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FEDERAL INFORMATION TECHNOLOGY MODERNIZATION: ASSESSING COMPLIANCE WITH THE GOVERNMENT PAPERWORK ELIMINATION ACT

HEARING

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

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FEDERAL INFORMATION TECHNOLOGY MODERNIZATION: ASSESSING COMPLIANCE WITH THE GOVERNMENT PAPERWORK ELIMINATION ACT

THURSDAY, JUNE 21, 2001

HOUSE OF REPRESENTATIVES,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The committee met, pursuant to notice, at 10:05 a.m., in room 2154, Rayburn House Office Building, Hon. Dan Burton (chairman of the committee) presiding.

Present: Representatives Burton, Gilman, Morella, Mr. Tom Davis of Virginia, LaTourette, Ose, Lewis, Platts, Otter, Schrock, Duncan, Waxman, Kanjorski, Norton, Cummings, Kucinich, and Watson.

Staff present: Kevin Binger, staff director; David A. Kass, deputy chief counsel; Mark Corallo, director of communications; Nat Wienecke and Michael Canty, professional staff members; Robert A. Briggs, chief clerk; Robin Butler, office manager, Leneal Scott, computer systems manager; John Sare, deputy chief clerk; Corinne Zaccagnini, systems administrator; Phil Barnett, minority chief counsel; Michelle Ash, minority counsel; David McMillen, minority professional staff member; Ellen Rayner, minority chief clerk; and Earley Green, minority assistant clerk.

Mr. BURTON. Good morning. We want to try to get started as quickly as possible. We were informed that there is going to be a vote on the floor at 10:30, so we will have to break at 10:30 when we have that vote for probably 15 minutes. So I would like to get started if we can.

Good morning, Mitch. How are you?

A quorum being present, the committee will come to order. I ask unanimous consent that all Members' and witnesses' written opening statements be included in the record. Without objection, so ordered.

I ask unanimous consent that all articles, exhibits and extraneous or tabular material referred to be included in the record. Without objection, so ordered.

I have always said that government needs to act more like the private sector, private business; and that has never been more true than today. U.S. businesses are more efficient and productive than ever before. They are cutting costs. They are providing better service. They are responding to changes in the marketplace faster.

They are doing all this with information technology. They aren't just treating computer systems like a cost of doing business; they are using them to achieve competitive advantage. And that is exactly what we should see and want to see in the Federal Government. We want to see the Federal agencies provide better service. We want them to be more responsive to our constituents. We want to see them become more efficient.

If they are going to do all these things, they have to take advantage of new developments in information technology. The problem is, too many agencies are spending hundreds of millions of dollars maintaining outdated computer systems. Too many agencies are saddled with computer systems that can't talk to one another. Too many agencies haven't had the vision to break out of the old way of doing things.

In our congressional offices, we have people come to us for help all the time. People have problems with the Social Security Administration. They have problems with the Veterans Administration. They have problems with a lot of different agencies. These agencies are bogged down with outdated information systems and paper files.

Sometimes people have cases that get bogged down for months or years when it should only take days or weeks. We have got to do better than that.

I know that there is a serious problem between the Department of Defense and the Department of Veterans Affairs. When a veteran goes to the VA to apply for benefits, the VA has to request his personal records from the Defense Department. But their computers can't talk to each other; it has to be done on paper. There is such a huge filing backlog at the Defense Department that these cases sometimes get hung up for years, and that is just not acceptable.

As I understand it, there is an ongoing project at the Defense Department to try to fix that problem. It is going to take years, because there is a huge volume of information they are dealing with. I am going to ask the Defense Department some questions about that today.

If the government is going to radically improve the way we do business, it is going to take leadership from the top. That is why I am glad we have the Director of OMB, Mitch Daniels, here to testify today. He has made it very clear that management reform is at the top of his agenda. I think he is sending a very positive signal by being here to talk in person today about this.

Mitch, thanks for being here. It is nice to see a fellow Hoosier.

I think Congress has tried to do its part to give agencies the tools they need. In 1996, we passed the Clinger-Cohen Act. It required all of the major Federal agencies to have chief information officers to coordinate their information resources.

In 1998, we passed the Government Paperwork Elimination Act. The idea was to get agencies to let people file government forms electronically. We gave them a deadline. We asked them to have electronic filing for their most important and most widely used forms by October 2003.

What we need to do now is to conduct oversight to make sure that agencies are putting these tools to work. That is why we are holding this hearing today.

We want to accomplish two things. First, we want to see if agencies are complying with the GPEA, and we want to see if they are taking this mandate seriously and doing what is necessary to make electronic filing happen.

Second, we want to go beyond GPEA. We want to see if agencies are thinking strategically and making wise information technology investments. We want to know if they are really taking a hard look at the way they do business to see if there is a way to do it more efficiently.

We have some good success stories out there. The U.S. Mint is one of them. We have asked them to come and testify today. They used to have a lot of individual computer systems that couldn't communicate with each other. If they needed to get information from one system to another, they had to print it out on paper from one and type it into another. Coin collectors had to order Mint sets through the mail. It took them 2 or 3 months to get their orders.

Over a 12-month period, the Mint changed their entire computer system—in 12 months. Now everything is compatible. Today, coin collectors can order Mint products on-line, and they get them in 2 or 3 weeks.

I think that the Mint has been a success story because they had leadership that was committed at the top. One of the questions I have is, how can we take the lessons learned at the Mint and translate them to other agencies?

These are complicated issues. We could all spend days talking about all the issues at all of the different agencies. What I thought we would do today is narrow our focus.

We are going to look at two agencies, the Department of Treasury and the Department of Defense. Our starting point is, are they complying with GPEA? Are they moving forward with electronic filing? If they are doing that, well, then hopefully that is an indicator that they are doing other things as well, too.

Last October, they were required to file plans with OMB. They were supposed to lay out a timetable showing when different forms would be automated. We looked at the Treasury Department's filing. It was pretty impressive. It laid out a strategic plan. It laid out a number of initiatives. It said that 55 percent of their forms will be available for electronic filing by 2003. It was fairly apparent that there is a high level of support at Treasury for getting this job done.

We then looked at the Defense Department's filing. It left us with a very different impression. It wasn't very complete. Out of 182 different forms that the public has to fill out, they couldn't give us an estimated completion date for over 100 of them. According to the plan we reviewed, fewer than 25 percent of their forms will be available for electronic filing by 2003. There wasn't any evidence of any strategic planning whatsoever.

We sat down with the people from the CIO's office. What they told us is that they just collected the information OMB wanted from the different services and passed it on. It became fairly clear that nobody at a senior level was taking responsibility for making

sure the job was getting done. They were just collecting information and passing it on; and that is not acceptable.

It seems to me that when Congress passes a law that says you have to do something, and when OMB sends you instructions on how to implement the law, it ought to get a little more serious attention than it has been getting at the Defense Department.

Since then, we have learned that there are a lot of different modernization programs going on in the Army and the Navy and Air Force and other parts of the Defense Department. We are going to hear about some of them from our Defense Department witnesses today.

But I am now very concerned about how much leadership there is at the top for these initiatives. The Defense Department is a big place with lots of different branches and services. If we don't have somebody very senior taking charge, I am afraid they are going to wind up with lots of new systems that can't talk to each other, replacing all of the old systems that couldn't talk to each other.

With the volume of business that the Defense Department does and the millions of paper forms that get filled out every year, hundreds of millions of dollars could be saved if we could automate these processes.

We have two witnesses from the Defense Department today, and I hope they will be able to give us a better comfort level with what is going on over there.

Let me finish up by going back to what I started with. The government ought to act more like a private business. In the private sector, billions of dollars have been saved by using information technology.

We have two witnesses from two of the leading high-tech companies in America here today. They are going to tell us how they did it. Hopefully, they are going to tell us how the Federal Government and the State governments can learn from the private sector and how they ought to do it.

We have Sue Bostrom from Cisco Systems and Curt Kolcun from Microsoft here today. I want to thank both of you and your associates for being here.

I want to thank Kevin Binger, who has worked very hard on this. Kevin is very interested in the new technologies, and Kevin is our chief of staff. I really appreciate all you have done.

With that, I yield to Mr. Waxman.

[The prepared statement of Hon. Dan Burton follows:]

Opening Statement
Chairman Dan Burton
Committee on Government Reform
"Federal Information Technology Modernization:
Assessing Compliance with the Government Paperwork Elimination Act"
July 21, 2001

Good morning.

I've always said that the government needs to act more like a private business. That's never been more true than today. U.S. businesses are more efficient and productive than ever before.

They're cutting costs.
They're providing better service.
They're responding to changes in the marketplace faster.

They're doing all of this with information technology. They aren't just treating computer systems like a cost of doing business. They're using them to achieve competitive advantage.

That's exactly what we want to see the Federal government do.
We want to see Federal agencies provide better service.
We want them to be more responsive to our constituents.
And we want to see them become more efficient.

If they're going to do all these things, they have to take advantage of new developments in information technology. The problem is, too many agencies are spending hundreds of millions of dollars maintaining outdated computer systems. Too many agencies are saddled with computer systems that can't talk to one another. And too many agencies haven't had the vision to break out of the old way of doing things.

In our Congressional offices, we have people come to us for help all the time. People have problems with the Social Security Administration. They have problems with the Veterans Administration. They have problems with a lot of different agencies. These agencies are bogged down with outdated information systems and paper files. Sometimes people have cases that get bogged down for months or years when it should take weeks. We've got to do better than that.

I know that there's a serious problem between the Department of Defense and the Department of Veterans Affairs. When a veteran goes to the VA to apply for benefits, the VA has to request his personnel records from the Defense Department. But their computers can't talk to each other. It has to be done on paper. There's such a huge filing backlog at the Defense Department, that these cases sometimes get hung up for years. That's just not acceptable.

As I understand it, there's an ongoing project at the Defense Department to try to fix that problem. It's going to take years because there's a huge volume of information they're dealing with. We'll ask the Defense Department some questions about that today.

If the government is going to radically improve the way we do business, it's going to take leadership from the top. That's why I'm glad that we have the Director of the OMB, Mitch Daniels, here to testify today. He's made it very clear that management reform is at the top of his agenda. I think he's sending a very positive signal by being here in person to talk about this today. Mitch -- thank you.

I think Congress has tried to do its part to give agencies the tools they need.

In 1996, we passed the Clinger-Cohen Act. It required all of the major federal agencies to have Chief Information Officers to coordinate their information resources.

In 1998, we passed the Government Paperwork Elimination Act (GPEA). The idea was to get agencies to let people file government forms electronically. We gave them a deadline. We asked them to have electronic filing for their most important and most widely used forms by October 2003.

What we need to do now is conduct oversight to make sure that agencies are putting these tools to work. That's why we're holding this hearing today.

We want to accomplish two things.

First, we want to see if agencies are complying with GPEA. We want to see if they're taking this mandate seriously, and doing what's necessary to make electronic filing happen.

Second, we want to go beyond GPEA. We want to see if agencies are thinking strategically and making wise information technology investments. We want to know if they're really taking a hard look at the way they do business, to see if there's a way it can be done more efficiently.

We have some good success stories out there. The U.S. Mint is one of them. We've asked them to come testify today. They used to have lots of individual computer systems that couldn't communicate with each other. If they needed to get information from one system to another, they had to print it out on paper from one and type it into another. Coin collectors had to order Mint sets through the mail. It took them two or three months to get their orders. Over a twelve-month period, the Mint changed their entire computer system. Now, everything is compatible. Today, coin collectors can order Mint products on-line, and they get them in two weeks.

I think that the Mint's been a success story because they had leadership commitment at the top. One of the questions I have is, how can we take the lessons learned at the Mint, and translate them to other agencies?

These are complicated issues. We could spend days talking about all of the issues at all of the different agencies. What I thought we'd do today is narrow our focus. We're going to look at two agencies -- the Department of the Treasury and the Department of Defense.

Our starting point is, are they complying with GPEA. Are they moving forward with electronic filing? If they're doing that well, then hopefully that's an indicator that they're doing other things well too.

Last October, they were required to file plans with OMB. They were supposed to lay out a timetable showing when different forms would be automated. We looked at the Treasury Department's filing. It was pretty impressive. It laid out a strategic plan. It laid out a number of initiatives. It said that 55% of their forms will be available for electronic filing by 2003. It was fairly apparent that there is high-level support at Treasury for getting this job done.

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We sat down with people from the CIO's office. What they told us is that they just collected the information OMB wanted from the different services and passed it on. It became fairly clear that nobody at a senior level was taking responsibility for making sure the job was getting done. They were just collecting information and passing it on. That's not satisfactory.

It seems to me that when Congress passes a law that says you have to do something, and when OMB sends you instructions on how to implement the law, it ought to get a little more serious attention than it got at the Defense Department.

Since then, we've learned that there are a lot of different modernization programs going on in the Army, and the Navy, and the Air Force, and other parts of the Defense Department. We're going to hear about some of them from our Defense Department witnesses today. But I'm now very concerned about how much leadership there is at the top for these initiatives. The Defense Department is a big place with lots of different branches and services. If we don't have somebody very senior taking charge, I'm afraid we're going to wind up with lots of new systems that can't talk to each other replacing all of the old systems that couldn't talk to each other.

With the volume of business that the Defense Department does, and the millions of paper forms that get filled out every year -- hundreds of millions of dollars could be saved if we could automate these processes. We have two witnesses from the Defense Department today. I hope they'll be able to give us a better comfort level with what's happening.

Let me finish up by going back to what I started with -- the government ought to act more like a private business. In the private sector, billions of dollars have been saved by using information technology. We have two witnesses from two of the leading high-tech companies in America here today. They're going to tell us how they did it. Hopefully, they're going to tell us how the Federal government, and the state governments, can learn from the private sector. We have Sue Bostrom from Cisco Systems and John Kolcun (Colson) from Microsoft here today. Thanks to both of you for being here.

That concludes my opening statement. I look forward to hearing everyone's testimony. I now yield to Mr. Waxman for his opening statement.

Mr. WAXMAN. Thank you very much, Mr. Chairman. Thank you for holding this hearing on the Government Paperwork Elimination Act [GPEA].

This legislation was passed as an attachment to a supplemental appropriations bill at the end of the 105th Congress. GPEA requires agencies to give individuals the opportunity to submit information electronically when practicable. In addition, it allows a person to use his or her electronic signature to file the submission.

GPEA, just like the Paperwork Reduction Act, which it amends, attempts to reduce the paperwork burden placed on the public by the Federal Government. It has yet to be demonstrated whether electronically submitting information reduces the number of burden hours it takes people to complete the required submissions. However, it may have other benefits, such as easy access to forms or relief from the cost of postage.

I have supported e-government initiatives and believe they can benefit the public. By using technology to collect and disseminate information, agencies can help government be more efficient and more responsive to the taxpayers. E-government should include encouraging agencies to allow people to comment on regulations electronically as well as allowing them to read the comments from others electronically. This saves time, money and effort.

For some agencies, individuals still have to go to Washington, DC, and review the handwritten docket in order to intelligently comment on a proposed regulation. Although modest steps have been taken to address this issue, much work is left to be done.

Care must be taken in developing electronic information collection systems to assure that we protect individually identifiable information, business proprietary information, and truly reduce the burden placed on those submitting information to the government. Privacy protections must be paramount.

Over the last decade, we have seen an increase in identity theft; an individual's credit cards, Social Security numbers or driver's license can be stolen or copied with relative ease. As more and more people electronically submit information with electronic signatures, we must work to prevent them from becoming victims of identity theft.

Mr. Chairman, GPEA has the potential to help the Federal Government better manage its information collections. As technology advances, I am hopeful that agencies with the proper protections in place will be able to adapt and respond quickly to the needs of the people.

I look forward to the insight from our witnesses. Thank you very much.

Mr. BURTON. Thank you, Mr. Waxman.

Do other Members have opening statements?

If not, I want to start off by welcoming the great Congressman from Tennessee, John Duncan, my very good friend, to the committee. I know he will be a great asset to us.

I ask unanimous consent that he be appointed to the Subcommittee on Energy Policy, Natural Resources and Regulatory Affairs. Without objection, so ordered.

Well, we want to welcome Mitch Daniels. He has been a leader in Indianapolis, IN, for a long, long time. He was an executive for

the Lilly Co. In fact, I think you were president of International Trade at one time.

Mr. DANIELS. North America.

Mr. BURTON. North America. Well, that is close. In any event, he is head of OMB. I think he is a great appointment. I really appreciate you being here. You are recognized for an opening statement.

STATEMENT OF MITCHELL E. DANIELS, JR., DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. DANIELS. Thank you, Mr. Chairman and Congressman Waxman. I appreciate the committee's hospitality. And let me reciprocate by being very brief in my opening statement. I will submit a statement for the record, of course.

Let me just say two or three things about this very important subject on which you gather us today. The administration has announced and will follow through on a major commitment to use the tools of the Silicon Age to improve the performance of government and also its effectiveness on behalf—or its interaction with individual systems.

From a very, very lengthy list, the President has selected five topics as his primary management objectives for this year, and e-government is among those five.

Last week, we appointed a seasoned professional with experience both in government and in the private sector, who will work all day every day on this and this alone. In addition to that, we will, of course, support his work with all the resources necessary to make sure OMB upholds its responsibilities here. The Deputy Director for Management, who is yet to be appointed, will carry as a primary responsibility the job of the President—or of the Federal Government's CIO and will chair the CIO Council of his counterparts or her counterparts in each of the agencies.

Let me just summarize the problem areas.

Success stories are abundant, as you have indicated, but I think the committee and certainly we at OMB want to focus on the areas where improvement is most urgently needed. By our tabulation, there are at least 6,000 eligible transactions, citizen transactions, not yet Web-enabled or with an electronic option. At this point, agencies can only certify to us that something less than half of those will meet the 2003 deadline. We don't consider that acceptable, and we will work to improve—I hope to be able to report to this committee at a later date that that number is headed northward.

Our scan of the capital planning process at the agencies and their preparedness to meet the objectives of their assignments here finds good performers and not-so-good performers. It probably bears mentioning that the EPA, Treasury, and HUD, as far as we are concerned, are among the leaders. On the other hand, HHS, Defense and Justice we think have the furthest to go.

I would also observe that many agencies, I think, will be hamstrung by their own organizational structures. I will say a word about this as I conclude, but far too many agencies have not one, but multiple IT problems because they have multiple organizations all pursuing different and often incompatible agendas and architec-

tures. HHS might be the most extreme example with its 13 sometimes competing empires.

We will try to focus our attention primarily on sort of the high-yield opportunities, those where we think we can make the most improvements the most quickly, those with the most citizen encounters.

I will cite tax filings. Although the Treasury has done some excellent work, they have perhaps the largest single job to do, and there are something like 200 applications, I am advised, that could make more simple and straightforward the taxpayers' relationship with the IRS, that have yet to be rendered electronic.

One other general point: I think that the Congress and the committee in its oversight of this law has given the Federal Government yet another opportunity, which I hope we will seize, to clean house in terms of activities that may not be necessary at all. We used to say in business there is nothing more tragic than to do very, very well something which is totally unnecessary.

