alignment is an on-going process that is critical throughout an investment's strategic planning, design and development, as well as its implementation – hence, governance must be viewed as a full life-cycle process. As an example, for complex IT systems, there are at least a half-dozen stakeholder organizations that must be aligned, to include the strategy organization, business or mission owner of the system, IT, finance, procurement, legal, security, and privacy. Having all key stakeholders involved in key decisions is an essential element to ensuring genuine alignment.

Program governance works best when there is a single, transparent reporting relationship for a program manager to an oversight (program-level) governance board. The board of executives from key stakeholder organizations must be empowered to make decisions, binding their organizations, and creating a partnership between the business, IT, procurement, finance, etc. The function of the program governance board is not to usurp the authorities of the program manager. It is to provide a forum by which the program manager can bring key issues and trade-off decisions to an informed, empowered body that has a vested interest in that program's success and views the program manager as a trusted advisor and subject-matter specialist.

Creating this culture of partnership and trust is vital to the true alignment needed to support complex programs. Hence, the governance framework must foster that trusting and collaborative decision-making environment. I recommend that program governance boards be co-chaired by the business owner and IT executive for an IT program, to both promote a partnership model and to ensure no one organization dominates. Collaboration

in program governance brings forth the best ideas, melding varied interests and unifying efforts.

Further, decisions in a governance board should be consensus driven, not reduced to a vote-counting exercise. If a program governance board cannot reach a key decision through consensus, the decision should be escalated to the next-higher level board (typically an investment review board) or, if need be, to the head of the agency. By doing this, however, the board is abdicating its own decision-making authority. In an organization with mature governance, boards will force themselves to make the tough decisions—which is just what an agency’s leadership should expect.

Program Management Organization

The single most important element to program success are the leaders running the program as part of what is typically called the PMO or the integrated program team. There is usually significant focus on the program manager position, and having a skilled and experienced person in that role is vital for large, complex programs. What I find surprising, however, is how many programs set up shop without all the key management disciplines in place.

For instance, a key to success is ensuring the involvement of the right mission or business organization. Having full-time mission representatives who can successfully work within the PMO to define the system’s requirements is crucial. In assessing a program, I look for individuals on the PMO team who are steeped in the current process end-to-end, who have true credibility with senior management, and who demonstrate flexibility to deal with unending change as a program unfolds and matures. Unfortunately, those crucial individuals are all too often absent in government programs. The business does not give up the star players to fill those roles. That impinges on a program’s change management process and ultimately affects its schedule and cost.

All members of the PMO should report to the program manager and should be measured and assessed on a shared set of objectives – outcomes that support meeting the mission or business objectives that spawned the need for the program. Too often members of the PMO are measured on process results rather than on beneficial outcomes. For instance, the federal government would improve its ability to buy IT substantially if the contracting officers reported to the program managers and were measured not just on following the procurement regulations but on deliverables provided by the contractor and the success of the program. Program managers are often stuck with contract vehicles that are ill suited to the work that needs to be done, and they have no recourse.

Importance of FITARA to IT Acquisition

FITARA, if implemented effectively within an agency, can have the anticipated positive impact on IT acquisition outcomes. The key is having the CIO of an agency have both the authority to ensure the critical success factors for IT acquisitions are properly addressed, and the accountability in regards to IT acquisition outcomes. An agency CIO must demand that the proper program governance and PMO models are in place for all

significant IT acquisitions. As described above, getting these focus areas working correctly in an agency will have manifold benefits in driving correct behavior in regards to the critical success factors. Yet, there is a critical distinction in regards to the CIO establishing the framework for success for IT acquisitions, and the actual governance and day-to-day management of an IT program. The program governance and PMO functions are meant to represent all stakeholders critical to program success, and IT is just one of those stakeholders. Large IT programs are successful when the stakeholders are engaged and aligned, and the model for program governance must ensure that happens. As such, it is not that the CIO has the last say regarding a major program decision, but rather that that governance process is working effectively to ensure major decisions are made with all appropriate stakeholder input.

FITARA Implementation

Now that the FITARA legislation has become law, how does the government ensure effective implementation so that the law does have its intended impact? For those of us that have been involved with federal IT, we can cite the authorities that were granted CIOs via the Clinger-Cohen Act. Yet very few (if any) agency CIOs can claim they have the authorities outlined in Clinger-Cohen, and it has been viewed as failed legislation across the federal IT community.

To ensure that FITARA does not suffer the same fate as Clinger-Cohen, it is critical that the initial roll out within agencies is effective. I am very pleased to see the approach OMB and the new Federal CIO, Tony Scott, are taking to support this roll out. OMB recently issued draft guidance to agencies for implementation of FITARA. In developing this draft guidance, OMB sought significant outside input, including guidance from former government CIOs, CFO, CAOs, CHCOs, and COOs. Importantly, OMB has also asked for public comment on this draft guidance, which will improve content, understanding, and buy-in over the longer term.

The draft guidance sets forth a “Common Baseline” to establish a framework of roles and responsibilities that agencies are expected to implement. Recognizing that one size does not fit all, the Common Baseline sets a minimum level of standards that provide flexibility for agencies to implement the law in a manner consistent with agencies’ unique requirements. The guidance requires agencies to conduct a self-assessment to determine areas in which their current operating model is not in accordance with the Common Baseline and agencies then must submit a plan (subject to OMB approval) for how an agency will meet the FITARA requirements. OMB will monitor compliance and implementation progress through PortfolioStat and other oversight activities. Agencies will provide annual updates to the self-assessment and implementation plans.

While this is an excellent process, past history leads me to still have concerns regarding the approach agencies will take in developing their implementation plans for meeting the requirements of FITARA. There is a wide disparity in the maturity level of IT organizations across the agencies that must implement FITARA. There are a number of agencies that will struggle with both the “what” to implement (e.g., a governance process

that leads to improved IT acquisition outcomes) and to “how” to effectively implement changes demanded by FITARA.

As I noted earlier, achievement of FITARA’s objectives will require a “culture of partnership and trust.” This is not something that can be built into agency governance systems at some future point in time – it has to be nurtured from the outset of the implementation process. Moreover, industry has great interest in the successful implementation of FITARA to support government agencies. There is great value in engaging industry in the implementation process. And fortunately, there is a way to do so.

The American Council for Technology (ACT) and Industry Advisory Council (IAC) is a non-profit educational organization established to improve government through the innovative and efficient application of technology. For more than 30 years ACT-IAC has provided an objective, trusted and vendor-neutral forum where government and industry executives are working together to create a more effective government.³ ACT-IAC can bring together the key government constituencies that are interested in making FITARA successful – program managers, technology executives, acquisition professionals, financial management executives, and others. It also provides a way to engage industry in this conversation.

ACT-IAC is forming a working group to support the development of tools that can provide agencies help as they move forward to implement FITARA. The working group participants will consist of current and former government CIO or other CXO executives along with private sector executives. The intent is to draw from the best of public and private sector models that effectively leverage and manage IT to best support an organization. Mr. Darren Ash, Deputy Executive Director for Corporate Management and CIO of the U.S. Nuclear Regulatory Commission, will serve as the government lead for this effort and I will serve as the industry lead.

We plan to share the results of this effort with OMB, and have briefed them on how we can help support the implementation of FITARA in several ways:

- 1) Develop draft templates for agencies to use in conducting their self-assessments.
- 2) Provide a number of proven implementation models for budget formulation and oversight, program governance, and delegation of authorities that should cover the array of different agency models, from centralized to highly-federated management of IT. These models are intended to help agencies draw on best practices to address the Common Baseline requirements of FITARA. Agencies

³ ACT-IAC has completed studies related to IT acquisition and last year testified before the Senate Homeland Security and Government Affairs Committee on program management issues similar to those I described above, alongside GAO, OMB, and GSA. That testimony can be found at https://actiac.org/sites/default/files/ACT-IAC_testimony_on_major_IT_acquisitions.pdf.

can adapt the model that best fits their organization and further tailor the model to address cultural or other unique organizational requirements.

- 3) Develop an approach to help measure the impact of FITARA over time.
- 4) Provide feedback on cross-cutting issues raised from the agency self-assessments and implementation plans.
- 5) Plan for a first-year review and update based on lessons learned and feedback regarding the implementation of FITARA and measures of impact.

It is ACT-IAC's objective to help the government through the process of implementing FITARA by providing a set of tools that aid an agency leadership and the CIO in establishing proven and practical budget, governance, and delegation models to effectively manage the agency's IT.

Accountability and Measuring Success

The recommendations above can help agencies ensure that they develop a FITARA implementation plan that is appropriate for their agency and that has the promise to help the agency manage IT acquisition and operations more effectively. But ultimately, success will be dependent on two additional factors:

- The competency of the agency CIO
- The level of support provided to the agency CIO by the agency leadership.

The level of change required in most agencies to properly implement FITARA is significant and the agency CIO needs to have the leadership, management, and political experience to drive this change, as well as a deep understanding of IT management. Yet I must reiterate that while FITARA places a great deal of attention on the authorities of the CIO, care must be taken to also reinforce the partnering expectation by holding the CIO accountable for partnering with others in the agency, especially mission owners and the other CXOs. There is some concern that CIOs will use their new authorities to become authoritarian. That will not work. The key is having the agency CIO have vision and provide leadership in all IT matters, but also work to build consensus throughout the agency leadership team.

In terms of accountability, it has to start with the Administration and rests with OMB and the agencies. In particular, OMB must help ensure that the agency CIOs have the capability to perform their job and have the support from agency leadership to give them the chance to drive the required change to effectively implement FITARA. Further, the agency leadership must be supportive of the agency CIO, having the individual's back, particularly in agencies that are operating in a federated environment (this is particularly an issue in the cabinet-level departments). Congress, and in particular the House Committee on Oversight and Government Reform through your Subcommittees can support these efforts by demanding aggressive implementation of FITARA by agencies, development of measures for assessing FITARA's impact, and transparency in reporting of ongoing progress, while also highlighting obstacles in agencies to be overcome.

The benefits of FITARA implementation will take years to realize, so while we need to move aggressively to implement FITARA, we also need persistence and patience. My experience in government has shown that the implementation of significant change takes two years, and the benefits of that change really being felt in year three and beyond. The cultural change is the longest to implement and we undermine the ability to affect significant positive change if we expect to shorten the timeframe for success to take root.

