THE FEDERAL INFORMATION TECHNOLOGY REFORM ACT'S (FITARA) ROLE IN REDUCING IT ACQUISITION RISK, PART II: MEASURING AGENCIES' FITARA IMPLEMENTATION

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

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

NOVEMBER 4, 2015

Serial No. 114–89

Printed for the use of the Committee on Oversight and Government Reform

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

JASON CHAFFETZ, Utah, *Chairman*

JOHN L. MICA, Florida
MICHAEL R. TURNER, Ohio
JOHN J. DUNCAN, JR., Tennessee
JIM JORDAN, Ohio
TIM WALBERG, Michigan
JUSTIN AMASH, Michigan
PAUL A. GOSAR, Arizona
SCOTT DESJARLAIS, Tennessee
TREY GOWDY, South Carolina
BLAKE FARENTHOLD, Texas
CYNTHIA M. LUMMIS, Wyoming
THOMAS MASSIE, Kentucky
MARK MEADOWS, North Carolina
RON DeSANTIS, Florida
MICK, MULVANEY, South Carolina
KEN BUCK, Colorado
MARK WALKER, North Carolina
ROD BLUM, Iowa
JODY B. HICE, Georgia
STEVE RUSSELL, Oklahoma
EARL L. "BUDDY" CARTER, Georgia
GLENN GROTHMAN, Wisconsin
WILL HURD, Texas
GARY J. PALMER, Alabama

ELIJAH E. CUMMINGS, Maryland, *Ranking Minority Member*
CAROLYN B. MALONEY, New York
ELEANOR HOLMES NORTON, District of Columbia
WM. LACY CLAY, Missouri
STEPHEN F. LYNCH, Massachusetts
JIM COOPER, Tennessee
GERALD E. CONNOLLY, Virginia
MATT CARTWRIGHT, Pennsylvania
TAMMY DUCKWORTH, Illinois
ROBIN L. KELLY, Illinois
BRENDA L. LAWRENCE, Michigan
TED LIEU, California
BONNIE WATSON COLEMAN, New Jersey
STACEY E. PLASKETT, Virgin Islands
MARK DeSAULNIER, California
BRENDAN F. BOYLE, Pennsylvania
PETER WELCH, Vermont
MICHELLE LUJAN GRISHAM, New Mexico

SEAN MCLAUGHLIN, *Staff Director*
DAVID RAPALLO, *Minority Staff Director*
TROY D. STOCK, *Subcommittee Staff Director*
JULIE DUNNE, *Senior Counsel*
MICHAEL FLYNN, *Counsel*
KATY ROTHER, *Senior Counsel*
SHARON CASEY, *Deputy Chief Clerk*

C O N T E N T S

THE FEDERAL INFORMATION TECHNOLOGY REFORM ACT'S (FITARA) ROLE IN REDUCING IT ACQUISITION RISK, PART II: MEASURING AGENCIES' FITARA IMPLEMENTATION

Wednesday, November 4, 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 3:01 p.m., in Room 2154, Rayburn House Office Building, Hon. Will Hurd [chairman of the Subcommittee on Information Technology] presiding.

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

Present from the Subcommittee on Government Operations: Representatives Meadows, Walberg, Massie, Buck, Carter, Connolly, and Plaskett.

Also Present: Representative Chaffetz.

Mr. HURD. The Subcommittee on Information Technology and the Subcommittee on Government Operations will come to order.

Without objection, the chair is authorized to declare a recess at any time.

Each year, the Federal Government spends $80 billion on IT, and 80 percent of that spending is on old, outdated legacy systems. It is not a secret that the IT acquisition and procurement process in the Federal Government is broken.

In June, we held a hearing examining GAO's designation of IT acquisition as "high risk" and highlighted how FITARA can reduce IT acquisition risk over time and eliminate wasteful spending. Federal agencies have now had nearly 1 year since the law's enactment and 4 months since the issuance of OMB's guidance to implement this law.

This hearing continues an ongoing effort on the part of this committee to improve how the Federal Government goes about buying, maintaining, and ultimately retiring information technology.

In June, I had stated that, 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. I still strongly believe this today.

This morning, we released a scorecard grading Federal agencies on four of the seven key metrics of FITARA: data center consolida-

tion; IT portfolio review savings, or PortfolioStat; incremental development or CIO authority enhancements; and risk assessment transparency.

The committee worked in a bipartisan fashion to develop metrics that fairly assess the progress agencies are making in these areas and then tasked GAO to gather the data. To be clear, this is not data that we, ourselves, came up with. The data that was used to compute these grades is largely self-reported by agencies to Congress and OMB.

While it is clear from looking at these grades that no agency gets a gold star and goes to the head of the class, some agencies—and we have one of them here today—are making progress. Frankly, though, there is a reason that no agency received an A: We have work to do.

One area in particular that stands out to me is the Federal Data Center Consolidation Initiative. The consolidation of Federal data centers not only has the potential for tremendous cost savings, upwards of $7.4 billion, according to GAO, but would have very real impacts on the cybersecurity posture of Federal agencies.

We, as a Federal Government, simply cannot afford to continue spending $80 billion or more on legacy systems year after year after year and expect to keep pace with industry, provide services to the American people, and keep our data secure. We cannot afford to be having this same discussion about IT management and acquisition in another 20 years.

Federal agencies should be put on notice that Congress will not sit by the wayside and allow the law to be skirted. No agency will be exempt from this law. But if agency CIOs will simply implement FITARA—meaning they actually make progress in consolidating data centers, find savings through the PortfolioStat process, move away from big-bang acquisitions to incremental development, and accurately assess risk—we won't be.

I said this in June, and I want to reiterate it here: I look forward to working with the leadership and members of the IT and Government Operations Subcommittees on both sides of the aisle and with agency CIOs to continue to advance the cause of good IT governance. We have to get it right this time.

And I would like to yield the balance of my time to the chairman of the full committee, Jason Chaffetz.

Mr. CHAFFETZ. Thank you, and I appreciate the time.

I want to thank you, Chairman Hurd, I also want to thank Chairman Meadows, for paying such close attention to this. It is done in a very bipartisan way with Ranking Members Connolly and Kelly. I also appreciate Mr. Cummings and the work he is done and the approach that we are doing together, because it truly has been a bipartisan effort and needs to continue that way.

It is important for Federal agencies to make sure that we are questioning the results on the scorecard. It is not a partisan issue. And the committee's grades are based on self-reported data, which is an important part of understanding where we are today.

The scorecard that was unveiled this morning is an effort to make clearer to CIOs, agency leadership, and the American people that the committee intends to ensure that this law is implemented correctly and fully. As Chairman Hurd mentioned in his opening

statement, we cannot afford to keep on spending to the tune of $80 billion a year and perpetuating outdated legacy technologies.

Since I was elected to Congress, same time that President Obama was elected to the White House, the Federal Government has spent more than $525 billion on IT, and it doesn't work. It doesn't work. Too many vulnerabilities, too many stories of agencies with old, outdated legacy systems where we are taking young 20-year-olds and trying to teach them how to do things that were invented literally in the 1950s.

Again, the examples of COBOL and other types of technology, while great in mid-1950s, well before many of us were even born on this dais, we still continue to implement and to use them within the Federal Government, and that needs to change.

There is a reason that the committee held a hearing on the GAO's high-risk list, and there is a reason that the IT acquisition was on it. Information technology is the infrastructure of our future. It is supposed to make life better. It is supposed to make life more secure, more simple, and more swift.

I am getting tired, quite frankly, of asking the Federal Government for basic documents and hearing that it is going to take years to produce them when the Microsoft Corporation and others have figured out a way to access an email within seconds. Those excuses have come and gone, and technology is our friend. It is supposed to be here to help us, but it also needs to be safe and secure.

Ultimately, FITARA is an effort to ensure that agencies are buying and developing technologies in an efficient way that is transparent and gives agencies the tools they need to do the work for the American people.

I look forward to the hearing and the testimony today. We have good witnesses today.

I appreciate the five of you for being here, what you provide and your perspectives and all that you are trying to do, with, I think, the same goals and direction that we all here are doing.

And I, again, appreciate the bipartisan work and look forward to the hearing.

I yield back.

Mr. HURD. I now recognize my friend and the ranking member, Ms. Kelly—she is the ranking member of the Subcommittee on Information Technology—for her opening statement.

Ms. KELLY. Thank you, Mr. Chairman.

Today's hearing is the second hearing in a series of oversight hearings the subcommittee will hold on FITARA implementation to help ensure agencies achieve the desired goals of the law and generate opportunities for government savings and efficiency in the procurement of information technology.

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 hearing will help us understand the status of implementation of FITARA and how agencies are doing on four important initiatives required by FITARA that could quickly improve the management of IT and save taxpayer dollars.

Agency-wide IT portfolio review and data center consolidation are two provisions of FITARA that can quickly help agencies re-

duce spending, optimize IT resources, and ensure IT investments align with agencies' mission and business functions.

This committee plays an important oversight role that can increase transparency and accountability of agency implementation efforts. Earlier this year, the committee tasked the Government Accountability Office with assessing and scoring agencies' implementation of four initiatives required by FITARA, including portfolio review and data center consolidation.

As the chairman said, today we released the FITARA scorecard results and will discuss the performance of the three agencies here today. While these three agencies were selected for this initial scorecard hearing, I hope the subcommittees will continue to hold hearings with all agencies to measure their performance and hold them accountable for fully implementing FITARA provisions.

These hearings and the FITARA scorecard show the committee's interest and commitment to achieving the goals of FITARA, as well as present an opportunity for agencies to demonstrate their efforts to generate savings and efficiencies in the management of IT resources.

Today's agencies are working with OMB to assess their current structure for managing IT resources and develop a plan for implementing the specific authorities that FITARA provides chief information officers. Agencies are required to notify OMB of any obstacles to implementation and work with OMB to overcome those obstacles.

I look forward to hearing from the witnesses on the status of FITARA implementation and the challenges agencies are facing in overhauling the management of IT resources.

I want to thank each of the witnesses for testifying today, and I look forward to hearing your testimony on how agencies are approaching FITARA implementation and the desired goals of savings and efficiency in the management of IT.

Thank you, and I yield back.

Mr. HURD. Thank you, Ms. Kelly. And I want to thank you for the bipartisan nature in which we are doing this important work.

Now it is great to recognize the gentleman from North Carolina, Mr. Meadows, the chairman of the Subcommittee on Government Operations, for his opening statement.

Mr. MEADOWS. Thank you, Mr. Chairman.

And thank you for your leadership, both of you, on this particular issue.

And thank each of you for being here today.

Obviously, in February, the GAO added the Federal IT management to the list of high-risk categories. The chairman of the full committee talked about the $80 billion that we spend on IT. Actually, it is even greater than that. If you look at all the amounts of moneys that are, what I would say, offline and not accounted for, it is in excess of $100 billion. And that may be a conservative figure.

So, as we look at this, this is a critical issue, as the GAO found all too often that this $80 billion to $100 billion was invested, and, many times, it was behind schedule. We didn't get the ultimate product that was even contracted for.

I was troubled to learn—I am one of those that was born a little bit earlier than what the chairman of the full committee had recommended, but I was real concerned to hear that we are still supporting COBOL and Fortran. Those were languages that I had a difficult time with in college. And yet, here we are, with my gray hair, still supporting those kinds of legacy programming, that even anybody who is remotely in the programming world would say, why in the world are you doing it? And so we have got to do a better job.

Obviously, with regards to FITARA and the implementation thereof, we are going to, in a very bipartisan way, work with not only the chairman of this committee but the ranking members of both of our committees. I can tell you that the gentleman from Virginia, Mr. Connolly, and I have had a number of conversations as it relates to FITARA.

And this is the beginning. I think the other part of this is the scorecards is actually a good start. Many of us asked why there was no A's on there, as the chairman was—and the concern that I have was the response that I got was that even some of those grades that were given had been given the benefit of the doubt.

And so, as we look at going forward and making progress, this tool should not only be one that we not allow a law to be implemented and just address, but we need to go further than that. And we need to look at appropriations for those that are doing well, that we need to make sure that those funds get rewarded for those that are doing well. Because too often in the Federal Government those who are efficient and effective get their budgets cut instead of getting rewarded for the very behavior that we are trying to support. And we have to do a better job of recognizing good behavior and rewarding it.

I believe that this is a great start. I look forward to continuing our work with not only the GAO but OMB as we look at implementing this. And it will be a priority for us, in a bipartisan way, to address that.

And, with that, I will yield back, Mr. Chairman.

Mr. HURD. Thank you, sir.

Now I would like to recognize the architect of the Issa-Connolly—or is it Connolly-Issa?—I always forget—bill, Mr. Connolly, the gentleman from Virginia, ranking member of the Subcommittee on Government Operations, for his opening statement.

Mr. CONNOLLY. I thank the chairman. And I thank him for his generosity and his perspicacity.

But welcome. I am so glad we are here, we are finally here, and we are talking about the implementation of the FITARA legislation.

The bipartisan legislation represents the first major reform of laws governing Federal IT management and procurement since the Clinger-Cohen Act of 1996. And although that previous effort established a solid foundation, it fell short in achieving its full potential because, frankly, nobody was watching its implementation.

And I hope today's panel and the hearing of these two subcommittees and the leadership on both sides of the aisle suggests we are not going to let that happen. FITARA, we mean it, we want to see it implemented.

And we understand that this is the first interim report card. It is not the be-all and end-all. It is a progress report, a snap in time.

I have been encouraged at how quickly the administration and Federal agencies have actually embraced the effort. And I really appreciate the leadership of Federal CIOs and the Office of Management and Budget, especially Mr. Scott, which I think issued some of the best implementation guidelines I have ever seen coming out of OMB.

And GAO, similarly, in designating improving the management of IT acquisitions operations as a new government-wide high-risk area really helps pound the case home, "This is important." It gets our attention, and, hopefully, it gets our colleagues within the executive branch, their attention as well.

I am actually pleased by the results of a recent survey of Federal IT professionals conducted by MeriTalk, which was a private-public partnership focused on improving government use of IT, that shows that nearly 80 percent of those surveyed within the Federal Government believe FITARA will actually have a positive effect on the value of their agency's IT and mission. That is great.

They specifically cited there is potential to reduce duplicative IT systems and to address the legacy systems my good friend from North Carolina was addressing just a few minutes ago. Although I will point out to him, the value at least of COBOL is the Chinese don't know how to hack into it.

Whoops. Late-breaking news: Apparently, they do. That would be too bad.

Today, we are going to release our initial scorecard focusing on four of those reform activities that kind of constitute what grade you get and why: data center consolidation, where we are not doing so well; IT portfolio review savings; incremental project development and delivery; and risk assessment transparency.

These metrics were selected because their implementation will have a demonstrable benefit on IT acquisitions and operations, and this data is updated and available on a quarterly basis. GAO has already been gathering information from agencies themselves to verify reporting in some of these areas, so the committee tasked GAO with collecting the agencies' self-reported information and then scoring it based on our direction. So this is sort of a self-certification process, too, that we are relying on, and so is GAO.

I want to caution my colleagues, our partners in the administration, and others in the Federal IT community that this scorecard is not intended to be a juridical, prescriptive exercise. It should not be considered a scarlet letter on the back of a Federal agency. It is, as I said earlier, an initial assessment, a point-in-time snapshot, much like the quarterly report card one might get in a university or in a school.

The intent isn't to punish or stigmatize. It is, in fact, to, you know, exhort and urge agencies to seize this opportunity and use the scorecard as a management tool to better guide decisionmaking and investments within the agency.

While the grades themselves are illustrative of overall performance, it is the multiple elements that make up the grades on which agencies in our committee will focus to ensure we deliver on the transformative promise of FITARA.

For example, while the Department of Transportation may be on the lower end of the scores in certain areas right now, one is encouraged by reading CIO McKinney's prepared statement, in which he says, "IT is no longer just the business of CIO; rather, it's everybody's business." Well, to me, hallelujah. I mean, you know, the gospel is spreading. And that is a good thing, because it gets in our heads. That is exactly the point.