As I look at some of the applications or some of the eligible activities of government that could be transformed in an electronic fashion, I think the threshold question is, is this still necessary in the first place?

At Agriculture, for example, there are millions of hours of reporting imposed upon farmers and producers, collecting information that may or may not be necessary. Before we invest the taxpayer dollars to make collection of that information electronic, we ought to take the opportunity to check and see if, maybe, this is a once-good idea that is now obsolete.

I think Congressman Waxman had an excellent question when he reminded us that we can't automatically assume that simply by switching from paper to a terminal, the burden on anyone has been reduced in the way we hope it will be. I think that question has to be asked each and every time.

Last, let me just say that I think one of the largest problems and one we are going to try to work very hard on that encompasses this subject and, frankly, many more, has to do with the efficiency or lack of it with which the Federal Government now spends upwards of $45 billion on IT.

In a $2 trillion budget, you know, a 2.5 percent—something like that—investment in information technology is low by private sector standards, but not dramatically below that of many businesses. Yet, I cannot testify today that that money is being well spent or spent in an integrated fashion.

In fact, it is my apprehension that much of that money, even as we sit here this morning, is being spent to make a bad situation worse; that as we convene here, people with the best of intentions are assiduously designing and contracting for systems which are tailored, which are customized, which are not compatible with the systems with which they need to interact, and that people are working very hard in a way that is at cross-purposes with this committee's goals and those of GPEA.

So we are going to try to identify that, and we are going to try to root it out, try to bring greater cooperation, integration and, frankly, in many cases, dictation of systems decisionmaking in

hopes that we can begin to turn this tanker in the way that the committee has and the authors of this bill have wisely directed.

Thank you for this opportunity.

[The prepared statement of Mr. Daniels follows:]

STATEMENT OF THE MITCHELL E. DANIELS, JR.
DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE
COMMITTEE ON GOVERNMENT REFORM
U.S. HOUSE OF REPRESENTATIVES
June 21, 2000

Mr. Chairman and Members of the Committee.

Thank you for inviting me here today to share my views on how best to implement the Government Paperwork Elimination Act (GPEA). We welcome your interest and the opportunity to work with you on this very important issue.

GPEA and E-Government

GPEA is a strong statutory driver for electronic government, which is a government-wide priority for this Administration. The Federal Government can secure greater services at a lower cost through electronic government, and can meet high public demand for re-engineered e-services. Currently the Government lacks long-term planning and coordination of information and technology (IT) investments that could deliver greater efficiencies in and across programs. The government spends roughly $45 billion annually on IT, but a great deal more needs to be done in order to expand the potential of the Internet to fulfill the President's vision of a "citizen-centered" government that transforms each agency's web presence.

OMB's role under GPEA is to oversee agencies' progress in moving their transactions to an electronic form. As part of this process, I recently instructed agency heads to include certain government-wide management priorities in their strategic plans, one of which called for expanding e-government. Later this summer we intend to release a Management Agenda that will clarify this issue, explaining how we can expand use of the Internet to make the government more "Citizen-centered" and to achieve greater efficiencies in providing federal information and services, improving connectivity between the government and the public. To drive this agenda forward, a week ago I named Mark A. Forman to serve as Associate Director for Information Technology and E-Government. In this new position within OMB and the Administration, Mr. Forman will work to fulfill the President's vision of using the Internet to create a citizen-centric government.

We also have government-wide initiatives underway to maximize the benefit of electronic government. FirstGov is a government web site that took the first step in providing the public with easy, one-stop access to all online U.S. Federal Government resources. It allows users to browse over 30 million web pages — everything from researching at the Library of Congress to tracking a NASA mission — and takes users to important government transactions online. This site is a step toward giving the American people the "Information Age" government they deserve, and we are working to make important improvements to achieve this goal. In

addition, work is underway to develop a government-wide Public Key Infrastructure to allow electronic signing while preserving security and privacy.

With our government-wide plans in mind, I would like to give you a general sense of how the various agencies are performing, followed by anecdotal evidence to describe the varying degrees of progress we are finding across the Executive Branch.

Agency Performance

Agency progress in going electronic is mixed. Agencies report that there are close to 6,000 transactions covered by GPEA that do not yet have an electronic option (this does not count the many transactions that are already electronic and thus are not part of the GPEA plans). About 45% claim they will currently meet the deadline with most complying in 2003. Of the remaining 55%, a little over half have a reasonable argument for not making the 2003 deadline. Upon evaluating specific agency plans for complying with GPEA, it is clear some agencies are not prepared.

We have identified a few potential reasons for this. First, some agencies have not yet internalized the need for a robust IT capital planning process. If there is no way to choose effective IT projects from an array of options, then delivering electronic services to the public will be severely hampered. OMB guidance to agencies is to prioritize projects by net-benefit. IT capital planning is the method they must use. A second potential reason relates to the management structure of many agencies. They are divided into bureaus and offices that often act more like independent fiefdoms moving in their own direction. If a Secretary and Department CIO do not have the power to effect change in an agency, then electronic government will be more difficult to deliver.

The Environmental Protection Agency, the Department of Treasury, and the Department of Housing and Urban Development have developed solid plans for meeting the objectives of GPEA. In many instances, they have matched GPEA objectives to the goals of their IT capital planning process and information architecture.

Conversely, the Department of Health and Human Services, the Department of Defense, and the Department of Justice submitted plans to OMB that indicate these agencies have not fully adopted the goals of GPEA and do not have an agency-wide commitment to moving into the electronic arena.

While we will work with all agencies to improve the quality of their plans, it is important that our major focus generally will be in the areas of government where there are high volumes of transactions that have not been re-engineered to take advantage of electronic transmissions. The Department of Treasury, the Social Security Administration, the Department of Veterans Affairs, and the Department of Agriculture perform a large percentage of the major transactions that are not yet electronic.

The Successes

There are several notable examples of programs within agencies that are successfully transitioning within the timelines set forth by GPEA.

The Food and Drug Administration (FDA) reviews close to 8 million shipments of food, drugs, cosmetics and medical devices entering the United States each year. Under OASIS, importers electronically submit documentation that is quickly reviewed on PCs by FDA employees. Minutes after documents are submitted FDA returns its admissibility decisions to the importers. Eighty-five percent of shipments are now handled without paper documentation.

The Patent and Trademark Office provides access to a comprehensive, interactive web-based electronic application that enables all users, from those with little trademark knowledge to experienced attorneys, to file for federal trademark registrations on-line.

The Student Financial Assistance (SFA) Program developed a web-site that provides tools for students and parents to complete the federal financial aid application. This integrated process allows the student/parent to submit information pertinent to filing the original application, to gather renewal application information for subsequent years, and to correct information that was previously filed via application. This suite of Web-based services has become extremely popular.

The Shortcomings

While there are transactions that cannot be transferred to an electronic format or should not because the benefits do not warrant it. Having said that, there are certainly many examples of programs that have limited excuses.

One example is the flight plan (Domestic and International) filings to the FAA that affect millions of public agencies, air carriers, and segments of the aviation industry every year. Even though the process has knowledgeable technology users, a fully electronic option is still not available for most filers. Currently pilots fill out a paper form or use a telephone and someone at the other end must then access the computer system instead of allowing the pilot to interact directly.

Another area for potential gains is in the area of tax filings. While the Department of Treasury, and the IRS in particular, has made progress in implimenting electronic government, millions of businesses and individuals still cannot file specialized tax forms on-line. Of the major transactions that currently do not have an electronic option for filing, IRS is responsible for almost a third of them.

Unnecessary Transactions

But before we look at simply converting a paper process to an electronic one we must uncover duplicative reporting requirements and areas where programs can share the information they collect.

The Farm Service Agency (FSA) of USDA requires producers to report planting information for their crops (acreage reports) - a burden of approximately 2 million hours. USDA's Risk Management Agency (RMA) collects nearly identical information from most of the same producers. This is an area where we hope to focus the Department's attention.

Most USDA information collections from crop producers require "face-to-face" contact at local USDA county offices to report the information. For a vast majority of these collections the information is not sensitive enough to demand farmers showing up in person. This requirement may not be necessary.

There are also the positive stories where electronic transactions are being created electronically and information will be shared across government functions. These could also help eliminate certain reporting and transaction requirements.

The International Trade Data System (ITDS) is an ongoing information technology initiative to reduce the paperwork burden on traders by integrating the government-wide collection, use, and dissemination of international trade data. Currently, traders moving goods into and out of the United States are required to provide a vast amount of information to over 100 Federal agencies that use a variety of automated systems and/or paper forms. Under ITDS, traders would submit standardized electronic import and export data one time to a single ITDS collection point. ITDS would then distribute data to agencies depending on what information they need to perform their respective trade-related missions.

The Simplified Tax and Wage Reporting System (STAWRS) is a joint information technology initiative involving the Department of the Treasury, the Department of Labor, the Social Security Administration, and various States. This project seeks to reduce employers' tax and wage reporting burden and to increase the efficiency and effectiveness with which Federal and State governments process and access tax and wage data. STAWRS has conducted pilot projects in three areas: single-point filing by employers of Federal and State tax and wage information, simplifying requirements through the development of a harmonized wage code at the Federal and State level, and streamlining customer service for employers.

I hope these anecdotal examples give the Committee a sense of the challenges that exist, and the areas where OMB would like to focus Agency attention. I thank you for the opportunity to testify, and look forward to working with you to ensure that agencies are meeting the statutory deadline of October 2003.

Mr. BURTON. Let me start the questioning by just asking a couple of, I guess, generic questions or general questions.

First of all, I want to get every agency to review whether or not information that they are requiring from different segments of our society are necessary.

Then, second, you indicated that—and I read your testimony—that you indicated that there was going to be an effort to have them coordinate their efforts so that there is not one agency going in one direction with technology and another going in another direction.

Who is going to be—and you touched on this, but who is going to be—I mean, this is a huge government. And to go through every agency to find out whether or not there ought to be an elimination of some of the information that is coming in and whether or not they ought to adopt a certain type of computer technology, who is going to be put in charge of that?

Mr. DANIELS. The Deputy Director for Management will have this as a principal responsibility. I regret that, yet again, I have to testify that we don't have that person in place. We have set the specifications for that job very high for this very reason and for several others like it. We have filled every job but this one at OMB, I am happy to say. But this will be a primary responsibility of my primary associate.

In the meantime, the other deputy, the general deputy, is acting in this area. We also were fortunate to recruit on a pro bono basis the president of the National Academy of Public Administration, a very seasoned, nonpartisan government administrator, who is filling in and working on these issues now.

As I say, next week, a full-time information associate, Mark Forman, will be joining us.

Mr. BURTON. Well, I——

Mr. DANIELS. Let me add just one other thing, Mr. Chairman: It is not simply a matter of interagency, but also intra-agency incapability. Some of the worst problems I have seen in the superficial look I have had a chance to give so far really exists within departments, as opposed to—in their need to connect or interact with other departments.

Mr. BURTON. We had a press conference yesterday, and the Majority Leader, as well as others—committee chairmen—were talking about this.

It seems like—and I think you touched on it in your opening statement—that a lot of the agencies are taking archaic systems and trying to improve the current system, when they probably would be better served to junk them and start with the newest technology instead of trying to bring old technology up to current standards.

We are going to have Cisco and Microsoft testify in a little bit. Is anybody working with these various computer companies to find out what the latest technology is going to be that should be used for the entire government, so that—like we were talking about—they can all talk to one another within a given agency, and then intra-agency-wise as well, and to make sure that they are not in the process wasting money on old technology they are trying to bring up to current standards?

Mr. DANIELS. I think the CIO Council is the appropriate vehicle, or certainly one, for addressing these sorts of problems. We will just try to use it as effectively as we can.

Now, I pretend to have no great expertise in this area myself, but I have, through past vocational experiences, come to some general conclusions. Along the lines of your question, standardization and simplification, I learned the hard way, are pretty good objectives. And I think that in many cases it will be important to ask agencies hard questions before they pursue the perfect solution for themselves, which may aggravate the general problem the government has by virtue of its very customized or, you know, mission-specific character.

Mr. BURTON. Well, I realize that we are asking you questions that you probably aren't prepared to answer yet because, you know, this is a new administration.

Mr. DANIELS. That won't stop me. I answer questions on unfamiliar subjects all the time.

Mr. BURTON. When I first got elected to the Congress, 1 day I was a candidate and nobody expected me to know anything. The next day, I was elected, and everybody was asking me questions about international policy that I had nothing to do with. So I am sympathetic with the problem.

Mr. DANIELS. You get away with it pretty well. I will try to do the same.

Mr. BURTON. OK. Let me end up by saying, before I yield to my colleagues—and we will have the experts testify in a little bit—it seems to me and maybe my colleagues that it would be advisable—and you may be way ahead of us on this—to bring in some experts from the various high-tech areas and have them do a cursory look at all the agencies to make some recommendations on the front end to whomever you are going to choose to head this up, so that they can have at least a basic idea of where they think the high-tech people think we ought to go. Because technology is moving so fast that I think that to not include them in the loop—and I am sure you will, but to not include them in the loop will be a serious problem.

Mr. DANIELS. Let me say that is a great suggestion. One way we are active on this sort of front, Bob O'Neill, the gentleman I referred to from the National Academy, has already met for the first time with leadership of some of the Nation's major consulting firms about the management agenda, not limited to the IT challenge, but including it. We expect to call on their patriotism to see if they cannot see their way clear to donate some advisory services that the government would benefit from.

Mr. BURTON. Very good.

Mr. WAXMAN. Thank you, Mr. Chairman.

Mr. Daniels, thank you very much for being here. I realize it is early on some of these issues that we are looking at for you to have definitive positions. You don't have the Deputy Director in place. Maybe this hearing today will also be helpful to the administration in having that Deputy Director be able to review the record of information that comes out of our oversight activities.

The Justice Department seems to have serious concerns about the use of digital signatures. How will your administration weigh

those concerns against the call from GPEA for a serious effort to increase the role of electronic reporting in Federal information collections. Do you have any view on that at this point?

Mr. DANIELS. Well, this is one of a number of obvious tensions that we will all have to work together in reconciling. Concerns of privacy, concerns of security are very, very real.

I will just say that the President, in particular, has placed a lot of emphasis on the preservation of privacy even as we try to make progress in this and related areas. I will have to take up Justice's specific concerns outside this hearing. In all honesty, I am not sure how to react to their particular worries in this area; but I don't doubt, when I do, I will find that there is some legitimacy to their hesitation.

Mr. WAXMAN. The Paperwork Reduction Act lays the groundwork for information management in the Federal Government. That act has been amended a number of times since being reauthorized in 1995. Some have suggested that the Paperwork Reduction Act needs to be reworked to address the issues of electronic government in the 21st century.

The Paperwork Reduction Act authorization expires this year. Will the administration be sending to Congress recommendations for changes to be included in the reauthorization? And when do you think those will be available?

Mr. DANIELS. I don't know the answer to the when, but I do believe that we will have at least some report to Congress, and possibly some recommendations to accompany it, about the act, the way it is working and how it might work better. I have become aware already of at least a couple of instances—they may be aberrational—in which ironically the act may lead to more, not less, burden in terms of paper and information requests.

I think it is our duty to report that there are experiences, good and bad, with the act, and the reauthorization would be the right time.

Mr. WAXMAN. Good.

The GPEA report for the Department of Defense shows that it is not moving quickly to implement the requirements of this act. Earlier this week, one of the subcommittees of this committee held a hearing on the Government Performance and Result Act [GPRA]. In that hearing, it was also pointed out that the Department of Defense was not moving quickly to implement the requirements of that act.

What will your administration do to persuade DOD that it needs to get on board with these efforts to make government more accountable and user friendly?

Mr. DANIELS. Well, we are placing a number of demands on the Department of Defense and this administration. This will have to be high on the list.

I think we should all recognize the immensity of the management challenges that Secretary Rumsfeld and his colleagues face, and all their predecessors and successors, for that matter, in an enterprise that big. But we will certainly ask them to elevate substantially their attention to this one.

Once again, from a list that, as I recall, was originally about 61 items, we distilled to 5 those that the President has designated as

governmentwide, mandatory, top-management priorities; and this is one. So we will take his direction and stay on top of them.

Mr. WAXMAN. It occurred to me, as I was reading these questions to you about GPRA and GPEA and PRA, that these are just a few of the laws that we have to deal with; and you have to deal with all of them, all of them within the government. And when people come to you, they must refer to each of these pieces of legislation as if it were the most important thing on your mind at that moment.

Mr. DANIELS. Well, at that moment, it is. Or at least if it is you asking, it is.

Mr. WAXMAN. I guess the first thing you have to do is to find out what the letters stand for. Well, I want to wish you well in your position.

Mr. DANIELS. Thank you.

Mr. WAXMAN. And I hope that, as this committee looks at these issues, we can develop a collegial working relationship. We want the same goals.

Mr. DANIELS. Yes, sir. Well, I trust we will. And I will say very sincerely that hearings like this and questions from the committee are very, very useful, both in forcing us to become better educated about subjects we need to learn more about and keeping our attention from wandering away from important assignments. So we thank you for this invitation.

Mr. BURTON. Thank you, Mr. Waxman.

And I and others who are here today are very interested in working with you. And if you have legislative requests that will streamline government, make it more efficient, especially from an electronic standpoint, we will be very happy to work with you.

Mr. Schrock.

Mr. SCHROCK. Thank you, Mr. Chairman.

Good morning, Mr. Daniels. You mentioned that agencies like the Mint are doing a good job and that one agency that is dear to my heart, the Defense Department, along with HHS and Justice, are not. Did the Mint create their own program internally or did they contract out? No matter who created it, if it is successful, why can't other agencies use it as a template for their own agencies?

Mr. DANIELS. It is an excellent question. I honestly don't know. But fortunately you have the people from the Mint here to tell you the origins of the program. I only know that it does rise near the top in the estimation of our people in terms of applications so far.

That is a very important point you make—and this we have stressed; we are going to try to stress across the entire management front—this government doesn't transfer learning very well. There are, on any subject I have looked at so far, always pockets of excellence. But very, very rarely has that excellence migrated in the way that a high-performing organization will insist that it do.

You have some people here from some high-performing businesses. I know they will tell you, as was our experience, that in a good business today, it is considered a grievous malfeasance for a manager who has done something, or whose unit has done something, innovative to fail to share that information across the organization. It is seen as an affirmative duty.

That isn't happening nearly to the extent it should. I do feel it is a heavy responsibility because OMB is a hub in a way and does operate the various councils and so forth, and this should not be hard to do. We should be able to take whatever the Mint has learned and spread it far and wide, wherever it might apply.

Mr. SCHROCK. I agree. Thank you, Mr. Chairman.

Mr. BURTON. Mr. Duncan.

Mr. DUNCAN. Thank you, Mr. Chairman.

Mr. Daniels, I heard a report on CBS national news a few months ago that said 37 percent of the time that people are spending on their computers is spent sending jokes or checking their stocks or on personal matters. Then, week before last, the Inspector General of the Internal Revenue Service came out with a report saying 51 percent of the time IRS employees are spending on their computers is spent visiting porn sites and sending jokes and checking their stocks and all of these types of things.