In regards to defining how to measure success, I turn back to GAO and the placement of IT acquisition and operations on the GAO High Risk List. In that report⁴, I was pleased to see that GAO documented a set of concrete evaluation criteria:

- OMB and agencies should, within four years, implement at least 80 percent of GAO's recommendations related to the management of IT acquisitions and operations.
- Agencies should ensure that a minimum of 80 percent of the government's major acquisitions deliver functionality every 12 months.
- Agencies should achieve no less than 80 percent of the more than \$6 billion in planned PortfolioStat savings, and 80 percent of the more than \$5 billion in savings planned for data center consolidation.

Those are high bars, but GAO is not asking for perfection. And the targets are specific enough that an Administration can drive action in each of the areas, set measurements and objectives by year, and track progress. The implied four-year time frame is aggressive but not impossible. I would recommend that in addition to these success measures, that each agency develop a set of success criteria that are oriented toward measures of how IT can more effectively support the mission and business outcomes of the agency. These addition measures will help ensure the agency CIO is focused on both making IT more efficient, but most importantly, on how IT can to help an agency do its job more effectively.

Conclusion

This government and the current Administration have a golden opportunity to set the correct foundation for success implementing FITARA, so that when leadership for the next Administration arrives, the critical elements of FITARA are already taking root. If that happens, it will be natural for the next Administration to build on that foundation to drive significant success in IT acquisition and operations. Yet FITARA, while helpful, is not in of itself going to fix what ails federal IT. We need sustained leadership focus and commitment. I am pleased to see such leadership currently coming from both Congress and the Administration. It is critical to make enough progress during the next 18 months to ensure that leadership commitment to FITARA is sustained into the next Congress and Administration.

Thank you for the opportunity to testify today.

⁴ GAO, High-Risk Series: An Update, GAO-15-290: Published: Feb 11, 2015. Publicly Released: Feb 11, 2015.

Mr. HURD. You can't have a conversation on FITARA without comments from the distinguished gentleman from Virginia.

I'd like to recognize Mr. Connolly for 5 minutes for opening remarks.

Mr. CONNOLLY. Thank you, Mr. Chairman, and thank you for being so gracious. I want to thank you and the committee for holding today's important hearing to examine the implementation of the bipartisan FITARA Act, or as we often prefer up here, Issa-Connolly. FITARA is the first major reform of the laws governing Federal IT management and procurement since the enactment of the Federal Clinger-Cohen Act of 1996. And I want to take a moment to recognize the leadership of our former colleagues, Bill Clinger and Senator William Cohen.

Today there's widespread agreement that the text of the Clinger-Cohen Act was quite good and that the 1996 law held the potential to be truly transformative. However, in retrospect it is clear that the Clinger-Cohen Act, while establishing a solid statutory framework unfortunately fell short of achieving its full potential. There is also consensus that the primary weakness of that act was not the bill itself but actually its inadequate implementation, which was exacerbated by the absence of congressional oversight at that time. The latter being an unfortunate result in part of both authors departing Congress shortly after the law's enactment. That's why today's oversight hearing, Mr. Chairman, is so important to change that pattern of history.

With the history of Clinger-Cohen in mind, and as the co-author of FITARA, I'm committed to doing everything on our part to guarantee that we do not repeat the implementation mistakes of the past. And I'm so delighted that my colleague in arms, Mr. Meadows, shares that commitment. And I know Ms. Kelly does, and I know you do, Mr. Chairman, and that's great. And I know Mr. Issa has not lost interest in this either, although he's now in Judiciary Committee making music over there.

We have to make sure that the FITARA implementation is not Clinger-Cohen 2.0. Congress must and will diligently monitor its implementation and won't accept unnecessary delays, improper half measures, and the stubborn preservation of the status quo. The good news here, though, is that the administration is on our same page. And I'm so pleased that the FITARA implementation has gotten off to a tremendous start in no small part due to the efforts of the four people in front of us.

I want to commend the leadership, particularly the Office of Management and Budget, including our excellent witnesses today. In many respects, the FITARA guidance that they've issued is one of the best policy publications I've ever seen. It's enthusiastic, it's clear, and it is with the program. We're not fighting at all. From its content to the collaborative nature in which it was developed to the innovative and transparent manner in which it was published, OMB's efforts to implement FITARA truly represent a best practice and new milestone in good government. And I'm so pleased that since FITARA's enactment the administration's demonstrated full recognition of the importance of effective implementation.

As OMB noted in its proposed guidance, "FITARA is an historic law that represents the first major overhaul of Federal information

technology, IT, in almost 20 years.” I’m also pleased that GAO recognizes the potential to achieve billions of dollars in cost savings and cost avoidances by strengthening agency CIO authorities and promoting the elimination of wasteful and duplicative IT systems.

At a February 2015 hearing held by our committee, the Honorable Gene Dodaro, the comptroller general explained GAO’s rationale behind designating improving the management of IT acquisitions and operations as a new government-wide high risk area, stating, “One of the reasons we put IT acquisitions and operations on the list is in order to elevate attention to make sure that FITARA,” and, he says, “Issa-Connolly is implemented effectively.” God bless Gene Dodaro.

Moving forward, there’s bipartisan, bicameral support for fully implementing FITARA. A vast majority of members, I think, share the goal of dramatically curbing wasteful IT spending on antiquated IT systems and want to promote management practices that will prevent agencies from wasting billions of taxpayer dollars on IT boondoggles that fall years behind schedule and appear a staggeringly poor performance with shockingly high costs.

There’s also a recognition that Federal policymakers and agency administrators must cease relegating IT management to the cellar of an agency’s organizational hierarchy. The bottom line is that FITARA’s enactment represents the long overdue recognition that in the 21st Century effective governance is inextricably linked with how well government leverages technology. This reality of modern government underscores why it’s incumbent upon both branches of government to work together in a pragmatic fashion to ensure we take advantage of the opportunities this legislation, I believe, affords us.

So in closing, Mr. Chairman, I want to take a moment again to express my sincere gratitude and appreciation to the leadership of this committee and our subcommittees and to OMB and GAO especially in elevating the importance of this issue and the implementation of FITARA.

Thank you. And I look forward to having a chance to dialogue with the panel.

Mr. HURD. Thank you, Mr. Connolly.

Mr. HURD. And now it’s a pleasure to recognize my colleague from North Carolina, Chairman Meadows, for 5 minutes.

Mr. MEADOWS. Thank you, Mr. Chairman. Thank each of you for your opening statements. I will apologize up front. I actually have another meeting I was supposed to be at 15 minutes ago. So the chairman was kind enough to let me go ahead with some of my questions.

So Ms. Rung, let me start with you. With regards to these legacy systems that are out there, a lot has been talked about in terms of where they are, how much we’re spending. How can we from a procurement standpoint allow a redo or a start over. We’ve got FITARA, we’ve got a number of these others, but it’s all in the implementation as my good friend Mr. Connolly just outlined. What can we do to make sure that we are not sitting here 2 years from now with the same problem?

Ms. RUNG. Thank you for the question. As my colleague stated, you know, IT acquisition spend is approximately \$80 billion a year.

So this is an important space for us to tackle, and I appreciate GAO's work in this area, and in particular in putting it on a High Risk List because it lends a energy and focus to some of our efforts to really address this area.

When I think about IT acquisitions, I really think of it in two buckets. Really, there is the IT systems, which is a much different strategy in tackling that area, and I also think of IT commodities where we are really focused on how can we be more efficient.

In the IT systems area, what I hear consistently from industry is that the issues and challenges start at the requirements phase. Right? Really early in the process. And a couple things we're doing in this space. I think it all comes down to the acquisition and IT workforce and do they have the skills and training to know how to put these acquisitions together. We're developing for the first time a specialized IT acquisition team. When I started in this job, I sat down with our former CTO, Todd Park, who talked about the success of the digital services team. But these are primarily technologists from Silicon Valley. He stated that we should be thinking about the acquisition equivalent of this.

From that point on, we started to collaborate, along with my colleague Tony Scott, the Federal CIO, on creating a first certified digital IT acquisition team. We're going to start by pulling career employees, career contracting officers, from the agencies. We're going to put them through a training we're developing in partnership with industry, and we're going to send them back to the agencies early next year to really provide a hands-on approach in developing these acquisitions and thinking about can we write these requirements in a more agile way. To be more specific, oftentimes I hear from industry that our requirements or statements of work are several hundred pages long and overly government oriented and overly prescriptive, and then they are required to submit proposals that are several hundred pages long.

What we'd like to move to through this new team is thinking about a more succinct statement of objectives, thinking about having industry submit short concept papers, and really trying to approach these acquisitions in a more modular manner, and I think that will have a significant impact in the IT system space.

Mr. MEADOWS. All right. So let's assume that we do that and we take that and we break it down. Is there not a danger of looking at the old way that we've done acquisitions, whether it's procurement or getting rid of the systems that we've had that we run home again to that safety blanket and say: Well, we're willing to come half way. You know, instead of it being a 100-page RFP, it's an 80 page. How do we make it more results driven?

As a business guy, you know, all I wanted to do is perform a particular function and do it as effectively as we can, and yet we somehow seem to continue to run back to FORTRAN and COBOL kind of systems to keep them running.

Ms. RUNG. That's a great question. How do you have an impact in such a large complex space that represents overall \$450 billion in spending where I have 3,300 different contracting offices across the globe. So how do you really make an impact and try to drive change? I think FITARA represents a major transformation in how we think about IT acquisitions. The way I'm approaching it is

thinking about our efforts like a start-up company, and I'm focusing on a small team of people.

I know that the first time that I develop this program to create a new specialized team or a new specialized IT cadre, I may not get it exactly right. I want to put them through this training that we're developing and partnership with industry. I want to send them back to the agencies to provide that hands-on assistance, but most likely I'm going to tweak that, and I want to scale it up over time. And I think what the digital service team has shown is that a small group of people can have a huge impact in this area.

Mr. MEADOWS. I see I'm out of time. So I'm going to yield back to the chairman, but I would like the GAO, if you can let us know how we can help. You mentioned oversight being the critical component, how we can know whether we're making progress or not.

A matrix, you know, best performers, worst performers, whatever we can do, if you would do that, and I won't ask you to respond to that, but I'll yield back to the chairman. Thank you.

Mr. HURD. Thank you, Mr. Chairman.

Now I'd like to recognize my friend and ranking member, Ms. Kelly, for 5 minutes.