I also commend DOT on its efforts to implement a more holistic approach to planning its IT investments by including budget and acquisition staff in its decisionmaking process to ensure everyone understands how those decisions need to support the overall IT goals. GSA has a similar arrangement, with its Investment Review Board. And Treasury employs the best-practice model of IT information resource management. All good things.

So the one area I am concerned about—and I know Mr. Powner and I have talked about this. And we have covered this in a field hearing under your predecessor, Mr. Meadows, Mr. Mica, that was at George Mason University in northern Virginia.

So we start out roughly with Vivek Kundra's 25-point plan that says, let's take 1,600 identified data centers in the Federal Government and cut it in half. Goal: 800. We introduced a bill that said, well, you know, once we do that, let's cut it in half again to 400.

We have a field hearing a couple of years later, and what do we discover? Well, we didn't quite cut it in half. We discovered 6,100 more. So we went from 1,600 to 7,700. And I believe we have just discovered another 2,000. So now we have 8,700, roughly.

There is no way any of us can find that acceptable. I am glad we are more accurate, apparently, in knowing how many data centers we have, but the game here is to consolidate, to save, to become more efficient, to get rid of the stovepipes within our agencies and between agencies.

So I am very interested in hearing—especially that one—how are we going to make progress, how are we going to avoid discovering—I mean, if there are more to be discovered, fine, but the real goal here is to consolidate. And so that one, particularly, I am going to be focused on.

At any rate, I want to thank my colleagues for holding this hearing. I want to thank all of you for being here. This is the first downpayment in a series of oversight hearings I know we are going to have.

Thank you.

Mr. HURD. Thank you, Mr. Connolly.

I will hold the record open for 5 legislative days for any members who would like to submit a written statement.

Mr. HURD. We will now recognize our panel of witnesses.

I am pleased to welcome Mr. Tony Scott, the U.S. Chief Information Officer at the Office of E–Government and Information Technology at the Office of Management and Budget; Mr. Sonny Bhagowalia, Chief Information Officer at the U.S. Department of Treasury; Mr. Richard McKinney, CIO at the U.S. Department of Transportation; Mr. David Shive, Chief Information Officer at the U.S. General Services Administration; and Mr. David Powner, Director of IT Management Issues at the U.S. Government Accountability Office.

Welcome to you all.

And, pursuant to committee rules, all witnesses will be sworn in before they testify. So 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 that the witnesses answered in the affirmative.

In order to allow time for discussion, we would appreciate it if you would limit your testimony to 5 minutes. And your entire written statements will be made part of the record.

Mr. Scott, you have had a busy few months. Welcome back to this hearing space. And you are now recognized for 5 minutes.

WITNESS STATEMENTS

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 the opportunity to appear before you today to discuss OMB's work in overseeing the government-wide implementation of the Federal Information Technology Acquisition Reform Act. And thank you for your resolute and bipartisan efforts in ensuring that this critical law is implemented successfully.

When I last appeared before you, I offered an overview of how FITARA and OMB's implementation guidance enables strategic partnerships among agency CIOs and other senior leaders in the agency. And today I'll focus my remarks on the progress that's been made in institutionalizing FITARA and how OMB is facilitating and overseeing its implementation.

OMB's FITARA guidance uses a common baseline approach, which provides direction on the roles and responsibilities of agency CIOs and other leaders for the management of information technology. Each FITARA-covered agency submitted a self-assessment to OMB describing their current operation compared to the common baseline and are on schedule to submit an implementation plan showing how they will implement the common baseline requirements by the end of the year.

Agency plans were evaluated with four overarching questions in mind: Has the agency identified real breakthrough opportunities for change? Has the agency described a compelling and feasible plan to act on those changes? Does the detailed plan integrate agency leadership with the leadership of bureaus and programs to jointly drive the mission? And, finally, does the agency CIO serve as the single point of accountability for the roles and responsibilities identified in the common baseline?

And let me assure you that there was no rubber-stamp process involved here. With each agency, we've been actively engaged.

Our analysis of the initial agency plan submissions revealed several key themes, including but not limited to agency-specific issues in budget formulation, budget execution, and IT acquisition. And

we're working actively with each agency to address these issues for their final plan.

Our oversight of agency progress in implementing FITARA is being assisted through a number of additional means. We're fostering a government-wide community by holding biweekly meetings on FITARA and by relaunching the Web site management.cio.gov to serve as a central location for tools and resources. We're collaborating with the President's Management Council, the CIO Council, GSA, and other organizations, such as ACT–IAC, to facilitate knowledge-sharing across the Federal enterprise.

We're enabling consistent and transparent oversight by requiring that each agency post their implementation plan and related FITARA materials on management.cio.gov. And this will enable OMB inspectors general, Congress, GAO, and the public to conduct consistent oversight and followup. And we're requiring agencies that have a red CIO risk evaluation on the IT Dashboard for 3 consecutive months to hold TechStat sessions and notify OMB of these sessions.

Finally, I want to highlight the work that my office is doing, in partnership with OMB's Office of Federal Procurement Policy, to leverage FITARA in addressing complex Federal acquisitions challenges. We recently issued a category management policy to improve the acquisition and management of laptops and desktops. This memo is the first of a series of policies directing agencies to take new steps to improve the acquisition of common goods and services to drive better performance and efficiencies, as required by FITARA.

In conclusion, I think FITARA presents a historic opportunity to reform the management of information technology across the Federal Government. It's important that we do not underestimate the work and the commitment required by agencies and the broader ecosystem to fully implement this law and the changes it represents in culture, governance, IT processes, business process, and, quite frankly, the way we do oversight. Simply replaying pages from our old playbook is not the solution.

That said, I'm pleased with agencies' promising work to date, and I look forward to the positive results to come as agencies apply FITARA to their full information system lifecycle.

I thank the subcommittee 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.

[prepared statement of Mr. Scott follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503
www.whitehouse.gov/omb

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

November 4, 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 OMB's work in overseeing the government-wide implementation of the Federal Information Technology Acquisition Reform Act (FITARA), and thank you for your resolute, bipartisan efforts in ensuring that this critical law is implemented successfully.

When I last appeared before you to discuss my team's work in implementing FITARA, I offered an overview of how FITARA and our implementation guidance[1] enables strategic partnerships among agency Chief Information Officers (CIOs) and other senior leaders. I also discussed how FITARA strengthens key reform initiatives, including PortfolioStat, TechStat, data center optimization, and our push towards incremental development. Today, I will focus my remarks on the progress that has been made in institutionalizing this important law, as well as the ways in which OMB is facilitating and overseeing its implementation.

Implementation of the Common Baseline
The backbone of OMB's FITARA guidance is the "Common Baseline," which provides direction on the roles and responsibilities of agency CIOs and other senior leaders for the management of Information Technology (IT). Each covered agency is required to submit a self-

---

[1] *Management and Oversight of Federal Information Technology*, M-15-14,
https://www.whitehouse.gov/sites/default/files/omb/memoranda/2015/m-15-14.pdf

assessment to OMB describing their current operation compared to the Common Baseline, and an implementation plan describing actions the agency will take to ensure that all Common Baseline requirements are implemented by the end of the year.

I am pleased to announce that we have received a self-assessment and implementation plan from each covered agency, and that our staff has conducted a thorough review for each agency with a timely submission. During the review of each agency's plan we considered four overarching questions:

1. Has the agency identified real breakthrough opportunities for change?
2. Has the agency described a compelling and feasible plan to act on those changes?
3. Has the agency described how the plan integrates agency senior leadership with the leadership of bureaus and programs to jointly drive the mission?
4. Does the agency CIO serve as the single point of accountability for the roles and responsibilities identified in the Common Baseline?

Our analysis of the initial agency plan submissions revealed several key themes that our staff is working with agencies to address:

- Budget formulation: There was often a gap in CIO involvement in budget formulation activities. To the extent that significant involvement was delineated, it was often related to major agency-wide investments and not to investments at the bureau and program levels.
- Budget execution: Plans often reflected a passive rather than active CIO role in IT budget execution activities, such as those of planning expenditures, evaluating IT performance, or reprogramming of funds.
- Acquisition: Agency plans sometimes reflected a view that CIO's would not/did not have direct knowledge of IT goods and services acquisition at the bureau or program levels, which precludes significant involvement in these acquisitions.
- Organization: CIOs assigned significant duties to other agency officials. This is acceptable only if the CIO retains accountability, the CIO is directly involved with the delegation, and the rationale is documented and approved by OMB.

Although these challenges exist today, I am encouraged that agencies have recognized them in their self-assessments, and in their subsequent dialog with OMB, and have begun to develop policies and procedures to address them.

Full implementation of the Common Baseline will have positive benefits that will ripple throughout each agency and the Federal Government as a whole. To further advance incremental development, we are currently working on major enhancements for the IT Dashboard to be released early next year. These improvements will provide additional details on agency use of incremental development, and will allow the public to view information on the risk of IT investments on a year-round basis. For the first time, we will also begin publicly showing detailed cost savings resulting from our reform efforts.

In addition to enhancing the ability of CIOs to account for incremental development, Common Baseline implementation empowers CIOs to better address the longstanding challenges associated with legacy IT spending, which accounts for the majority of Federal IT spending. Reducing the proportion of money spent on keeping the lights on in legacy systems also strengthens our ability to leverage new technologies and approaches, further driving cost savings. This also improves the Federal cybersecurity posture by decommissioning antiquated systems that are costly to operate and are often unable to support critical functions like encryption and two-factor authentication.

Moving forward, our oversight of agency progress implementing the Common Baseline is being accomplished through a number of means, including quarterly PortfolioStat reviews, mandatory TechStat sessions, tracking progress through a public dashboard, engaging with key partners, and by building a government-wide support community.

PortfolioStat and TechStat Sessions
PortfolioStat and TechStat sessions are two powerful tools to reveal and address challenges agencies face in managing their overall IT portfolio as well as at-risk investments. These and related reform efforts have saved the Federal Government at least $3.44 billion dollars since fiscal year 2012.

As discussed in our guidance, over the last year we have enhanced our PortfolioStat efforts by shifting from annual to quarterly review sessions with senior agency leaders. The first round of PortfolioStat sessions for this fiscal year is underway, and the prime area of focus is a thorough discussion of each agency's FITARA implementation progress. Future reviews will continue that focus.

While PortfolioStat is an excellent tool for assessing the performance of an agency's overall technology portfolio, we also recognize the need to quickly halt or turn around poor performing individual IT investments through TechStat sessions. OMB has gone beyond the requirements of FITARA by requiring that agencies hold TechStat sessions for any investment that has a red CIO evaluation—indicating high risk—on the IT Dashboard for three consecutive months, as opposed to the FITARA requirement of four consecutive quarters.

OMB Implementation Support

OMB is committed to supporting agencies in their implementation of FITARA. In addition to evaluating agency plans and holding PortfolioStat reviews, we are also working to:

- Foster a Government-wide Community: The ability of agencies to successfully implement FITARA is greatly enhanced through the elimination of bureaucratic silos and the free exchange of ideas and information across government. Our staff has developed several vehicles to facilitate this and to ensure that agency personnel are always aware of the most up-to-date guidance and resources. These include:
    - **Biweekly meetings**. In July, we launched government-wide biweekly meetings on FITARA to act as forums for discussion and collaboration for implementing FITARA-related requirements.
    - **Management.cio.gov**. We will soon re-launch management.cio.gov to serve as a living central location for tools and resources to support agencies, and to provide additional means for collaboration and communication across government. Anyone can contribute content to this site.
- Develop Strategic Partnerships: OMB is collaborating with the CIO Council, General Services Administration (GSA), and other organizations to facilitate knowledge sharing across the Federal enterprise. For example, the CIO Council is partnering with GSA's

Office of Government-wide Policy (OGP) to assist in facilitating FITARA implementation. In this role, OGP is working with CIOs and OMB to identify and document best practices that can be leveraged to create reusable tools—such as case studies, frameworks, and reports—to support agency implementation. Additionally, the American Council for Technology and Industry Advisory Council (ACT-IAC) has worked with more than 50 experienced executives and analysts from government and industry to create a FITARA maturity model[2] to help agencies assess their progress against FITARA standards and develop basic best practices for IT management governance.

- Enable Consistent and Transparent Oversight: As required in our guidance, each agency must post their implementation plan, a directory of IT leaders, a list of all governance boards that include the CIO, and a library of their IT policies on their public website. This enables OMB, Inspectors General, Congress, and GAO to conduct consistent oversight and follow-up. Additionally, as part of the refreshed management.cio.gov site, we will soon launch a public-facing FITARA Dashboard to track progress of agency implementation.

IT Acquisition

Finally, I want to highlight the work that my office is doing in partnership with the OMB Office of Federal Procurement Policy that leverages FITARA to help address complex Federal acquisitions challenges. Together, we have taken a number of steps to better align agencies' IT and acquisition functions and drive enterprise-wide IT strategies.

Just a few weeks ago, OMB issued M-16-02, *Category Management Policy 15-1: Improving the Acquisition and Management of Common Information Technology: Laptops and Desktops*. This memo is the first of a series of policies directing agencies to take new steps to improve the acquisition of common IT goods and services to drive better performance and efficiencies. This policy prohibits the creation of new contract vehicles for workstations, mandates the use of standard configurations and government-wide acquisition vehicles, and requires improved management practices to optimize price and performance. As a result, the Federal Government is

---

[2] https://actiac.org/groups/document/fitara-it-management-maturity-model

better able to act as a single buyer to achieve greater cost savings through smarter and more strategic buying. OMB is developing additional IT acquisition policies, including those for government-wide software purchasing, as required by FITARA.

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. Thank you, Mr. Scott.

Mr. Bhagowalia, you are recognized for 5 minutes for your opening statement.

STATEMENT OF SANJEEV "SONNY" BHAGOWALIA

Mr. BHAGOWALIA. Thank you, Mr. Chair.

Chairman Hurd, Ranking Member Kelly, Chairman Meadows, Ranking Member Connolly, Chairman Chaffetz, and members of the subcommittees, thank you for the opportunity to testify today on the Department of Treasury's approach to the Federal Information Technology Acquisition Reform Act, or FITARA.

I will focus on how our evolving Office of the Chief Information Officer practices have laid a strong foundation for the implementation of FITARA. I also acknowledge there is much work to do. I will highlight some of these practices, including the roles of the OCIO in managing the Treasury Department's information technology, IT, and information resource management portfolio, and the governance structure that has Department has in place to ensure sound IT/IRM decisionmaking and delivery.

The three top OCIO management priorities for the Department of Treasury are cybersecurity, making improvements to the IT/IRM operations, and implementation of FITARA.

Treasury works each day to deliver the diverse mission of the Department both securely and reliably and to build upon what we think is a strong foundation that positions the Department for further successes in the future.

Treasury supports an important financial mission for our country. Treasury is comprised of departmental offices and bureaus of wide-ranging size with varying technology needs and complexities and a number of different funding sources.

The Treasury CIO is accountable for meeting the IT/IRM needs of the departmental offices, with special attention to advancing the enterprise-wide objectives. Responsibility for IT/IRM management is shared among the Treasury CIO and bureau-level CIOs, who focus on the unique mission and needs of the individual organizations.

Treasury is fully dedicated to implementing FITARA in accordance with OMB's guidelines and the Department's needs. Our self-assessment against the common baseline established by OMB demonstrates that we have a number of practices already in place but that many of these need to be formalized through policy. And we acknowledge that there are many areas that still need to improve.

Treasury's focus is sustainability, which means integrating the goals of FITARA into existing processes to ensure efficiencies can last over time.

The existing IT/IRM lifecycle is built upon GAO and OMB's best-practice framework of architect, invest, implement, and operate, with cybersecurity built in throughout the lifecycle. Treasury uses this framework to further policy and process development and includes consistent practices in the following five areas:

Number one, governance. The Department has a GAO-recognized best-practice approach to efficient and effective review of its IT/IRM investments. Each bureau reports execution data to the Department monthly. Treasury then reviews all investments with

month-to-month performance issues in project execution and conducts a detailed program review called TechStat on select investments. In addition, the Department CIO conducts quarterly performance reviews with each bureau and participates in quarterly PortfolioStat reviews with OMB.