The goal of the Paperwork Elimination Act is to make the government more efficient. Is there anything that you know of that we can do or that can be done to see that less time is spent using these computers, these government computers for—I noticed in your testimony a moment ago you said we shouldn't automatically assume that paper is always less efficient than the computers.

I just wonder about that. Is anything being done about that or can anything be done about that?

I have to tell you, I did have a couple of friends, though, who said they would be upset if it was another government agency, but with IRS, they would just as soon 51 percent of the time be spent on personal——

Mr. DANIELS. They might prefer it was higher.

Mr. DUNCAN. Right.

Mr. DANIELS. It strikes me as equally important, but a somewhat different question than we are talking about with GPEA, where I think the primary emphasis is on opening up to the external—to the public the external world the better channels of communicating and dealing with its government.

The problem you are talking about, I know it is very real. It is not confined to government. Good managers detect the problem when it is out of hand and act against it. You know, here too there has to be some—I think there has to be due sensitivity to employee privacy. But there are pretty well-established rules, as I understand it, for surveillance or back-checking where there is some clear evidence of abuse or misuse.

Mr. DUNCAN. The second thing I wonder about, and it is a little different direction from most people, because it is sort of politically incorrect today not to worship the computers. And everybody always, I guess, is trying to outdo themselves to say that we should always go to the next level and the most advanced technology. But what I think sometimes the computer companies sell us a bill of goods, because they always want us to buy new equipment all the time.

Mr. DANIELS. Yes.

Mr. DUNCAN. Obviously they make more money if we do that.

But sometimes I think it is sort of like buying a car. Sometimes it is more cost-effective and just as efficient if we stick with a car

that is a year or two old than if we always try to buy the newest car with the newest bells and whistles.

What I am wondering about, since your primary responsibility is the money involved, or that the government is spending, should we be attempting to make sure that our technology purchases are cost-effective and that they will work? I think the chairman or somebody mentioned—or maybe you did in your testimony just now, about not always having to go to systems that are incompatible and so forth.

Mr. DANIELS. Yes, sir. I think it is very, very important. A good capital planning process—I make reference to that throughout the testimony—will identify the likely rate of return or the benefits to be derived from an investment. Done properly, that will very, very often, I think, steer a buyer, a user, away from the bells-and-whistles applications, the latest and greatest. There is a romance about that. People who are, you know, knowledgeable about technology I think sometimes get captivated by that and go beyond the point of diminishing returns.

This is exactly what we are trying to get at in critiquing the capital planning processes within agencies. It is exactly what we will try to get at if we win—I give the direction to the DDM and the intelligence—I mean, the information officer to press always for the simple, the standard, the common, the more easily compatible.

Mr. DUNCAN. All right. Thank you very much.

Thank you, Mr. Chairman.

Mr. BURTON. Mr. Kanjorski, do you have any questions?

Mr. KANJORSKI. Yes.

Mr. Daniels, I don't know that we have won any awards in the Federal Government in utilizing new technologies to provide better service or more efficient service. So I am not certain that I am satisfied that we can accomplish a lot of the things we do in the Federal Government to do that.

But what I am most worried about is areas like Pennsylvania. Unfortunately, we have, I think, the second largest number of municipal governments in Pennsylvania of any State in the Union—2,500 municipal governments, 90 percent of which are under 3,500 in population.

So it is interesting to analyze what will happen if the Federal Government does go to sophisticated computer systems when more than 45 percent of the governments in my congressional district don't have computers. I am just wondering what portion of the population of the United States has the capacity either of having computers or fitting into a network.

What I am most worried about is, we are going to move ahead very quickly on some of these things, not realizing that we are leaving behind a very large portion of our population.

We had some testimony on that the other day in the Committee on Banking in terms of analysts and what they do in stocks and bonds. I try to draw the analogy, there is a question there, whether or not the information coming out is objective and responsible. But one of the bigger problems that I saw in the analysts' problem that I see now in the technology problem of the government is, you know, I think we are missing the point.

The last time I looked at a study, 20 percent of the American people were functionally illiterate. So, at best, right now, we can be talking to only 77 percent of the American people. It seems to me that before we move hell-bent forward on doing a lot of things, we have to make sure that we are giving access to the American people, to the government, and to the municipalities.

I have noted recently that—we haven't done a study on it, to confirm it, but I am sure if you do a study, you are going to find that there is a decided difference between how communities interact with the government on some programs to get benefit directly relates to their level of sophistication and technology.

I am just noticing in a lot of these rural districts through the country, and in particular Pennsylvania because of our archaic structure, they are just not capable, the local leadership and the citizenry, of really accessing some of these sophisticated systems.

Then, the only thing I would add to that is, I wish you would look at the House of Representatives as you go through this system, because I don't think we are famous for having the best system in the world.

Mr. BURTON. Careful.

Mr. KANJORSKI. And I don't want to—it is national, not a political criticism, because quite frankly, I would have to give a lot of credit to the revolutionary forces of 1994. They tried very hard. But sometimes philosophically they got bent into accomplishing something with technology, and I could call your attention to one thing. All of us have become purchasing agents now, in the individual Member's offices, of equipment. We are ill prepared to do that.

I can tell you that it has been a catastrophe trying to find out the best system, what systems work. Then when you order a system that is misrepresented and it doesn't function, what do you do with it? And negotiating each individual office with a huge or large contractor who, quite frankly, is probably one of two or three providers and really doesn't give a damn if you say, I am going to take out my system. He says, tough luck; go back to typewriters, Congressman, if you are unhappy.

So we have a lot of management problems. In a way, I have been trying to convince people in the 17 years that I have been in Congress that your office has an interesting title. The management factor inside of your title has really not been well utilized. I think one of the prior Members mentioned you have great budgets down there. You have good numbers. I respect both administrations', how they happen. They usually come out better than we do up here on the Hill in number crunching.

But in management direction and skills, I think there has been a decided failure in the Federal Government in all branches, all three branches of the Federal Government, to really put their management techniques into place. I don't know what can be done about it. Probably government can't accomplish the standard that the private sector has to accomplish if it is going to be competitive.

But if in some way you would think about the management aspect of taking this new technology across government, and then, if we get so sophisticated that we can communicate with Mars, but we can't communicate with 23 percent of the American people and we can't communicate with 40 percent of the municipalities, I don't

know whether we are going to get value out of the thing. We may just exclude people from the system.

Right now, I mean, I hate to tell you, but some of the municipalities in my district don't have typewriters. They actually keep notes by hand. If that applies in my district, I think if we look across the country, we are going to find a lot of communities that are totally devoid of equipment, efficiency, and even if you gave them that—of expertise.

I have been particularly involved in GIS for planning purposes. We have been doing fairly sophisticated work in Pennsylvania and across the country with a lot of the GIS movement in how to use this as a tool for government planning. It is a phenomenal tool, a tremendous potential cost-saver.

We are working on a program now of land and water reclamation that we estimate we can save anywhere from 30 to 40 percent of the costs that normally are spent by the Federal, State and local governments to do this work, because we can remove the field engineering into the computer operation through use of GIS.

But all that being said, if we don't have the operators out there, if we don't find a way to put in kiosks for access for people who don't have computers; and then if we don't have operators who are skilled enough to access the Federal Government, the State government, the local government and all this information that is available, I am not sure we are going to be very successful.

So I guess what I would say is, I hope you come forth with a very comprehensive plan, breaking all these areas down and just seeing what types of platforms we have to put in place, both in person skills and various technologies, to get there; or else we are going to spend—I mean, we don't want to make—is it the FAA that put that very sophisticated system together that didn't work? You know, that is really unforgivable. Those are people that are in an area of expertise that should be able to handle it.

I think we are going down the road right now, we may do a lot of hardware and software and not have the programmers or the users that are capable of accessing it. And we may just end up alienating a third to a half of the American population from government, from the Federal Government. Thank you.

Mr. BURTON. If I might just add to that, you hit on the House of Representatives and how we are all buying our own individual systems, and there is not a lot of coordination there.

I know that OMB is not going to be dictating to the House or the Senate on what we do; but what might be advisable is, when you come up with a strategic plan for computerization and consistency throughout the Federal Government, you could make a recommendation. Obviously, we wouldn't always follow it, but you can make a recommendation to the House and the Senate that it would be advisable for us to have a plan consistent with the rest of the agencies so we can all talk to one another electronically.

So that would be one thing from Mr. Kanjorski that I might add to the mix.

Mr. KANJORSKI. I want to add to that. We could maybe model after some of the States.

I used to represent municipal governments as an attorney before I succeeded to this great, high office; and the experience in Penn-

sylvania was that the GAS in Pennsylvania allowed municipalities to dovetail on their contracts, both for prices and service.

And just within the government, if all three branches could dovetail on what you are doing, you are going to be buying a much larger area. We don't necessarily have, one, that expertise or that buying capacity to think about dovetailing us in.

I am not sure about even dovetailing in the States and the municipalities, so that anything that you come up with has to be compatible among the three branches of the Federal Government and all the lower governments in the country to come in and use the Federal purchasing capacity and expertise of some of this.

Mr. BURTON. Thank you, Mr. Kanjorski.

Mr. Otter.

Mr. OTTER. Thank you, Mr. Chairman.

Welcome back, Mr. Daniels. It is good to see you again. I remember when you appeared before our subcommittee on this very issue. We had some good exchanges.

You know, it is interesting to hear some of the conversation in front of the full committee here about how unable we are to respond to this sort of thing. I am reminded, 2 years or 3 years before I got here, I am sure it didn't come out of this committee, but I am sure members of this same committee voted for a law which told all small business that you have to electronically file your tax returns whether they had computers or not. But you have got to do it. You have got to comply. You have got to make it happen.

I know that the Paperwork Reduction Act has been in force for a long time.

Let me reflect back to our subcommittee. As you will recall, we had 487 violations last year. We had 710 in 1999 that your department reported on, and 872 in 1998, if my memory serves me correctly or my information. And I think I asked you at the time, and I just want to ask you again for the benefit of the full committee: How many people lost their jobs because all those laws were violated, or how many people went to jail? How many people were fined, as we would the private sector?

Mr. DANIELS. Well, I am unable to report that anyone went to jail——

Mr. OTTER. Was anybody fined?

Mr. DANIELS [continuing]. Or that there were other meaningful penalties. I understand the thrust of your question.

Mr. OTTER. So that leads next to my real question to you. Wouldn't it be helpful to your organization to enforce this law if we gave you—as the Congress is always fond of calling it—some "teeth," like we give teeth to OSHA, we give teeth to EPA, we give teeth to the IRS? Wouldn't it be helpful if we gave the Office of Management and Budget teeth to enforce these laws with the Federal agencies?

Mr. DANIELS. Well, we don't aspire to police powers, though some people think we think we do. I would leave that to the wisdom of Congress, sir, although I will say that even apart from or before any such powers were conferred on us, I think we have a very heavy responsibility in this area. It is not as though we are toothless.

A primary reason that I favor the continued integration of management and budget functions—and this is a debate that has run for a long time—is precisely that if we ever get it right, the budget authority and the interactions we have over something very dear to the hearts of agencies and parts of agencies, their budget from year to year resides in the very same place that has the responsibility for oversight or paperwork reduction, GPEA, in all these other agencies.

That is why we are going to make a determined run at the goal to strengthen the management side of our operation to train our people in the requirements of these acts and try to use the budget hammer, some would call it, to get greater compliance. You all can work on whether we should also pack side arms and have other forms of coercion.

Mr. OTTER. Well, I pursue that line of questioning as I did in the subcommittee, as you will recall, simply because I see that we always advise ourselves that in order to get compliance from the private sector or from the general citizenry, from the people, that we have to put teeth in the law.

We are about to hear from two sizable corporations here that if they had violated the law 487 times, they would not have got any chance to violate the law 487 times in 2000, because they would have all been in jail from having violated the law 872 times in 1998, whether it was affirmative action or whether it was OSHA or the IRS laws, the tax laws, or any of the rest of these.

I am wondering, if we are really serious about paperwork reduction, if we are really serious about making the necessary good impact on our own government that we are willing to make on our own participants in the private sector and in the economy, why aren't we just as enthusiastic and why aren't we just as willing to champion that same sort of compliance with our own government?

Thank you, Mr. Chairman.

Mr. BURTON. Side arms will be required.

Mr. Ose.

Mr. OSE. Mr. Chairman, thank you. I am tempted to use a portion of my time to celebrate your birthday today.

Mr. BURTON. Do what?

Mr. OSE. To celebrate your birthday today, because I understand you turned 35.

Mr. BURTON. Thirty-nine.

Mr. OSE. But I am not going to sing for you.

Mr. TOM DAVIS OF VIRGINIA. How many times?

Mr. OSE. Nobody laughed.

Happy birthday, Mr. Chairman.

Mr. BURTON. Thank you.

Mr. 0'SE. That is in the record, right? You got it in the record?

Mr. BURTON. Thirty-nine. Get that in the record, too.

Mr. OSE. This is my time, Mr. Chairman.

Mr. Daniels, I appreciate you coming. You and I have had a couple of conversations in the past. I do want to touch on a couple of things.

We had a hearing on April 24th at which many of the witnesses questioned the requirement for reporting extensive and unchanged information on an annual basis; that is, the same information they

reported on the previous year's form was the same that they are reporting on this year's form, in particular as it relates to Interior and Agriculture issues.

On May 15, I wrote you and Secretary Norton about the results of our investigation, the Bureau of Reclamation in particular, and asked for OMB to work with the Interior and Agricultural Departments to eliminate any duplicative reporting.

Where do you stand on your analysis of this problem?

Mr. DANIELS. We assess it as a general problem, even larger than your letter suggested. I will be meeting with Secretary Norton next Friday, and this will be one of the topics that we take up. I can't tell you this morning how much progress she will have to report. Certainly the work of the committee alerted and sensitized her, as well as us.

And certainly an area one of the high-yield opportunities that I made earlier reference to has got to be, you know, alleviating the burden for repeated update or refiling of the same data; and there is work afoot to try to make it possible for people, or businesses in many cases, to file standard information in one place that might handle multiple agency needs, updated only as it changes.

Mr. OSE. Could they do that electronically, too?

Mr. DANIELS. Sure.

Mr. OSE. One of the issues that came up in our hearings—and this related primarily to agricultural use of Bureau of Reclamation water from the Central Valley project in California—is that on the forms that were being used by the Bureau to basically allocate water, it almost seemed as if the simple addition of a box that a farmer could check that says "no change from the previous year" would go far toward giving these people the time that they need in the fields.

I don't know if you have considered that or not.

Mr. DANIELS. I have. And also made earlier mention of the fact that, in Agriculture particularly, there is—what we are dealing with, with many programs and an enormous infrastructure, field offices overlapping and all the rest of that, which is a completely separate management problem, there is at least, I think, the strong suspicion of a lot of "make work" and a lot of information being collected that need not be collected in the first place.

I said earlier it would be a sad mistake to convert from paper to some simpler electronic fashion information collection that is unnecessary in the first instance.

Mr. OSE. Your point is very well made.

I met with the FSA employees in the Central Valley, particularly, in my district about that exact point; and they would welcome the opportunity to reduce the redundant or repetitive collection of information of this nature. So I applaud your efforts on it.

Mr. DANIELS. We could use the help of Congress to reducing the redundant and unnecessary overlap in that agency itself. When you have separate silos of employees all dealing with the same farmer but all reporting to different people and all setting up their own systems, you are going to have multiple information demand.

Mr. OSE. Your single source idea or your single repository is a great idea. So I want to compliment you on that.

Mr. DANIELS. It may be great, but it is not very popular.

Mr. OSE. Before the light turns red, I want to reiterate what I said at the beginning and say happy birthday to you, Mr. Chairman.

Mr. BURTON. You are a good friend.

Let me just say to Mr. Daniels, if you have suggestions for legislative action that would help you do your job better by streamlining and cutting out duplication, just call us. I mean there is a number of subjects here that we will be very happy on both sides of the aisle to do whatever we can. This is not a political issue in any way.

Ms. Norton.

Ms. NORTON. Thank you, Mr. Chairman. I regret that I have not been here long enough to hear this important testimony. It's an important hearing for this committee to hold.

I would like to yield my time to Mr. Kanjorski.

Mr. KANJORSKI. Thank you very much.

Mr. Daniels, I want to tell you a story of how I got into something. It is interesting.

I spent time with a former Member who was my dearest friend, Bill Emerson. We used to cross districts. He was a Republican. I was a Democrat. We always made it a point, if I went to his district, we would go to something special, a laboratory or some Federal installation. If he came to mine, we would do the same.

When I was in Missouri one time, he was very proud of the USGS facility that is somewhere in Bill's old district, and we spent the day there. It was very enlightening, and it could perhaps give us some guidance here, because I just heard the chairman mention whether or not we could do something.

When we were mapping the United States some 20 or 25 years ago, maybe 30 years ago now, of course, the Congress had to authorize the mapping. It was interesting that an interesting question arose that exists all the time when we act here in Congress, whether this is a Federal question or a State question. There was the contention that they wanted to have a Federal map of the United States, but ultimately Congress elected to appeal to States' rights and authorized to pay for a map that would be awarded and built by the States, and they did such.

Members may not know this, but when they completed all the surveys of the United States and they went to reassemble the United States, it did not fit. Quite frankly, all the information that was compiled in the lower 48 States just did not come together. We had to redo the situation at great expense, and that is a tendency that we have to anticipate here. If you are going to do something, we should probably get involved in the Congress when we are authorizing but be very certain that we analyze out some of our philosophical positions that can and do cause havoc.

Now, as a result of that, I have been very involved in GIS, both using it for government planning and structure. I have found that we are on that same course again, that is in the Federal Government. In almost every department and bureau they are, rather than having a central repository for GIS information, whether it be the Library of Congress, the Department of Congress, I don't care, some single agency that is responsible for standardization and for pulling this information together and to making it available, every

department in every bureau of the government has their own little GIS system that they are working with and, unfortunately, a total lack of standardization.

Now, I am certain in my own mind standardization should not be established by government fiat and government action alone, and they are well on their way to coordinating both the Federal Government and the private sector in developing standards. But they are—that is extremely important.

I am involved with areas now that we are trying to determine are we going to be doing the GIS system down to an accuracy of every 3 feet on the surface of the Earth, every 10 feet on the surface of the Earth, every 30 feet. There are all different measures, different expenses involved. But a great deal of the limitation is what this information can be used for and the quantitative savings that will result therefrom.

One of the things I would call your attention to just think about it, we have over there in some of the black areas of the government capacity through satellite use to have tremendous efficiency in siting and locating materials on the face of the Earth with great accuracy. It is, to my knowledge, that the private sector is spending hundreds of millions if not billions of dollars to duplicate that very service that exists right now.

We would make tremendous strides if, one, we freed up some of that information. All it takes is the attention of saying that it is not so radical a secret that it has to be contained anymore, because they can do it in the private sector, but, rather than duplicate that expense in the private sector, actually open up those areas.

I can tell you just in the area of land reclamation and water treatment in this country we are talking about the capacity to save billions of dollars in just opening up that technology, taking and use what we have rather than reconstructing a commercial-identical force. But even worse than that, one that has no standardization.