Ms. KELLY. Thank you, Mr. Chairman.

OMB's guidance will help agencies establish effective oversight of the management of their IT investments and resources.

Mr. Scott, what is the desired outcome of the enhancements to agency oversight of IT resources? What benefits can be anticipated?

Mr. SCOTT. I think there's a number of what I'd call success factors that we should look to over time as FITARA and the other things that we're doing get implemented.

The first one I think is faster delivery of needed capability. In this world, speed of delivery is everything. And as is probably obvious, in most cases when you do things faster, you're limited in the amount of money you can spend doing it, and so there's a double benefit.

The second thing I would say is efficiency of spend. And there are a number of different ways that we can measure that. I would then look to being on time and on budget as a classic measure. I don't think that goes away. We also have to make sure that the systems we deliver and the capabilities and infrastructure that we deliver are secure. And there's ways that we will measure that.

And then I think we have to look at the underlying components our infrastructure and delivery capability, and make sure that's also modern. I think measures in each of those areas are the things that I would look for.

Ms. KELLY. Let's speak a little bit about transparency. The guidance also provides for increased transparency and accountability of agency management of IT resources. So what are some examples of increased transparency regarding IT acquisitions and operations, and how will increased transparency contribute to effective congressional oversight?

Mr. SCOTT. Well, the first thing you'll notice is in August of this year each of the agencies will be required to submit their self-assessment plan and their plan for FITARA implementation. And that will be made public and certainly we'll be all over it, and I'm sure this committee will also be looking at it along with GAO and

others. And that's the first in a set of reports and deliverables that come out of FITARA.

In addition, we're going to keep doing the PortfolioStat, TechStat, and CyberStat reviews that we do, and as was already mentioned, we have improvements under way to the IT dashboard as well. So I think all of those will help both with the timeliness but also the visibility and transparency of how this goes.

Ms. KELLY. You said you're sure this committee will be all over it, but why do you think the GAO believes congressional oversight is so essential?

Mr. SCOTT. Well, I think in this particular case, as there's a huge amount of transformation taking place in the IT industry and every business, government, and institution getting this right is table stakes for all interests, and I think given the various roles that the parties that you mentioned play, it's important that we have each of those perspectives in on this and that it's shared broadly across the community of interest.

Ms. KELLY. My colleague, Ranking Member Connolly, a co-author of this legislation, has repeatedly expressed a need for congressional oversight of the implementation of FITARA to help ensure the improvement it directs are achieved government-wide.

Mr. Powner, what is at risk if congressional oversight is not maintained on agency implementation?

Mr. POWNER. Well, Ranking Member Kelly, I think if you look at the history, and it was mentioned here going back to Clinger-Cohen, the history of implementing effectively, going back to Clinger-Cohen, OMB's recent initiatives—our high risk area and a lot of FITARA is OMB's own initiatives that haven't been implemented to completion. That's the bottom line. And history tells us that if you leave it up to the administration, OMB, and the agencies, it doesn't work as well. But if you have Congress overseeing key areas to ensure that there's cost savings, a good area is incremental development. We all agree that we ought to go smaller to help with the delivery.

If we got real serious about incremental development and implemented OMB's 6-month policy, maybe we shouldn't fund projects either from an appropriation perspective or from OMB's perspective that they can't deliver within the budget year. Let's look real hard at not funding those projects. They should deliver something within the budget year.

Ms. KELLY. Mr. Scott, do you agree?

Mr. SCOTT. I think many, many projects lend themselves to that kind of short incremental development, but I would say we have to be a little bit careful there, and I'm not trying to, you know, put a wet blanket on any of this. I think there's much more opportunity for us to do that than others.

And so I strongly endorse that trend, but I think one of the challenges that I see already is there's already a funding sort of quagmire in the way some projects are managed, and one of the things that I do know greatly impacts the success of a project is if there's a lot of start/stop, start/stop, start/stop, that leads to a ton of inefficiency and so on. So I'd prefer to see a mechanism that, you know, if the programs are meeting its goals and its deadline, there's not

uncertainty about funding, and if there's problems, then you yank the cord.

Ms. KELLY. I've run out of time. So thank you, but I look forward to working with the members of this committee to provide effective oversight of the implementation of FITARA reform to help ensure that needed improvements are achieved. So thank you all very much.

Mr. HURD. Mr. Walberg, 5 minutes is yours.

Mr. WALBERG. Thank you, Mr. Chairman.

Mr. Powner, CIO integration into the IT investment decision-making process, as we have discussed here, is key to successful implementation of FITARA. How do we ensure that the CIO is actually integrated into the IT investment decision and the process associated with that within each agency and department?

Mr. POWNER. I think that's the key question. When you look at FITARA, that's the first provision and probably the most important is enhancing the CIO authorities. I think OMB deserves a lot of credit for their common baseline in what they're attempting to do to elevate the CIO authorities within each agency, ensuring that they're part of the budget approval and execution process. But you're absolutely right, and as Mr. Spires mentioned in his statement, there's some agencies that are going to really struggle with that because of their current setup. The way they're currently set up, they don't necessarily have that budget—that oversight of the budget approval and the execution to have the appropriate governance processes that Richard referred to. So that's the challenge. That is the challenge.

So first of all you need the appropriate processes, but we also need the appropriate people. And I think one of the things hopefully with FITARA, it's going to attract even a better breed of CIOs into the Federal Government, if in fact it's a real CIO job. Some of the CIO jobs in the Federal Government aren't CIO jobs that you have in the private—

Mr. WALBERG. So it's not encouraging.

Mr. POWNER. Well, it can get a lot better, and clearly we have pockets of success. There are pockets of success that we can learn from where there are the appropriate authorities, and I think with the common baseline, it's a step in the right direction, but it's going to take time, and I think, again, your congressional oversight, when you look at these plans to fill the gaps that agencies have on the common baseline, that's going to be really important that we implement that effectively.

Mr. WALBERG. Mr. Scott, before I go to Mr. Spires to respond to that and add to it, Mr. Scott, responding to what Mr. Powner just ended his statement with, carry on with that thought.

Mr. SCOTT. Well, I totally agree this is all about, you know, having capable and competent people. And I've added it as one of the priorities for my team in terms of things that we are spending a lot of time on.

So it's looking at talent across the Federal Government, making sure that there's good development experiences for the talented people that are working in these roles, that they get exposed to multiple kinds of organizations and the broad set of things that are required of a CIO in a big organization. I think that's an important

part of our responsibility as leaders to make sure that when we're gone, the next generation of leadership is in place and has the right skill sets to do the jobs that we're asking of them.

Mr. WALBERG. And the expectations on them and the accountability as well.

Mr. SCOTT. Right.

Mr. WALBERG. Yeah. Mr. Spires.

Mr. SPIRES. Yeah. I certainly would echo the thoughts about the importance of having the skill sets. I would pick up on this idea of having the proper support. You know, it's critical that the CIOs are empowered to be able to do what they need to do within these agencies, and particularly in those agencies that have federated environments where there's not just one single CIO organization, or IT organization.

And I think that's even incumbent upon OMB and the administration to make sure that that happens and that the support is there from the agency leadership to enable that CIO to be effective. Because they're going to be dealing in a federated environment with bureaus, CIOs or other heads of IT and other organizations in that agency, and that all has to work collectively to be able to carry out FITARA in a distributed kind of manner.

And the good news is that OMB has done a nice job with their guidance of laying out ways in which you can set that model up. But there are proven models to be able to work in that federated environment. So it's also going to be incumbent upon OMB to make sure that those agency models fit the agency well. And they've got a process for that review. I don't know if every agency is going to get it right the first time, but I think as there's an iterative process and a real drive to make this happen, over the next 18 months you should be able to get these models to work well.

Mr. WALBERG. Ms. Rung, tie the bow on this discussion here from your perspective, especially dealing with policy. Policy and personnel sometimes run amok. Help us in answering here.

Ms. RUNG. Well, to build upon what Mr. Spires talked about a little bit of the challenges of the federated system, what I've seen is the impact of that on the acquisition space. And without the CIOs really having accountability and authority, what I've seen in the acquisition space is that there are not owners of certain IT commodities. For example, mobile devices. No one in the agency feels accountability for the mobile devices. So you see lots of duplication and a lack of transparency.

With reference to the workforce and ensuring, you know, we are, you know, focusing on the skills of our workforce, I echo everything that was said here. I think I approach it in two different ways. I mean, one, we want to make sure that we're holding our acquisition personnel accountable for performance. At the same time, I want to ensure we're lifting up and helping to train and strengthen our workforce and really recognize the good work that is going on across government.

Mr. WALBERG. Okay.

Mr. WALBERG. Thank you. My time is expired.

Mr. HURD. Thank you, sir. Now I'd now like to recognize Mr. Connolly for 5 minutes.

Mr. CONNOLLY. Thank you, Mr. Chairman, but could I just ask, if there were colleagues ahead of me before I arrived, I would certainly defer to them.

Mr. HURD. I would like to recognize Ms. Holmes Norton for 5 minutes then.

Mr. CONNOLLY. Thank you. I want to be fair.

Ms. NORTON. Well, my good friend from Virginia is always fair. I certainly appreciate it.

I went straight to the GAO report because I am particularly interested in diagnosis. We have the bill, and we are beginning its implementation. I went to page 2, in particular. We hear a great deal about IT failures, we hear about them in the public sector, we hear about them more often in the private sector. It leads me to believe that IT itself should be seen as still a developing science, why there is so many failures even from people who lose tremendously at the bottom line.

So I'm interested, Mr. Powner, in page 2 of the GAO report, because the only thing worse than taking a long time to acquire or taking a long time for a system to come online is taking a long time and then the whole thing fails. You've spent billions of dollars down the drain. So on page 2 you list some very costly examples. Just to touch on a few. After 5 years, DOD had to just cancel its combat support system, or I won't list them all.

Nine years, the VA scheduling and replacement project, then finally they just, you know, called it quits, but that's 9 years' worth of money. Sixteen years, they should stick with them a long time. This is the tri-agency weather satellite program, a number of agencies in on this one, \$5 billion in 16 years.

Now, so my first question is, is this kind of failure typical of large scale operations, or should we look for it in the public and private sector? I mean, are these—is this simply IT finding its way in truly large scale systems, because we see large scale systems in the private sector going overboard too, with far worse consequences.