Number two, budget formulation and planning. The Department CIO actually annually reviews all bureau IT/IRM plans and participates in full bureau budget reviews. The Treasury CIO counsel also select a group of enterprise-wide initiatives to be executed jointly. Efficiencies, such as those gained through data center consolidation, have allowed Treasury to begin to shift more spending to development and modernization and enhancement, DM&E, efforts.

Number three, acquisition and execution. The Senior Procurement Executive, SPE, and the CIO have worked collaboratively to conduct a joint review of department offices' IT/IRM procurements as well as select acquisitions of major enterprise programs. Treasury is also developing a department-wide procurement strategy and governance program to ensure enterprise-wide oversight and to leverage economies of scale in procuring commodity IT/IRM where possible.

Number four, in workforce and organization. The Treasury CIO has input into bureau CIO selections, places performance objectives in bureau CIO annual performance plans, and contributes to bureau CIO evaluations.

Number five, project management. Beginning in fiscal year 2015, Treasury OCIO launched two initiatives to improve project management oversight and practice: number one, develop a new enterprise-wide lifecycle management program; and, two, a revised program management approach to better leverage agile development methods.

Per OMB's recent PortfolioStat review we just received, Treasury has made significant progress in shifting towards a more agile development approach, but work remains.

In conclusion, while Treasury has a strong foundation on which to successfully implement FITARA, we acknowledge there is still work to do. The Department is committed to fully implementing FITARA and looks forward to working with OMB, GAO, and the Congress in this endeavor.

Thank you for your support for FITARA, a key initiative which will improve public stewardship. I appreciate this opportunity to testify today, and I'll be glad to answer any questions you may have.

[Prepared statement of Mr. Bhagowalia follows:]

Testimony of Sanjeev "Sonny" Bhagowalia
Deputy Assistant Secretary for Information Systems and Chief Information Officer
Unites States Department of the Treasury
Before the Subcommittees on
Information Technology and Government Operations of the
Committee on Oversight and Government Reform
United States House of Representatives

Introduction

Chairman Hurd, Ranking Member Kelly, Chairman Meadows, Ranking Member Connolly, and Members of the Subcommittees, thank you for the opportunity to testify today on the Department of the Treasury's approach to the Federal Information Technology Acquisition Reform Act, or FITARA.

In the following remarks, I will focus on how our evolving Office of the Chief Information Officer (OCIO) practices has laid a strong foundation for the implementation of FITARA. I will highlight some of these practices, including the roles and responsibilities of the OCIO in managing the Treasury Department's Information Technology (IT)/Information Resource Management (IRM) portfolio, and more specifically the governance structure the Department has in place, working with our bureaus, to ensure sound IT/IRM decision-making and delivery.

The three top OCIO management priorities of the Department of the Treasury are: cybersecurity, making improvements in IT/IRM Operations, and implementation of FITARA. Treasury works each day to deliver the diverse mission of the Department both securely and reliably, and to build on what we think is a very strong foundation that positions the Department for further success in the future.

I can say, having arrived as the Treasury CIO just a year ago, that senior Departmental leadership and technology professionals throughout the Treasury Department have a strong commitment to FITARA, exemplified in part by an unwavering focus on IT/IRM governance. Treasury gains efficiencies across the Department from a successful IT/IRM program focused on improvements.

The Treasury Environment

As you know, Treasury supports an important financial mission for our country and is a large, diverse enterprise with many locations. The mission of the Treasury Department is to maintain a strong economy, create economic and job opportunities by promoting conditions that enable economic growth and stability at home and abroad, strengthen national security by combating threats and protecting the integrity of the financial system, and manage the U.S. Government's finances and resources effectively. Treasury is comprised of Departmental Offices and bureaus of wide-ranging size, with varying technology needs and complexities and a number of different funding sources.

The Treasury CIO is accountable for meeting the IT/IRM needs of the Departmental Offices, and actively oversees Bureau IT/IRM activities, with special attention to advancing enterprise-wide objectives. Responsibility for IT/IRM management is shared among the Treasury CIO and Bureau-level CIOs, who focus on the unique mission and needs of their individual organizations.

Accountability ultimately rests at the Department level. Since the Treasury mission is broad and its IT/IRM portfolio complex, Treasury's governance/oversight model has worked well and allows for robust governance practices and collaborative mechanisms to facilitate the Treasury CIO's significant involvement in technology-related budget, procurement and workforce matters.

Treasury's Approach

Treasury is fully dedicated to implementing FITARA in accordance with OMB's guidelines and the Department's needs. Our self-assessment against the common baseline established by OMB demonstrates that we have a number of practices already in place, but that many of these need to be formalized through policy, and we acknowledge that there are areas in which we still need to improve. Treasury's focus is sustainability, which means integrating the goals of FITARA into existing processes to reduce redundancies and ensure efficiencies can last over time.

Treasury has a long history of managing IT/IRM across the Department in a collaborative way that leverages coordinated action on commodity technology areas such as finance and budget, procurement, and human capital management, while largely delegating decision making on mission specific IT/IRM to the bureaus. In addition, all units in the Department share cyber security information regularly and work together as a single unit whenever possible. This approach allows Treasury to take advantage of economies of scale in common areas while leveraging bureau expertise when making specific mission and strategy IT/IRM decisions.

The Treasury CIO Council, chaired by the Department CIO and meeting monthly, is a governance body that oversees the entire IT/IRM portfolio with a special emphasis on shared and enterprise-wide services, and cyber security. This approach worked very well during the FY 2015 Cyber Sprint and helped set the Department's consolidated strategy for implementation of the Administration's Cyber Security Implementation Plan (CSIP).

The Treasury Foundation

The existing IT/IRM lifecycle is built-upon a Government Accountability Office (GAO)/Office of Management and Budget (OMB) best practice framework of "Architect, Invest, Implement and Operate and Maintain" with cybersecurity built-in throughout the lifecycle. Treasury uses this framework to further policy and process development in a continuous improvement approach, and includes consistent practices in the following areas:

*** **EMBARGOED FOR DELIVERY** ***

1. **Governance:** Through the IT/IRM Capital Planning and Investment Control (CPIC) program the Department has a GAO recognized, best-practice approach to efficient and effective review of its IT/IRM investments. Each bureau reports execution data to the Department monthly, including project status on their major IT/IRM investments and operational metrics on systems in use. Treasury then reviews all investments with month-to-month performance issues in project execution, including cost, schedule, operation metrics, and risk, and conducts a detailed program review (TechStat) on selected investments. These reviews attempt to identify project or program issues and mitigate risks before they become real problems. This active regimen also helps the Treasury CIO to develop accurate risk ratings for the IT Dashboard based on data provided by bureaus and offices, corroborated by OCIO staff and reviewed with OMB. In addition, the Department CIO conducts quarterly performance reviews with each bureau that covers its entire IT/IRM portfolio of projects and systems, and participates in quarterly PortfolioStat reviews with OMB.

2. **Budget Formulation and Planning:** The Department CIO annually reviews all bureau IT/IRM program plans and participates in full bureau budget reviews. The Treasury CIO Council also selects a group of enterprise-wide initiatives to be executed jointly. This helps ensure that IT/IRM investments meet mission needs while enabling Treasury to identify opportunities for cross-Department collaboration and cost sharing. Other efficiencies, such as those gained through data center consolidation, have allowed Treasury to begin to shift more spending from legacy IT/IRM Operations and Maintenance (O&M) to Development, Modernization and Enhancement (DME) efforts. This has increased the proportion of new DME as part of the total portfolio from 19% in Fiscal Year (FY) 2011 to 24% in FY 2016.

3. **Acquisition and Execution:** The Senior Procurement Executive (SPE) and the CIO have been working collaboratively to conduct a joint review of all Departmental Offices IT/IRM procurements as well as all acquisitions of major enterprise programs The SPE and CIO will be extending this review across the enterprise in a phased, incremental manner. Treasury is also developing a Department-wide procurement strategy and governance program to ensure enterprise-wide oversight and to leverage economies of scale in procuring commodity IT/IRM. This is in support of OMB guidance for developing a strong IT/IRM acquisition and procurement program.

4. **Workforce and Organization:** The Treasury CIO has input into Bureau CIO selections, places performance objectives in Bureau CIO annual performance plans, and contributes to bureau CIO evaluations. The Treasury CIO participates in the HR Council and works with the Chief Human Capital Officer to review and assess IT staff competencies and skills to ensure the Departments IT/IRM workforce can respond to rapidly evolving needs and requirements to accomplish our mission.

5. **Project Management:** Through the CIO Council, Treasury has effectively shared program and project management best practices across the Department and uses this information for continuous process improvement. Beginning in FY15, Treasury OCIO launched two initiatives to improve Project Management (PM) oversight and practice:

21

(a) develop a new enterprise-wide life cycle management (LCM) program, and (b) a
revised PM approach to better leverage agile development methods. Per OMB's recent
PortfolioStat review, Treasury has made significant progress in shifting toward a more
agile development approach, reducing average planned days to deliver from
approximately 240 days in FY 2011 to less than 100 days. An extension of this agile
approach across more enterprise programs is planned. In addition, the CIO and the SPE
are working to develop a Department-wide Federal Acquisition Certification for Project-
Program Managers.

Conclusion

While Treasury has a strong foundation on which to successfully implement FITARA, there
is still work to do. The Department is committed to fully implementing FITARA, and looks
forward to working with OMB, the GAO and the Congress in this endeavor. Thank you for
your support of FITARA, which will help improve public stewardship. I appreciate this
opportunity to testify today and I will be glad to answer any questions you may have.

Mr. MEADOWS. Thank you so much.

Mr. McKinney, you are recognized for 5 minutes.

STATEMENT OF RICHARD MCKINNEY

Mr. McKINNEY. Thank you, sir.

Chairman Hurd, Ranking Member Kelly, Chairman Meadows, Ranking Member Connolly, members of the subcommittee, I want to begin by thanking you for the opportunity to appear today to discuss DOT's implementation of FITARA.

I would also like to thank both this committee and your predecessors for having the foresight to recognize the critical importance of clarifying and strengthening the role of Chief Information Officer. FITARA provides both the accountability and the authority that is required for a CIO in an IT organization to be successful.

I believe this landmark legislation must be used as the foundation for the complete transformation in the way the Federal Government builds, buys, manages, and secures information technology. And I think you have very wisely given us FITARA at an extremely critical juncture. Let me explain why.

I began my IT career in 1985, just as governments were eagerly moving away from the centralized, one-size-fits-all model characteristic of the early mainframe days. This rapid decentralization continued through the 1990s, but, increasingly, this patchwork quilt of disconnected IT silos and disparate technologies began to reveal its weakness as we moved into the connected age of the Internet.

And governments at all levels across this country have struggled with how to unwind this mess that we have allowed to build up over the past 30 years. Tearing down the silos is not an easy thing to do. We all understand how the status quo has a lot of inertia, and so it is at DOT.

I was appointed CIO at DOT a little over 2 years ago, and I immediately recognized this all-too-familiar scenario. I began by having a frank and honest conversation with both the departmental leadership and the operating administrations about the challenges that we faced.

I could tell that everyone recognized that what I was saying was true. But I also understood that in order to lead them through a difficult transformation that we first had to strengthen the office of the CIO. I wish I could tell you that this process was quick and easy to do, but it wasn't. But after more than a year of hiring, reorganizing, and improving service delivery, the Department's confidence in our office quickly improved.

And why is that important? It is precisely because we have to make such a radical and difficult turn, abandoning the decentralized approach and moving toward a strong and secure enterprise shared-services approach. This shared-services model should manage the 60 to 70 percent of our current IT landscape that is commodity IT: the networks, servers, storage, desktop, help desk, messaging service, all the enterprise services that can be provided as a centralized utility and a well-managed mixture of both cloud and locally hosted services.

This balanced approach would leave the mission-specific solutions to be managed at the component level and specifically aligned

to their unique business needs. And with the cost sprawl of decentralized infrastructure contained, we would free more resources to improve the applications that help us achieve our mission goals.

There is even one more more compelling reason to make this radical change, and that is security. In our current decentralized model, visibility across our network is inconsistent, lines of defense are often less than clear, and coordination effectiveness of our security efforts are severely impacted.

Even if we managed a perfectly architected IT infrastructure, securing that infrastructure against our enemies would still be a very difficult task, but that should be our singular goal. We must create a new construct that is secure by design, one where security is built in and not bolted on.

So how do we begin to use the three foundational authorities of FITARA—namely, HR, budget, and acquisition approval—that you have wisely laid out in this legislation?

I'm sure we can all agree that, in order to chart a course to where you want to go, you must begin by understanding where you are. I have been frustrated by the lack of good data, both technical and financial, that we have to measure our IT spend and performance. Just as our physical IT has been siloed, so has our data.

For too long, my office has been merely an aggregator of component data, data that we report to GAO and OMB, only to find out later that the taxonomy and structure varies from one OA to the next. So one of our first steps is teaming with the CFO office and asking the operating administrations to join us in building a new taxonomy that consistently and accurately identifies and quantifies our IT spent. You can't manage what you can't measure.

Let me close with this. I want you to know that I am totally dedicated to ensuring that the rollout of these important authorities is done as quickly and as successfully as I know how to do. I believe that we have to approach FITARA as if it were our last chance to get this right.

Again, thank you for FITARA. Thank you for this opportunity to testify. And I look forward to answering whatever questions you might have.

[Prepared statement of Mr. McKinney follows:]

STATEMENT OF
RICHARD MCKINNEY
CHIEF INFORMATION OFFICER
U.S. DEPARTMENT OF TRANSPORTATION

BEFORE THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEES ON INFORMATION TECHNOLOGY AND
ON GOVERNMENT OPERATIONS OF THE COMMITTEE
U.S. HOUSE OF REPRESENTATIVES

HEARING ON

The Federal Information Technology Acquisition Reform Act's Role in Reducing Acquisition Risk, Part II

NOVEMBER 4, 2015

Thank you for the invitation to appear before you today to discuss the Department of Transportation's (DOT) implementation of the Federal Information Technology Acquisition Reform Act (FITARA). I would also like to thank the committee and your predecessors for tasking agencies with strengthening the role of the Chief Information Officer (CIO). FITARA provides both the necessary accountability and authority to be a successful CIO. I would like to share with you today where DOT is in the process of implementing this important legislation.

I came to DOT a little over two years ago after having worked in Information Technology (IT) in the state and local government environment for over 28 years. When I arrived at DOT, I recognized a very familiar situation. Like most State and local governments, the Federal government is extremely federated and decentralized. This is the same situation I was confronted with from 1999-2005 when I served as the CIO of the city of Nashville, TN. I immediately recognized the challenge the Department faced, and I had a number of ideas for how we could respond.

Throughout my career, I have seen the IT field struggle with centralization of IT resources. In the late 1970s and early 1980s, I witnessed the impact of attempting to centralize all IT. Then, I watched IT struggle through the decentralized model that emerged in the 1990s. I am convinced our challenge as CIOs is to the find the right balance between those two extremes.

In order to find the right balance, we must convince organizations to create a strong, enterprise shared services environment. This shared services model should manage the 60-70 percent of our current IT landscape that is commodity IT, and services should be provided as a utility to each of the business units.

If you study closely the IT investments DOT has been making over the past 10 years, the Operations and Maintenance (or O&M) costs are going up. Conversely, the investments in modernization are on the decline. This is an unsustainable course to be on. Striking the right balance for centralization will not only strengthen operational IT as an enterprise service, but it

will also drive down the cost of providing these commodity IT services. Gaining efficiency in O&M means more resources can be redirected to modernization and improving the way DOT achieves mission goals through IT. That is the balance point we need to find.

As the Departmental CIO, I am responsible for creating an enterprise IT shared services organization worthy of the business of the components, one that DOT's Operating Administrations (OAs) can confidently trust to be the foundation of their unique mission solutions. The OAs must also have confidence that the shared services organization is focused on continued improvement and optimization to reduce costs.