So I think what you could do in management is work to make sure that we find central information sources, then work with the private sector to standardize and see that we are not having mismatches and wasting our money and our time that can't later on be put together. It would be a tremendous saving just to begin with, and I could offer any information I have. I am very well connected in the GIS system, the private sector that has been doing tremendous work in this country. If we could just pull the government into it, it would be a phenomenal advancement we could make.

Final suggestion we would make—I am taking upon myself as a member of the minority to make these suggestions to a new administration, but something I have been trying to get some presence to do for a long time in the Congress, we have a unique opportunity right now at the beginning of this century to reexamine the structure of the Federal Government. And with at least three very vital former Presidents still in existence, we potentially could use their insight to help us restructure to be a more functional executive branch of government.

But please don't stop there. Let us have a Hoover Commission to handle the Federal bureaucracy and the Federal executive

branch of government. But then let's get the Congress to contemporaneously be working with them so that our structure fits your structure.

If we want to be efficient, rather than taking individuals like yourself and having you come up here to 8 or 10 committees to talk about the same nonsense, we really only need you one time with the proper function of the committees with the departments of government. It can't be done in a slow period of time. But if we pin the model time to year 2008 when we don't know who the new President will be but certainly it will be a new President, but we could go about reforming our government and reshaping our government in a more efficient, effective manner that would save time, save money, speed up processes, and also put it functionally more organized, hopefully, to serve the people better.

You know, I think we have that opportunity. I would suggest to the new President that this may be something that isn't sexy and isn't too politically important in a contemporary sense but could be politically contributing in a great sense if we took the opportunity at the beginning of this century and feed on that possibility of getting this government organized better so we know how to have the interaction occur.

Mr. BURTON. Thank you, Mr. Kanjorski.

Did you have a response?

Mr. DANIELS. Well, I will take the idea back; and it ought to be viewed seriously by whatever means. It is a great time for the Federal Government to examine, and each of its branches, whether it is properly configured. Because we all know that, in many ways, it is not. I like the idea of testifying electronically, if we could work that out.

I am glad to post my comments on the Web site, and every committee can have them there.

Mr. BURTON. The one thing we have all noticed today, Mr. Daniels, is that you are a very, very good listener.

Mr. Gilman.

Mr. GILMAN. Thank you, Mr. Chairman; and thanks for arranging this birthday celebration by trying to reduce paperwork in the Federal Government.

I recall when we first had the first hearing on reducing paperwork, it goes back a number of years, the committee issued a 400-page report on how do we reduce paperwork. I hope we don't do the same in this hearing.

But I want to commend our Director, Mitch Daniels, for attacking a lot of these problems. I see he has touched on the farm service area, USDA, international trade data, simplified ways of reporting systems, SEC filings. I hope we will take a look at court paper filings, and also licensing bureaus throughout our country have massive amounts of forms that they require to be filled out.

But I also, in looking ahead at some of the testimony coming up from Microsoft, they are talking about some areas that I am not familiar with—hypertext markup lag and hypertext transport protocols, XML transformers, how applications talk to each other. Are you familiar with all of those, Mr. Daniels?

Mr. DANIELS. Oh, intimately, Congressman.

Mr. GILMAN. Certainly I don't know if the committee is, but it sounds like we are on the verge of getting into some very highly technical areas that could save us a lot of paperwork and a lot of money up the road, and we look forward to working with you.

That is the extent of my comments, Mr. Chairman.

Mr. BURTON. Thank you, Mr. Gilman.

We now go to Mr. Davis, who has been very involved in the high-tech area for a long time as well as politics.

Mr. TOM DAVIS OF VIRGINIA. I am just happy to be here to celebrate your birthday as well. We appreciate Mr. Daniels being here.

I am going to be quick, Mitch. We have got a lot of questions that I think have already been covered in here, and we have a couple of other panels. Let me just say we have enjoyed working with your office. We will continue to on a number of issues.

I just want to say how much I appreciate your candor in assessing the Federal agencies' GPEA compliance thus far. I also want to applaud your decision to support the new associate director for IT and e-government and the President's commitment to creating a citizen-centric government.

In a hearing with my subcommittee, a hearing we held in April on the role of State and local CIOs, one point was raised that relates to the scope of electronic government in the context of the Federal Government.

Now in local government we do kiosks, and citizens can call in, but the Federal Government is a little bit different because there are more interactions between governmental agencies than between the Federal Government and State governments. To what extent does OMB's implementation of e-government priorities account for IT planning and infrastructure that will interoperate across all of these areas—citizens, business, interagency, governmental—instead of just one?

Mr. DANIELS. All very, very important. The interagency issue is a big one. As I mentioned earlier, even within agencies we have major conductivity and interoperability issues.

Internally, I am pleased to say that—at least I am told—that substantial progress is due in the near term in linking first gov, which is meant to be the central Web site of the Federal Government, to thousands of local governments, many of whom are far ahead of the Federal Government in this area. I am told this is a task that on which some real progress is imminent, and we will work to make that so.

It could be that we can break some logjams or at least open much wider accessibility by sort of leveraging the connections that citizens already have convenient to them locally or at their State level simply by making the appropriate linkages.

Congressman Kanjorski made a number of important points. But I guess one that really sticks with me is that, my view, anyway, sophistication in systems equals accessibility and simplicity. And just as an amateur at this, as a veteran of making some mistakes made in business and elsewhere, I will be very, very skeptical of sophisticated systems that only a handful of, you know, the anointed can operate. I trust that the people who will follow on other panels fully understand that and much of the genius that they bring to this subject really comes from making, through the most sophis-

ticated tools available, systems which any of us, even I, can manipulate easily. So——

Mr. TOM DAVIS OF VIRGINIA. Again, I appreciate the proactive role you are taking over there. I look forward to working with you.

Mr. BURTON. Thank you, Mr. Daniels. I have known you for so long, I just feel I ought to call you Mitch. I knew you when you and I were both young. You still are.

Let me just say, thank you very much for being here. We really appreciate it, and we look forward to working with you to try to solve some these problems. As I said before, if there is anything legislatively that you think we ought to undertake to help you, just give us a call.

Mr. DANIELS. Thank you, and thank the whole committee.

Mr. BURTON. Our next panel, we would like to welcome to the table Sue Bostrom and Curt Kolcun. Sue is from Cisco Systems and Mr. Kolcun is from Microsoft, two of the leaders in this industry, and we are anxious to have you give us the solutions to all of our problems.

We normally swear in witnesses, but I don't think today it is necessary. So we will just start with Ms. Bostrom and ask if you have an opening statement you'd like to make.

STATEMENTS OF SUE BOSTROM, SENIOR VICE PRESIDENT OF THE INTERNET BUSINESS SOLUTIONS GROUP [IBSG], CISCO SYSTEMS; AND CURT KOLCUN, E-GOVERNMENT DIRECTOR, MICROSOFT CORP.

Ms. BOSTROM. Yes, I do, Mr. Chairman.

Thank you, Mr. Chairman and members of the committee. I am Sue Bostrom. I am the senior vice president of the Internet Business Solutions Group at Cisco. First of all, I would like to start out and thank you for your support and commitment and focus on this important issue of how e-government initiatives can be accelerated across the Federal Government.

I will make a short statement, but the full record of my statement is on file with the committee.

In terms of some background, over the last 6 or 7 years at Cisco, we have used the Internet to really transform the way that we do business both in terms of employee-facing applications, our supply chain, customer-facing applications, really across the entire way that we operate as a company; and what it has resulted in is a phenomenal bottom-line impact for the corporation. Last year alone, we saved approximately $1.4 billion on a revenue base of $18 billion. In the process, we also increased customer satisfaction by over 25 percent.

Over the last few years, my team at Cisco has met with about 75 percent of Fortune 250 leaders, CEOs as well as leaders from government organizations, both here in the United States as well as across the globe. What has been interesting is that, while 3 or 4 years ago it was typically the CIO or the network manager, network director that was interested in what technology could do, now we are finding that it is business and government leaders that are interested in what technology can do to transform the way that they operate; and, in fact, over the last 6 months we have had over 300 of these folks visit.

Other private sector companies beyond Cisco are also seeing what the transformations of the Internet can do. I think many of you are probably aware of Jack Welch's comments at GE is about how the Internet is now on his list of one, two, three and four top priorities for the company; and he is expecting a $1.6 billion bottom-line impact for General Electric alone.

What we have seen at Cisco is that the way—one of the ways to think about the possibilities of the Internet, in addition to improving service levels for citizens or constituents or customers, there is also the opportunity to have this return on investment. We found that there are models that can be used, whether you are looking at what it costs to process a travel and expense report going from $50 per expense report to $2 or whether it is the entire process of how you manage a complete process across the organization. There are significant opportunities to have direct bottom-line benefits. We have seen this both in the private and public sector.

One of the public sector examples I like to use is what we have seen in the State of Colorado where Governor Owens has really embraced the Internet as a tool to link agencies across the State. They took over 700 licensing and permitting operations and combined them to have a single face to the citizenry. Now, what has been required, of course, is a strategic plan. They also brought in an outside private sector CTO for a period of time, and they drove coordination across 20 different agencies, which is now resulting in about a $15 to $25 million bottom-line impact for the State and, of course, taxpayer savings.

I would like to suggest that, based on what we have seen at Cisco and some public sector organizations, there are about five key success factors that I believe could be very helpful in helping the Federal Government accelerate the initiatives already under way.

In order of priority, the first one is very strong, visible top-down leadership. What I mean by this is both the Congress as well as the administration as well as agency secretaries. While I think that in both the private and public sector we like to believe that is all the issue or opportunity of the CIO, in fact, to transform some of the processes that you were referring to earlier it really requires an agency secretary and the entire staff there that gets behind the redesign and the reorganization opportunities.

The second major key success factor is around budgeting and funding and ensuring that there are mechanisms that can facilitate flexible and fast funding of Internet initiatives. With the speed with which technology and applications are changing, the idea of committing to a plan that could be 3 to 4 years out is somewhat concerning in that maybe in a few months there could be applications that the agency would want to take advantage of.

The third component of this is around accountability, and, again, who is held responsible. What we have seen is that business or functional leaders are really the folks that need to drive the fundamental change within the organization, and those are the people that we have seen from our experience are the ones that should be held accountable with the IT executives.

Fourth was a point you have been mentioning quite a bit around enterprise priorities and architecture. I think that we have seen

the successful organizations almost have an approach of where the CIO or the chief technical officer is almost like a benevolent dictator when it comes to setting enterprise standards across the organization. You might want to think about it like a highway and cars, where you want that chief technical officer to be responsible for what the highway looks like, how large it will be, what the standards will be, allowing each one of the agencies or functional owners to build cars so whether it be a Volkswagen or Ferrari it can scale on that highway infrastructure.

The fifth point is something that we refer to at Cisco as ruthless execution against these initiatives. It is very possible in the Internet age to have 90 to 120 projects and determine what is working, what is not working and make very aggressive changes. Many of the organizations and customers that I talk to may not feel comfortable with the word "ruthless," and they have tried to suggest terms like "relentless," but that actually means something quite different, as I am sure you all know.

So the point of saying what are the projects, how can they be implemented, what's working, what is not, and putting the timeframe, the speed which is possible on the Internet into some of these initiatives across the Federal Government would be a significant advantage.

So, in summary, I think that you do all play very significant roles in terms of helping to break through some of the perceived barriers and bring together some of the silo thinking that is natural in terms of this organizational structures that currently exist. The opportunities of the Internet are significant, whether it be within an agency or within this House itself or within your own administrative functions of your office. We at Cisco look forward to seeing more examples within the Federal Government's base, and we stand ready to help in any way that we can. Thank you.

Mr. BURTON. Thank you, Ms. Bostrom.

[The prepared statement of Ms. Bostrom follows:]

Testimony by Sue Bostrom
Senior Vice President, Internet Business Solutions Group
Cisco Systems

House Government Reform Committee
June 21, 2001

Hearing on: "Federal Information Technology Modernization: Assessing Compliance with the Government Paperwork Elimination Act"

Mr. Chairman and members of the Committee, I am Sue Bostrom, Senior Vice President of the Internet Business Solutions Group (IBSG) at Cisco Systems. I would like to first thank the committee members for your personal commitment and focus on accelerating e-government initiatives across Federal agencies.

We at Cisco appreciate the opportunity to share with you our thoughts on how the U.S. government can truly lead globally in delivering on the opportunities that are available to improve the effectiveness of government as well as the services that it provides to its citizens.

400M people in the world now have access to the Internet and over 40% of these individuals are located in the U.S. 70% of all Americans now have access to the Internet at work and that is expected to increase to 85% in just 3 years. As these constituents increase their level of connectivity and access, their expectations for what services will be available to them online from both the private and public sector are increasing.

At Cisco, we sell networking equipment...hardware and software that helps move information quickly and securely along this virtual highway called the Internet. While much of our work with customers is in helping them define their technical networking architecture requirements, my group at Cisco has been working over the past 3 1/2 years with leaders in both the private and public sector to accelerate the success of Internet initiatives – taking the lessons learned and experiences from Cisco and the private sector about how the Internet can be used as a tool for meeting organizational goals with real bottom line measurable results, such as improved customer or constituent satisfaction and increased productivity.

We have met with over 75% of Fortune 250 corporations – and a majority of U.S. federal agencies on these topics In the last 6 months alone, some 300 CEOs – and government leaders - have visited Cisco. What we have found is that it is no longer only the CIO or networking manager who wants to understand what technology does, but rather, business leaders, governors, prime ministers...who want to understand what technology can do to improve competitiveness and meet the expectations of an ever increasing global economy.

Today, I would provide input to you in 3 main areas that could be helpful as you look to give guidance on e-government initiatives to Federal agencies: 1) experiences of private sector companies who are using the Internet to transform their organizations that can be transferred to and leveraged by the public sector, 2) some examples from the public sector itself of early, successful Internet efforts, and 3) our thoughts on some key factors that we believe will allow the Federal government to successfully embrace the Internet to transform how government services are provided.

From a private sector perspective, more companies have begun to view information technology and the Internet as a productivity tool, not a cost center. At Cisco, over the past 7-8 years, we have used the Internet to virtually transform every aspect of the way we do business – from how travel and expense reimbursements are made to how we service our customers. Today, 92% of all of our orders are placed over the Internet and over 80% of our customer questions are answered on line. Customers can configure their products online, pay for them, track the progress of them being built and then track the shipping number so that they know exactly when their products will arrive. No waiting on hold in a call center or waiting until our offices open but rather self service tools that have contributed to a 25% increase in customer satisfaction over the past few years.

And the customers that are interacting with a Cisco or an Amazon online today are, of course, "customers" of government services. Their willingness to adopt and, in some cases, demand new online capabilities does not change when interacting with a Federal agency. So, in some ways it is as if the private sector is providing capabilities that constituents may believe should also be available from the public sector organizations that they interact with.

Cisco has also used the web to create an e-culture for our employees where virtually all of the business that they do with our company is online: company directory, procurement, benefits enrollment, the list goes on and on. By buying our supplies online, we have realized over $110M in cost avoidance last year alone. And while transactions were virtually DOUBLING every year, our headcount in our Purchasing Department has remained virtually the same. The Internet has allowed us to radically rethink how we operate and manage our business, and in addition, increasing customer satisfaction has been improving our effectiveness. The bottom line impact for Cisco last year was over $1.4 billion on a revenue base of over $18 billion.

Other private sector companies are also seeing the productivity improvements possible with the Internet. General Electric's CEO Jack Welch is a true believer in the long-term benefits of the Internet. He now says the Internet is priority 1, 2, 3 and 4. Based on significant benchmarking work at Cisco and terrific innovation, GE expects to see a substantial bottom line impact from the Internet – of over $1.6 billion this year alone. Yes, the economy is challenging for many companies today, but innovation is going to change things regardless of near term capital spending constraints and economic slowdowns.

Cisco and other commercial companies have developed Return On Investment (ROI) models and simple metrics to create or quantify the impact of using technology as an enabler. These models are applicable to government organizations - direct cost savings, cost avoidance, and in some agencies, increased revenue and increased citizen satisfaction.

We have begun to see some of these efforts in the public sector already, in which organizations are developing assessment tools, and are achieving quantifiable results. In the Federal government, the IRS this year has reached 42M – more than 30% - of all tax returns filed online - with a target of 80% by the year 2007. The results so far: a 94% reduction in processing errors and a reduction in processing time from 42 to 21 days. Less processing time means fewer IRS processors are needed. Fewer processors means that these resources can be invested in other, high value add activities that can benefit the taxpayer.

The IRS current initiatives are clearly in line with the federal government's Government Paperwork Elimination Act. However, eliminating paper should probably be considered only the baseline for what is possible within Federal agencies given today's technology. The goal should be to eliminate hand offs – the bottlenecks that now slow down so many processes. How can workflows and approval processes be completely redesigned – with the Internet as an enabler? How can federal organizations take their early presence on the Web and their basic capabilities to online transactions and truly push the envelope – to exceed citizen expectations - in terms of customer care – that's the new frontier.

While some Federal agencies have begun to experiment with online procurement, only 1 percent of $13.8 billion in goods and services purchase each year are via online auctions or using e-procurement applications. By utilizing the Internet and aggregating buying power, the Federal government could save billions of taxpayer dollars and increase speed. As one of your former colleagues once said, "a billion here, a billion there – pretty soon you're talking about real money."

We are seeing some significant e-government successes at the STATE level that we believe demonstrate the holistic approach any organization must take to truly generate significant benefits from the Internet.

The state of Colorado took 700 different licensing & permit departments and processes and put them on ONE, interconnected web site. The service is available to constituents 24/7 and there is no more waiting in line to get a driver's, fishing or other license.

Prior to this breakthrough, the state's Web site always contained a lot of good information, but it was never particularly user-organized or friendly. There was no focus on customer service or cost effectiveness – rather as we see in many organizations, the move to "get something on the Web" versus targeting specific functional or constituent objectives. (At Cisco, we call this putting lipstick on the bulldog.)

In the past, each Colorado state agency had its own IT staff, vendors, and standards. Various technologies & tools were replicated from agency to another with limited connections between these systems With a strategic plan and strong leadership from the top, 20 separate agencies were brought together with common standards, saving the state an estimated 15 to $25M a year and ranking the state as one of the most technology savvy.

By partnering and sharing our experiences with hundreds of private sector companies, such as GE, and public sector organizations – like the state of Colorado - we encourage you to be broad reaching in terms of the impact that the Internet can have on the Federal government. In addition to eliminating paper, how can the government use these lessons learned and the fiscal benefits gained to transform how it interacts with constituents, suppliers, other governments and employees What are the 2-3 issues that exist for each of these groups to interact with a specific agency and how could the Internet be leveraged to address this need?

For example, in the government to employee area, a graph in the Washington Post this week revealed how a third of all federal employees will be eligible to retire in the next five years, from engineers to administrative assistants. I would presume that a major concern for many agencies is that the knowledge of this experienced employee base will also retire – possible before it is fully transferred to new employees. This issue has always proved very challenging in both the public and private sector. Cisco's answer to this and possibly an answer for the Federal government could be the aggressive use of E-learning or online training. This application not only saves travel costs (because training can be done anytime, anywhere over a broadband internet connection) but reduces the time required for training. So while this initiative's primary goal is not to reduce paperwork, its benefits are clearly important and may be a top priority for many agencies.