So first I want to know what's wrong, or are we in such a developmental stage that somehow these agencies, you know, they ought to stick with these things. I mean, we are in for a dime, we are in for a dollar, we're in until somebody throws us out, and why don't they get out sooner? Why do they spend the last dollar before they decide this just isn't working? And what can we do about it? Will FITARA do anything about it?

Mr. POWNER. Yeah, there's aspects of FITARA that would help greatly. So first of all, again, I'll emphasize incremental certifications by the CIOs of major IT systems. I agree with Mr. Scott's comments. Some of them you can't go real small, but you can do it with a lot more.

Best practices, we've done a lot of best practices work on successful acquisitions. These are failures, and I can tell you about each one of them, but the successful ones, they typically all go small. The other thing is, I'm going to re-emphasize the TechStat process that OMB implemented right after the dashboard went live. There were about 50-some projects, 70-some meetings, and there were a lot of these projects that were halted, descoped, corrected, and

there was great progress to the tune that OMB says \$3 billion were saved.

We need to go back to looking at these projects, because within agencies there's a reluctance to stop a project. I have a report coming out next week on a Department of Agriculture project. It's listed back in my testimony as something to look. You could add it to the failed list right now.

Ms. NORTON. What's the reluctance? What's the reason for the reluctance?

Mr. POWNER. The reluctance is to not acknowledge that we have these problems and to think that we can fix them.

Ms. NORTON. Will the CIO help that?

Mr. POWNER. The CIO should help with that, and I think sometimes not just terminating or canceling, but sometimes we can descope and have course correction on them. That's where these TechStat meetings with the right governance models can really help. And so we saw it right after the dashboard went live with OMB's meetings. It was a successful time correcting a lot of these troubled projects.

Ms. NORTON. I can't help but ask you when we just had this \$4-, I don't know, million-dollar employee breach at the OPM. We've had one of those you list, it's a little less costly, was the retirement system, and that's been one of the OPM retirement system, that's been one that's been before this committee over and over again as a failure.

To what do you ascribe what happened to the OPM?

Mr. POWNER. With the retirement systems, I looked at that years ago.

Ms. NORTON. The retirement system and the collapse reported last—

Mr. POWNER. There has been multiple starts and stops on that retirement system at OPM. I think we try to do too much. Why don't you start with the really simple retirement, a very simple employee, you know, stay at one agency and you start small and you deliver. I know when Mr. Spires was at IRS, he finally did process tax returns on a modern platform. You know what he did? He took a 1040EZ and did it. He went small and simple, and then they grew it, and everyone at IRS said, look, wow, we're now processing on a modern platform. No one really cared it was only a 1040EZ.

We tried to do everything with the retirement system replacement. Again, going small really would help. I don't want to simplify this too much, but that would be a huge step in the right direction.

Ms. NORTON. Yeah we should do pilots on a lot of things. Why not on this? Thank you very much, Mr. Chairman.

Mr. HURD. Actually, I want to pick up on that topic. I recognize myself for 5 minutes, and maybe, Ms. Rung or Mr. Scott, this is appropriately directed to you.

How do we hold people accountable for this stuff, right? You know, when people that are consistently on this high risk report, right, you know, when we had a conversation, a hearing on this topic earlier this year, I asked Gene Dodaro had anybody ever been fired for cost overrun and time overrun? And he said he couldn't remember that.

And so, you know, the question is, is it the procurement officers, is it the line management officers? You know, on IT projects, does FITARA give the CIO enough power and authority in order to bring to bear some real consequences if these type of projects continue to go? And Mr. Scott, I'll open that one to you.

Mr. SCOTT. Well, I think it does, and I think—but let me answer the question by leading up to it a little bit.

Many of these projects, the failed ones that are, I think are notorious, you could sort of look at in the beginning and say what are the chances of this succeeding, and you could put a risk factor on that and you'd say, not high because it's too big, too complex, you know, not organized the right way, you know, there's a whole list of things that, you know, you could, you could probably criticize.

And so I think that holding people accountable starts with what's the design, what's the intent of these things in the first place and making sure that there's good engagement across the agency leadership, including the CIO, where everybody looking at it says, "I think we've got a chance of this succeeding because we've got the right approach, we've chunked it up into the right increments of deliverables and so on."

Mr. HURD. But how do we, you know, I think it was you, Ms. Rung, that mentioned up front that it's the requirements process, so the problem with procurement now is we're asking, you know, describing the problem, and then sometimes in the procurement we are describing how the solution is supposed to be implemented and even including specific technologies, which is eliminating a lot of folks, you know, entrepreneurs, creativity, by also defining, you know, the solution to the problem.

Ms. RUNG. I think that's absolutely correct. I mean, my goal is to get to a point where we don't have to hold anyone accountable because the IT acquisition was a success, right. We want to fix and identify—identify and fix these issues way before we get to the point where we're calling for heads to roll.

And you are indeed correct, that many of these problems start at the requirements phase. And I think it's quite literally training people in how to do these acquisitions in a much more agile way and how to write these acquisition requirements and providing that kind of hands-on assistance and getting to these acquisitions early.

Mr. HURD. Mr. Spires, question to you. Would could be the barriers of implementation with these lists with FITARA? Are there going to be CIOs across the agencies that actually don't want this authority because it's going to change the way they do things and they're going to actually have to do work now? How do you address, you know, a reticent person from, you know, actually having to do their job?

Mr. SPIRES. I'm not going to put it all on the CIOs. I think what we face is cultural issues within many of these agencies. Many of these organizations, and I don't want to just pick only on the federated ones, but clearly the federated ones face this. They are used to a certain level of autonomy, and particularly in a lot of these programs. So you'll have major programs that have a lot of IT, but the mission people don't view them as, "IT programs."

And that's been an issue because then you actually have situations where you're not using even close to best practice, you don't

have the right kind of skill sets involved in oversighting these projects, and—I mean, we can bet what happens in those cases. So to me, what I like so much about FITARA and what I like about what OMB has done to date with the implementation guidance is this notion that, yes, we are going to empower the CIO, we are going to hold that individual accountable, and that individual within their organization is down the line going to have to make sure that these programs are set up for success.

I've overseen a lot of programs, and I would echo what my colleagues just said from OMB, if you don't start right, you are almost doomed to failure. And I would much rather us start and say, oh, got to stop right away because we don't have the right people on board or we don't have the right acquisition strategy or the right procurement strategy. Let's get those things right out of the gate, then the success can happen. I've seen it time and time again.

And to Mr. Powner's point, you've got to start small, have small wins, and then build off of that.

Mr. HURD. Thank you. Now, Mr. Connolly.

Mr. CONNOLLY. Thank you, Mr. Chairman. And again, welcome to our panel. The Project on Government Oversight, POGO, is a nonpartisan independent watchdog organization, and it noted last month the FITARA is, "meant to strengthen the role of each agency CIO and executive responsible for all IT systems in the agency as well as to increase transparency in how IT funds are spent." However, the Department of Energy's 17 national laboratories would apparently prefer that this oversight and accountability requirement not apply to them.

The 2016 Senate Energy and Water Development Appropriations bill actually includes an amendment that would exempt the energy department's national labs from key requirements of FITARA and the bill's predecessor, Clinger-Cohen.

I wonder if you might comment on this whole issue of carve-outs because I'm sure OMB has been getting some request for carve-outs. We have here, too. And my view is, gee, we haven't even learned how to walk yet. We are just getting to guidelines of implementation. It's awfully premature to be deciding we need to be carved out unless maybe you've got something you're worried about, but I'd be interested in your professional opinion, what about this situation with carve-outs?

Ms. RUNG. I'll start. So I appreciate the question. You know, we are certainly anxious to talk to the agencies if they have concerns and work with them to address their concerns. OMB has formally stated that they find the proposal to carve out the Department of Energy labs highly problematic. And it's our viewpoint that FITARA is a tremendous management tool for the agencies, and we are not keen on carving out the Department of Energy labs.

Mr. CONNOLLY. Mr. Powner, any view from GAO?

Mr. POWNER. Yeah, this is not the time to carve out. If you look at OMB's guidance, I think there's some flexibility in how you set this up when you have federated organizations, and the labs are quite federated. But when you look at, you know, what they're intending to do with that, that the CIO at DOE doesn't have the expertise, or FFRDC shouldn't be included, or R&D should not be in-

cluded, if you step back and look at that, it probably should be included.

R&D tied to IT should be under the CIO's authority, and when you really look at—we ought to let this bake awhile and not immediately start carving out.

Mr. CONNOLLY. Just to caution. What's happening is people wanting carve-outs are coming up here and seeking legislative redress before we've even implemented the bill that was just signed into law in December and giving "chutzpah" a whole new dimension of meaning.

At any rate, I think it's worthy of your note and ours as well. We need to resist that temptation because I agree. It was designed to be a useful management tool that can save you money and make you more efficient. It's not an adversarial bill, and let's give it some time to marinate.

CIOs, and I'll address this to you, Mr. Scott, and you, Mr. Spires, particularly, there are 250 people roughly, or when we wrote the bill 250 people with the title "CIO" spread out over 24 agencies. No private corporation would tolerate that. I don't care how big. When I go in my district and I meet with little and big companies, I kind of ask, you know, how many CIOs have you got, and they all look at me like, well, one. Not the Federal Government.

So we didn't mandate by fiat you can only have one, but we tried to create incentives to infuse one person with authority and accountability and the flexibility in making decisions. I wonder, what is your take on that and how we ought to evolve, and Mr. Spires, you was one, and so I'd be interested particularly on your take on it.

Mr. SCOTT. Well, I've actually worked in an organization that had multiple CIOs that was, you know, a fairly large enterprise. It wasn't 200, but you know, there was more than one, you know, in divisions and then corporate CIO and so on. And my response would be, I think you're on the right track. The important thing for us is to clearly define what the roles and responsibilities at the agency level are and then what the authorities are that they can delegate to others, and whether their title is CIO or chief bottle washer or whatever it happens to be, make sure where those accountabilities lie.

Mr. SPIRES. Yeah, I certainly agree with Mr. Scott. And I would just add to that that I don't think it's necessarily bad, given how large some of these agencies are. I mean, like the one I was at, Homeland Security, it makes sense to have a federated model. You want an IT organization at a component level, as we call them, that really gets to understand the mission, needs, and understands that leadership team, and works closely with them. I think where we've gone awry, though, is that many of those components or bureaus at Treasury and the like, they view themselves as having to do it all. And what we need to do is move to a model where particularly when it comes to the commodity or infrastructure IT elements, where we can leverage by empower the Federal Government, we need to start do much more of that and to really start to reduce duplication.