Centralization doesn't only provide financial benefits. It's also required to ensure we are doing all we can to meet the security threats we face. Even if we managed a perfectly constructed IT infrastructure, securing against our enemies would be difficult. In a decentralized model, where visibility is inconsistent across the enterprise, we do not stand a chance of meeting the attacks we face every day. Nothing short of re-imagining and re-architecting our IT infrastructure will position us to respond adequately. We must create an architecture at DOT that is secure by design.

Meeting these challenges around security and efficiency begins with a good governance model. Re-architecting the way we manage IT through a strong, centralized IT shared services model requires not only adept CIOs at the Department level, but we also must have knowledgeable CIOs at the business unit level. Managing commodity IT as a shared service will allow CIOs at the OA level to apply a renewed focus on using IT to advance the mission of the business.

FITARA provides the tools we need to complete this transformation in how we manage IT. As the lead CIO on the FITARA executive working group, I joined several colleagues from DOT in helping to shape the implementation strategy and guidance. DOT had the best representation on the working group; our Departmental Budget Officer as well as the Chief Human Capital Officer (CHOC) for the Department joined me. We also worked closely with our Senior Procurement Executive (SPE) as the guidance was developed.

Through this coordination, the relationship between my office and the Office of Budget and Programs, SPE, and HR has strengthened. In this age where IT is embedded in everything we do, it is imperative that our four offices work together. IT is no longer just the business of the Office of the CIO (OCIO). Rather, IT is everybody's business. The unity in our approach was recognized across the Department. We did not have any debates about whether we were going to implement FITARA; all discussions were around how to implement FITARA.

Participating in the interagency working group gave DOT a running start on FITARA implementation. We formed two working groups made up of representatives from across the Department. This process ensured everyone had a voice through the process, and it gave us an opportunity to work out any issues before finalizing the DOT implementation plan. Every OA participated as my office walked through the components of OMB's guidance and helped draft DOT's response to the three pillars of FITARA: HR, Budget, and Purchasing.

DOT is taking a transformative approach to the HR authorities contained in FITARA, focusing on redefining the role of the CIOs at the component level. The current DOT model is inconsistent and does not provide the necessary visibility into mission and business goals. In many cases, the CIO position at the OAs is a "dual-hatted" responsibility, where the CIO holds multiple roles and responsibilities. These additional roles are unrelated to IT. Together with the Office of Human Resources, my office is reviewing all positions that hold the CIO title. DOT will move to an updated model that includes full-time, single-hatted, dedicated CIOs whose sole responsibility is to make sure technology aligns with and amplifies critical business needs. In an agency as large as DOT, with as many business units as we have, one of the key ingredients to good IT is a strong IT governance model. At an enterprise level, we must form a council of CIOs who represent individual OAs and come together to implement strategies for the good of the entire Department.

While the Budget authority contained in FITARA is a simple concept to understand, it is more complicated to put into practice. As part of the FY 2017 budget formulation process, for the first time, my office and the Office of Budget and Programs held joint meetings with the OAs to better understand how current and planned IT resources support modal program objectives, review proposed increases and decreases in IT resources, and to approve IT budget requests. We continue to instill rigor and ensure greater visibility to improve planning, identify cost savings opportunities and deliver IT projects within established cost, schedule and performance parameters. My office completes a monthly IT Dashboard update to assess risk. As part of this review, we provide a summary of findings and recommendations associated with the DOT IT Portfolio. This includes continuing to assess and implement the agile development methodology where it is appropriate. While we are pleased with the progress we have made to date, significant work lies ahead.

In our current structure, it is very difficult for the business units to determine with any exactitude what they spend on IT. Our initial insights tell us IT budgets are decentralized and woven all the way down to the program level. Further, IT spending is not accounted for in a uniform way. This is a major challenge, so OCIO and the Office of Budget and Programs are working jointly to form a tiger team that will work with each OA to extract the IT portions of their budget. This initiative will produce an as-is, enterprise view into the IT landscape at DOT. This snapshot will help us understand exactly how we are spending our IT dollars. Even more importantly, we will use this information to begin to map out the future environment. Having a true understanding of the current environment will allow us to make smarter decisions about how we budget for IT in the future.

A true picture into our IT spend also opens the door to IT acquisition reform. To this end, my office is working with Contracting Offices from across the Department to identify the best way to achieve a better outcome through purchasing. As technologists, we cannot fault acquisition professionals for failing to fully understand the technical ramifications of individual purchases without providing a broad view. It is our responsibility to communicate our goals, vision, and strategy for the future of IT and to work together closely to be sure IT acquisitions support our objective.

There are concerns that this kind of coordination could slow down the procurement process, but I think it actually presents an opportunity for gaining efficiencies. First, acquiring IT in a siloed manner creates a heavy workload throughout the procurement offices across the Department. Secondly, standards and foundational models at an enterprise level can act as a reference throughout the acquisition process. Enterprise Architecture, for example, is a tool that can be leveraged to ensure all purchases are mapped to the plans and goals at the component level.

Through the implementation of the authorities contained in FITARA, CIOs will also be more accountable for government-wide goals. The Federal Data Center Consolidation Initiative (FDCCI) is an example of this. For FDCCI to be successful, we must fully understand our current environment as well as the projected future state. A comprehensive inventory and enterprise strategy is the first step to the efficient management of the infrastructure layer of the Department. Reforming HR, Budget, and Procurement is the only way to effectively achieve those goals.

Thank you again for the invitation to appear before you today on behalf of DOT to discuss our implementation of FITARA. The CIO community thanks you. We appreciate the trust you've put in us. We understand you expect to hold us accountable. Thank you for giving us this important responsibility. I will be pleased to answer any questions you may have.

###

Mr. MEADOWS. Thank you, Mr. McKinney, for your insightful testimony. Please give my personal regards to the Secretary, if you would.

Mr. McKINNEY. Yes, sir, I will do that.

Mr. MEADOWS. And, Mr. Shive, you are recognized for 5 minutes.

STATEMENT OF DAVID SHIVE

Mr. SHIVE. Thank you, Mr. Chairman.

Good afternoon, Chairman Meadows, Ranking Members Kelly and Connolly, and members of the subcommittees.

Mr. MEADOWS. If you could bring that mic a little bit closer to you there.

Mr. SHIVE. How's that?

Mr. MEADOWS. All right. That is better.

Mr. SHIVE. Great.

Thank you for inviting me to testify before you regarding GSA's implementation of the Federal Information Technology Acquisition Reform Act. GSA appreciates this committee's oversight of this important issue and the importance of addressing the high-risk areas outlined by the Government Accountability Office in its assessment.

Today, I would like to highlight GSA's efforts towards implementing the common baseline of FITARA. These efforts address a variety of activities, from centralizing IT management to the optimization of data centers, all of which are helping us to move closer to successfully complying with the requirements of FITARA.

Three years ago, GSA conducted a top-to-bottom review of the agency and, as a result of that, consolidated IT management under the CIO and put effective management controls in place to centralize our IT spending. Since this consolidation, GSA has improved IT acquisition and security, and we are implementing additional reforms, many of which were directed by FITARA.

For example, as GSA's CIO, I oversee and regularly participate in the governance of operations and delivery of IT services for the entire agency. All instructional letters, policy directives, and formal guidance are published under my signature, and all initiatives with an IT component are reviewed by me or my delegates. This is made possible through my representation on governance boards around the agency, such as our Investment Review Board, and through our agency's IT management processes.

GSA's consolidation efforts also helped my office gain visibility into GSA-wide IT spending and investments. From fiscal years 2013 to 2015, GSA IT reduced its budget by 17 percent. This is in part due to the fact that, since our consolidation, I am intimately involved with the review, management, and oversight of IT expenditures, from the initial budget request to the execution and completion of each project.

To achieve this, my office conducts high-risk investment reviews, project health checks, benefits realization, application rationalization, and we authorize reprogramming of funds and rebaselining of IT investments. All of these help with ensuring that, as CIO, I have a role in investment and project management oversight, which are primary goals of FITARA.

Additionally, to ensure that IT investments within various GSA divisions are aligned with the long-term IT vision of the agency, my office collaborates with the various business lines within GSA to provide guidance and support. The IT executives supporting these offices report directly to me and formulate technology solutions and manage IT investments with clear understanding of GSA IT enterprise management requirements and clear direction from the CIO.

Another initiative that has been central to reducing our costs and is part of the requirements necessary for agencies to properly implement FITARA are our activities surrounding the Federal Data Center Consolidation Initiative. As a part of FDCCI, GSA IT has reduced its overall number of data centers by 65 percent and consolidated their functionality to the agency's core data centers. This consolidation has saved or avoided costs totaling approximately $29 million from fiscal year 2012 through 2014.

Currently, GSA operates three core data centers as well as multiple regional data centers. GSA IT's future goal is to consolidate all core data centers and regional data centers into three primary data centers.

Through consolidation and by driving efficiency into the GSA-computing enterprise, GSA has increased the usability of our systems, eliminated duplicative processes, eliminated duplicative systems and applications, and standardized our processes using industry best practices and solutions.

While GSA has made significant progress in implementing the key components of FITARA, there is still more work to be done. As GSA moves forward with FITARA implementation, I will continue to work with GSA senior agencies officials, OMB, my peer Federal agency CIOs, and members of this committee to ensure that GSA is effectively implementing FITARA to reduce costs and increase the value of our IT acquisitions.

I thank the subcommittees for the opportunity to testify today and look forward to answering any of your questions.

[Prepared statement of Mr. Shive follows:]

STATEMENT OF
MR. DAVID A. SHIVE
CHIEF INFORMATION OFFICER
U.S. GENERAL SERVICES ADMINISTRATION

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

November 4, 2015

Good morning Chairmen Hurd and Meadows, Ranking Members Kelly and Connolly, and members of the Subcommittees. My name is David Shive, and I am the Chief Information Officer (CIO) of the U.S. General Services Administration (GSA). Thank you for inviting me to testify before you regarding GSA's implementation of the Federal Information Technology Acquisition Reform Act (FITARA). GSA appreciates this Committee's oversight of this important issue, and the importance of addressing the high risk areas outlined by GAO in its assessment.

IMPLEMENTATION TO DATE

GSA's FITARA implementation plan addresses: consolidation of information technology (IT) management; visibility of IT spending and investment; data center consolidation; enterprise-wide planning; IT vendor spending optimization; and improved software acquisition.

Consolidation of IT Management
As a result of the agency's Top to Bottom Review in 2012, GSA consolidated IT management under the CIO, and put effective management controls in place to centralize our IT spending. Since adopting this structure three years ago, GSA has improved IT acquisition and security, and we are implementing additional reforms, many of which were directed by FITARA.

GSA's IT consolidation anticipated some of the requirements of FITARA, especially around empowering the CIO. For example, as GSA's CIO, I oversee and regularly participate in the governance of operations and delivery of IT services for the entire agency. All instructional letters, policy directives, and formal guidance are published

under my signature, and all initiatives with an IT component are reviewed by my office. This is made possible through the CIO's representation on governance boards around the agency, such as the Investment Review Board (IRB), and through the agency's IT management processes.

The offices of the Chief Financial Officer (CFO) and CIO work together to streamline and integrate budget and pre-budget processes, develop GSA budgets, and create executive business case guidance and templates. While I am exclusively responsible for IT resourcing and management, I also work to review and validate non-IT requests, helping to monitor and manage potential impacts to the IT portfolio.

Visibility of IT Spending and Investment

GSA's consolidation efforts also helped the office of the CIO gain visibility into GSA-wide IT spending and investments. From fiscal years (FY) 2013 to 2015, GSA IT reduced its budget by 17 percent. Given the size and scope of the multi-billion dollar federal IT Portfolio, it is critical to maintain a focus on the health of IT investments across the government. Within the well-established GSA governance process, GSA IT has adopted a proactive process that combines actively monitoring project performance through regular in-process reviews, known as project health checks, and monthly high risk assessments.

As CIO, my office is intimately involved with the review, management, and oversight of IT expenditures from the initial budget request to execution and completion of each project. This is achieved through high risk investment reviews, project health checks, benefits realization, application rationalization, and authorizing reprogramming of funds and re-baselining of investments within the IT budget. The goal of this process is to synthesize investment management and project management oversight. For example, monthly project health checks assess major IT initiative performance and risk management via a review of the information contained in the monthly control reports for all GSA major IT Investments and GSA's project management information system. To identify any investments that are or may become "at risk," my office conducts monthly high risk assessments to resolve issues in a timely manner.

Data Center Consolidation

Data center consolidation is central to our strategy to reduce our IT costs, and has benefitted from the consolidation of all IT employees, processes, technologies, and budgets under the GSA CIO. As part of the Office of Management and Budget (OMB) Federal Data Center Consolidation Initiative (FDCCI), GSA IT has reduced its overall number of data centers and consolidated their functionality to the agency's core data centers. This consolidation has saved or avoided costs totaling approximately $29

million between FY 2012 and FY 2015[1]. For example, GSA migrated and consolidated the Bannister Data Center to the NASA Shared Services Center (NSSC) (located at Stennis Space Center) and reduced floor space by more than 50 percent. Currently, GSA has three core data centers, as well as multiple regional data centers. The future goal of GSA IT is to consolidate all core and regional data centers into just three primary data centers.

Enterprise-wide Planning
To ensure that IT investments within various GSA divisions, such as the Public Buildings Service (PBS) and the Federal Acquisition Service (FAS), are aligned with the long-term IT vision of the agency, my office collaborates with these and other offices to provide guidance and support. The IT executives supporting these offices report directly to the GSA CIO and formulate technology solutions and manage IT investments with clear understanding of GSA IT enterprise management requirements and clear direction from the CIO. Through the executive business case process, GSA's enterprise governance program advisory boards and the IRB review investment requests that exceed $500,000. GSA's Deputy Administrator, CFO, CIO, Chief Acquisition Officer (CAO), and business line commissioners are members of the IRB and contribute to this review process. In addition, GSA is working to establish criteria and initiate programs to identify and develop an IT cadre within the agency.

Optimizing IT Vendor Spending
To identify opportunities to reduce the cost and number of IT contracts, GSA has established an IT Vendor Management Office (VMO) to maintain a centralized view of IT spending. One function of the IT VMO is to establish a process to classify all IT vendors as strategic, critical, standard, or sustaining, and develop an evolving portfolio of strategic vendors supporting critical, key integrated IT requirements and functions. Additionally, the IT VMO evaluates new, emerging, and innovative vendor capabilities. This effort helps to identify opportunities to consolidate or eliminate duplicative technologies and contracts resulting in more efficient enterprise solutions for the agency, while continuing to support opportunities for small and disadvantaged businesses. From FY 2014 to FY 2015, consolidation efforts have resulted in approximately $5.5 million in a combination of cost savings and cost avoidance.

Acquisition of Software
To improve the way the government purchases, maintains, and manages software, FITARA requires GSA, in collaboration with OMB, to expand strategic sourcing initiatives to include software, clearing the way for government-wide enterprise licensing

---

[1] OMB Quarterly Report to Congress: Information Technology Oversight and Reform, October 2015

agreements.[2] Currently, software licensing terms and conditions vary not only from agency to agency, but even within agencies. Varied purchase methods and limited visibility on pricing and terms create inefficiencies across government. To address this problem, GSA has included software in its Category Management initiative. Category Management allows the Federal government to buy as a single entity, and enables better understanding of buying trends and cost drivers, and encourages identification of new innovations and emerging companies.

As part of this effort, OMB, GSA, and the Department of Defense (DOD) created an enterprise software category team (ESCT) to reduce the wasteful and redundant purchasing of licenses. The ESCT is leading efforts to improve management of common spending by capturing prices paid data, establishing standard terms and conditions on license agreements, standardizing end user license agreements (EULAs), and establishing government-wide enterprise license agreements and contracts.