In conclusion, at Cisco, we have witnessed 5 key success factors that define those public sector organizations that are able to identify breakthrough Internet opportunities and initiatives and drive them to successful implementation. In order of priority, these factors are:

1 - Strong, visible, sustained leadership for Internet initiatives
2 - Support in terms of budget or funding model
3 - Accountability of functional owners to drive change (business and IT objectives must be aligned, not the job of the CIO alone)
4 – Enterprise priorities and architecture – need to build the scalable, standards-based highway so that any type of car (or application) can be successfully deployed to meet the expectations of internal and external constituents today and in the future, usually requiring one CTO or CIO calling the technical shots across the organization.
5 - Ruthless execution – small, 90-120 day projects that can be implemented and results assessed and corrective actions taken

While these 5 factors are easy to define, they can be challenging to implement and will require both the drive and support of committees such as yours that can break through perceived barriers and silo thinking to ensure that the maximum return on IT and Internet Initiatives are delivered to both citizens and employees.

We at Cisco would welcome the opportunity to work with any of you to further discuss ways to harness the opportunities of the Internet, whether in your own administrative functions or the federal agencies you oversee. I firmly believe that a great opportunity exists for you to provide the vision for the government as well as to lead by example.

Thank you.

Mr. BURTON. Mr.—I want to make sure I pronounce that correctly—Kolcun.

Mr. KOLCUN. Good morning, Chairman Burton and members of the committee. I am Curt Kolcun. I am Microsoft's e-government director for Microsoft's government sales organization. In my role, I am responsible for implementing Microsoft's e-government strategy with Federal as well as State and local government customers. Thank you for this opportunity to appear before you to discuss Microsoft's e-government vision and how Internet standard technologies are reshaping business and governments around the world.

E-government is a deceptively simple term to use to describe something remarkably broad. Essentially, e-government is about doing the business of government better, more efficiently and more effectively.

Microsoft appreciates the responsibility government stewards—particularly those who make spending decisions—have to taxpayers to spends tax dollars wisely and responsibly. Which problems government chooses to address and how government addresses those problems are questions for public debate that will ultimately be decided by elected officials at all levels of government. But there is no question of whether or not government ought to do its business efficiently and economically, and this is where e-government has so much to offer those serving in the public trust.

A revolution is upon us. Revolutions are a way of life in the computer industry. Only 20 years ago the world was in the mainframe era. Few people had access to or used computers. The PC, the graphical user interface, and the Internet, though, transformed the personal computer into a mass-market product.

Within this information revolution, there is a transformation under way for governments as well. The first phase of this revolution was initially focused on government agencies and organizations creating a Web presence with read-only content and organizational information. Today, we are in phase two, which began when some government sites made simple forms available online.

But we are moving to a final phase of e-government transformation and one in which the greatest opportunity lies. That is the digital transformation phase. It is in this phase that governments will be able to interact with their customers by accepting electronic forms, information requests and payments from the Web via PCs, wireless handheld devices, via telephones and on Web-enabled TVs. In this phase, the digital economy will be represented by new constellations of computers, devices and services all working together to deliver broader, richer solutions to everyday challenges.

At the heart of the digital transformation phase is a new language for the Web, already widely deployed, called eXtensible Markup Language [XML]. XML is an open industry standard managed by the World Wide Web Consortium. That is, no company owns it, controls it or licenses it. Just as the Web revolutionized how people talk to applications, XML transforms how applications talk to one other.

But what is more important than the technology itself is how government businesses and their customers will benefit from it.

The industry is creating a new type of software that use XML to provide Web-based service that will enable consumers to receive and act on information any time, any place and with any device.

To illustrate the power of XML Web services, one can consider the multiple interactions with government new homeowners might face. They might change their address, register their car, register to vote, set up utilities, ensure government benefits follow them, announce their presence to the new tax jurisdiction and enroll their children in school. These services are independently managed by various government agencies and public utilities.

Now imagine if each of these government agents were to use XML provider service and instead of having to repeat that same information at multiple government agencies on multiple forms the new homeowner simply enters her new address once and the relevant government agencies and utilities will have access and act on that information securely, offering choices where appropriate.

Today, government services are provided through a variety of channels including retailers, banks and the post office. The government service network that has evolved to reach citizens through multiple channels in the physical world is instructive on how government should reach citizens in the virtual world. Somebody who banks over the Internet should be able to pay their bills and taxes through their online financial institutions. Somebody who buys their fishing gear from an e-commerce site should be able to buy their fishing license at the same time from that same Web merchant.

Citizens can interact with government not only through government Web sites but on e-commerce sights or public portals such as Yahoo, AOL or Microsoft's MSN. It is in the government's interest to reach citizens through as many service provider channels as possible. Public portals can reach as many citizens in 1 day as a government Web site can in a month or more.

As an example, the United Kingdom Cabinet Office recently embarked on a groundbreaking new XML government gateway project to deliver secure Internet transactions to its citizens and businesses. Let's say that a Briton needs to send a Value Added Tax form to the government. He would simply use the VAT application, fill in the form and hit the send button. The information is electronically signed and relayed to the government gateway which authenticates it and redirects it to the appropriate Customs and Excise system.

In summary, there are two things we should do to reach the full potential e-government has to offer in the United States. First is adopt XML as an integration standard for government computer systems; and, second, make government services and programs that citizens and business rely on available through multiple Web-based channels.

Microsoft's e-government vision is to enable the public sector to lead the information society by providing it with great software to deliver services that can be accessed any time, anywhere and from any device. Working within public-private partnerships and in consortiums, Microsoft aims to ensure that its solutions and those of its partners are able to empower citizens, businesses, government employees and elected officials.

Thank you, Mr. Chairman and members of the committee.

Mr. BURTON. Thank you, Mr. Kolcun.

[The prepared statement of Mr. Kolcun follows:]

Testimony of

Curt Kolcun

Director, E-Government
Microsoft Corporation

Before the House Committee on Government Reform

"Federal Information Technology Modernization; Assessing Compliance with the Government Paperwork Elimination Act"

June 21, 2001

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Assessing Compliance with the Government Paperwork Elimination Act"
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Good afternoon Chairman Burton, Ranking Member Waxman, and Members of the Committee. I am Curt Kolcun, E-Government Director for Microsoft Corporation's U.S. Government sales organization. In my role, I am responsible for implementing Microsoft's E-Government strategy with Federal as well as State and Local government customers. Thank you for the opportunity to appear before you to discuss Microsoft's E-Government vision and how Internet standards and technology are reshaping business and governments around the world.

E-government is a deceptively simple term to describe something remarkably broad. Essentially, E-government is about doing the business of government better, more efficiently and more effectively. That is, to do more, better, for less.

Microsoft appreciates the responsibility government stewards (particularly those who make spending decisions) have to taxpayers to spend tax dollars wisely and responsibly. *Which* problems government chooses to address and *how* government addresses those problems are questions for public debate that will ultimately be decided by elected officials at all levels of government. But there is no question of whether or not government ought to do its business efficiently and economically, and this is where E-government has so much to offer those serving the public trust. E-government enables

them to spend less to give taxpayers, businesses and non-citizen government clients better service. E-government is at the heart of good government. But to realize this opportunity, government must embrace a few changes.

A revolution is upon us. Revolutions are a way of life in the computer industry. Only 20 years ago, the world was still in the mainframe era. Few people had access to or used computers, and then only through the nearest IT department. The PC, the graphical user interface, and the Internet changed all that. They democratized computing for hundreds of millions of people and transformed the computer into a mass-market product.

Since then, standards such as Hypertext Markup Language (HTML) and Hypertext Transport Protocol (HTTP) have exponentially increased people's use of the Internet. These base technologies for designing and transmitting web pages have made the web what it is today – an integral part of the daily lives of business employees, government employees and consumers.

Within this information age revolution, there is a transformation underway for governments as well. The first phase of this revolution was initially focused on government agencies and organizations creating a web presence. These web sites featured read-only content, promotional information, organizational information, and possibly a phone number or email name to contact for further information. We have seen the results of this phase in the plethora of web sites and pages created and, sometimes, the difficulty even the savviest Internet users face trying find the information they need to interact with government. *Phase Two* began when some government sites made simple forms available online to simplify paperwork for citizens and businesses, and to streamline intra-government processes.

I would characterize the current state of E-government as being in Phase Two. Federal as well as State and Local governments are now taking steps to put their forms online so government clients can download them, print them out and then submit them. In some cases, the ability to complete and submit the form electronically is also available, which greatly expedites the process. For example, the IRS's E-File program processed more than 40 million income tax returns this spring; companies can electronically file their financial statements with the SEC; and the United States District Courts recently implemented electronic filing and online access to court documents. This is the first step to the ultimate goal of providing digital government and removing the paperwork burden.

The final phase of the E-government transformation, and the one in which the greatest opportunity lies, is *Phase Three: The Digital Transformation Phase*. It is with this phase that governments will be able to interact with their customers by accepting electronic forms, information requests and payments over the web. The Digital Transformation phase will make these transactions available via the web, on wireless handheld devices, via telephone and on Web-enabled TV. In this phase, people will not think of the Internet as individual computers and isolated web sites and applications. The digital economy will be represented by new constellations of computers, devices and services all working together to deliver broader, richer solutions to everyday challenges. Government agencies will be able to share data, integrate their processes and join forces to offer comprehensive solutions to citizens.

At the heart of the Digital Transformation phase is a new language for the web, already being widely deployed, called eXtensible Markup Language (or XML). Because XML is so important to the future of the web and Microsoft's E-government vision, I'm going to talk about it for a moment, at the risk of getting a little technical.

XML is an open industry standard managed by the World Wide Web Consortium. That is, no company owns it, controls it or licenses it. Unlike HTML, the language I mentioned a moment ago, which is useful only for presenting graphical images of data, XML is much more powerful and dynamic. It enables software developers to go beyond presenting *images* of data and actually *describes* the data being exchanged between PCs, smart devices, applications and web sites. Because XML separates the underlying data from how that data is displayed, the data itself is "unlocked" so that it can be easily organized, programmed, edited and exchanged between web sites, applications and devices. Just as the web revolutionized how people talk to applications, XML transforms how applications talk to each other.

As developers become more familiar with XML, they are moving beyond simply using it for data. With the help of XML-based technologies such as Simple Object Access Protocol (SOAP – which enables applications to interoperate over the Internet) and Universal Description, Discovery and Integration (UDDI – which gives businesses and government a standard way to describe their services and connect automatically), the industry is creating a new type of software that uses XML to provide *web-based services.* These XML web services are programmable and reusable, much like component software, except that they are accessible anywhere via the Internet. Programs using this model will run across multiple web sites, drawing on information and services from each of them, and combining and delivering them in customized form to any device.

That's the end of the technology lesson. What's more important than the technology itself is what it all means. How will government, businesses and their customers benefit from this? Because XML web services break down the distinctions between the Internet, standalone applications and computing devices of every kind, they enable government

and businesses to collaborate to offer an unprecedented range of integrated and customized solutions -- solutions that enable their customers to receive and act on information any time, any place and on any device.

Take, for example, the multiple interactions with government new homeowners might face. Among other things, they must change their address, register their car, register to vote, set up utilities, ensure government benefits follow them, announce presence to the new local tax jurisdiction, and enroll their children in school. These services are independently managed by various government agencies and public utilities. The integration point in all this interaction is the new homeowner, who must go to each one of them and provide data – often redundantly – to receive each of the services. Now imagine if each of these government agents were to use XML to present itself as a programmable web service. Now, the new homeowner can use a program that manages, organizes and presents the various services all at once, sparing the homeowner the need to work with multiple government agencies or ever enter the same information twice. XML takes the burden of integration off the shoulders of the homeowner.

The power of the XML web services model is amazing. A company offering an online electronic-payment service can license its service to partners, so that they can deliver it as part of their own offering -- regardless of the platform they are using. An airline can link its online reservation system to that of a car-rental partner, so travelers can book a car at the same time they book a flight. An online auction company can notify bidders on whatever device they prefer when they are outbid or have won an auction, or could partner with other firms to offer alternative shipping, fulfillment or payment options. In the future, government agencies can develop web services to provide Social Security benefit information directly to a citizen's financial planning

software, or notify citizens via their handheld device when their passport needs to be renewed.

E-GOVERNMENT FEATURES AND SUCCESS FACTORS

In Microsoft's view, E-government delivers public services in a way that citizens and businesses want them, economically and efficiently. In the fullest sense, E-government is the infrastructure that governments today are building to transform the way they complete their public missions. Previously, public sector IT infrastructures were built to be used internally within individual departments and agencies. Now, governments can extend their infrastructures out to the wider community so that the key values of the digital age – "faster, better, cheaper, more accessible" – can also be applied to government services.

Today, government services are provided through a variety of channels, including retailers, banks and the post office. Public agencies have agreements with service companies so, for example, citizens and businesses can pay their bills and taxes at their local bank. Or, if somebody needs a fishing license, that person is more likely to buy one at the store where she buys her fishing tackle than at a government office. The government service network that has evolved to reach the citizen through multiple channels in the physical world is instructive of how government should reach the citizen in the virtual world. Somebody who banks over the Internet should be able to pay her bills and taxes through her online financial institution. Somebody who buys their fishing gear from an e-commerce site should be able to buy her fishing license from the same

web merchant, which will electronically interact on her behalf with the proper government organization.

Online public service channels can be a government web site, an e-commerce site, or public portals such as Yahoo, AOL and Microsoft's MSN. It is in government's interest to reach their citizens through as many service-provider channels as possible, and public portals can reach as many citizens in one day as a government web site can in one month or more.

As an example, the United Kingdom Cabinet Office recently embarked on a groundbreaking new project to deliver secure Internet transactions to citizens and businesses. This UK "Government Gateway" is a key step to meeting the Prime Minister's target of getting all government services online by 2005. The first stage in the Government Gateway involves connecting businesses with three departments -- the Inland Revenue Department, the Customs and Excise Department, and the Ministry of Agriculture, Fisheries and Food. The government's aim is simple. Let's say that a Briton needs to send a Value Added Tax (VAT) form to the government. He simply uses an Internet-based VAT application, fills in the forms and hits the send button. The information is electronically signed and relayed to the Government Gateway which authenticates it and redirects it to the appropriate Customs and Excise system. Farmers and businesses are also able to carry out farm subsidy transactions and send end-of-year payee information.

At the core of the UK Government Gateway is XML technology that enables forms to be submitted via a variety of channels to different government departments, all running different legacy systems. In other words, all the interfaces – web site, portal, digital TV, kiosk – will send information to the UK Government Gateway in the XML language. The

business rules in the Gateway then dictate where and how that information should be directed. The information is then routed to the relevant department and, where necessary, the Gateway has the capability to transform that information into a format which can be understood by the destination system. As other interested agencies and departments come forward to move their transactions to the Gateway, they are doing this via the UK GovTalk initiative which supports public sector organizations that want to convert legacy data to XML. Led by the UK Cabinet Office, UK GovTalk membership is open to public and private sector organizations working on UK government projects. The web site, wwww.govtalk.gov.uk, holds draft and agreed schemas, best practice guidance, online support and toolkits. With these pieces now in place, the Cabinet Office can look to the future with a solution which forms the cornerstone of the UK's E-government ambitions.

SUMMARY

Microsoft's E-government vision is to enable the public sector to lead the information society by providing it with great software to deliver services that can be accessed any time, anywhere and from any device. Working within public-private partnerships and in consortiums, Microsoft aims to ensure that its solutions and those of its partners are able to empower citizens, businesses, government employees and elected officials.

The transformation to E-government begins with agencies embracing the web and web services, which leads to a fundamental rethinking of government's structure and role. The citizen will be in charge, with public services and information provided when, where and how people want them. Successfully implemented E-government services

are open and pervasive, customer-oriented and integrated. They not only attract those citizens who are already connected to the Internet, but also move people online who are not already there. To achieve this, it is critical to provide value added services to citizens and businesses.

Ultimately, Microsoft's mission is to ensure that its solutions and those of its partners are able to empower:

- Citizens, to receive government services, access them online, become life-long learners and participate in governance;

- Businesses, to access online government services, to partner with government to foster economic development and to participate in the government value network; and

- Government employees and elected officials, to increase their efficiency, to improve their relationships with their customers, to focus on strategic directions and to include all citizens in political discourse.

Thank you, Mr. Chairman and Members of the Committee.

Mr. BURTON. Let me start off by asking you, Ms. Bostrom, you said you need a benevolent dictator, or words to that effect. So I presume what you are saying is that at the executive level in government for the executive branch that you have to have is somebody up there that is responsible, who can dictate to all the agency heads and department heads this is the system that we are going to use, approach we are going to use, and you all have to follow it. Otherwise, you are not going to have the kind of coordination that you think is necessary, is that correct?

Ms. BOSTROM. Yes.

What I was referring to was there is—as I mentioned, there are almost two levels of technology. One is the underpinning infrastructure that is required. So that may be the data base, it could be the network connectivity, it could be the legacy systems. And I think that what Director Daniels was talking about earlier is that there needs to be some level of standardization that is established so that various systems and agencies can talk to one another.

Even with standardization at that level, there is still quite a bit of flexibility and autonomy that can be allowed then at the agency level or at the functional level. Because, based on the standards, the data can communicate with each other. So at that base level of standards it usually does require a decision on what those standards will be.

And the word benevolent was very explicit there because typically the way this is approached in the private sector and also in some public sector environments is a group of individuals gives input as to what might be required, and then some final decisions are made. So it is actually quite collaborative, but at the end of the day there are decisions that are adhered to.

Mr. BURTON. I might just say that I know that Mr. Daniels is gone, but whatever recommendations both of you have for a basic approach to dealing with this problem of governmentwide we will submit to them for their perusal; and, hopefully, they will take that to heart.

You, Mr. Kolcun, were talking about the UK gateway project; and that was, I am sure, a major undertaking. The UK government is a lot smaller than the government of the United States, but I presume that the approach that you took would be a similar approach to the U.S. Government. Can you tell us a little bit about that, the difficulty that you encountered in dealing with their government and how that would translate into dealing with ours?

Mr. KOLCUN. Certainly. You are correct, Mr. Chairman, that the government in the UK, their system was designed to support about 60 million citizens. Their approach in looking at how they would interface to the existing legacy of the older systems that were there within their various departments was to standardize on XML through their government organization through what they called an electronic government framework and interoperability framework that received input from all the agencies and from all the CIOs to define the XML interfaces to the existing systems that they had.

Their approach was, rather than rearchitecting or replacing the existing investment that they had in technology, they would use the secure gateway that communicated via XML with citizens

through public portals as well as through business and applications. So this gateway, run through the office of the e-envoy, manages these transactions; and they approached it from the standpoint of being able to facilitate interaction between the existing systems that were there and securely exchanging data through this gateway using the XML technology that I mentioned in my testimony.