That's the other big point is we talk a lot about spending on legacy, but a lot of that is on systems, and when you start counting

them up, and Mr. Powner here can comment on this, you know, we have way too many systems overall. And the way to start to reduce those is through good governance, through strong leadership at the agency level that's driving that simplification, which not only saves us a lot of money, I think it makes you run much more effectively, and it makes you actually a lot more secure, which is also a really key issue.

Mr. CONNOLLY. Thank you, Mr. Chairman.

Mr. HURD. Thank you. And I'd like to recognize my colleague from Iowa, Mr. Blum, for 5 minutes.

Mr. BLUM. Thank you, Mr. Chairman, appreciate it, and thank you very much to the panel for being here today and sharing your expertise and your insights with us.

I have a question for Mr. Powner. Since 2010, the GAO has made 737 IT-related recommendations. As of January, only 23 percent of those have been fully implemented. And I come from the private sector, and I am a career businessman. If this happened in my company, heads would roll. Can you tell me, A, what that number is today, and B, what, in your opinion, accounts for that delay?

Mr. POWNER. Yeah, I don't have an exact updated, slightly higher but not much, just a few percentages. You're absolutely right, so here's the challenge. When we make recommendations, we give agencies about 4 years that we follow up on a 4-year basis fairly aggressively to see if those recommendations are indeed implemented. Those 700-and-some recommendations do not include all of our information security, so that's just tied to IT management type things, so there's room for great improvement.

One of the things we're doing—I know the Comptroller General Gene Dodaro, we've prioritized those recommendations by agency, and most of the priority recs do include several of these IT areas where there is 10 to 15 recommendations going to the heads of departments and agencies to really highlight the importance of implementing those recommendations going forward.

So again, you're absolutely right. It's a great challenge. We're trying to do our best. At times, you know, some of the congressional oversight, you guys can help us with that, too, lean in on some of these agencies to be more focused on our recommendations. Hearings like this greatly help.

Mr. BLUM. I mean, I'm almost afraid to ask this, but are these not being implemented because we're understaffed or is it because the head of the agency doesn't view them as particularly important?

Mr. POWNER. I think it's a combination of things. I think sometimes there it's competing with priorities, no doubt, to be fair to some agencies, but also, too, I think there needs to be intense focus. Here's what happens. We go in and do a review, make recommendations. Many times you can go into that same agency 3 or 4 years later and we make the same recommendations all over again. And so that's where we just need, again, more aggressive followup, and it needs to be more of a priority at some of these agencies.

Mr. BLUM. Will FITARA help address these delays, in your opinion?

Mr. POWNER. We greatly hope so. So as an example, I'll tell you this. Data Center Consolidation is a great initiative, and we saved about \$2 billion with Data Center Consolidation to date, but there's a lot of agencies that think they're done. We have \$5.5 billion that we can continue to save, but we need focus on our recommendations. I highlighted six agencies in my oral statement that, frankly, they had a lot of consolidations with very little associated savings, and we highlighted that and made those recommendations, so we're going to continue to drive forward on those recs.

Mr. BLUM. Are there deadlines given like there would be in the private sector, given to resolve some of these recommendations that have been made, the 737? Do the department heads or agency heads give deadlines?

Mr. POWNER. Department heads and agencies are required within several months to get back to us on our recommendations after we write a report, and then, you know, typically, they are not implemented in that period of time, but again, then they are on the hook to report back to us on implementation. Again, we track them over a 4-year period. There are exceptions made typically by the comptroller general that he will extend that 4-year period for very important recs.

Mr. BLUM. Thank you. And my next question is to Mr. Scott, who was in the—or is in the private sector currently, I believe.

Mr. SCOTT. Was.

Mr. BLUM. Was in the private sector. If you can just comment, Mr. Scott, briefly about the difference—is there a difference in finding qualified people for the private sector versus finding qualified people for the public sector?

Mr. SCOTT. I would say there's probably two issues that I would talk about in that space. Yes, it is difficult both in the private sector and the public sector. The public sector has some additional hurdles associated with it, hiring authorities and so on that I know this committee and others have addressed over a period of time.

Mr. BLUM. Are any of those hurdles culture?

Mr. SCOTT. I'm sure there are some. I've only been here 4 months, so I'm not deeply steeped in the culture.

Mr. BLUM. I've only been here 4 months as well.

Mr. SCOTT. Yeah, but I'm sure there are some of those as well. But I'll give you an example out of my private sector experience.

We looked at hiring, and our ability to get the best talent, and one of the things that we discovered was not what we were paying, not what the job was or anything else, it was the speed with which we could get an offer in somebody's hands. And so quite often the person we wanted would have taken a job with us, but because we were slow, ended up taking a job somewhere else.

And so one of the things I'm looking at are what are the things that we can do to be quicker at, you know, getting a job offer in the hands of the person that we want.

Mr. BLUM. Very good. Thank you. I'm out of time. Thank you, Mr. Chairman.

Mr. HURD. Thank you. And now it's a pleasure to recognize for 5 minutes my fellow computer scientist and colleague from the golden state, Mr. Lieu.

Mr. LIEU. Thank you, Chairman Hurd, thank you for calling this important hearing. Thank you, Representative Connolly, for your work on FITARA, and to the panel, for your public service. Forty-five years ago we sent a man to the moon and brought him back, so it's not as if our government can't contract with very complicated systems, but we also didn't launch. It was only 80 percent ready, right? We knew that thing was going to work. And it seems to me that, for whatever reason, in the public sector, I've noticed that the public sector will launch products they know are not ready.

So the Affordable Care Act was a disaster at rollout, and people—there were people that knew it was not ready and it launched, and it's working well now and testing makes a huge difference. They just had to test on more people, figure out the bugs. I'm sure Chairman Hurd and I would agree that we've never seen a computer program work the first time.

And it's not limited to the Federal Government. In Los Angeles County, LA Unified School District had a program that was just going to track students, figure out their classes, and where you're going to go, and they knew it wasn't ready because the papers reported it wasn't ready, and they launched anyway. It's one reason the superintendent resigned.

And you see this happening, and I'm just curious, from your view, why is it that that happens? Because in the private sector, if Microsoft is about to launch a product and it's not ready, they don't launch. They push it back. They do more testing. They make sure when they launch it to the consumers, it doesn't crash the first time you use it. So I'm just curious, is it that CIOs are not trained adequately to know the thing doesn't work or is it the agency heads overriding them, or the CIO is not telling the agency head this thing isn't working? What is causing these launches of products that don't work the first time?

Mr. SPIRES. Mr. Lieu, I will comment, having not been part of the Affordable Care Act launch but having worked at a couple of different agencies and seen the dynamics at times within government agencies that FITARA, really I believe, should address.

And I call it a breakdown in governance, okay, where you end up in a situation where the people that actually understand what it takes to launch these systems no longer have a say in what actually is launched, when it's launched, how it's launched. And I hate to say it, but I have seen this happen a couple of times in government. And we need to make sure—and that's one of the paramount things about FITARA, is to empower the agency CIO.

Now, you better have a competent agency CIO, right, but the agency CIO that understands IT management that says, what, we're not even—we're rushing this thing through testing to try to get it launched? We know that's going to fail, right. These are some basic things if you build IT systems you learn. Most of us have learned the hard way, I'm afraid.

But these are things that you learn over time, and we need to make sure that that governance model is in place. It doesn't mean that the CIO has the ultimate say in everything, and that's the pushback you get, but that individual has a key seat at the table so when those discussions are happening, that individual says 80

percent chance this is going to fail if we do this. We have to find a different way. Those discussions have to happen.

Mr. LIEU. Under FITARA, if the CIO believes that this system is not ready to go, can agencies still launch it?

Mr. SCOTT. Well, our guidance is that in the agencies, they do the TechStats, and they're to do monthly reports. So if a project is read for 3 months in a row, there's a mandatory TechStat review, OMB is invited to that, and we'd certainly have a discussion at that point about whether the program was on track and ready to launch.

So I think that, you know, regular review is one of the steps that you would look at. But I also—I actually worked at Microsoft for about 5.5 years and saw success and failure in big IT projects and so on, and the phenomena that Mr. Spires talked about is exactly the problem. There's not the level of transparency. You get an attitude that you're too big to fail, that you just have to go ahead. The information that needs to get to leadership to make the right decision doesn't get there, and people, you know, jump off the cliff and then and only then discover that there's a big problem.

So I do think that FITARA helps us with visibility and transparency at a much more granular level that should help us avoid some of these.

Mr. LIEU. Thank you, and I yield back.

Mr. HURD. Thank you, and I would like to thank the panelists. And I have a quick question to each one of you all, same question. Mr. Scott, I would like you to start off. What does successful implementation of FITARA look like?

Mr. SCOTT. I think I mentioned earlier. To me, it's faster delivery. It's really speed. It's efficiency of our spend. It's projects that are on time and on budget and meeting the mission that they were designed for. They're secure, and that we have a modern infrastructure that those things run on. And if we did those things, I think we would declare this a success.

Mr. HURD. Ms. Rung.

Ms. RUNG. Congressman, while I appreciate all the kind words about the guidance, I know that the hard work begins today. And in addition to everything that Tony just articulated, for me, success is IT acquisitions comes off the high risk list.

Mr. HURD. Mr. Spires.

Mr. SPIRES. I would certainly echo those sentiments. I would add to it. The CIOs in IT organizations in the Federal Government aren't there but to do anything else but to help ensure that the mission and the business of government is done in the agency that in which they live, right.

So what I would add to that is, I would like to see a set of success criteria beyond what was just discussed that also talks about how it is that the IT organization is going to partner with the mission in order to figure out effectiveness measures so that 3 years to 5 years from now, that agency is operating more effectively than it is today through the use of information technology or enhanced by information technology,

Mr. HURD. Mr. Powner.

Mr. POWNER. So before I talk about acquisition, I'd talk to about operations because I think success starts with moving, and in my

testimony, we have that breakdown on how much we have spend on legacy systems versus new development. There's a lot of savings on Data Center Consolidation and PortfolioStat, that's two of the seven provisions in FITARA.