The ESCT meets weekly to discuss specific initiatives and potential issues and challenges. This entails working across the federal government to understand how agencies are purchasing software today and the challenges facing agencies in developing requirements and purchasing and managing licenses. The ESCT identifies strategies that agencies can use to evolve purchasing behavior into an enterprise-wide approach.

NEXT STEPS

In an effort to drive transparency and help our organizations make better strategic decisions, GSA is currently establishing a common cloud-based technology platform, known as data-to-decisions (D2D), to migrate and manage all key enterprise data assets. The migration of the critical datasets and the development of rich data analytics capabilities will empower GSA's senior leadership team to make better informed strategic decisions and enable line managers to align on the same data inputs as the leadership team.

As for the FDCCI effort, GSA plans to close an additional 28 data centers, resulting in approximately $2.5 million in cost savings and cost avoidance over the next two fiscal years. GSA also plans to continue migrating systems and applications to the Cloud. GSA is looking for ways to leverage the Integrated Award Environment (IAE) Common Services Platform to build an enterprise-wide, DevOps-enabling cloud capability that will allow rapid, agile delivery to internal and external customers. Finally, GSA will use cloud

---

[2] P.L.113–291 sec. 837

service providers to launch modernized acquisition applications, such updates to FBO.gov, CFDA.gov, and FPDS.gov.

CONCLUSION

While GSA has made significant progress in implementing the key components of FITARA, there is still more work ahead. Through consolidation and by driving efficiency into the GSA computing enterprise, GSA has increased the usability of our systems; eliminated duplicative processes, systems, and applications; and standardized our processes using industry best practices and solutions.

I look forward to continuing to work with GSA senior agency officials, OMB, federal agency CIOs, and the members of this Committee to ensure that GSA is effectively implementing FITARA to reduce costs and increase the value of our IT acquisitions. I thank the Subcommittees for the opportunity to testify today and look forward to answering your questions.

Mr. MEADOWS. Thank you so much.

Mr. Powner, good to have you back with us. You are recognized for 5 minutes.

STATEMENT OF DAVID A. POWNER

Mr. POWNER. Chairmen Meadows, Hurd, Ranking Members Connolly and Kelly, I would like to first thank you for your leadership on the implementation of FITARA with your first set of grades. Your initial focus on improving transparency of the projects on the Dashboard, delivering in smaller increments, and holding agencies accountable for savings on data center closings and duplicative spending will greatly help agencies with their implementation efforts.

I'd like to briefly comment on each of the four areas on your scorecard, starting with incremental development.

FITARA requires that CIOs certify that IT investments deliver in increments consistent with OMB policy, which requires that major investments deliver in 6 months. Agencies such as VA, GSA, and EPA do a good job in this area. Agencies self-report that, overall, 58 percent of the projects in development are planning to deliver in 6 months. Our ongoing work for this committee shows that this number greatly overstates the extent to which agencies are delivering incrementally. Therefore, grades in this area for some agencies are too high and may need a downward adjustment in the future.

Next, Dashboard transparency. FITARA codified the IT Dashboard and CIO risk ratings for the approximately 750 major investments across the departments. These ratings simply say whether each investment is low-, medium-, or high-risk. The Dashboard tells us that about 160 investments, totaling about $10.5 billion, is moderate- or high-risk and that 76 percent of the IT dollars the government invests in is low-risk.

These totals are nowhere near reality, given the troubled IT acquisitions and the old, antiquated legacy systems the government has. CIOs need to be more transparent and accurate in this area, and our ongoing work will show that many of these CIO ratings are not acknowledging risk appropriately. Agency CIO ratings that do acknowledge a fair amount of risk include Commerce and EPA.

Next, PortfolioStat. FITARA requires that agencies review their IT portfolios and address waste and duplication. When OMB first started this effort, there were over 200 initiatives, totaling nearly $6 billion in planned savings. However, our latest report showed that the baseline is much lower and there has been inconsistent reporting to GAO, OMB, and the Congress. Some agencies, like SSA and Treasury, have reported significant savings.

We have over 60 recommendations to OMB and agencies in this area, and FITARA and your grades will help refocus needed attention here.

Next, data center consolidation. This is the big dollar-savings area. FITARA requires annual, publicly reported updates on savings. Our ongoing review for this committee highlights the importance of this section of the law.

Twenty-one-hundred more data centers are now being reported to us, for a total of 11,700 centers.

Representative Connolly, you missed one update in the baseline. We were at about 9,600, and now we're at 11,700.

Over 3,300 have been closed to date, and the government plans to close an additional 2,000 centers. Over $2.5 billion have been saved, and there is another $5.5 billion on the table. So, in total, the government plans to close 5,000 centers and save about $8 billion.

Mr. Chairman, this $8 billion total should actually be much higher since some agencies have lowballed their targets and not all agencies have new cost estimates in. The top five agencies in data center savings are Treasury, DOD, DHS, Transportation, and Commerce.

I'd like to comment on the data sources used to grade agencies. It's not perfect, as we've discussed, but it's the best data available, agencies own it, and they need to get it right. The data primarily comes from the IT Dashboard and the quarterly savings report submitted to the appropriation committees. We believe your grades and oversight will greatly improve the accuracy of the data and attention to these areas and ultimately more progress. In addition, our reviews will highlight where agencies' self-reporting is inaccurate.

A critical and additional area where oversight is needed with your scorecard in the future, as we have discussed, is CIO authorities. We would recommend a close review of the FITARA implementation plans when approved and whether CIOs are exercising their enhanced authorities. Until these authorities are strengthened significantly, agencies will struggle to comprehensively implement FITARA.

I would like to thank Tony Scott for his leadership, specifically on enhancing the transparency by making the FITARA implementation plans publicly available, his recent strategic sourcing enhancements associated with desktop purchases, and calling for more focus and attention on GAO's IT recommendations.

Chairman Meadows, Ranking Members Connolly and Kelly, thank you again for your leadership. We look forward to working with you further on your scorecard and oversight.

[Prepared statement of Mr. Powner follows:]

GAO Highlights

November 4 2015

INFORMATION TECHNOLOGY

Implementation of Reform Legislation Needed to Improve Acquisitions and Operations

Why GAO Did This Study

The federal government invests more than $80 billion annually in IT. However, these investments frequently fail, incur cost overruns and schedule slippages, or contribute little to mission-related outcomes. As GAO has previously reported, this underperformance of federal IT projects can be traced to a lack of disciplined and effective management and inadequate executive-level oversight. Accordingly, in December 2014, IT reform legislation was enacted, aimed at improving agencies' acquisition of IT. Further, earlier this year 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.

This statement provides information on FITARA and GAO's designation of IT acquisitions and operations as a high-risk area. In preparing this statement, GAO relied on its previously published work in these areas.

What GAO Recommends

Over the last 6 years, GAO made about 800 recommendations to OMB and agencies to improve acquisition and operations of IT. As of October 2015, about 32 percent of these had been implemented. It will be critical for agencies to implement the remaining GAO recommendations and the requirements of FITARA to achieve improvements.

What GAO Found

The law commonly referred to as the Federal Information Technology Acquisition Reform Act (FITARA) was enacted in December 2014 and aims to improve federal information technology (IT) acquisition and operations. The law includes specific requirements related to seven areas. For example, it addresses

- **Agency Chief Information Officer (CIO) authority enhancements.** Among other things, agency CIOs are required to approve the IT budget requests of their respective agencies and certify that IT investments are adequately implementing the Office of Management and Budget's (OMB) incremental development guidance.
- **Enhanced transparency and improved risk management.** OMB and agencies are to make publicly available detailed information on federal IT investments, and agency CIOs are to categorize IT investments by risk. Additionally, if major IT investments are rated as high risk for 4 consecutive quarters, the agencies are to conduct a review of the investment.
- **Portfolio review.** Agencies are to annually review IT investment portfolios in order to, among other things, increase efficiency and effectiveness, and identify potential waste and duplication. OMB is required to develop standardized performance metrics, to include cost savings, and to submit quarterly reports to Congress on cost savings.
- **Federal data center consolidation initiative.** Agencies are required to provide OMB with a data center inventory, a strategy for consolidating and optimizing the data centers (to include planned cost savings), and quarterly updates on progress made. OMB is required to develop a goal of how much is to be saved through this initiative, and report on progress annually.
- **Maximizing the benefit of the federal strategic sourcing initiative.** Federal agencies are required to compare their purchases of services and supplies to what is offered under the Federal Strategic Sourcing initiative.

OMB has released guidance for agencies to implement provisions of FITARA, which includes actions agencies are to take regarding responsibilities for CIOs. The guidance also reiterates OMB's existing guidance on IT portfolio management, a key transparency website, and the federal data center consolidation initiative; and expands its existing guidance on reviews of at-risk investments. Agencies were to conduct a self-assessment and submit a plan to OMB by August 2015 describing the changes they will make to ensure that responsibilities are implemented. Further, portions of these plans are required to be made publicly available 30 days after OMB's approval; as of October 30, 2015, none of the 24 Chief Financial Officers Act agencies had done so.

Further, FITARA's provisions are similar to areas covered by GAO's high risk area to improve the management of IT acquisitions and operations. For example, GAO has noted that improvements are needed in federal efforts to enhance transparency, consolidate data centers, and streamline agencies' IT investment portfolios. To demonstrate progress in addressing this high-risk area, agencies will need to implement the legislation's provisions and GAO's outstanding recommendations.

_____ **United States Government Accountability Office**

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

I am pleased to be here today to discuss the recently enacted federal information technology (IT) acquisition reform legislation (commonly referred to as the Federal Information Technology Acquisition Reform Act or FITARA)[1] and our recent designation of IT acquisitions and operations as a government-wide high-risk area.[2] As you know, the effective and efficient acquisition and management of IT investments has been a long-standing challenge in the federal government. In particular, the federal government has spent billions of dollars on failed and poorly performing IT investments, which often suffered from ineffective management, moreover spending on IT operations has been inefficient. Over the last 6 fiscal years, we have made about 800 recommendations to address weaknesses in agencies' IT acquisitions and operations.

My statement today will discuss FITARA requirements and our designation of IT acquisitions and operations as a high-risk area. We based this work upon prior reports and updates from agencies regarding our recommendations. A more detailed discussion of the objectives, scope, and methodology of this work is included in each of the reports that are cited throughout this statement.[3] 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.

---

[1]Federal 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).

[2]GAO, High-Risk Series: An Update, GAO-15-290 (Washington, D.C.: Feb. 11, 2015). GAO maintains a high-risk program to focus attention on government operations that it identifies as high risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness challenges.

[3]See 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,[4] 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 Farm Service Agency's Modernize and Innovate the Delivery of Agricultural Systems program, which was to replace aging hardware and software applications that process benefits to farmers, was halted after investing about 10 years and at least $423 million, while only delivering about 20 percent of the functionality that was originally planned.
- 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

---

[4]GAO, *Information Technology: Additional Actions and Oversight Urgently Needed to Reduce Waste and Improve Performance in Acquisitions and Operations,* GAO-15-675T (Washington, D.C.: June 10, 2015).

- 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 had 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 had the authority to review and approve the entire agency IT portfolio and that CIOs' authority was limited.[5]

Recent Legislation Can Improve Agencies' Management of IT

Recognizing the severity of issues related to government-wide management of IT, in December 2014, Congress enacted IT reform legislation, FITARA.[6] The law holds promise for improving agencies' acquisition of IT and enabling Congress to monitor agencies' progress and hold them accountable for reducing duplication and achieving cost savings. FITARA includes specific requirements related to seven areas.

- **Agency CIO authority enhancements.**[7] Agency CIOs are required to (1) approve the IT budget requests of their respective agencies, (2) certify that IT investments are adequately implementing OMB's incremental development guidance, (3) review and approve contracts for IT, and (4) approve the appointment of other agency employees with the title of CIO.
- **Enhanced transparency and improved risk management.** OMB and agencies are to make publicly available detailed information on federal IT investments, and agency CIOs are to categorize their IT

---

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

[6]Pub. L. No. 113-291, div. A, title VIII, subtitle D § 831(a) (Dec. 19, 2014).

[7]The provisions apply to the agencies covered by the Chief Financial Officers Act of 1990 31 U.S.C. § 901(b), except that the Department of Defense is exempted from this and other activities.

investments by risk. Additionally, in the case of major IT investments that rated as high risk for 4 consecutive quarters, the law requires that the agency CIO and the investment's program manager conduct a review aimed at identifying and addressing the causes of the risk.

- **Portfolio review.** Agencies are to annually review IT investment portfolios in order to, among other things, increase efficiency and effectiveness, and identify potential waste and duplication. In developing the associated process, the law requires OMB to develop standardized performance metrics, to include cost savings, and to submit quarterly reports to Congress on cost savings.
- **Federal data center consolidation initiative (FDCCI).** Agencies are required to provide OMB with a data center inventory, a strategy for consolidating and optimizing the data centers (to include planned cost savings), and quarterly updates on progress made. The law also requires OMB to develop a goal of how much is to be saved through this initiative, and provide annual reports on cost savings achieved.
- **Expansion of training and use of IT cadres.** Agencies are to update their acquisition human capital plans to address supporting the timely and effective acquisition of IT. In doing so, the law calls for agencies to consider, among other things, establishing IT acquisition cadres or developing agreements with other agencies that have such cadres.
- **Maximizing the benefit of the federal strategic sourcing initiative.** Federal agencies are required to compare their purchases of services and supplies to what is offered under the Federal Strategic Sourcing initiative. OMB is also required to issue related regulations.
- **Government-wide software purchasing program.** The General Services Administration is to develop a strategic sourcing initiative to enhance government-wide acquisition and management of software. In doing so, the law requires that, to the maximum extent practicable, the General Services Administration should allow for the purchase of a software license agreement that is available for use by all Executive Branch agencies as a single user.

In addition, in June 2015, the Office of Management and Budget (OMB) released guidance describing how agencies are to implement the law.[8] OMB's guidance states that it is intended to, among other things:

- assist agencies in aligning their IT resources to statutory requirements;

---

[8]OMB, *Management and Oversight of Information Technology*, Memorandum M-15-14 (Washington, D.C.: June 10, 2015).

- 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 between agency CIOs and bureau CIOs; and
- strengthen CIO accountability for IT cost, schedule, performance, and security.

In this regard, the 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.

The guidance includes several actions agencies are to take to establish a basic set of roles and responsibilities (referred to as the "common baseline") for CIOs and other senior agency officials that are needed to implement the authorities described in the law. For example, agencies were required to conduct a self-assessment and submit a plan describing the changes they will make to ensure that common baseline responsibilities are implemented. Agencies were to submit their plans to OMB's Office of E-Government and Information Technology by August 15, 2015, and make portions of the plans publicly available on agency websites no later than 30 days after OMB approval. As of October 30, 2015, none of the 24 Chief Financial Officers Act agencies have made their plans publicly available.

The guidance also noted that OMB will help support agency implementation of the common baseline by, for example, requiring the Federal CIO Council[9] to, on quarterly basis, discuss topics related to the implementation of the common baseline and to assist agencies by sharing examples of agency governance processes and IT policies. Further, by June 30, 2015, the President's Management Council[10] was to select three members from the council to provide an update on government-wide implementation of FITARA on a quarterly basis through September 2016. However, as of October 28, 2015, OMB officials stated that the President's Management Council had not yet selected members to provide these updates.

---

[9]The 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.

[10]The 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.

In addition, OMB recently issued a memorandum regarding commodity IT acquisitions and noted that agencies buy and manage their IT in a fragmented and inefficient manner which conflicts with the goals of FITARA. Among other things, the memorandum directed agencies to standardize laptop and desktop configurations for common requirements and reduce the number of contracts for laptops and desktops by consolidating purchasing.[11] The memorandum notes that OMB intends for agencies to implement standard configurations over time by using approved contracts, with a government-wide goal of 75 percent of agencies using approved contracts by fiscal year 2018. The memorandum requires agencies to develop transition plans to achieve this goal and submit them to OMB by February 28, 2016.