Mr. BURTON. So I gather from what you just said that our government might be able to utilize a lot of the technology that they already have by this gateway approach that you are talking about where you could take the new technologies and link them in, is that correct?

Mr. KOLCUN. That is correct. The XML technology will allow for the access to those legacy systems. Really, the effort is opening up that back-office data and make it available to the front office. So through efforts and through discussions that we have started with the XML Working Group of the Federal CIO Council, this has been a proposal that we have provided for government to move forward and to open up communications between the existing systems that we have today without replacing them.

Mr. BURTON. Well, that is new information for me, because I thought we would probably have to replace a great deal of what we already had.

They had a target date of 2005 over there, and I guess that is achievable goal. We have a target date of 2003, and we are not anywhere near there. Do either one of you have suggestions on how we can meet that goal? Is that a realistic goal?

Why don't you start, Ms. Bostrom.

Ms. BOSTROM. Well, I think that, based on our experience, I would always suggest an aggressive goal is always a good goal.

I believe that one of the factors that I think there was quite a bit of discussion on a little bit earlier was what do you target first and what really makes sense to put on the Web, etc. So what I think would be most effective would be to very clearly establish the top priorities.

So if you said that by 2003 these either key transactions or key interfaces, whether they be government agency to employee or to citizen, our top priority is where we are going to get the greatest impact in the shortest period of time and let's strive very aggressively for that by 2003. I think that would be a very achievable goal and would demonstrate success that could then be rolled out more aggressively across other groups that were not impacted as dramatically in the near term.

Mr. KOLCUN. I would say, as to Ms. Bostrom's statement, that we see the same thing in the UK government in the effort in the work done to look at quick wins and to analyze the systems we have today that will have the most impact on the citizen as far as their interactions with government. I think that by selecting pilots and working with progressive States, Colorado, the State of Washington, the State of Pennsylvania, who have some systems in place already, I think that we can quickly do this.

I would point out that the e-government gateway was developed in 15 weeks of time with about 50 developers. So the technology has evolved to allow us to do these things quickly; and that allows

us to get these quick wins, demonstrate success and move forward in a structured fashion.

Mr. BURTON. Fifteen weeks.

Mr. Kanjorski.

Mr. KANJORSKI. Before we get to that on the Federal Government, let me say some distinction I see between the UK and the United States is different layers of government. We have 50 States in between that they don't have.

Second, I don't know if they have resolved the security problem. But we are still wrestling over that as to what level of security we are going to go to; and I think our intelligence agencies, both the CIA and the FBI, want to constrain to what level we go to so that they can utilize this information and intercept it.

So doesn't that bring us to a forceful philosophical argument that the country has to undergo as to what information should be made available to intelligence agencies and what type of protection can we put in place or shall we put in place? And isn't that a decision under our system that constitutionally has to be made by the Congress?

Mr. KOLCUN. Sir, I would address that.

I agree that security and privacy are key points to e-government as well as government in general, and they continue to be. In the UK, they decided on an implementation of a public key infrastructure with digital certificates. And I think the determination for government to look at is determining what level of security need be applied for the type of information interaction that the citizen or consumers are doing with the system itself.

Mr. KANJORSKI. As I understand, we have not agreed to go to the amount of security that Europe has accepted as a standard. The United States wants, our agencies want a much lower standard so that they can exercise their inherent right as they define it to intercept communications between citizens and citizens and the government. Is that not correct?

Mr. KOLCUN. I am not familiar with that, sir.

Mr. KANJORSKI. I don't want to appear to be against it. If I were young again, I would hope to be engaged in your type of activity. It offers tremendous efficiencies and growth of wealth and protection of people's rights if we do it right.

But I am trying to point out some of the frustrations on this side and in the Congress we get, one being that I had just recently gone through a hearing with securities commissions to the 50 States. And for stock fraud, for instance, in this country we still don't have a single repository of information on individuals that commit intrastate fraud. There are some frauds committed, and the same individual goes to each individual State, and some have practiced in 13 and 15 States. And any State in the Union can't find out that they have been prosecuted and have provided that.

Now that necessitates standardization and clearinghouse operations that aren't very sophisticated really, but the fact that we don't have them raises the question why. And I really think it is an argument—two things, one, privacy and, two, that jealousy of States' rights as opposed to national standards and national rights. It seems to me the Congress and the people have to engage in that debate and get over it rather quickly.

Whereas in the UK they have had the debate. They have decided they trust their government. They decide their government will impart a standard that is sufficient to protect people's privacy, and they have moved on. Here, every day that issue comes up in committee hearings or on the floor; and we really haven't developed a philosophical standard consistent in the country to allow you all to move ahead and put in a system.

But I am worried about doing partial things that can't complete the action. And in testimony you said to try and define something that is reachable. I can see some areas that we could do that with, probably cause some efficiencies in government but wouldn't necessarily allow us to have the opportunity to have a superstructure in place to really move ahead with what we are all hoping will be a tremendous e-government facility in the United States of a highly sophisticated nature.

I am just wondering whether or not is it up to your companies and your industry and your professions to come forward and start shaming the Congress and the American people into addressing some of these political and philosophical issues that no longer can be put under the rug and ignored but must be faced, decided upon, and then moving out from there. Other than that, aren't we sort of just skating around hoping to do little things but not in context and not comprehensively?

Ms. BOSTROM. Well, Mr. Kanjorski, I believe that there is quite a bit of truth in the statement that you make. I believe that the challenge that the Federal Government faces or the public sector faces here in the United States is very similar to similar challenges that are faced in the private sector, one being that there is almost simultaneous initiatives that must go on, one area being the rearchitecture of the things that you are describing, the data bases, and combining information. And many of those are philosophical, longer term decisions that must be made.

At the same time, though, there is the opportunity to perform initiatives and take on initiatives that will begin to offer quick wins. What I found in the private sector is that oftentimes those quick wins can accelerate change in that core rearchitecture. Because, as you see what is possible, whether it be private sector organizations like Cisco or Microsoft or whether it be the citizens, they begin to see what is possible and begin to help accelerate the architectural or structural, philosophical decisions that need to occur.

So my thinking would be that there needs to be simultaneous action at both levels, and I think for any one situation what ultimately drives the kind of transformation I think you and I are hoping for I think time will tell.

Mr. KANJORSKI. Yes. And I just make the comment that the difference between the private sector and government is that the private sector is politically an authoritarian dictatorship. That is why it gets done. The CEO says it shall be done, and the implementation gets it done.

Unfortunately—or fortunately—government is a democratic process—that could be a bad quotation—and it makes it much more difficult.

But what you are suggesting, as I understand it, is for us to identify something that can be rather quickly resolved and handled with your new technology that will create the dawn to create the political sympathy both in the citizenry and in the Congress to think about maybe appointing an e-government czar to help us, but under constraints, but building on one win or several wins and successes that will trust the authority to go there until proven otherwise to start implementing the entire system. Is that what you—taking care of the different structures of the private sector?

Ms. BOSTROM. I think there needs to be a mechanism, whatever it is, that helps to establish these standards. In addition, there needs to be accountability, whether it be at the agency level or otherwise, where the agency heads or functional heads are being held responsible for helping to drive these initiatives. So not a central point of control from that perspective. But I think that could certainly be helpful in leveraging a lot of the good work that has already been done within agencies and accelerating more work to occur.

Mr. BURTON. We have to go to Mr. Davis. He has a luncheon. Mr. Davis.

Mr. TOM DAVIS OF VIRGINIA. Thank you.

Let me ask both of you, from the work of the full committee staff and my staff have done in examining the progress of the Federal Government with respect to implementing the GPA and thinking outside the traditional stovepipe information manage the structure, the progress of agencies in implementing the GPA as the first phase of an e-government we think is uneven at best. Would you give me a private sector perspective on what would be the preliminary steps that any organization, including the Federal Government, would take to achieve the cost efficiencies and improve services that have been realized in the business world?

Start, Mr. Kolcun, with you.

Mr. KOLCUN. OK. I think that some of the things that we have talked about, Congressman, already are the support and—the management support for looking at the process. It is one thing to be able to place a form online, but that form represents a process, and you have to make sure that when we look at this form and put these forms online that we are also analyzing the process. What is the process? Is it a necessary process?

I know at Microsoft when we moved—we use the term "eat our own dog food" when we use our own technology to change. When we moved our systems online, the chief executive of our company was intimately involved in looking at the process and questioning the process to find out if it was involved and then applying technology accordingly.

I think that at the Federal level we need to really elevate the CIOs to be able to do that and look to that organization to be able to help and be tied to the strong management organization to be able to move these initiatives forward.

Mr. TOM DAVIS OF VIRGINIA. OK.

Ms. BOSTROM. Congressman Davis, I think the approach that I might suggest in an agency that isn't moving quite as quickly as one might like, I would say first is establishing what the top priorities are. By that I mean, in a quite simple way, we talk to the citi-

zens that the agency serves. I would talk to the employees, and I would find out what are the two or three key things that really make it difficult to do business with that agency or to be an employee within that agency. And then I would prioritize those initiatives based on the ability for the Internet or Internet capabilities to make the difference there as well as how easy they are to implement. So, in other words, how many philosophical debates need to occur before progress can be made?

Second, I would hold the accountability with the functional executives inside of that agency and create an IT functional partnership so that the people that are required to change the process have skin in the game to help make it happen and understand what the returns can be for their organization.

And, finally, we put a terrific amount of emphasis on near-term tracking and results and really looking over, whether it is 90 days, 120 days or 6 months or 9 months, what progress is being made so that corrective action could occur very quickly.

Mr. TOM DAVIS OF VIRGINIA. Thank you. That is all I have.

Mrs. MORELLA [presiding]. Thank you, Mr. Davis.

I am sorry that I wasn't here to hear your testimony, but, of course, I have your written testimony. It is difficult when you have three different committees meeting at the same time.

Spencer Abraham was speaking to us on the energy policy, which actually ties in, because there is this demonstration program called, let's see, Don't Pollute, E-commute, which is being done with businesses where they can store up the energy that they have preserved and sell it and keep it in the bank. I just think the idea is great, and the District of Columbia region is part of that.

But I would like to ask you both maybe the same question. In order to receive most government services, citizens must first provide some personal information. The idea of the government agency sharing all of this information over the Internet with other government Web sites sounds like it might present security problems. So I just wonder how you would respond to that. When the citizen wants to work with government online, how do you protect their information and what control will they have to limit the way their information is handled? That security and privacy is one of the biggest issues. I know that Mr. Davis shares that, since we have worked on this in the past.

Maybe, Mr. Kolcun, you want to respond first.

Mr. KOLCUN. Thank you, Congresswoman.

Yes, I would point out that, as we discussed, security and privacy are key aspects of e-government. Some of the same laws for security in the sharing of information between agencies exists today, and those same laws would still apply in the Internet world.

I know that has been a lot of discussion around privacy and initiatives such as the Platform for Privacy Preferences, P3P, which actually allows the citizen to determine what type of information they would like to provide in the commercial world. So as a user I can determine and set preferences on my computer to say that I want this Web site to get this type of information or I don't. And if I access the site that tries to get that information, I will get the warning to say that it is trying to get that information, and it won't allow that to happen.

From the government perspective, the issue of privacy also needs to be included in privacy statements that we have today on our government Web sites. And the point I will make, as far as government being able to monitor the sharing of information, is that, from the technology perspective, we will be able to apply audit controls to that information in ways that we have not been able to in the paper world.

So I would say that the existing laws and regulations we have will be able to be applied more efficiently and more effectively with Internet technology.

Mrs. MORELLA. That is if we implement the current laws that we do have, and I think that has been one of our difficulties with the Federal agencies.

Ms. Bostrom.

Ms. BOSTROM. Congresswoman Morella, on the security issue, I believe that, like you, I have concerns about the feelings of citizens in terms of providing information online. There is certainly the technology that can ensure that citizens will feel that the information they have provided is secure and that will only go to certain Web sites. But at the end of the day what I think is required is education around what is available, what is possible.

Referring back to the point that you made, Mr. Kanjorski, that you made earlier about the comfort level that the average person has with technology, I think it will require some education so that individuals will know that when they provide information exactly where does it go. I must also say, though, in the paper world oftentimes you provide information and you have no idea where it goes. So I think that same form of education will be required so that people understand that the technology is in fact providing them with greater privacy and security than in some cases they may have had in the paper world.

Mrs. MORELLA. Thank you.

I will now defer to Mr. Kanjorski for another round of questioning, if he has any.

Mr. KANJORSKI. Let me ask a question. Something did disturb me. Most recently, within the last 2 years I think, one of our national core manufacturers inserted a chip in an automobile that kept track of where the automobile was and the processes it was going under, supposedly for better engineering purposes, to have a sample test, but unbeknownst to the buyers. I am sure it shook up some people that found out that their activities could being traced that thoroughly with just the addition of a very cheap chip and that in fact it was monitored and therefore their information or their privacy was in some way invaded unbeknownst to them.

I think there are enough stories out of that happening even in the private sector, that adding on the natural suspicion of government and the black helicopter conspiracy that some people have of government that I agree with you that if you could undertake that as a corporate contribution to the U.S. Government to really educate the American people that would probably be the greatest contribution you could make.

There are a high number of people in this country that are fundamentally somewhat ignorant of new technology and the use of it and even the potential use of it but in that ignorance can only

imagine or apply their wildest imagination. Therefore, in protection of what they consider a very important right, and I do, too, their privacy, they'd rather have it all.

They are a large segment of our population we have to deal with and have an obligation to be fair with in implementing and passing laws. So, if I had my way, I think the great contribution to the government has been made by C–SPAN. If people can at least see what we do, make some judgments of how ridiculous we are sometimes, and maybe if we had a C–SPAN of high technology, it wouldn't be bad. I mean, it would start raising the level, if you will, of some people to understand, some people I am talking about are old codgers like me that have been born and been in the generation long enough to know and think that most of this is awfully new stuff. I guess it is when you think about it. It can be frightening to those who resist change or are traditionalists.

I guess I am interested in how fast we could get there, what we could do to create that ease, that political comfort level and then to have an understanding of whether there are functional or fundamental changes in government and organization that have to be made. I think we need a national repository of information, as opposed to having it—I sort of analogize it to the Yucca Mountain. Would you rather have all the nuclear waste in the Yucca Mountain or do you want it at 110 nuclear plant sites around the country? It is tough to make the decision, but the decision has to be made. I tend to come down to I would rather have a single place that I have to protect, rather than having to protect 120 or a number of sites.

This information is just too scattered, too unstandardized, requires too much programming to interface with the material.

I am working on a program in the Commonwealth of Pennsylvania now, on applications for welfare programs that are interactive, and I am not too impressed with the idea that they want to take a 19-year-old program and try to update it because it has a great deal of material in it. But in the updating of it, it creates ever so many more likelihoods for error and mistakes to be in the system.

I think we have to. But what does impress me is that it is interactive so that, when you work, you can ask a question and you don't have to necessarily read the answer; it orally can come to you. And to the people on welfare, that is a much larger percentage of the population that are functionally illiterate than the general population. So at least we are taking into the consideration that they may not have the capacity to type or even spell or punctuate correctly and can still extract the information.

I would hope that is where government sensitivity is, knowing that we have this generational and educational span that we have to get over and to make it—we could do the e-world of the future. But then those of us that are old duffers wouldn't be part of the world, and we would like to be part of that world.

So anything that your companies—and I have respect, tremendous respect, for both of them; if you can interact with the government some special way, make sure that we constantly change and grow and adapt to the flexibility of that tremendous technological change.

One of our problems in government very often is that we set upon this course you talk about, 5 years; by the time we implement it, it is obsolete. It is useless and stupid and expensive, and other breakthroughs have occurred in the meantime; but we were too inflexible either because of our bidding process and our contracting process or implementation process to understand that.

We are dealing with a new world, almost instantaneous change and breakthroughs and new things happening, and yet we are operating on a very slow horse and buggy, and we are having difficulty getting into the speed age. So you can help us more than we can help you.

Thank you.

Mr. BURTON [presiding]. Well, thank you, Mr. Kanjorski.

Let me just thank both of you very much. As you can tell from our questions probably, we are neophytes in this area, and you folks are the experts. If you have suggestions—and I made the same comment to the head of OMB, Mr. Daniels, if you have suggestions that you think we ought to take a look at and try to come up with some kind of a plan to deal with this problem, we would sure like to have it. We will make sure that Mr. Mitch Daniels at OMB, as well as the leaders here in the Congress, can have it so we can get into the 21st century, as we should.

We really, really appreciate—and, once again, Kevin, thanks for all your help on this. He worked very hard on this. Thanks a lot.

Our next panel is Joel Willemssen from GAO; John Osterholz from DOD; Norma St. Claire from DOD; and Jim Flyzik—is that correct—Jim Flyzik from Treasury. Would you please—I am sorry; I guess we have others here we haven't included.

OK, 1 second.

Forgive me. Joel Willemssen, Jim Flyzik, John Mitchell, John Osterholz, and Norma St. Claire.

Since we are going to be asking you to give testimony on what you are doing, I think I will have you sworn, so we have it for the record. Will you all please stand and raise your right hands? Is somebody back there pointing a finger? Do you want to be sworn as well.

Mr. MITCHELL. The chief and commissioned officer has asked to.

Mr. BURTON. Oh, sure.

[Witnesses sworn.]

Mr. BURTON. We'll start with you, Mr. Willemssen. You have an opening statement.

STATEMENTS OF JOEL WILLEMSSEN, MANAGING DIRECTOR, INFORMATION TECHNOLOGY ISSUES, GENERAL ACCOUNTING OFFICE; JIM FLYZIK, ACTING ASSISTANT SECRETARY FOR MANAGEMENT AND CHIEF INFORMATION OFFICER, U.S. DEPARTMENT OF THE TREASURY; JOHN MITCHELL, DEPUTY DIRECTOR, U.S. MINT; JOHN L. OSTERHOLZ, PRINCIPAL DEPUTY CHIEF INFORMATION OFFICER, U.S. DEPARTMENT OF DEFENSE; AND NORMA J. ST. CLAIRE, DIRECTOR, INFORMATION MANAGEMENT FOR PERSONNEL AND READINESS, OFFICE OF THE SECRETARY OF DEFENSE

Mr. WILLEMSSEN. Thank you, Mr. Chairman. I'll briefly summarize our statement.

As requested, we looked at the GPEA plans for three departments and agencies—Treasury, EPA, and Defense. We found that the plans submitted by Treasury and EPA generally provided the kind of information specified by OMB.

For example, in its plan, Treasury pointed out the criticality of its electronic activities in fundamentally redefining how it performs its missions. Excluding IRS, Treasury identified more than 300 information collection processes that could be done electronically rather than by paper.

In its submission, EPA highlighted that it was undertaking several activities to provide electronic services, including developing an overall computer network as a central focal point for electronic reporting and also improving computer security weaknesses, which we previously reported on.

Regarding Defense, its plan did not include a description of the Department's overall strategy. DOD officials could not provide us with documentation specifically addressing a Department-wide implementation strategy. In addition, in taking a look at DOD's submission, we found indications of inaccurate, incomplete, or duplicative data. In those cases, Department officials agreed to followup to correct potential discrepancies.