The first thing we need to do is we need to get out of this inefficient spend on legacy and find a way to move that money into the modernization bucket, and then success in the modernization bucket is quicker delivery. We talked a lot about processes, and those processes will help us get there, but if we don't move money from these old archaic systems to new technologies, we're not going to be successful. And if we don't ultimately deliver the new technologies quicker, that's not success.

Mr. HURD. Excellent. Thank you. I'd like to yield to Mr. Connolly.

Mr. CONNOLLY. Thank you. Mr. Chairman, that was a great question, and if I were to answer it, I'd say certainly two things. One is we can identify billions of savings that currently are inefficiently used. That's a definite metric on whether it's working or not. And secondly, can we get to a culture whereby we don't treat technology as a commodity to be purchased and managed, we see it rather as a transformative process that can completely reshape how we provide services and manage those services for the citizens we serve.

Mr. Chairman, I just want to, on a personal note, in addition to thanking these panelists who have really been partners in the enterprise here, I want to thank two staff members who shepherded this legislation through two congresses with two very different Members of Congress coming together, nonetheless, and finding common ground, working with our Senate colleagues with which—a change over there that was not easy, and that's Rich Beutel, who is in the audience today. Thank you, Rich. And he worked on the majority staff and worked in a very bipartisan way, under not always easy circumstances. That deserves a lot of credit.

And Ben Rodeside behind me in my staff who partnered with Rich also in a bipartisan manner, and there was no trial or tribulation too difficult for them, and they approached us with a wonderful creative spirit, and I am in their debt.

Mr. HURD. And as we continue to conduct oversight over the implementation of FITARA and IT acquisition reform, one of the things that the IT and the government ops subcommittees plan on doing is issuing regular scorecards and implement a grading system for compliance based on the rules and regulations of FITARA.

I look forward to working with Ranking Member Kelly, Vice Chair Farenthold, Chairman Meadows, Representative Connolly, and members of the subcommittee on this issue. And I would like to thank our witnesses for taking the time to appear before us today. And if there's no further business, without objection, this subcommittees stands adjourned.

[Whereupon, at 4:10 p.m., the subcommittees were adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

Chairman Will Hurd

Opening Statement

Subcommittees on Information Technology & Government Operations Joint
Subcommittee Hearing

“The Federal Information Technology Reform Act’s Role in Reducing IT Acquisition Risk”

Wednesday, June 10, 2015

Today, we are going to review GAO’s designation of IT acquisition as “high-risk” and highlight how the Federal Information Technology Reform Act (FITARA) can reduce IT acquisition risk.

GAO has deemed IT acquisition – where we spend over \$80 billion annually – “high risk.” **While FITARA is not a panacea for all IT acquisition problems, it can be a useful tool to make real progress in reducing the risk of these large investments.**

We simply cannot afford to spend over \$600 million and then five years later terminate a program when it fails to deliver. This is what the VA did in 2011 when it terminated its Financial and Logistics Integrated Technology Enterprise (FLITE) program (an integrated financial and logistics solution).

IT Management and Acquisition has long been a problem for the federal government.

In October 1994, then-Senator Cohen released a report entitled, *Computer Chaos: Billions Wasted Buying Federal Computer Systems*. The report made findings about the government’s acquisition of “computer systems” that ring true today:

- “The failure of the government to effectively buy needed computer equipment and services has wasted billions of dollars.”
- “Acquisitions of large computer systems are poorly managed and subject to cost overruns and schedule slippages.”
- “Acquiring computers in the government takes significantly longer than developing new technology, increasing the likelihood that hardware will be obsolete.”

Following this report the Clinger-Cohen Act became law. Clinger-Cohen created the agency CIO position and made CIOs responsible for assisting agency heads in IT acquisition and management. Unfortunately, Clinger-Cohen failed in the implementation effort. And here we are again in 2015 hearing from GAO that IT Acquisition is high risk and in need of reform.

I am hopeful that in another twenty years we are not still discussing the same IT acquisition issues. I am hopeful that with aggressive implementation and oversight of FITARA, agency CIOs will use the enhanced CIO authorities and other tools provided in FITARA.

I am hopeful that the agency CIOs will – in partnership with their C-suite agency colleagues – fundamentally transform the way the federal government manages and buys IT.

We cannot afford to be having the same discussion about IT management and acquisition – in another twenty years. Our fiscal situation demands that we take advantage of the opportunities for cost savings in IT – whether through eliminating duplication, transitioning to the Cloud and shared services or ensuring agile development.

I am particularly interested in how we might define successful FITARA implementation and how we best empower the CIO for success.

I look forward to working with the leadership and members of the IT and Government Operations Subcommittees on both sides of the aisle – to continue this oversight on FITARA implementation. We have to get it right this time.

Now I would like to recognize Chairman Meadows for any opening comments. [Mr. Meadows is not expected to make an opening statement, but may just echo your opening statement comments.]

JASON CHAFFETZ, UTAH
CHAIRMAN

ONE HUNDRED FOURTEENTH CONGRESS

ELIJAH E. CUMMINGS, MARYLAND
RANKING MINORITY MEMBER

Congress of the United States
House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
2157 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, DC 20515-6143

MAJORITY (202) 225-5074
MINORITY (202) 225-5051
<http://oversight.house.gov>

Opening Statement
Rep. Robin Kelly, Ranking Member

**Hearing on “The Federal Information Technology
Acquisition Reform Act’s Role in Reducing IT Acquisition Risk”
Subcommittee on Information Technology**

June 10, 2015

Thank you, Mr. Chairman, for holding today’s oversight hearing on the implementation of the Federal Information Technology Acquisition Reform Act (FITARA), bipartisan legislation intended to overhaul the federal government’s approach to managing its information technology (IT) resources and save billions of taxpayer dollars.

I would like to commend Representative Gerry Connolly, the Ranking Member of the Government Operations Subcommittee, and co-author of this legislation, for his continued work on federal IT issues and reforms. I look forward to working with him and other members of the Committee in conducting effective oversight of the implementation of this law across the government.

FITARA includes a number of government-wide reforms for managing IT acquisitions and portfolios that will help ensure that the federal government is making wise and efficient investments in IT.

This Committee plays an important oversight role that can increase transparency and accountability of agency efforts and help ensure that the law is effectively implemented.

In February of this year, the Government Accountability Office released its biennial High-Risk Report, which added the new high-risk area “Improving the Management of Information Technology Acquisitions and Operations.” GAO found that the federal government spends billions of dollars on failed or poorly performing IT investments.

Effective oversight is a key tool in identifying and reducing this kind of wasteful spending. Congress has a duty to conduct oversight, as well as an obligation to give agencies the tools they need to conduct their own oversight. Agencies need more well-trained acquisition personnel to effectively oversee complex systems and to ensure that the government is a smart and diligent consumer. FITARA recognizes this need.

Congress must also ensure that agencies have the resources to hire and retain qualified personnel that embrace the added authority and additional responsibilities provided to Chief Information Officers by this law. Congress, together with the Administration, should pursue ways to retain their expertise, train them in the most cutting-edge techniques, and support their critical work.

In April 2015, OMB released for public comment proposed guidance on how agencies are to implement FITARA. Today, after soliciting public feedback and conducting numerous outreach sessions with stakeholders and experts, OMB issued its final guidance to agencies on the Management and Oversight of Information Technology Resources.

I want to thank each of the witnesses for testifying today. I look forward to hearing your thoughts on how agency implementation of FITARA can improve the management of federal IT.

Thank you, Mr. Chairman.

Contact: Aryele Bradford, Deputy Communications Director, (202) 226-5181.

Post Hearing Questions for the Record
Submitted to Mr. David A. Powner
From Representative Tammy Duckworth

"The Federal Information Technology Acquisition Reform Act's Role in Reducing IT Acquisition Risk"

June 10, 2015

- 1. GAO added "Improving the Management of IT Acquisitions and Operations" to its 2015 High-Risk List, and has stated that the efficient implementation of FITARA requirements will help address the management problems related to IT investments. What is the potential impact of FITARA reforms on the management and oversight of IT in the federal government? What kind of cost savings could we see?**

When GAO introduced "Improving the Management of IT Acquisitions and Operations" to our High-Risk List in February 2015,¹ we highlighted several critical information technology (IT) initiatives that have the potential to significantly improve the management and oversight of federal IT investments and yield substantial cost savings. These initiatives include opportunities for greater savings from data center consolidation, the need for agencies to deliver capabilities incrementally (e.g., in 12-month cycles) to reduce investment risk, improvements needed in the accuracy and reliability of investment cost and schedule data on the IT Dashboard, and the importance of identifying duplicative IT spending and achieving cost savings as part of the Office of Management and Budget's (OMB) PortfolioStat initiative.

Recognizing the importance of efforts to improve the government-wide management of IT, in December 2014, Congress enacted the Federal Information Technology Acquisition Reform provisions (commonly referred to as FITARA) as a part of the *Carl Levin and Howard P. 'Buck' McKeon National Defense Authorization Act for Fiscal Year 2015*.² This law includes requirements that agencies³ report to OMB on progress in consolidating federal data centers and achieving associated cost savings, and that cost and schedule performance are adequately reflected in evaluations of major IT investments. Pursuant to FITARA, OMB must require in the annual IT capital planning guidance that agency chief information officers (CIO) certify that IT acquisitions are adequately implementing incremental development. Further, the law requires that OMB, in consultation with agency CIOs, implement a process to assist agencies in managing their IT portfolios, and that agencies ensure that CIOs have a significant role in IT programming and budgeting decisions.

¹GAO, *High-Risk Series: An Update*, GAO-15-290 (Washington, D.C.: Feb. 11, 2015).

²*Carl Levin and Howard P. 'Buck' McKeon National Defense Authorization Act for Fiscal Year 2015*, Pub. L. No. 113-291, division A, title VIII, subtitle D, 128 Stat. 3292, 3438-3450 (Dec. 19, 2014).

³Unless otherwise noted, the provisions apply to the agencies covered by the Chief Financial Officers Act of 1990, as amended. 31 U.S.C. § 901(b).