IT Acquisitions and Operations Recently Added as a GAO High-Risk Area

Our government-wide high-risk area *Improving the Management of IT Acquisitions and Operations* highlights critical IT initiatives, four of which align with provisions in FITARA: (1) an emphasis on incremental development, (2) a key transparency initiative, (3) efforts to consolidate data centers, and (4) efforts to streamline agencies' portfolios of IT investments. Our high-risk report notes that implementation of these initiatives had been inconsistent, and more work remained to demonstrate progress in achieving IT acquisition outcomes. Implementing the provisions from the law, along with our outstanding recommendations, will be necessary for agencies to demonstrate progress in addressing this high-risk area.

Incremental Development

OMB has emphasized the need to deliver investments in smaller parts, or increments, in order to reduce investment risk, deliver capabilities more quickly, and facilitate the adoption of emerging technologies. 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

---

[11]OMB, *Category Management Policy 15-1: Improving the Acquisition and Management of Common Information Technology: Laptops and Desktops*, M-16-02 (Washington, D.C.: Oct. 16, 2015).

to deliver capabilities in 12-month cycles.[12] 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.

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 improve performance. OMB reported that federal 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.[13] 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, as of October 28, 2015, OMB has only conducted one TechStat review in the last 2 years. In particular, between March 2013 and October 2015, OMB held one TechStat on the Department of State's legacy consular systems investment in July 2015. Moreover, OMB has not listed any savings from TechStats in any of its required quarterly reporting to Congress since June 2012.

Key Transparency Initiative

To help the government achieve transparency while managing legacy 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
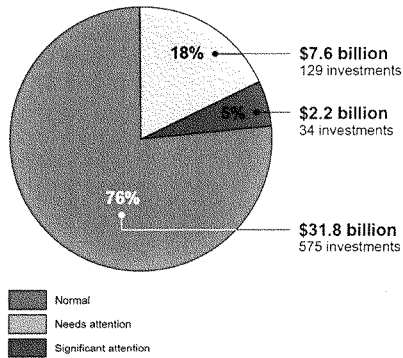
---

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

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

against cost and schedule targets.[14] 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 August 2015, according to the IT Dashboard, 163 of the federal government's 738 major IT investments—totaling $9.8 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 August 2015

- $7.6 billion
  129 investments
- $2.2 billion
  34 investments
- $31.8 billion
  575 investments

Normal

Needs attention

Significant attention

Source: Office of Management and Budget's IT Dashboard. | GAO-16-204T

Over the past several years, we have made over 20 recommendations to help improve the accuracy and reliability of the information on the IT

[14]GAO, *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).
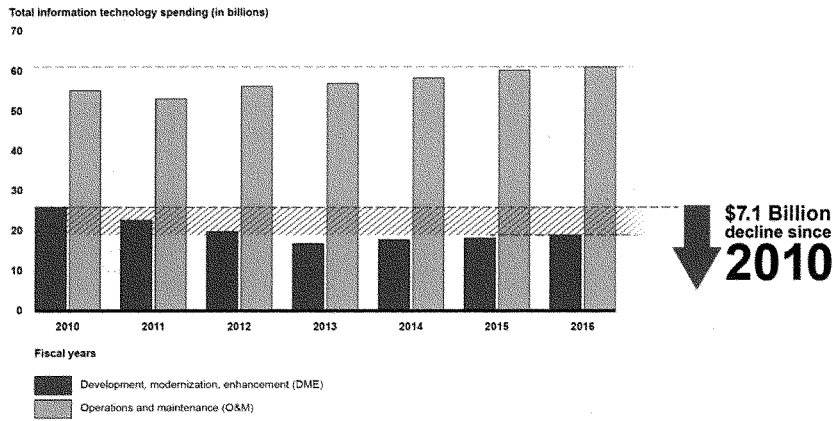
Dashboard and to increase its availability.[15] Most agencies agreed with our recommendations or had no comment.

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 2016 IT budgets on the operations and maintenance (O&M) of legacy (i.e., steady-state) systems. From fiscal year 2010 to fiscal year 2016, this amount has increased, while the amount invested in developing new systems has decreased by about $7.1 billion. (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.

---

[15]GAO-14-64; GAO, *Information Technology Dashboard: Opportunities Exist to Improve Transparency and Oversight of Investment Risk at Select Agencies,* GAO-13-98 (Washington, D.C.: Oct. 16, 2012); *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); *Information Technology: OMB Has Made Improvements to Its Dashboard, but Further Work Is Needed by Agencies and OMB to Ensure Data Accuracy,* GAO-11-262 (Washington, D.C.: Mar. 15, 2011); and *Information Technology: OMB's Dashboard Has Increased Transparency and Oversight, but Improvements Needed,* GAO-10-701 (Washington, D.C.: July 16, 2010).

Figure 2: Summary of IT Spending by Fiscal Year from 2010 through 2016 (Dollars in Billions)
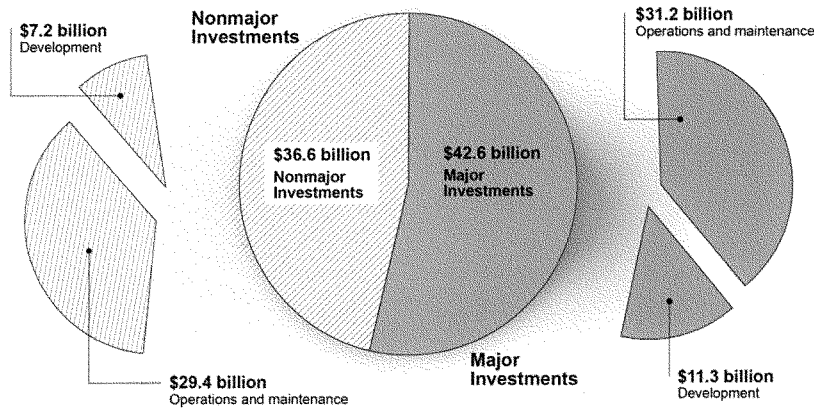
Total information technology spending (in billions)

$7.1 Billion decline since 2010

Fiscal years

Development, modernization, enhancement (DME)

Operations and maintenance (O&M)

Source: GAO analysis of agency data. | GAO-16-204T

Of the more than $79 billion budgeted for federal IT in fiscal year 2016,[16] 26 federal agencies[17] plan to spend about $60 billion, more than three-

---

[16]This $79 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 $79 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.

[17]The 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.

48

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 2016 Major and Nonmajor Investments in Development and Operations and Maintenance (Dollars in Billions)

$7.2 billion Development

Nonmajor Investments

$31.2 billion Operations and maintenance

$36.6 billion Nonmajor Investments

$42.6 billion Major Investments

$29.4 billion Operations and maintenance

Major Investments

$11.3 billion Development

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 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.[18] 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.

Consolidating Data Centers

To improve the efficiency, performance, and environmental footprint of federal data center activities, OMB, 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;[19] as of May 2015, they had closed 1,684 data centers and were planning to close an additional 2,431—for a total of 4,115—by the end of September 2015.[20] 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. Further, since our May 2014 report we received additional information from other agencies about their actual 2014 cost savings and revised plans for future savings. This information is shown in table 2, which 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.

[18]GAO, *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).

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

[20]We have ongoing work to determine the total data center closures completed through fiscal year 2015.

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

Fiscal year	Estimated and actual				Planned				
	2011	2012	2013	2014	2015	2016	2017	Beyond 2017	Total
Total savings and avoidances	$193	$266	$666	$853	$1,250	$917	$1,144	$2,100	$7,389
	$1,978 total				$5,411 total				

Source: GAO analysis of agency data. | GAO-16-204T

Note: Totals may not add due to rounding.

However, in our September 2014 report, we noted that planned savings may be understated because of difficulties agencies encountered when calculating savings and communicating their estimates to OMB. We made recommendations to ensure the initiative improves efficiency and achieves cost savings. Most agencies agreed with our recommendations or did not comment.

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 IT[21] 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.[22] 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, with some agreeing and others not.

---

[21]According 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).

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

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.[23] Additionally, although agencies also reported having achieved approximately $1.1 billion in savings, inconsistencies in OMB's and agencies' reporting made 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, with which it agreed.

We have also recently reported on two additional key areas of agency's IT spending portfolio: software licensing and mobile devices.

- Regarding software licensing, we recently reported that better management was needed to achieve significant savings government-wide.[24] In particular, 22 of the 24 major agencies we reviewed did not have comprehensive license policies, and only 2 had comprehensive license inventories. 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 with the need for guidance. However, we believe that 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.
- We have also reported[25] that most of the 15 agencies in our mobile devices review did not have an inventory of mobile devices and associated services, and only 1 of the 15 agencies we reviewed had documented procedures for monitoring spending. Accordingly, we recommended that the agencies take actions to improve their inventories and control processes and that OMB measure and report progress in achieving cost savings. OMB and 14 of the agencies generally agreed with the recommendations or had no comment. The Department of Defense partially agreed, and we maintained that actions were needed.

---

[23]GAO, *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).

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

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

Actions Needed to Address 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.[26] These include implementing the recently enacted statutory requirements promoting IT acquisition reform, as well as implementing our previous recommendations, such as updating the public version of the IT Dashboard throughout the year. As noted in that report, we have made multiple recommendations to improve agencies' management of their IT acquisitions, many of which have been discussed in this statement. In the last 6 years we made approximately 800 recommendations to multiple agencies. As of October 2015, about 32 percent of these recommendations had been implemented.

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

- implement at least 80 percent of GAO's recommendations related to the management of IT acquisitions and operations within 4 years.
- ensure that a minimum of 80 percent of the government's major acquisitions deliver functionality every 12 months.
- achieve no less than 80 percent of the planned PortfolioStat savings and 80 percent of the planned savings planned for data center consolidation.

In conclusion, 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. Further, by identifying improving the management of IT acquisitions and operations as a new government-wide high-risk area we are bringing necessary attention to several critical IT initiatives in need of additional congressional 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.

[26]GAO-15-290.

Chairmen Meadows and Hurd, Ranking Members Connolly and Kelly, 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 Kevin Walsh (Assistant Director), Chris Businsky, Rebecca Eyler, Kaelin Kuhn, and Jessica Waselkow.

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.

Mr. MEADOWS. Thank you so much.

The chair will recognize himself for 5 minutes to follow up, I guess, on our opening statement. So I want to just thank all five of you for your illuminating testimony.

I guess, for me, part of this would piggyback on what I had highlighted during our opening remarks, and that would be, as we look at savings, what incentive is there for you to save and be efficient, only to give the money back to someone else or back to the general Treasury, where it gets reallocated or reappropriated to somebody else? Is there a real incentive for you to do that?

Mr. McKinney, do you want to weigh in on that?

Mr. McKINNEY. I'd be glad to.

That was music to my ears when you said that, because I absolutely believe that, you know, not only do I need to drive down cost, I need to drive up service delivery and improvement of delivery of services.

And, you know, if we can have an ongoing conversation about how we can incentivize people, you know, when they drive down their costs, that there's that reinvestment opportunity and transparency about that reinvestment opportunity, I think that's a great conversation to have.

Mr. MEADOWS. So do you think you could work with GAO and OMB as it relates to that?

Because one of the concerns I have really has to do with the data that not only you but Treasury and others have put forth. So let me be specific. I mean, when we are talking about savings and reporting those savings to GAO, where we are trying to get a good scorecard, I guess, Transportation, you had indicated that, you know, there was some $77 million in savings. But yet when Congress gets a report through OMB and other sources, the savings was only $3 million.

Mr. McKINNEY. Yeah.

Mr. MEADOWS. Now, I am not saying that the $3 million or the $77 million, either one of those, is inaccurate, but there is a fly in the ointment somewhere. And so, in doing that, is that because, obviously, we want to save as much as we can and that you get penalized by Congress when you have saved money?

I am amazed at the amount of fourth-quarter spending that goes on around here. I mean, I know it shouldn't be a shock, but it is amazing how many dollars we spend in the fourth quarter, saving up for the first three.

So why would you think that there would be an inconsistency there? And I am not trying to put you on the spot.

Maybe, Mr. Scott, let me come to you and let you answer that question. Why would there be an inconsistency with what is reported in terms of savings through you and then others, to Mr. Powner, in terms of those same dollar savings?

Mr. SCOTT. I'm not sure I have the complete answer. As we've discussed about this topic with various organizations, various agencies, and so on, I think it's a combination of a couple of things.

One is, some measures that we use here are cost avoidance as well as actual cost savings. So it depends on how you answer the question—or how you ask the question, what the answer is.

Mr. MEADOWS. So is that like saying that someone is going to go to a sale at a supermarket and, because they decided not to buy something that may have been more expensive, that they have saved that amount of money?

Mr. SCOTT. Or it could be required increases that are absorbed by existing technology, those kinds of things.

Mr. MEADOWS. All right. So can we get that consistent? Because if that is an inconsistency, you know, it is inconsistent in the definition of what you are reporting to OMB and then the same that you are reporting to GAO. We are talking about apples and oranges.

So that is what you are saying, is it is a definitional——

Mr. SCOTT. It's one of the things that I think we collectively have to work on, that we're using the same measures when we talk about the same thing. And even in the scorecard that I see here, I see differences in the way that OMB is measuring something.

Mr. MEADOWS. And there are going to be. In fact, I think we have talked to GAO with that. And here is what a lot of the agencies are going to get: the benefit of the doubt today. As we start to refine this and define this, then I would say that the benefit of the doubt and the score—I fully expect some of your scores to go down as we look at this. And that is not going to be very troubling unless it is a trend. And I think that all of us, in a bipartisan way, are trying to make sure that it is the trend that we are looking at, that we are making progress.

And so let me finish up, Mr. McKinney, with one of yours. In your testimony, you highlighted that 70-percent sweet spot in terms of the enterprise systems and so forth.

Mr. McKINNEY. Right.

Mr. MEADOWS. Do you believe that that is the area that you have the most control over in terms of IT expenditures?

Because data centers seem like—and the definition of "data center"—and we have had hearings in this very room on data centers and what they are and what they are not. It seems like that is where the big number is in terms of savings?

Mr. McKINNEY. Yes, sir. Not only is it the big number, you know, in my experience with IT, it's foundational, you know. Everything else that you do in IT you do on top of that foundation.

And it's like you got an old house, somebody gives you an old house; where do you go? You go into the basement. So I'm headed into the basement, trying to figure out what's the foundation, what's the plumbing, what's the electrical like, and try to fix that first.

I think the most of the money, the savings, is in that, but I also think it's absolutely essential if we're going to build great IT on top of it.

Mr. MEADOWS. Well, here is what I would offer to each one of the agencies as we start to work with that. If any of you or all of you want to work with us in terms of being more aggressive in terms of data center consolidation and those big numbers, I will work in a bipartisan way with my colleagues to go to the appropriators and say, listen, we need to give them the benefit of the doubt, whether that is on the authorizing side or certainly on the appropriating

side, and see what we can do. And if you want to reach out to do that, that offer stands.

And so the chair would recognize the gentlewoman from Illinois, Ms. Kelly.

Ms. KELLY. Thank you, Mr. Chairman.

Mr. Powner, has GAO identified problems with self-reported data in the four areas graded in the scorecard?

Mr. POWNER. Yes, we have.

So, for instance, on incremental development, you know, there are some agencies that are reporting a very high percentage of projects that they plan to deliver in 6 months. We have some ongoing work on that. We see those percentages much lower when we go in and start looking, you know, underneath the covers on that. So that's an area that I think the grades will go down, with some of the data that's not accurate.

On the data center front, I think there are some agencies—like, Treasury and Transportation, they got F's, but we feel better about their F's because they have high goals. Okay? So that——

Mr. MEADOWS. I bet there are a lot of kids around the country that would say that their parents should feel better about their F's.

Mr. POWNER. Right. But some agencies that have A's and B's with low goals and they actually have achieved more than their goal, we don't feel so good. So I think those grades are going down; their grades are going to be going up.

So it's kind of a mix when you look at the different areas. But, again, I think the self-reported and your grades and focus will help with self-reporting, and hopefully our audits that will be coming behind the numbers will also help get the information right.