Speaking more globally, from a governmentwide perspective, we see several challenges that Federal departments and agencies are facing in meeting the goal of providing services electronically.

First, security and privacy assurances must be provided through the use of public key infrastructure technology, especially for sensitive transactions. That will be needed very critically as Federal agencies move forward in this area.

Second, it's going to be important to adequately plan and implement computer network and telecommunications infrastructures to provide the capacity and connectivity needed to support increased electronic traffic.

Third, agencies will need adequate capabilities for storing, retrieving, and disposing of electronic records.

Fourth, agencies are going to have to implement disciplined investment management strategies to ensure that the full cost of providing electronic filing and record keeping are examined within the context of the benefits of doing so.

And, fifth, agencies need to make sure that they have addressed their IT human capital needs so that these systems can not only operate effectively, but they can provide oversight of contractors developing the systems for them.

OMB is also going to be challenged in its role of ensuring that agencies comply with the law. The plans that we looked at, that were submitted by the agencies, really don't provide sufficient information with which to assess the strategic activities and other tasks expected to be performed and schedules and milestones for completing those tasks.

Accordingly, from here on out, OMB may want to consider proposing more comprehensive agency status reporting so that they, OMB, will have a sense, especially from a priority perspective, on where those agencies stand and that they are pursuing the most cost-beneficial opportunities for moving from paper to electronic submissions.

That concludes the summary of my statement. I will be pleased to address any questions you may have.

Mr. BURTON. Thank you sir.

[The prepared statement of Mr. Willemssen follows:]

United States General Accounting Office

GAO

Testimony

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ELECTRONIC GOVERNMENT

Selected Agency Plans for Implementing the Government Paperwork Elimination Act

Statement of Joel C. Willemssen
Managing Director, Information Technology Issues

GAO-01-861T

Mr. Chairman and Members of the Committee:

I appreciate the opportunity to be here today to participate in the Committee's hearing on implementation of the Government Paperwork Elimination Act (GPEA).[1] The act requires that by 2003 federal agencies provide the public, when practicable, the option of submitting, maintaining, and disclosing required information—such as employment records, tax forms, and loan applications—electronically, instead of on paper. In October 2000, federal agencies submitted GPEA implementation plans to the Office of Management and Budget (OMB), which is responsible for executive branch oversight of GPEA.

As you know, we are currently conducting a review of agency GPEA implementation plans at the request of the Chairman of the Senate Committee on Governmental Affairs. For this hearing, you asked us to report specifically on the efforts of three agencies to meet the requirements of GPEA, as reflected in the plans they submitted to OMB. The three agencies are the Department of the Treasury, the Environmental Protection Agency (EPA), and the Department of Defense (DOD). After describing the framework of OMB's GPEA guidance, I will discuss each agency's plan, including its overall strategy for complying with GPEA, as well as the data on information-collection activities provided as attachments to each of their plans.

To prepare for this hearing, we obtained and analyzed the plans submitted by each of the three agencies and held discussions with cognizant officials on their progress and challenges in meeting GPEA's October 2003 deadline. Because of time constraints, we did not attempt to verify the data reported in the plans regarding planned electronic conversions for specific systems and processes.

Results in Brief

The plans submitted by Treasury and EPA generally provide the kind of information that was specified in OMB's July 2000 guidance. However, DOD's plan did not include a description of the department's overall GPEA strategy and, in some cases, the data provided for specific information collections may be inaccurate, incomplete, or duplicative.

Officials of all three agencies said that they faced challenges in complying with GPEA, particularly with regard to implementing adequate security assurances for sensitive electronic transactions and in planning for and

[1] P.L. No. 105-277, Div. C, tit. XVII.

implementing computer network infrastructures. Further, OMB will be challenged in providing oversight of agency GPEA activities because the plans submitted by the agencies do not document key strategic actions, nor do they specify when they will be undertaken. Taken in isolation, the plans do not provide sufficient information to assess agencies' progress in meeting the objectives of the act. To address this issue, OMB may wish to require agencies to report on major agencywide activities, including specific planned tasks and milestones and the rationale for adopting them.

Background

Advances in the use of information technology and the Internet are transforming the way federal agencies communicate, use information, deliver services, and conduct business. To increase the ability of citizens to interact with the federal government electronically, in 1998 the Congress enacted GPEA.

GPEA makes OMB responsible for ensuring that federal agencies meet the act's October 21, 2003, implementation deadline. In May 2000, OMB issued GPEA implementation guidance,[2] which lays out a process and principles for agencies to employ in evaluating the use and acceptance of electronic documents and signatures. The guidance calls for agencies to examine business processes that might be revamped to employ electronic documents, forms, or transactions; identify customer needs and demands; consider the costs, benefits, and risks associated with making the transition to electronic environments; and develop plans and strategies for recordkeeping and security. In September 2000, we concluded that OMB's GPEA guidance—as well as the guidance and supplementary efforts being undertaken by Treasury, the National Archives and Records Administration, the Departments of Justice and Commerce and others—provided a useful foundation of information to assist agencies with GPEA implementation and the transition to electronic government (e-government).[3] Our report also laid out information technology management challenges that are fundamental to the success of GPEA.

OMB's May guidance also required each agency, by October 2000, to develop and submit a GPEA implementation plan and schedule. According to this guidance, these plans were to prioritize implementation of systems and system modules based on achievability and net benefit. Further,

[2] OMB Memorandum M-00-10, "OMB Procedures and Guidance on Implementing the Government Paperwork Elimination Act."

[3] *Electronic Government: Government Paperwork Elimination Act Presents Challenges for Agencies* (GAO/AIMD-00-282, September 15, 2000).

agencies were required to coordinate their GPEA plans and schedules with their strategic information technology (IT) planning activities and report progress annually.

OMB's Supplemental Guidance on Preparing Agency Plans

In July 2000 OMB issued supplemental guidance that provided a structured, standardized format for agency reporting of GPEA implementation plans. Unlike the May 2000 guidance, which discussed a wide range of activities needed for an agency to comply with GPEA, this new guidance focused on specific kinds of data that OMB was expecting agencies to submit in the October 2000 plans. The new guidance specified that the plans be divided into four parts:

- First, agencies were to provide a cover letter describing their overall strategy and actions to comply with the act. This letter is the part of the plan that provides an agencywide perspective on GPEA compliance efforts.
- Second, agencies were required to provide data in tabular form regarding information-collection activities approved by OMB under the Paperwork Reduction Act (PRA), which mandates that OMB review how agencies collect and use information.[4] The data tables were to include a column showing when an electronic option would be completed (if one was being planned) and whether electronic signatures were to be used.
- Third, agencies were requested to provide an additional table showing interagency reporting, information-dissemination activities, and other agency-identified transactions. According to OMB's guidance, "interagency reporting" encompasses ongoing, periodic reports, such as personnel and payroll reports, which are exchanged among agencies. "Information-dissemination activities" refers to information products intended for the general public, such as the periodic release of labor statistics. Like the PRA-based inventory, this list was to include a column showing when an electronic option would be completed, if planned, and whether electronic signatures were to be used.

[4] Under the Paperwork Reduction Act of 1995 (P.L. 104-13), OMB determines whether the agency needs the information, whether the agency has minimized the burden on the public of collecting it, and whether the agency has maximized the utility of the information collected.

- Lastly, supplemental information was also to be provided about any of the previously listed transactions that the agency had determined to pose a "high risk," such as those involving particularly sensitive information or very large numbers of respondents. This section of the plan was to include a description of the transactions, their sensitivity, and additional risk management measures that would be taken.

Department of the Treasury

Let me now turn to the three agency plans you asked us to review. According to Treasury's plan, the department's GPEA-related activities are a critical component of the overall departmental effort to fundamentally redefine the way it performs its critical missions. According to the plan, a key element of that effort was the development of an e-government strategic plan—just published this month—which Treasury is using as a framework for selecting and implementing electronic initiatives.

In addition to its internal initiatives, Treasury's plan notes that the department has been involved in governmentwide actions to advance electronic government and comply with GPEA. A key example is Pay.gov, an Internet portal developed by its Financial Management Service. According to the plan, the services of Pay.gov can help agencies meet GPEA requirements to accept forms electronically by 2003 by offering a package of electronic financial services to assist agencies, such as enabling end-users to submit agency forms and authorize payments, presenting agency bills to end-users, and establishing the identity of end-users and reporting information about transactions back to the agencies. Once fully operational, this service could help agencies throughout the federal government to more easily reach the goals of GPEA.

According to the department's deputy chief information officer (CIO), the progress of major GPEA-related initiatives at Treasury is being monitored through monthly CIO meetings with representatives from each of the department's various bureaus and by using an investment management tool.[5] The Deputy CIO added that compliance with GPEA is also included in the criteria that Treasury uses in its investment review process for evaluating newly proposed information technology projects.

[5] This tool, known as I-TIPS (Information Technology Investment Portfolio System), is a web-based decision support and project management tool to help support the management of information technology investments.

Treasury's Data Collection Activities

Treasury used its database of information collections identified under PRA as a starting point for preparing the required data tables for its GPEA implementation plan. PRA information collections include such things as requests for forms and publications, tax-related forms, and business-production reports. To refine the list, the department's CIO organization convened a group comprising representatives from Treasury's IT policy and strategy group, CIO development team, bureau representatives, and policy office representatives. The group reviewed the PRA collections and added a records management initiative that had not been part of the original database.

Treasury's plan provides the kind of information stipulated in OMB's July 2000 guidance. Altogether, Treasury identified 336 PRA information-collection processes that are subject to GPEA. According to the plan, 23 of these are scheduled for conversion to an electronic option in 2001, 36 are scheduled for 2002, and 84 are scheduled for 2003. Of the remaining initiatives, 80 were reported to already be converted, two are scheduled for conversion in 2004, and 111 were not assigned a completion date for conversion. In all but one case where the conversion date was beyond October 2003 or not assigned, Treasury included explanations, as required by OMB's guidance.

Further, Treasury identified 105 initiatives offering an electronic option for interagency reporting, information-dissemination activities, and other transactions, and four transactions identified as high risk.[6] For those initiatives included in Treasury's plan that did not specify completion dates, the department plans to include that information when it becomes available, according to the deputy CIO. The plan also is expected to be updated as the bureaus and department offices make progress toward completing its initiatives.

Environmental Protection Agency

According to its October 2000 plan, EPA is currently undertaking three major activities in an effort to provide e-government services and comply with GPEA. The first initiative is to establish a new rule that would permit electronic reporting and recordkeeping and establish the requirements necessary to ensure that electronic documents are valid and authentic. EPA has drafted the proposed new rule, and it is currently being reviewed

[6] The four high risk transactions are (1) The Bureau of Engraving and Printing's (BEP) "Owner's Affidavit of Partial Destruction of Mutilated Currency," (2) BEP's "Claim for Amounts Due in the Case of Deceased Owner of Mutilated Currency," (3) multiple application forms associated with the Community Development Financial Institutions Fund, and (4) "Request for Transfer of Property Seized/Forfeited by a Treasury Agency," also known as an asset-sharing request.

by administration officials. Agency officials expect it to be approved this year, with a final rule to be published in 2002.

The second major initiative is the development of a computer network facility known as the Central Data Exchange. This new facility is to be the central point of entry for all electronic reporting, and is expected to provide security, authentication, error detection, and distribution capabilities. EPA expects the facility to be fully operational by the fall of 2002.

The third major initiative is to improve EPA's information security. We have previously reported on significant weaknesses in EPA's information security program.[7] The October 2000 plan states that the agency has made significant progress in improving its cyber defenses by implementing security confidentiality protocols and procedures. Further, agency officials state that they are actively exploring the use of electronic signatures and public key infrastructure (PKI)[8] technology to ensure the security, confidentiality, and non-repudiation of sensitive data collections.

EPA's Data Collection Activities

EPA used an iterative process to develop its October 2000 plan. Starting with its internal PRA database as a baseline, Office of Environmental Information personnel created a template of information collections that was sent to each program office for validation and for completion of additional GPEA-related data. The agency's final plan contains a detailed inventory of its PRA information collections. An EPA official said that this inventory and its related attachments include all of the information regarding plans for electronic interagency reporting, information dissemination activities, and high-risk transactions, as required by OMB.

EPA identified 279 data-collection activities applicable to GPEA. Through iterative reviews, it determined that 108 of these were not candidates for electronic reporting for reasons such as that they involved interaction with only a few members of the public or because filling out a paper form was deemed to not be a significant burden. According to the agency's plan, of the 171 data collections that were considered suitable for electronic

[7] *Information Security: Fundamental Weaknesses Place EPA Data and Operations at Risk* (GAO/AIMD-00-215, July 6, 2000).

[8] A PKI is a system of hardware, software, policies and people that, when fully and properly implemented, can provide a suite of information security assurances—including confidentiality, data integrity, authentication, and nonrepudiation—that are important in protecting sensitive communications and transactions.

reporting, 21 have already been converted, 3 are scheduled for 2001, 13 are scheduled for 2002, and 96 are scheduled for 2003.

The remaining 38 data collections that will not be ready for electronic reporting by the GPEA deadline all involve the reporting of confidential business information. The electronic transmission of this type of data poses additional risks that EPA does not plan to have fully addressed by October 2003. Agency officials state that they are in the process of assessing these data collections to determine how to collect these data centrally and in a secure form. By 2003 they expect that they will be testing methods of secure transmission but do not expect them to be operational until after the GPEA deadline.

According to EPA officials, in anticipation of a request by OMB for updated information on the data-collection inventories, they sent a letter to the program offices asking for such updated information. Using these responses, EPA officials plan to update their data-collection inventory.

Department of Defense

DOD's October 2000 GPEA plan does not include a description of the department's overall strategy and efforts to comply with GPEA. Likewise, DOD officials could not provide us with documentation specifically addressing a departmentwide implementation strategy.

Officials from DOD's Office CIO told us that major GPEA-related activities within the department are focused on enabling and enhancing electronic business applications and that the department's strategic plans for business process transformation include objectives that incidentally address the goals of GPEA. Examples include the department's paperless contracting project—which aims to achieve paperless processes for many aspects of contracting and invoicing—and its Central Contractor Registration System, which contains electronic information about contractors and vendors. The bulk of DOD's departmentwide activity is focused on developing a PKI to control access to sensitive information and provide security for electronic transactions via digital signatures.

DOD's Data Collection Activities

To assemble the department's plan, officials from the CIO's office began by providing the military services and other departmental components with listings of their information collections reported under PRA and requested that they provide GPEA information for those items and add any others that might be appropriate. The services and components, in turn, relayed the data requests to their sub-components until a level was reached that could provide information about the specific collections. The

data were then reported back up to the office of the CIO, where they were consolidated into a single report for OMB.

The data tables provided in DOD's plan generally conform to the format specified in OMB's July 2000 guidance. The tables indicate that DOD conducted 449 information collection-activities meeting OMB's reporting requirements for PRA. They also identify 13 interagency reporting and information dissemination activities, as well as four transactions that were determined to pose a high risk.[9]

The Office of the CIO did not review the data it received from the various DOD components for completeness or accuracy before reporting the information to OMB in October 2000. In reviewing the data, we found indications that some may be inaccurate, incomplete, or duplicative. For example, the Defense Security Service made 238 entries for data-collection activities that included little of the information requested by OMB and appeared, in many cases, not appropriate as separate entries. In discussions with us, DOD officials agreed that the Defense Security Service had reported incomplete and possibly inaccurate information and said that they would request that the service correct it.

The Office of the CIO has taken steps to follow up on the information submitted by the military services and DOD components. In January 2001, the CIO issued a memorandum to the services and components forwarding OMB's May 2000 guidance on GPEA implementation. The memo stated that CIOs of the DOD components would be expected to apply it during their continued planning, development, redesign, operation, and oversight of department systems. According to CIO officials, this memo is the first formal DOD guidance document specifically addressing GPEA.

Further, in April, the DOD CIO office requested that the services and components review the accuracy of their portions of the GPEA implementation plan. However, DOD CIO officials indicated that only one official—from the Office of the Assistant Secretary of Defense (Public Affairs)—had responded to this information request, and that was to correct possible errors for a single item.[10]

[9] The four high-risk transactions are (1) Application for Uniformed Services Identification Card, (2) Exceptional Family Member Medical and Educational Summary, (3) TRICARE Senior Prime Enrollment Application, and (4) Continued Health Care Benefit Program Application.

[10] The item was "Stars and Stripes Audience Survey."

Data-Collection Activities for Personnel and Readiness

Mr. Chairman, you also asked us to assess the Personnel and Readiness portion of DOD's plan. For this category, DOD reported 76 PRA information-collection activities and ten interagency reporting and information-dissemination activities. DOD provided a projected completion date for one of the 76 PRA-type activities and for two of the ten interagency and information-dissemination activities.

Additionally, we found that 38 of the 76 PRA information collections and four of the ten interagency reporting and information-dissemination activities were likely duplicate entries. We met with officials from the Office of the CIO and the Undersecretary of Defense for Personnel and Readiness and pointed out the potential duplication. The officials agreed and subsequently notified us that Personnel and Readiness had corrected the discrepancies.

Agencies Face Challenges in Achieving Full Compliance with GPEA

In our discussions with agency officials, several themes emerged as significant challenges in meeting the goals of GPEA. First, all three agencies have determined that the security assurances provided through the use of PKI technology will be needed to enable many of their sensitive electronic transactions.[11] As I mentioned earlier, DOD's Office of the CIO is developing a departmentwide PKI, and the office is working with the General Services Administration (GSA) to make its PKI interoperable with GSA's governmentwide Access Certificates for Electronic Services program. EPA is also pilot-testing the use of electronic signatures and digital certificates through GSA's program, and has applied for a grant from GSA to conduct a PKI interoperability project. Treasury is also closely involved in the governmentwide effort to develop PKI, having recently chaired the CIO Council's Federal PKI Steering Committee. According to Treasury's deputy CIO, the department will be challenged to develop its own PKI because it will need to pool resources from, and coordinate activities with, all of its bureaus.

Second, EPA and Treasury both commented about the importance of adequately planning for and implementing computer network and telecommunications infrastructures to provide the capacity and connectivity needed to support the electronic traffic generated by new or enhanced electronic offerings. According to agency officials, many types of transactions covered by GPEA will require the support of new

[11] Issues related to implementation of PKI technology are discussed in further detail in *Information Security: Advances and Remaining Challenges to Adoption of Public Key Infrastructure Technology* (GAO-01-277, February 26, 2001).

enterprisewide infrastructure. For example, EPA's Central Data Exchange project is a major infrastructure undertaking that will be critical to enabling the electronic exchange of information between EPA and state environmental agencies. Likewise, Treasury is developing the Treasury Communications Enterprise to provide a common departmentwide communications infrastructure to support electronic government initiatives throughout the department.

Third, agencies will need adequate capabilities for storing, retrieving, and disposing of electronic records. EPA officials expressed concern about the status of governmentwide electronic recordkeeping standards, which have not yet been finalized. Many electronic systems are already being developed and implemented that may be incompatible with future standards.