The new IT acquisition reform requirements codified in FITARA, when fully implemented, will further assist the federal government in implementing the key initiatives identified in our high-risk report. Further, if fully implemented, these initiatives will significantly improve the management and oversight of federal IT investments and yield substantial cost savings. For example:

- **Data Center Consolidation.** In September 2014 we reported that, between fiscal years 2011 and 2017, agencies reported planning a total of about \$5.3 billion in cost savings and avoidances due to the consolidation of federal data centers.⁴ In correspondence subsequent to the publication of our report, the Department of Defense's Office of the CIO identified an additional \$2.1 billion in savings to be realized beyond fiscal year 2017, which increased the total savings across the federal government to about \$7.4 billion.
- **Incremental Development.** We have previously reported that prior IT expenditures too often have produced failed projects—that is, projects with multimillion dollar cost overruns and schedule delays measured in years, with questionable mission-related achievements.⁵ Agencies have reported that poor-performing projects have often used a “big bang” approach—that is, projects that are broadly scoped and aim to deliver functionality several years after initiation. One approach to reducing the risks from broadly scoped, multiyear projects is to divide investments into smaller parts. By following this approach, agencies can potentially increase the likelihood that each project will achieve its cost, schedule, and performance goals; obtain additional feedback from users, increasing the probability that each successive increment and project will meet user needs; and terminate poorly performing investments with fewer sunk costs.

In 2010, OMB called for agencies' major investments to deliver functionality every 12 months and, since 2012, every 6 months. However, in May 2014, we reported that less than half of selected investments at five major agencies planned to deliver capabilities in 12-month cycles.⁶ Accordingly, we recommended that OMB develop and issue clearer guidance on incremental development and that selected agencies update and implement their associated policies. Most agencies agreed with our recommendations or had no comment.

- **IT Dashboard.** To improve transparency in the management of billions of dollars in federal IT investments, in June 2009, OMB established a public website (referred to as the IT Dashboard) that provides detailed information on major IT investments at 27 federal agencies, including ratings of their performance against cost and schedule targets.⁷ The public dissemination of this information is intended to allow OMB; other oversight bodies, including Congress; and the general public to hold agencies accountable for results and performance.

⁴GAO, *Data Center Consolidation: Reporting Can Be Improved to Reflect Substantial Planned Savings*, GAO-14-713 (Washington, D.C.: Sept. 25, 2014).

⁵GAO, *OMB and Agencies Need to More Effectively Implement Major Initiatives to Save Billions of Dollars*, GAO-13-796T (Washington, D.C.: July 25, 2013).

⁶GAO, *Information Technology: Agencies Need to Establish and Implement Incremental Development Policies*, GAO-14-361 (Washington, D.C.: May 1, 2014).

⁷GAO, *IT Dashboard: Agencies Are Managing Investment Risk, but Related Ratings Need to Be More Accurate and Available*, GAO-14-64 (Washington, D.C.: Dec. 12, 2013).

Although the accuracy of Dashboard cost and schedule data has improved over time,⁸ in December 2013, we reported that agencies had removed major investments from the site, representing a troubling trend toward decreased transparency.⁹ For example, several of the Department of Energy's supercomputer investments had been classified as facilities, rather than IT, thus removing those investments from the Dashboard, and OMB staff stated that they had no control over such decisions. Further reducing transparency, OMB does not update the public version of the Dashboard as it and the agencies work to assist in the formulation of the President's annual budget request. Over the past several years, we have made over 20 recommendations to help improve the accuracy and reliability of the information on the IT Dashboard and to increase its availability.

- **PortfolioStat.** To better manage existing IT systems, OMB launched the PortfolioStat initiative, which requires agencies to conduct an annual, agency-wide IT portfolio review to, among other things, reduce commodity IT¹⁰ spending and demonstrate how their IT investments align with the agency's mission and business functions. In November 2013, we reported that, agencies continued to identify duplicative spending as part of PortfolioStat and that this initiative had the potential to save at least \$5.8 billion through fiscal year 2015; however, weaknesses existed in agencies' implementation of the initiative, such as limitations in the CIOs' authority.¹¹ We made more than 60 recommendations to improve OMB's and agencies' implementation of PortfolioStat. OMB partially agreed with our recommendations, and responses from 21 of the agencies varied.

More recently, in April 2015, we reported that agencies decreased their planned PortfolioStat savings to approximately \$2 billion—a 68 percent reduction from the amount they reported to us in 2013.¹² Additionally, although agencies also reported having achieved approximately \$1.1 billion in PortfolioStat-related savings, inconsistencies in OMB's and agencies' reporting make it difficult to reliably measure progress in achieving savings. Among other things, we made recommendations to OMB aimed at improving the reporting of achieved savings and OMB agreed with the recommendations.

⁸GAO, *IT Dashboard: Accuracy Has Improved, and Additional Efforts Are Under Way to Better Inform Decision Making*, GAO-12-210 (Washington, D.C.: Nov. 7, 2011).

⁹GAO-14-64.

¹⁰According to OMB, commodity IT includes services such as IT infrastructure (data centers, networks, desktop computers and mobile devices); enterprise IT systems (e-mail, collaboration tools, identity and access management, security, and web infrastructure); and business systems (finance, human resources, and other administrative functions).

¹¹GAO, *Information Technology: Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings*, GAO-14-65 (Washington, D.C.: Nov. 6, 2013).

¹²GAO, *Information Technology: Additional OMB and Agency Actions Needed to Ensure Portfolio Savings Are Realized and Effectively Tracked*, GAO-15-296 (Washington, D.C.: Apr. 16, 2015).

2. In One objective of the guidance on FITARA issued today is to strengthen agencies ability to align IT resources with agency missions, goals, programmatic priorities and statutory requirements. Can you provide an example of agency management practices in which IT resources are not aligned with agency missions or goals?

OMB's implementation guidance for FITARA states that one of the guidance's objectives is to assist agencies in establishing management practices that align IT resources with agency missions, goals, programmatic priorities, and statutory requirements.¹³ Over the past several years, we have repeatedly reported on and made recommendations to agencies to improve their IT governance and management practices. For example,

- We recently reported on the Department of Agriculture's cancellation of key systems modernization program after the initiative experienced significant cost overruns and schedule delays, deferred the majority of the envisioned features, skipped key tests, and deployed software in April 2013 that was slow and inaccurate.¹⁴ The program's cost estimates also grew from \$330 million to \$659 million and time frames were delayed from early 2014 to late 2016. Among other things, we recommended that the department establish and implement a plan for adopting recognized IT management best practices.
- We also recently found that the Department of Homeland Security's U.S. Citizenship and Immigration Services' (USCIS) currently expects that its Transformation Program will cost up to \$3.1 billion and be fully deployed no later than March 2019, which is an increase of approximately \$1 billion and delay of over 4 years from its initial July 2011 baseline.¹⁵ Changes in the investment's acquisition strategy to address various technical challenges have significantly delayed the program's planned schedule, which in turn has had adverse effects on when USCIS expects to achieve cost savings, operational efficiencies, and other benefits. While the program's two key governance bodies have taken actions aligned with leading IT management practices, neither has used reliable information to make decisions and inform external reporting. We made recommendations to the department to improve the governance and oversight of the transformation program.

Further, in our high risk report, we noted that while there have been numerous executive branch initiatives aimed at addressing issues such as those described above, implementation of the initiatives across the federal government has been inconsistent.¹⁶ As a result, over the past 5 years, we have reported numerous times on shortcomings with IT acquisitions and operations, and through December 2014, had made about 737 related recommendations, 361 of which were to OMB and agencies to improve the implementation of the recent initiatives and other government-wide, cross-cutting efforts; as of January 2015, about 23 percent of the 737 recommendations had been fully implemented.

¹³OMB, *Management and Oversight of Federal Information Technology*, Memorandum M-15-14 (Washington, D.C.; June 10, 2015).

¹⁴GAO, *Farm Program Modernization: Farm Service Agency Needs to Demonstrate the Capacity to Manage IT Initiatives*, GAO-15-506 (Washington, D.C.; June 18, 2015).

¹⁵GAO, *Immigration Benefits System: Better Informed Decision Making Needed on Transformation Program*, GAO-15-415 (Washington, D.C.; May 18, 2015).

¹⁶GAO-15-290.



Statement for the Record
by the Project On Government Oversight, June 16, 2015,
for the House Committee on Oversight and Government Reform
Subcommittee on Information Technology and
Subcommittee on Government Operations Hearing on

“The Federal Information Technology Reform Act’s Role in Reducing IT Acquisition Risk”

The federal government spends \$80 billion on information technology investments and products every year.¹ Congress recently passed the bipartisan Federal Information Technology Acquisition Reform Act (FITARA) as part of the FY 2015 National Defense Authorization Act to comprehensively reform and improve federal IT spending. The Act is meant to strengthen the role of each agency’s Chief Information Officer (CIO), an executive responsible for all IT systems in the agency, as well as to increase transparency on how IT funds are spent. FITARA was designed to apply to all agencies, yet the Energy Department’s National Laboratories are seeking an official exemption from the requirements.² POGO supports the goals of FITARA and opposes exempting the Department of Energy’s National Laboratories.

Industry experts estimate that 25 percent, or \$20 billion, of the \$80 billion spent on IT annually is misused or wasted on duplicative projects and could be eliminated by “reducing IT overhead, consolidating data centers, eliminating redundant networks, and standardizing applications.”³ For example, agency managers have estimated that approximately 47 percent of IT budgets are used to maintain archaic platforms.⁴

The FY 2016 Senate Energy and Water Development Appropriations Bill includes a provision that would exempt the Energy Department’s 17 national laboratories from key requirements of FITARA and that bill’s predecessor, the Clinger Cohen Act of 1996.⁵ We believe that the

¹ House Committee on Oversight and Government Reform, *House Report to Accompany H.R. 1232 Federal Information Technology Acquisition Reform Act*, <http://www.gpo.gov/fdsys/pkg/CRPT-113hrpt359/html/CRPT-113hrpt359.htm> (Downloaded June 15, 2015) (Hereinafter House Report to Accompany H.R. 1232)

² Lydia Dennett, “Energy Dept. Labs Seek Exemption from IT Oversight,” Project On Government Oversight, May 27, 2015. <http://www.pogo.org/blog/2015/05/energy-dept-labs-seek-exemption-from-it-oversight.html>

³ House Report to Accompany H.R. 1232; Technology CEO Council, *One Trillion Reasons: How Commercial Best Practices to Maximize Productivity Can Save Taxpayer Money and Enhance Government Services*, p. 4. http://www.techceocouncil.org/clientuploads/reports/TCC_One_Trillion_Reasons_FINAL.pdf (Downloaded June 15, 2015)

⁴ Michael Hardy, “House passes FITARA,” *Federal Times*, February 25, 2014. <http://archive.federaltimes.com/article/20140225/ACQ02/302250009/House-passes-FITARA> (Downloaded June 15, 2015)

⁵ 114th U.S. Congress, “Energy and Water Development and Related Agencies Appropriations Act, 2016” (H.R. 2028), Introduced April 24, 2015, by Representative Michael Simpson, p. 119. <http://www.appropriations.senate.gov/sites/default/files/hearings/FY2106%20Energy%20and%20Water%20Development%20Bill%20BILLS-114hr2028rs.pdf> (Downloaded June 15, 2015)

national laboratories and the super-computing industry have lobbied for this provision to try to circumvent key oversight reforms at the expense of taxpayers.