Ms. KELLY. Well, have you identified any causes for this, behind the issues in self-reported data? Like, what do you think the causes are?

Mr. POWNER. Well, I think, on data centers, for instance, the last report we did, there were six agencies—and GSA was one of them—that we thought had a high number of closures with not high dollars and savings. And we asked those agencies to go back and look at their dollar savings.

I think that there are just certain agencies that need to relook at it. And they might need a push, both from Congress, with your oversight, from OMB. Hopefully, we can help with some of that.

I do think, with the codifying the data center consolidation in FITARA, estimates now need to go out through 2018. And that's why I think the $8 billion savings on data centers, it's going to be a lot more than that if we really get serious about it.

Ms. KELLY. Okay. Thank you.

Mr. Scott, OMB's FITARA implementation guidance includes a data improvement program that provides guidance to agencies on how to improve their data reporting related to FITARA requirements. How will OMB enforce the requirements of the data improvement program?

Mr. SCOTT. So, we do, first of all, a bunch of data collection, including quarterly standard data collection. And we have actually had a program in place for a while to try to improve the quality of that data collection that we do. And as we have gotten experi-

ence with that, and also working with GAO, we continue to identify opportunities.

So this is one of the tools that I think, actually, FITARA is going to help us with. Because it requires more transparency and visibility top to bottom in the agency, we now have an opportunity to get better data. And I think as any of these gentlemen will testify, this has been a great forcing function within the agency to sort of flush out of, you know, some of the hiding places where IT dollars were.

So we have both experience in improving the data quality, but now I think we have the opportunity, as the result of FITARA, to get better data in the first place.

Ms. KELLY. Okay.

And what are the consequences if the agency does not make a data improvement plan or fails to take steps to execute a plan?

Mr. SCOTT. Well, we have a bunch of leverage that we can use. We can leverage our colleagues on the budget side of OMB to help make sure the right things are taking place, and, also, on the management side, we have the President's Management Council. We have peer pressure, frankly.

And then there is nothing like public exposure on our Web site and oversight by this committee and GAO and inspectors general. So I think this is one of those areas where daylight will help all us of us make sure we get the data and the information we want.

Ms. KELLY. I know someone mentioned a push from Congress, but is there anything else Congress can do to ensure that agencies are reporting timely and reliable data?

And anybody can answer that.

Mr. SCOTT. Well, I think, from my viewpoint, you know, there's, sort of, no bad scorecard. We just have to agree on what the scorecard is and what we are going to measure in a uniform and consistent way. So there is no right or wrong here. I think the secret is consistency, and then we can drive for data quality in the things that we are collecting.

And so I look forward to working with this group and others to make sure we are collecting the same stuff in the right way to then drive the right action.

Ms. KELLY. Any other comments from anyone?

Nope?

I yield back the balance of my time.

Mr. MEADOWS. All right.

The chair—did you want to comment on that? Okay.

The chair recognizes the gentleman from Virginia, Mr. Connolly, the chairman of the Subcommittee on Government Operations.

Mr. CONNOLLY. I thank my friend.

Gosh. By the way, Mr. Scott, in response to Ms. Kelly, so is OMB or is GAO going to be putting on their Web site these scores?

Mr. SCOTT. We hadn't made a specific plan for this Dashboard. Frankly, we just saw it in the last day or two, so we haven't really even had the opportunity to discuss it.

Mr. CONNOLLY. All right. I would just suggest to you, respectfully, given your answer to Ms. Kelly, it would be perfectly consistent to do so. If we want sunshine and we want to—and we can always do it with the right caveat.

All right. Mr. McKinney, thank you for your statement, along with your colleagues on your right and left. It was not defensive. It was self-reflective. And, boy, if everybody approaches this opportunity that way, the Federal Government is going to be humming, at least when it comes to investment management and deployment of IT assets. And that gives me great hope. So thank you for your statement.

Mr. MCKINNEY. Thank you, sir.

Mr. CONNOLLY. Very empowering.

Mr. Powner, Mr. McKinney indicated in response to Ms. Kelly that, when it comes to data center consolidation, that is foundational. You know, absent that, we are not going to effectuate the kinds of reforms and efficiencies and savings we need.

I got to admit, you surprised me. I was off by 3,000. It seems like every hearing we have we discover another 2,000 or 3,000 data centers.

You have released your report on your work assessing the Federal Government's status on the consolation effort. What are the challenges toward significant reduction and consolidation?

Mr. POWNER. Well, I think you need to look at the current goals that they have. So, of the 11,700 data centers that are being reported, agencies are only reporting 275 of those are core. Now, we are not going to consolidate——

Mr. CONNOLLY. Could you say that again? I couldn't hear you.

Mr. POWNER. These are the core data centers, so these are the primary data centers that you really want to consolidate into. So there still will be these non-core that remain.

But I think, when you really look at agencies and you look at the number of core centers they have, that needs a closer look. And this is something we discussed with Mr. Scott and some folks at OMB. They've got some good guidance that's coming out on data center consolidation, what agencies need to do down the road, and that includes getting better estimates up to school-year 2016 through 2018.

But I really think a good, hard look needs to occur with those core data centers. And is the number, is that the right number? And the ones that are non-core, what are we really doing with them? How many of those are going to be remaining?

Mr. CONNOLLY. Assuming we are able to get everybody on board with this consolidation, Mr. Scott, what happens to the savings the agency might effectuate? I mean, I think Mr. Powner said maybe $8 billion, maybe more, actually.

Because Mr. Meadows and I have focused on this. We don't want to punish someone unwittingly by saying, great, you saved all that money, now give it to us, and we are going to, you know, use it for some other purpose, rather than reinvesting in the enterprise in new IT assets or management throughout.

What happens to the savings? And what, in your opinion, can we do or should do legislatively to help make that an incentive rather than a disincentive?

Mr. SCOTT. I think, generally speaking, what happens is it's at the discretion of the agency, what to do with the savings. So the money may be reprogrammed for other efforts.

But I think you're hitting at one of the core issues, which is, for an agency CIO to undertake any kind of major reinvestment to replace an old, antiquated legacy system, which is one of the things we want agencies to do, there has to be some source of funds for doing that. And that source of funds may have to be more than what's available in 1 year or in the savings that come from other savings efforts that go on.

Our guidance that we just issued for public comment, A–130, suggests a new model for decisionmaking around software investments, including greater use of shared services, greater use of already-existing technology that is modern and that the government has rights to, and a series of things like that that should begin to also generate additional savings.

But, fundamentally, we need to have a different kind of funding mechanism than is generally available today, in my opinion.

Mr. CONNOLLY. If I could ask one more question, Mr. Chairman? And then I will yield, of course, to Ms. Duckworth.

But one of the other features of FITARA is a management feature, which is to try to evolve into a meaningful hierarchy of decisionmaking when it comes to the title of CIO. The three of you have that title.

How many other people in your agency have it, Mr. McKinney?

Mr. MCKINNEY. Well, we have nine operating administrations, and each one of them has someone with the title of——

Mr. CONNOLLY. CIO?

Mr. MCKINNEY. Yes, sir.

Mr. CONNOLLY. Mr. Shive?

Mr. SHIVE. When we started our consolidation, we had 27 CIOs; now we have 1.

Mr. CONNOLLY. Twenty-seven; now we are at one.

Mr. Bhagowalia?

Mr. BHAGOWALIA. I have nine, sir.

Mr. CONNOLLY. Nine.

Because, generally, when you ask even very large corporations— I do it as a trick question—"By the way, how many CIOs do you have?" And they look at me kind of funny and go, "Well, one," no matter how big. You know, we have 250 people over 24 agencies— or did, when we wrote the bill.

We didn't prescriptively say, "There shall be one," because we didn't want to create resistance for you and your colleagues in trying to get your job done. But we were hoping that, over time, we kind of evolve to one individual who is infused with responsibility, accountability, flexibility to make decisions and to stick by them.

Mr. Scott, final aspect of this one question: How are we doing in evolving that way? It sounds like Mr. McKinney's organization has done a pretty good job of doing it.

Mr. SCOTT. I think it's a little too early to tell across the Federal Government how we are doing.

What we have seen in agencies' plans, generally, is some reduction in the number of CIOs. So there are definitely cases where somebody has said, you know, if this is what I'm going to be responsible for, I don't want the title of CIO anymore, and we'll give it to somebody else.

And what we are looking for specifically is the overall governance framework. So we haven't specifically focused on CIO title reduction, but what we are looking at is, you know, where the accountability and responsibility flows and how it flows up to the agency CIO.

Mr. CONNOLLY. Thank you for your indulgence, Mr. Chairman.

Mr. HURD. [Presiding.] Thank you.

So now I would like to recognize the gentlewoman from Illinois, Ms. Duckworth.

Ms. DUCKWORTH. Thank you, Mr. Chairman.

I am actually going to follow up on what my colleague was saying. Mr. Scott, I sort of want to look at this idea of the enhanced CIO authority and how it benefits the IT acquisition process, going right back to what you were just talking about, the consolidation.

And one of the things bureaucracies are known for, sir, is turf battles. And having worked inside the VA, where there are some significant turf battles there, and watching that and then being able to see the IT come together under Roger Baker as a CIO there, I gain hope.

Can you talk a little bit about the enhanced CIO authority and how that affects the acquisition process when you have this diverse number of alternate CIOs within each of the agencies?

Mr. SCOTT. I think there's a couple of things that have either been done or are in progress that will help this.

So, first of all, we are issuing broad guidance in some of the commodity IT areas, like laptops, desktops, servers, and so on, that I mentioned so that there is much stronger, sort of, guidance in terms of how that will be done in an agency. And that includes transparency of spend and the plans in that space.

Also, as I mentioned, this A–130 guidance that we have out for public guidance is also more prescriptive. And with the CIO authorities, now there is a tool for the agency CIO to say, here's the law, here's the guidance, and then measures compliance with those things in particular.

Again, I think probably the biggest trick to all of this is making sure that the data is exposed in some way so that the agency CIO can understand what's going on. And, frankly, that's going to be one of the challenges that we deal with over the next couple of years, is making sure that the reporting systems that we have capture the data at the right level and then that's available to the agency CIO.

In a big, complex agency, you might have multiple systems that gather that data in a non-uniform way, as Richard was talking about. And that's going to have to be dealt with as we go down the road here.

Ms. DUCKWORTH. Mr. McKinney, do you see this as one of your major things that you are going to be needing to work on as you go into the basement?

Mr. MCKINNEY. Yeah. You mean the governance issues? Yes, absolutely.

I wanted to, if I could, comment on that, you know, about having nine CIOs.

Ms. DUCKWORTH. Yeah.

Mr. MCKINNEY. I believe that if we could get the balance between what ought to be centralized as a utility for the Department and then we then—each of the operating administrations have unique business needs. And I need somebody, whether it's the title of CIO or IT engagement manager, whatever it is, somebody whose job, sole job, it is to focus on the alignment of the technology to that particular business, while the central office, my office, tries to manage that underlying utility.

Now, that's not to say I wouldn't be involved in that, but what I'm saying is I need eyes into that business unit to understand their unique business needs. And whether we call that a CIO or IT engagement manager, whatever we want to call it, I think that's the right balance point between the two.

Ms. DUCKWORTH. Are you confident that the things that come out of central office, say, the guidance that come out of central office, with or without a concurrence from the folks out in the field, are going to be carried out?

Because one of the things I have seen in bureaucracies at the Federal level is that lots of great things come out of central office and then they slow-walked.

Mr. MCKINNEY. Right. I have tried, in the few years I have been at DOT, to create a governance model where I, as the CIO, sit down with those modal CIOs and that we have a true business council, that we have true governance and dialogue between us, that we make decisions together.

So I do not want to be the central office that dictates out to the business units and they have no input. That won't work. What works is when the people work together towards a common goal.

Ms. DUCKWORTH. I would agree. But wouldn't you agree that, at some point, there are going to be some things that are going to be unpopular——

Mr. MCKINNEY. Yes.

Ms. DUCKWORTH. —that you are going to have to say, as the central office, okay, this is the one thing you are going to have to do and suck it up?

Mr. MCKINNEY. Yep. Yep.

I mean, that's what happened during the cyber sprint that we did. You know, that's an example of where I put FITARA to use. OMB came out with these goals about privileged and unprivileged access, and DOT's numbers were way down, and I called all those CIOs together, and I said, "We've got 30 days, and we're going to be at 100 percent of privileged, and we're going to get a high number on unprivileged"—and we got to 97—"and you've got 30 days to get it done, and they're not cutting us any slack and I can't cut you any slack." And, you know, to our credit, 30 days later, we were kind of at the top of the list of departments that tackled that issue.

Now, we've got a lot more issues ahead of us, but that's where the departmental CIO says, "I've taken your input, I've listened, but here's what we've got to do." And, you know, a good CIO isn't bashful about making those calls.

Ms. DUCKWORTH. Thank you.

I yield back, Mr. Chairman.

Mr. HURD. Thank you.

I would like to recognize myself for 5 minutes.

And continuing along that line of questioning, if there are members of you all's staff that would enjoy coming up here and testifying and we get to ask them the questions, why they are not going forward on things, we will be more than happy to do that.

My first question, Mr. Shive, GSA got one of the two B's out of the 24 CFO agencies, which were the two highest scores. Now, when we break it down and look at the data center consolidation, we graded you at a D. But if we did this on a curve, you were one of the better performing agencies on data center consolidation.

Did you need additional moneys in order to do that data center consolidation?

Mr. SHIVE. No.

Mr. HURD. You went from—you know, the reported savings is $49 million, the goal, and you have realized $29 million, which is 60 percent of that end goal. Did you need additional funding in order to achieve that?

Mr. SHIVE. No. We self-funded those activities. As a part of our IT consolidation, we consolidated much more than just data centers. We rationalized our applications, we rationalized our infrastructure, reorganized how we do business. And those were savings generated from that, and those savings were reinvested into data center consolidation.

Mr. HURD. And you were able to do that, you had the flexibility in order to do that. Is it because you have a unique budget authority as your role versus maybe some of your peers?

Mr. SHIVE. So, no, I don't have a particularly unique budget authority. I operate largely out of the working capital fund, and that's what funded most of these activities.

Mr. HURD. Great.

Mr. SHIVE. What enabled that was actually strong leadership at the top of GSA that made this a priority and the fact that we got an early start on this.

Mr. HURD. Thank you.

And now, Mr. McKinney, same question to you. The difference is you all have only realized 1 percent of the savings, of your goal. Why is that?

Mr. MCKINNEY. Well, the initial estimate that was provided—I think it was in 2011–2012 timeframe, prior to my coming to DOT— I would have to characterize it as an overly optimistic stretch goal. The number that we reported subsequently to GAO, I think, reflects the true savings.

I will say this. We have 15 core data centers—3 of them non-FAA, 12 of them in FAA. I believe that we can get our three down to two, a primary and a backup. FAA puts a data center in each one of their regions. The rest of our data centers are really telecommunication closets where there is a network router and a switch and maybe a file and print server for document caching. So our numbers, as far as the actual number of physical locations, is down pretty low.

I think the other side of—you know, and I would ask you to consider around data center consolidation is, when we started this in 2011, we really didn't have mature cloud service providers that we could move our stuff to. So I think the key, moving forward, is not

only do we shrink the number of data centers, is we move assets out of those data centers and up into the cloud. And I believe that we are going to be able to move——

Mr. HURD. You are preaching to the choir on this.

Mr. MCKINNEY. Yeah. So that's what we are going to do.

Mr. HURD. Now, do you have the authorities to do that?

Mr. MCKINNEY. Yes.

Mr. HURD. All right. And when do you plan to do it?

Mr. MCKINNEY. We're in the process of doing it right now. We just issued——a contract——

Mr. HURD. And when will it be completed?

Mr. MCKINNEY. How long will it take us to move it up? It'll take a few years.

Mr. HURD. A few years. And how much data are we talking about?

Mr. MCKINNEY. Well, let's see. I could give you an example. Probably by February-March timeframe, I'm going to move my entire messaging service up into the Microsoft 365 cloud.