The Energy Department initially fought for a blanket exemption from FITARA requirements, and an amendment to that effect was added to the FY 2016 Energy and Water Development Appropriations Bill by Senator Lamar Alexander (R-TN). Oak Ridge National Laboratory is located in Senator Alexander's home state of Tennessee. It was Senator Tom Udall (D-NM) who requested the language be changed in committee to exempt only the national labs. Senator Udall's home state of New Mexico is also the home of two of the biggest national labs: Los Alamos National Laboratory and Sandia National Laboratory. *Federal Computer Week* recently reported that "the hope in Udall's office is that something will be worked out administratively that is satisfactory to OMB, congressional backers of FITARA and the labs, without the need for legislation."

For over a decade POGO has worked on investigating waste, fraud, and abuse at the Department of Energy's national labs, highlighting how the Department's weak contractor oversight has led to hundreds of thousands of wasted taxpayer dollars, as well as dangerous security vulnerabilities.⁶ POGO believes that the exemption to completely exclude these labs from FITARA is unnecessary, particularly given exemptions already available to national security programs. The Energy Department's labs claim that their work on many national security missions, such as maintaining the nuclear deterrent and developing models to simulate nuclear reactor cores, is beyond the scope of the CIO's expertise. It is worth noting that the Department's programs that are classified as national security systems are already exempted from FITARA, making the claim meaningless. The Office of Management and Budget's guidelines for the law's implementation further clarify that direct involvement by the CIO is not necessarily required and that "each agency should establish appropriate processes that work in its environment."⁷

One of the main intents of FITARA is to ensure that the agency CIO position has the authority and prestige to attract applicants with the required subject-matter expertise. In this case, the Department's current CIO, Michael Johnson, has over 25 years of management experience, including working on national security systems as a senior scientist at Sandia National Laboratory.⁸ Exempting the national labs from the law would only serve to make the Energy Department's CIO position unattractive to talented individuals—the exact opposite of one of the intended goals of the law.

But the CIO's increased involvement is not the Energy Department's only concern. The Department's labs widely distributed talking points pushing for the exemption, stating that "there is already an extensive review and approval process" for purchasing IT systems. This statement

⁶ Lydia Dennett, "DOE Contracting Mismanagement Cost Taxpayers Over \$450,000," Project On Government Oversight, June 21, 2013. <http://www.pogo.org/blog/2013/06/20130621-doe-contracting-mismanagement-cost-taxpayers-over-450K.html>; Peter Stockton and Lydia Dennett, "Where's the Oversight at Nuclear Labs? Hands-Off Approach Is Recipe for Disaster," *The Huffington Post*, August 10, 2012. http://www.huffingtonpost.com/project-on-government-oversight/wheres-the-oversight-at-n_b_1764577.html (Downloaded June 15, 2015)

⁷ Office of Management and Budget, "Management and Oversight of Federal Information Technology," <https://management.cio.gov/> (Downloaded June 15, 2015)

⁸ Department of Energy, "Michael M. Johnson—Chief Information Officer," <http://energy.gov/cio/contributors/michael-m-johnson> (Downloaded June 15, 2015)

is almost laughable considering the Department's long and well-documented history of over-paying for IT systems.

The Energy Department's Inspector General (IG) has been concerned about the agency's IT acquisition since 2006: an audit in that year found that the Department unnecessarily spent over \$4 million "by underutilizing existing software agreements or purchasing software at higher prices, and acquiring unneeded licenses."⁹ In 2007, the IG found additional overspending on IT and recommended a Department-wide approach to IT hardware acquisition and management.¹⁰ Seven years later, the Department was still wasting millions of dollars on unnecessary IT equipment; a series of Energy Department Inspector General reports from 2014 found even more examples of waste and mismanagement:

- The Department was failing to follow guidelines established by the Office of Management and Budget for major IT investments.¹¹
- A review of ten Energy Department locations found that the Department "spent over \$325,000 to support mobile devices that were not used the entire time they were activated in FY 2012."¹²
- Another report found that the Department paid widely different prices for software licenses, in several instances hundreds of dollars more than established government-wide acquisition prices.¹³

At the end of 2014 the IG released a report detailing the findings of a review of the IT spending at eight Energy Department sites, several of them national laboratories. The IG determined that the Department spent almost \$2 million more than necessary in FY 2012 at those eight sites alone. Several of the laboratories were responsible for this overspending:

- Lawrence Berkley National Laboratory unnecessarily paid over \$261,000 for nonstandard desktops and laptops in 2012.
- Lawrence Livermore National Laboratory spent nearly \$1.3 million on non-standard purchases in 2012.
- Oak Ridge National Laboratory deviated from standard IT prices 80 percent of the time.

⁹ Department of Energy, Office of Inspector General, *Audit Report: Management of the Department's Desktop Computer Software Enterprise License Agreements*, January 2006, p. 5. <http://energy.gov/sites/prod/files/igprod/documents/CalendarYear2006/IG-0718.pdf> (Downloaded June 15, 2015)

¹⁰ Department of Energy, Office of Inspector General, *Facility Contractor Acquisition and Management of Information Technology Hardware*, June 2007. <http://energy.gov/sites/prod/files/igprod/documents/IG-0768.pdf> (Downloaded June 15, 2015)

¹¹ Department of Energy, Office of Inspector General, *Special Report: Office of Energy Efficiency and Renewable Energy's Integrated Resource and Information System*, April 2014. <http://energy.gov/sites/prod/files/2014/04/f14/DOE-IG-0905.pdf> (Downloaded June 15, 2015)

¹² Department of Energy, Office of Inspector General, *Audit Report: The Department of Energy's Management and Use of Mobile Computing Devices and Services*, April 2014, p. 1. <http://energy.gov/sites/prod/files/2014/04/f15/DOE-IG-0908.pdf> (Downloaded June 15, 2015)

¹³ Department of Energy, Office of Inspector General, *Audit Report: Follow-up on the Department of Energy's Acquisition and Maintenance of Software Licenses*, September 2014. <http://energy.gov/sites/prod/files/2014/10/f18/DOE-IG-0920.pdf> (Downloaded June 15, 2015)

- In addition to varying prices between different Energy Department sites, the IG found that Lawrence Livermore National Laboratory paid three different prices for the same desktop throughout 2012 and could have saved over \$26,000 with proper management.¹⁴

The Government Accountability Office (GAO) has also raised concerns about the Energy Department's IT acquisition process. In 2012, the GAO found six potentially duplicative IT systems at the Department, totaling \$8 million, as well as four miscategorized IT investments, three of which were at national laboratories. According to the report, the Energy Department acknowledged that one of the reasons for duplicative IT purchases was "a lack of control over contractor facilities."¹⁵

A year later the GAO released another report on federal IT spending, this time criticizing several agencies, including the Energy Department, for their lack of transparency. Specifically, the Department chose to reclassify investments in supercomputers as non-IT spending, despite the fact that supercomputers indisputably fall into the definition of IT established by the Clinger Cohen Act of 1996. These investments, many of them at the Department's national laboratories, were then removed from the IT Dashboard, a website maintained by the Office of Management and Budget to increase transparency and public oversight of major federal IT spending. The Energy Department's spending on supercomputers accounts for almost 25 percent, or \$368 million, of the Department's total 2012 IT spending.¹⁶

With such a long history of rampant waste in the Energy Department's IT acquisition process the very last thing the labs should receive is a premature exemption from additional oversight of this process. Such an exemption would be particularly troubling because the Energy Department is already failing to follow guidelines established by the Office of Management and Budget.

POGO believes that granting the national labs an exemption from this law would institutionalize Energy Department noncompliance with Clinger Cohen and FITARA, while setting a dangerous precedent for other agencies. The Office of Management and Budget has stated that to carve out the Energy Department's national labs from the requirements of FITARA would be "highly problematic."¹⁷ Furthermore, the Government Accountability Office, which has long been concerned with Department of Energy contract management and the agency's lack of compliance with the Clinger Cohen Act, also strongly opposes the broad carve-out sought by the national

¹⁴ Department of Energy, Office of Inspector General, *Audit Report: Follow-up on the Department of Energy's Management of Information Technology Hardware*, October 2014.

http://energy.gov/sites/prod/files/2014/11/f19/IG-0926_1.pdf (Downloaded June 15, 2015)

¹⁵ Government Accountability Office, *Information Technology: Departments of Defense and Energy Need to Address Potentially Duplicative Investments*, February 2012, p. 18. <http://www.gao.gov/assets/590/588656.pdf> (Downloaded June 15, 2015)

¹⁶ Government Accountability Office, *IT Dashboard: Agencies Are Managing Investment Risk, but Related Ratings Need to Be More Accurate and Available*, December 2013. <http://www.gao.gov/assets/660/659666.pdf> (Downloaded June 15, 2015)

¹⁷ Letter from Shaun Donovan, Director of the Office of Management and Budget, to the Honorable Thad Cochran, Chairman of the Senate Committee on Appropriations, about the FY16 Energy and Water Development Appropriations Bill, June 2, 2015. <https://www.whitehouse.gov/sites/default/files/omb/legislative/letters/senate-energy-water-development-appropriations-letter.pdf> (Downloaded June 15, 2015)

labs and super-computing industry.¹⁸ Granting the labs an exemption from FITARA completely undermines the intent of the law—government-wide IT acquisition reform that strengthens management, oversight, and transparency into IT investment performance.

¹⁸ “061015 - FITARA’s Role in Reducing IT Acquisition Risk,” June 10, 2015, video clip, accessed June 15, 2015, YouTube. <https://www.youtube.com/watch?v=wVGBRfBgWTs> (Downloaded June 15, 2015)