Mr. HURD. So are we talking——

Mr. MCKINNEY. Four hundred gigabytes of—or, 400 terabytes of storage. You know, we're going to make big moves. And we're going to also start moving just storage up there.

Mr. HURD. So is the length of time, years, to move data, is it because of the volume of data? Is it because of when you plan on implementing this? That seems like an incredibly long time in order to move even that, the petabytes and terabytes of data.

Mr. MCKINNEY. Well, you know, I'd like to think—I just don't want to—yeah, I don't want to get in the—you know, be guilty of making an overly optimistic stretch goal. I think, yes, we can move fast. We are moving as fast as our technical teams are able to do it, and——

Mr. HURD. So am I safe to assume that that may be one of these projects that are associated with your major investments that are not being delivered deliverables every 6 months?

Mr. MCKINNEY. I think you're talking about incremental development.

Mr. HURD. Right.

Mr. MCKINNEY. Yeah. That's another subject. I'd be glad to get into that.

Mr. HURD. No, it is another subject, but aren't those about the major investments that you all—would this data center consolidation not be considered a major investment?

Mr. MCKINNEY. Yes, it would.

Mr. HURD. Right. And so you have 59 projects associated with 19 major investments, and only 9 of those 59 projects are delivering deliverables every 6 months.

Mr. MCKINNEY. Right.

Mr. HURD. And the reason for the remaining 50?

Mr. MCKINNEY. Well, many of our major investments are on the FAA side of the house.

Mr. HURD. Sure.

Mr. MCKINNEY. They involve the national airspace. Incremental development, which is often referred to with the tag line "Fail fast,"

is not really deemed appropriate for development of technologies that are going into the national airspace.

Mr. HURD. But, also, on the flip side of that, I would think if we would try to be getting the best technology available, to make sure that our FAA and our men and women that are flying planes have the best technology at their fingertips.

So talking in terms of years versus months is one of the things that has been concerning to us, you know, when we have people come up here all the time talking about—and I recognize the difficulty of the task, but the American people are tired of hearing it takes 2 years to do something that it would take, you know, any other entity less amount of time.

And we can get into the details and, yes, that everybody has a unique challenge, you know, but guess what? We still have to deliver. And, one, I want to make sure you have the authorities to do that. But, two, when you have those authorities, we are also going to hold you accountable on this area.

Mr. Scott, in your written testimony, you talked about how many of the agency plans reflected a view that CIOs would not or did not have direct knowledge of IT goods and service acquisition. You know, your analysis of these initial agency plans, I think, has been one of the best insights we have gotten into this problem. How can we help you fix that?

Mr. SCOTT. I think there's probably a couple of things in the short run.

One, as I mentioned, we have a number of these OMB guidelines coming out, and I think the development of the appropriate scorecards and measures in that space will help us measure progress in that area. And continuing to insist that IT spend be identified as a part of major projects and getting the visibility of that at all levels, whether it's at the subagency level or at the agency level, is super-important.

Another one, to me, is that, as we plan and budget for things, that conversation that takes place among the senior leadership— the CXO, the program heads, and so on—that clearly identifies what the expectations are of IT in that particular case is absolutely one of the keys. And so that's an area where we just can't take our eye off the ball. We've got to make sure we keep focused on it.

Mr. HURD. I will consult with my colleagues, but that sounds like an area for a great hearing, to discuss this topic and have some of those C suite folks talking about why or why not CIOs are not involved in the procurement process.

And the last question—and I have exceeded my time. I apologize to my colleagues.

But this is for all of you all. I welcome your feedback and thoughts on the scorecard. You know, we sit here and get to ask you all tough questions, and I would look forward to—and, Mr. Scott, I will start with you. Were you surprised, concerned with the scorecard?

Mr. SCOTT. Well, I think, again, I didn't have a lot of time to look at it, but, to me, it sort of—one of the ways to look at it is it's a baseline of, sort of, where we are today. And I think the hope for FITARA is to seize this historic moment and, frankly, do things differently than we have done in the past.

So, to me, the real measure will be, 6 months or a year from now, did we really move the needle on these things? I would love to change the past. Can't do that. Haven't figured out any way. But, you know, if we can really make progress in the next year or two, I think that's the real test.

And, hopefully, the scorecard, you know, can reflect, you know, realtime progress as we go down the road. So, as we work together, I'd like to figure out how we make sure we are getting more realtime visibility.

Mr. HURD. Mr. Bhagowalia?

Mr. BHAGOWALIA. Mr. Hurd, first of all, I think this legislation is very exciting because this legislation offers the most promise since Clinger-Cohen to really allow us to do our jobs. In the 30 years I have been in this business, I think this is the one that I think can help us, because you are also providing the oversight to make sure it gets done. I like what my colleague Mr. McKinney said, that what gets measured gets done. And that's exactly what needs to happen.

So I would just make two observations. And one would be that there's a little bit of definitional challenges, as well, so we need time to process what the scorecards and things mean. But, for example, on our PortfolioStat, we did pretty well in some of the agile, but we know we need to do much more than that across all programs. So that's an area we need to take a look at.

And I think the other thing I will just say is that, as we go into acquisition, you know, this can be a partnership with other CXOs. We've got to really work together to make it happen. But I think this is a tremendous way to really get to the validation and verification framework.

Mr. HURD. Okay. Thank you.

Mr. Shive?

Mr. SHIVE. Thank you, Chairman Hurd.

I appreciate the work that our partners at GAO put into establishing a benchmark and a baseline for us to start to measure success as we move towards FITARA implementation. I think that this is a great opportunity to start that discussion so that we can begin the work of refining how we measure success, and I look forward to being a part of that discussion.

Mr. HURD. Mr. Powner, I think I know how you feel on this topic. But I want to say that, in my 10 months being in Congress, I have been impressed with the professionalism of GAO and the thoroughness of you all's report.

So I am going to give the last word to Mr. McKinney.

Mr. MCKINNEY. Thank you, sir.

As I said in my opening remarks, I am so grateful to this committee for FITARA, but both for the accountability and the authority. You know, I wanted both.

And I sense your urgency, I feel your urgency. I have that same sense of urgency. As I said, I think this is our last chance to get it right.

So I'm going to take what you've said to me today, the accountability that I feel very clearly, and I take it back to work with me. Because I have been telling my colleagues that FITARA is to be taken seriously, that the accountability is real. And we can debate

about the authority, but, at the end of the day, the scorecard is going to reflect our accountability. And I appreciate it very, very much.

Mr. HURD. Well, Mr. McKinney, you can tell your fellow CIOs and your agency heads that many of them will be asked to appear before us.

And, Mr. Scott, I agree with you, this should be movement. This is the baseline, and if we are not seeing movement, I think these conversations are going to grow a little bit more uncomfortable.

So, with that, I would like to thank our witnesses for taking the time to appear before us today.

If there is no further business, without objection, the subcommittees stand adjourned.

[Whereupon, at 4:26 p.m., the subcommittees were adjourned.]

APPENDIX

————

MATERIAL SUBMITTED FOR THE HEARING RECORD

Congress of the United States

House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

November 4, 2015
Ranking Member Gerald E. Connolly (VA-11)

Oversight Subcommittees on Information Technology
and Government Operations:
"The Federal Information Technology Acquisition and Reform Act's Role in Reducing IT
Acquisition Risk, Part II – Measuring Agencies' FITARA Implementation"

Chairman Hurd, Chairman Meadows, and Ranking Member Kelly, I appreciate this latest joint subcommittee hearing to examine implementation of the Federal Information Technology Acquisition and Reform Act, which is better known as FITARA or Issa-Connolly. Our bipartisan legislation represents the first major reform of the laws governing federal IT management since the seminal Clinger-Cohen Act of 1996.

Although that previous effort established a solid foundation, it fell short of achieving its full potential in large part due to poor implementation, which was exacerbated by a lack of robust congressional oversight as the principal authors left Congress shortly after its adoption. I am determined to ensure that will not be the case this time around, and I hope this will be just the second in a series of hearings our subcommittees hold to gauge agency progress in realizing the transformative nature of these reforms.

I am encouraged by how quickly the Administration and federal agencies have embraced this effort. I appreciate the leadership of federal CIO and the Office of Management and Budget, which issued superb implementation guidance earlier this summer. Similarly, GAO has designated improving the management of IT acquisitions and operations as a new government-wide high-risk area with the expressed intent of encouraging swifter agency adoption of the FITARA framework.

In addition, I am pleased by the results of a recent survey of federal IT professionals conducted by MeriTalk, a public-private partnership focused on improving government use of IT, that shows nearly 80% believe FITARA will have a positive effect on the value of their agency's IT. They specifically cite its potential to reduce duplicative IT systems, improve investment decisions, increase communication and transparency, and produce real savings.

As part of this committee's effort to provide effective oversight, we have devised a scorecard to measure each agency's progress in implementing the various components of FITARA. Today, we will release an initial scorecard focusing on four of those reform activities: Data Center Consolidation, IT Portfolio Review Savings, Incremental Project

Development/Delivery, Risk and Assessment Transparency. These metrics were selected because their implementation will have a demonstrable benefit on IT acquisitions and operations, and this data is updated and available on a quarterly basis. Further, GAO already was gathering information from the agencies themselves to verify reporting in some of these areas, so the committee tasked GAO with collecting the agencies' self-reported information and then scoring it based on our direction.

I want to caution my colleagues, our partners in the administration, and others in the federal IT community that this scorecard is not intended to be a juridical exercise. It should **not** be considered a "scarlet letter" on the backs of federal agencies. This initial assessment is a point-in-time snapshot. Much like the quarterly report cards issued in our schools, we fully expect agency scores to improve over time as they fully implement these reforms.

The intent is to urge agencies to seize this moment and use this scorecard as a management tool to better guide decision making and investments. While the grades themselves are illustrative of overall performance, it is the multiple elements that make up the grades on which agencies and our committee will focus to ensure we deliver on the transformative promise of FITARA.

For example, while the Department of Transportation may be at the lower end of the scores on certain areas right now, I am encouraged by reading CIO McKinney's prepared statement, in which he says "IT is no longer just the business of the CIO. Rather, IT is everybody's business." That is exactly the point, and getting agency buy-in on the value of correctly implementing FITARA is paramount. I commend the DOT on its efforts to implement a more holistic approach to planning its IT investments by including budget and acquisition staff in its decision making process to ensure everyone understands how these decisions must support overall IT goals. GSA has a similar arrangement with its Investment Review Board, and Treasury employs a best-practice model of IT Information Resource Management.

I look forward to hearing more about the experiences and observations of these three agencies. I also would like to hear more from CIO Scott on the "common baseline" agencies are working to achieve by the end of the year. I understand two agencies already have achieved that milestone. And finally, I welcome a frank assessment from the GAO on the additional steps agencies ought to be pursuing to maximize efficiencies to realize savings, particularly with respect to holding feet to the fire to advance data center consolidation and maintain robust PortfolioStat and TechStat reviews.

For example, on data centers, GAO says we are still not fully realizing the goal for closing data centers, in part because agencies are not moving aggressively enough to capture savings and also because we continue to discover more data centers. When the Federal Data Center Consolidation Initiative began in 2010, former CIO Vivek Kundra reported the federal government maintained roughly 1,600 data centers, and he established the goal of closing half of them. At the time I pushed to cut that number in half again to 400. Three years later, the GAO discovered the actual number was north of 6,000 after we applied a broader definition of what constitutes a data center. In May 2014, GAO reported the number had grown again to more than 9,500, and, in preparation for this hearing, we learned that another 2,000 had recently been

discovered. This redundant infrastructure is costly and inefficient, and agencies really must focus on reducing this footprint to capture what should be considered low-hanging fruit.

I want to commend our partners for their hard work to advance these important IT initiatives. The kind of cultural reforms we are talking about will require continuous monitoring and maintenance to be successful. This committee will be a partner in prioritizing effective FITARA implementation and ensuring Congress does everything it can to support those efforts.

Contact: Jennifer Werner, Communications Director, (202) 226-5181.

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, Part II – Measuring
Agencies' FITARA Implementation"
Subcommittee on Information Technology

November 4, 2015

Thank you, Mr. Chairman. Today's hearing is the second hearing in a series of oversight hearings the Subcommittees will hold on FITARA implementation to help ensure agencies achieve the desired goals of the law and generate opportunities for government savings and efficiency in the procurement of Information Technology (IT).

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 hearing will help us understand the status of implementation of FITARA and how agencies are doing on four important initiatives required by FITARA that could quickly improve the management of IT and save taxpayer dollars.

Agency-wide IT portfolio review and data center consolidation are two provisions of FITARA that can quickly help agencies reduce spending, optimize IT resources, and ensure IT investments align with agency's mission and business functions.

This Committee plays an important oversight role that can increase transparency and accountability of agency implementation efforts. Earlier this year, the Committee tasked the Government Accountability Office with assessing and scoring agencies implementation of four initiatives required by FITARA, including portfolio review and data center consolidation.

Today we released the FITARA Scorecard results and will discuss the performance of the three agencies here today. While these three agencies were selected for this initial Scorecard hearing, I hope the Subcommittees will continue to hold hearings with all agencies to measure their performance and hold them accountable for fully implementing FITARA provisions.

These hearings and the FITARA Scorecard show the Committee's interest and commitment to achieving the goals of FITARA, as well as present an opportunity for agencies to demonstrate their efforts to generate savings and efficiencies in the management of IT resources.

Today, agencies are working with OMB to assess their current structure for managing IT resources and develop a plan for implementing the specific authorities that FITARA provides Chief Information Officers. Agencies are required to notify OMB of any obstacles to implementation and work with OMB to overcome those obstacles. I look forward to hearing from our witnesses on the status of FITARA implementation and the challenges agencies are facing in overhauling the management of IT resources.

I want to thank each of the witnesses for testifying today. I look forward to hearing your testimony on how agencies are approaching FITARA implementation and the desired goals of savings and efficiency in the management of IT.

Thank you, Mr. Chairman.

Contact: Jennifer Werner, Communications Director, (202) 226-5181.

Questions for the Record (QFR) to Richard McKinney
Chief Information Officer
U.S. Department of Transportation
From the House Committee on Oversight and Government Reform,
Subcommittee on Information Technology
Hearing on:
The Federal Information Technology Acquisition Reform Act's (FITARA) Role in
Reducing Acquisition Risk, Part II.
November 4, 2015

From Ranking Member Kelly:

Question #1: As the November 2015 FITARA scorecard results highlight, our federal agencies have an immense amount of work to do in the areas of: Incremental Development, IT Portfolio Review Savings and Data Center Consolidation. With significant funding available for private investment, in addition to your own assessment of our critical need for IT infrastructure investment, do you agree that a role exists for innovative P3s to aid agencies in IT modernization?

DOT Response: DOT believes Public Private Partnerships are a valuable procurement tool which can streamline and accelerate the delivery of complex, infrastructure projects for state and local governments. DOT agrees Public Private Partnerships may be a useful tool in IT modernization as well.

Question #2: It is my understanding that on December 10, 2014, DOT executed an Energy Savings Agreement with WGL Energy Inc. for combined IT, energy, and cybersecurity infrastructure upgrade and modernization. This innovative P3 approach would utilize up to $100 million in private capital investment and result in approximately $54 million in annual cost savings. Can you advise the committee as to the current status of this effort?

DOT Response: DOT has had ongoing conversations with WGL Energy Inc. regarding its private capital proposal as recently as December 2015. While this proposal offers potential cost savings, the Department is considering several other factors that impact the analysis. Notably any new data center consolidation and IT infrastructure must comply with existing federal mandates, and it is the DOT CIO's understanding that the current proposal does not meet these requirements. These suggested infrastructure modifications represent $80 million of the proposed investment.

The remainder of the proposal includes $14 million for on-site energy generation and $6 million in LED lighting upgrades. Because the DOT operates in a leased building, any infrastructure modifications require the consent and collaboration of the building owner (JBG). The Department has asked WGL Energy Inc. to provide further information and clarification about the proposal.

○