As we reported last September,[12] federal agencies face additional information management challenges that are also fundamental to the success of GPEA. Specifically, agencies will need to

- use disciplined investment management practices to ensure that the full costs of providing electronic filing, recordkeeping, and transactions prompted by GPEA are identified and examined within the context of expected benefits; and
- ensure that IT human capital needs are addressed so that staff can effectively operate and maintain new e-government systems, adequately oversee related contractor support, and deliver responsive service to the public.

OMB Will Be Challenged in Overseeing Agency Strategic GPEA-Related Activities

OMB will also be challenged in its oversight role of ensuring that agencies comply with GPEA. As I mentioned, OMB's initial guidance issued in May 2000 prescribed policies and procedures for agencies to follow in implementing the act. For example, the guidance states that agencies should prioritize GPEA implementation based on achievability and net benefit. A number of the prescribed procedures were focused on agencywide strategic actions, such as

- examining business processes that might be revamped to employ electronic documents, forms, or transactions;

[12] *Electronic Government: Government Paperwork Elimination Act Presents Challenges for Agencies* (GAO/AIMD-00-282, September 15, 2000).

- identifying customer needs and demands as well as the existing risks associated with fraud, error, or misuse; and
- evaluating electronic signature alternatives, including risks, costs, and practicality.

However, the GPEA implementation plans submitted by federal agencies do not provide sufficient information with which to assess whether agencies have been engaging in these processes. While OMB's subsequent July reporting guidance called for a brief cover letter describing an agency's overall strategy and actions to comply with the act, it did not stipulate a full report on the variety of strategic activities and other tasks that agencies were expected to perform, and their schedules for carrying them out. Further, the format prescribed for the information-collection data tables does not provide for any indication of whether electronic implementation has been prioritized based on achievability and net benefit.

OMB may wish to consider whether a more comprehensive agency status report is necessary in order to gain better insight into agencywide GPEA planning. Specifically, agencies could be asked to report on the status of the specific tasks outlined in OMB's May 2000 guidance, and provide milestones for completing tasks that are still underway. This would allow OMB to better assess whether individual agencies are likely to achieve the objectives of the act.

Mr. Chairman, this concludes my statement. I would be pleased to respond to any questions that you or other members of the Committee may have at this time.

Contacts and Acknowledgments

For information about this testimony, please contact me at (202) 512-6408 or by e-mail at *willemssenj@gao.gov*. Individuals making key contributions to this testimony include Felipe Colón, Jr., John de Ferrari, Steven Law, Juan Reyes, Elizabeth Roach, Jamelyn Smith, and Yvonne Vigil.

(310422)

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Mr. BURTON. Mr. Flyzik.

Mr. FLYZIK. Mr. Chairman. First of all, happy birthday.

Mr. Chairman, members of the committee, my complete record will be submitted. I will summarize briefly here.

I do appreciate the opportunity to appear today to discuss the e-government initiatives within Treasury and our efforts to comply with GPEA, and also how GPEA fits in our overall information technology strategic plan.

I want to thank you, Mr. Chairman, and the other members for your continued support and encouragement toward improving information technology management and reform in the government.

As many of you know, I serve as the Acting Assistant Secretary for Management and the Chief Information Officer at the Treasury Department. I have also served, since February 1998, as the vice chair of the Federal CIO Council where I play a key role in the strategic direction of the Council and the Federal Government's use of information technology.

At Treasury, we are making great strides in harnessing the power of the Internet to improve customer service, mission effectiveness, and all of our operating efficiencies.

CIO Council's strategic plan places e-government at the forefront. The Department is aggressively and proactively developing plans and launching new initiatives. We intend to be a leader in the Federal Government in electronic government. We are supporting the use of Public Key Infrastructures, Virtual Private Networks, SmartCard and Portal technology to put in place the platform to do everything we do electronically.

As an example, we are now delivering new value to citizens, businesses and government partners through the Financial Management Services' pay.gov initiative. It is an Internet portal and transaction engine that will offer a package of electronic financial services to assist all agencies.

Services of pay.gov will allow for collections, form submittals, bill presentment, authentication and agency reporting, all electronically. Pay.gov will help all government agencies to accept forms electronically by October 2003.

We have an information technology investment portfolio system which is a government-owned, off-the-shelf tool. Treasury hosts this system for use throughout the entire government. It is a Web-based e-government solution that supports selection control and evaluation of all information technology projects. Treasury requires all of its bureaus to use this, and we were the first agency this year to submit all of our consolidated budget information electronically to OMB.

We are also the governmentwide project manager for this tool. Over 20 agencies are now reporting the use of I-TIPS. It will support GPEA by replacing all the annual paper-based IT Planning Call submissions to OMB.

We also hosted the Federal Bridge Certification Authority Project for the Federal Government, which we now have operating at GSA. The bridge allows agency public key infrastructures to interoperate as it permits digital credentials, issued by each agency to its employees, to be accepted with trust and confidence by other agencies.

I suggest you think of the power of that as we begin to proliferate that across government.

Agencies will be able to perform Internet-enabled transactions, such as credit card collections through banks, or secure e-mail between agencies with previously unattainable trust and confidence.

PKIs of five different organizations within the United States, the Canadian Government and academia were cross-certified through the prototype. The agencies were able to interoperate successfully, exchanging digitally signed electronic mail messages. It will be used by NASA, the USDA's National Financial Center, FDIC, Treasury, the State of Illinois, and Canadian Government for moving documents electronically.

Our Bureau of Public Debt, partnered with the Financial Management Service, Mellon Bank, MasterCard and IBM to build an Internet-based system to sell savings bonds directly to the public. Savings Bond Direct allows citizens to buy a savings bond on a 24 x 7 basis using a credit card. The Bureau of Public Debt sells directly to the public instead of traditional networks. The system cost $350,000 to develop and implement, and within its first 18 months of operation, it generated over $230 million in bond sales.

The Bureau of Public Debt's Treasury Direct Electronic Services allows individuals to directly manage their investments in U.S. Treasury marketable securities, using either the Internet or telephone. It promotes self-sufficiency among 700,000 customers and facilitates debt collection and consolidates from 37 Federal Reserve Banks to 3. By using this system, public debt reduced the processing cost of a tender to 50 cents, as opposed to $30, to process a paper transaction form.

U.S. Mint also has the on-line store recognized as one of the top 20 e-tailers of the Nation. I'll defer to my good friend and colleague, Mr. Mitchell, to talk a little bit more about the Mint.

We also operate the Electronic Federal Tax Payment System, which is the largest payment collection system in the world. The primary objectives of that are to reduce the filing burden by providing flexible payment choices to taxpayers, increasing speed, efficiency and accuracy of all revenue collections.

IRS, of course, has its e-file program, which continues to break records. Our U.S. Customs Service continues to use electronic means to get goods and products into the country, and the international trade data system, which Director Mitchell spoke about, as a way to facilitate that.

Our Alcohol, Tobacco and Firearms now has an electronic program which will permit 630 members of their industry to file all forms electronically securely over the Internet. They will use the same technology to solicit, award, administer and pay commercial vendors conducting business with ATF.

Our electronic funds payment program continues to grow on an annual basis, and our strategic plan supports all the goals of GPEA.

In summary, I would like to reiterate that the Department drive to be at the forefront of electronic government extends well beyond just GPEA requirements compliance. We are seeking to fundamentally redefine the ways we perform all of our fundamental mission objectives.

I would like to thank the subcommittee for the support it has given to e-government. Without your support, we would not be able to achieve the national success we enjoy to date. I would like to thank the members of the committee for the opportunity to be here this afternoon.

This concludes my formal remarks. I look forward to questions.

Mr. BURTON. Thank you, Mr. Flyzik.

[The prepared statement of Mr. Flyzik follows:]

DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

Embargoed until 10:30 AM on
June 21, 2001

Statement of Jim Flyzik
Acting Assistant Secretary for Management and Chief Information Officer (CIO)
before the
House Government Reform Committee
June 21, 2001

Mr. Chairman and members of the Committee, I appreciate the opportunity to appear today to discuss E-Government initiatives within the Department of the Treasury, efforts to comply with the Government Paperwork Elimination Act (GPEA) and how compliance with GPEA fits into the Department's information technology strategic plan. First, I want to thank the Chairman and the other members of the Committee for your continued support and encouragement toward the improvement of information technology and reform in the Federal Government.

As many of you know, I serve as the Acting Assistant Secretary for Management and Chief Information Officer for the Treasury Department. In this role, I provide strategic direction and oversight for all information technology programs within the Treasury Department and its fourteen Bureaus. Since February of 1998, I have served as the Vice Chair of the Federal CIO Council where I play a key role in the strategic direction of the Council and the Federal Government's use of information technology.

The Department of the Treasury is making great strides in harnessing the power of the Internet to improve customer service, increase mission effectiveness, and create operating efficiencies. This progress is evident in the Department's plan to comply with the Government Paperwork Elimination Act (GPEA). However, the Department's drive to be at the forefront of electronic government extends beyond compliance with GPEA requirements. The Treasury CIO Council strategic plan places E-Government at the forefront. The Department is aggressively and proactively developing plans and launching initiatives that will make it a leader in electronic government.

The Treasury CIO Council E-Government plan promotes the development of systems and tools to support the Department's move toward E-Treasury. The CIO Council supports the use of Public Key Infrastructure, Virtual Private Networks, SmartCard and Portal technology to create a platform for E-Government initiatives.

An example of the way that Treasury Bureaus are delivering new value to citizens, businesses, and government partners is FMS' Pay.gov. Pay.gov is an Internet portal and transaction engine that offers a package of electronic financial services to assist agencies. The services of Pay.gov rest on four cornerstones:

- Collections – enabling end-users to authorize collections over the Internet
- Forms submittals and bill presentment – accepting agency forms submitted over the Internet and presenting agency bills to end-users over the Internet
- Authentication – establishing the identity of Internet end-users
- Agency reporting – providing necessary information back to agencies about transactions.

The services of Pay.gov can help agencies meet their GPEA requirements to accept forms electronically by October 2003. The basic services of Pay.gov generally will be free for agencies and the public. FMS will price services that go beyond basic services using an "at-cost" basis.

I would like to mention a few additional E-Government initiatives within the department. The Information Technology Investment Portfolio System (I-TIPS) is a government-owned, off-the-shelf tool. Treasury hosts this system for use throughout government. I-TIPS is a web-based, E-Government solution that supports the selection, control and evaluation of information technology projects. It houses a broad range of information about the business purposes, technology, costs, risks and return of a specific project. Treasury required the bureaus to use I-TIPS as part of their capital planning and budgeting activities. It enabled Treasury to provide consolidated IT budget information electronically to OMB. I-TIPS eliminated the need for bureaus to develop and maintain separate reporting systems. Treasury is also the government-wide project manager for I-TIPS. Over twenty agencies in the Federal government report using I-TIPS. The federal government reduces system development and maintenance costs substantially through standardization. I-TIPS supports GPEA by replacing the annual paper-based IT Planning Call with an electronic submission.

Treasury also hosted the Federal Bridge Certification Authority (FBCA) project for the Federal government, currently operated by GSA. The FBCA is a mechanism for the secure exchange of information between government agencies. The bridge allows agency public key infrastructures (PKIs) to interoperate as it permits digital credentials (called "digital certificates") issued by each agency to its employees to be accepted with trust and confidence by other agencies for electronic transactions. This functionality directly supports E-Government, as agencies will be able to perform Internet-enabled transactions, such as credit card collections through banks, or secure emails between agencies, with previously unattainable trust and confidence. A prototype version of the FBCA became operational in February 2000 and was successfully used in a large-scale test in April 2000. During that time, the PKIs of five different organizations within the U.S., the Canadian Government and academia, were cross-certified through the prototype

FBCA. The agencies were able to interoperate, successfully exchanging digitally signed electronic mail messages. FBCA is operated by GSA and, once cross-certification has been completed, will be used by NASA, USDA's National Finance Center, FDIC, Treasury, the State of Illinois, and the Canadian Government for the electronic transfer of documents.

Treasury's Bureau of Public Debt partnered with Treasury's Financial Management Service, Mellon Bank, MasterCard and IBM to build an Internet-based system to sell U.S. Savings Bonds directly to the public. Savings Bond Direct allows citizens to buy a savings bond on a 24 x 7 basis through the Internet using a credit card. The Bureau of Public Debt sells directly to the public instead of using its traditional network of over 40,000 commercial banks. Through Savings Bond Direct, Public Debt reduced the delivery time for bonds by one-third. The system cost $350 thousand to develop and implement and within its first 18 months of operation, generated almost $230 million in bond sales.

The Bureau of the Public Debt's Treasury Direct Electronic Services (TDES) allows individuals to directly manage their investments in the U.S. Treasury marketable securities using either the Internet or telephone. The system is an application that uses intelligent agents to automate various investor services, such as purchasing securities, reinvesting maturing securities, viewing account status, requesting account statements, as well as other similar services. TDES was implemented to promote self-sufficiency among Treasury Direct's 700,000 customers and to facilitate Public Debt's consolidation of servicing sites from thirty-seven Federal Reserve Banks to three. By using TDES, Public Debt has reduced the processing cost of a tender to $0.50 as opposed to $30.00 to process a paper tender in the past.

The Savings Bond Connection and the Treasury Direct Electronic Services are two highly secure E-Government applications that allow individual investors the option of purchasing securities on-line, completing transactions to include the payment process, and accessing account information.

The U.S. Mint operates the Online Store, a highly successful electronic commerce web site with an online catalog shopping service. The site offers Internet catalog browsing with mail and phone order capability as well as secure credit card sales. The U.S. Mint's Online Store is recognized as one of the top 20 "e-tailers" in the nation, with total web sales of more than $256 million during a twelve-month period. The Mint receives orders from customers to electronically buy Mint products. The Mint also receives coin orders electronically from the Federal Reserve Banks (FRB). E-mails and electronic spreadsheets are used quarterly by the FRB to order coins for individual banks by denomination and amount.

The Electronic Federal Tax Payment System (EFTPS), provides an electronic system for reporting and paying Federal taxes. EFTPS is the largest payment collections system in the world. The Financial Management Service (FMS) and the Internal Revenue Service (IRS), working with the private sector, have modernized the federal tax

payment environment. They started with the federal tax deposit coupon system then expanded to other business and individual tax payments. By replacing the current paper-based system, EFTPS benefits taxpayers and the Federal Government by providing greater reporting efficiencies and by expediting the availability of funds and investment decision-making information to the Treasury Department. The primary objectives for EFTPS are to reduce the filing burden by providing flexible payment choices for taxpayers; to increase the speed, efficiency, and accuracy of revenue collection and taxpayer account posting; and to expedite the availability of funds to the Government. EFTPS-OnLine was launched in October 2000 as an Internet pilot that allows business taxpayers, by invitation only, to enroll, make payments, and access customer service OnLine. The nationwide launch of EFTPS-OnLine is scheduled for September 2001 and will allow businesses and individuals to make their tax payments electronically.

The IRS E-file program provides faster refunds, an acknowledgement that the tax return has been accepted by the IRS, and nearly 100% accuracy, all of which translates into fewer contacts with the IRS. As of June 8, 2001, the IRS received about 123 million Form 1040 returns, up about 1.3% from last year at that time. This includes 39.8 million returns that were filed electronically, up about 13.3% from the same period last year. Congress has established the aggressive goal that 80 percent of all tax and information returns should be filed electronically by 2007. The IRS has developed a strategic plan that will enable them to make significant progress toward accomplishing this goal and revolutionizing how both individual and business taxpayers transact and communicate with the IRS.

Even though the IRS Restructuring Act of 1998 statutorily exempts IRS from GPEA, the IRS Business System Modernization efforts support the intent of GPEA. The federal tax system, which produces close to $2 trillion in revenue each year, is dependent on a collection of obsolete computer systems developed by IRS over the last 35 years. The purpose of the IRS Business Systems Modernization effort is to raise all major IRS business systems to the level of best practice that exists in private and public sectors, while managing risks inherent in the process. This modernization effort will impact every component of IRS over time. Implementation work on the first approved modernization projects to facilitate call routing and electronic filing will begin in 2001-2002.

In the last decade, trade has grown 132%. U.S. Customs is currently using the Automated Commercial System (ACS), which is sixteen years old and taxed to its limits. To address this deficiency, Customs has designated its replacement, the Automated Commercial Environment (ACE) under the overall Customs Modernization Program. Other government agencies, such as Agriculture, Food and Drug Administration, Transportation, Immigration and Naturalization Service, and the Bureau of the Census, rely on Customs systems to perform their internal operations. Currently, a single international shipment can require as many as 40 different government paper forms. Ninety percent of the information is redundant. ACE will significantly reduce the paperwork burden, provide functionality long sought by the trade, and respond to legislative requirements. Further, the International Trade Data System (ITDS) will

provide a single, comprehensive front-end interface for over 100 federal regulatory and enforcement agencies. ITDS will also support the data interactions between these agencies and over 350,000 businesses involved in international trade. The ACE and ITDS modernization efforts respond directly to GPEA requirements.

The Alcohol, Tobacco and Firearms' (ATF) electronic government investment expands on and is enabled by the Department's earlier investments in ATF's technology and business modernization efforts. Using current Internet based technologies, ATF will provide the necessary tools to permit the 630,000 members of the alcohol, tobacco, firearms and explosives industries to file all required forms and reports using secure Internet transactions. To maximize the utilization of this investment, these same technologies will be used to solicit, award, administer, and pay commercial vendors conducting business with ATF. ATF's electronic government investment proposes the use of current technology to accomplish a 200 year old core Treasury mission. The technology will support the submission, receipt and audit of tax return data and associated payments as well as the receipt and audit of non-tax related forms filed by regulated industry members. This proposal will replace the current paper-based submission of nearly 1.5 million documents filed annually by industry members with highly accurate electronic data.

The Financial Management Service (FMS) Payment Application Modernization and Government-wide Accounting Modernization efforts include processes in the areas of payments, collections, government-wide accounting and debt management that, when made available in an electronic form, will provide individuals and other entitles that do business with FMS, the option to submit information or transact with FMS more efficiently and with improved customer service and satisfaction. Since the implementation of the electronic funds transfer (EFT) requirement of the Debt Collection improvement Act, the percentage of total Treasury disbursed payments made by EFT has risen to 73%. FMS Payment services touch the lives of over 100 million people. Literally tens of millions of Americans depend on FMS systems to meet lifeline needs every month. FMS makes almost 900 million payments annually on behalf of civilian agencies such as the Social Security Administration, Department of Veterans Affairs and the IRS. FMS also offsets certain payments against debt owed to the Federal Government. Payment modernization is one component of a multi-year effort to replace, streamline and reengineer the critical information systems that support core FMS business processes.

The processes and systems used to account for and report on the execution of the President's Budget, and on the government's receipts, outlays and surplus or deficit, have not changed fundamentally for 30 years. However, there have been dramatic changes in the government's accounting environment. The Government-wide Accounting Modernization initiative will improve the reliability and timeliness of the government's financial information by providing better tools for federal program agencies to check the status of their financial information held by Treasury and by streamlining reporting and reconciliation processes.

Treasury's Strategic Plan and the goals of the Government Paperwork Elimination Act (GPEA) are linked to all of our E-Government initiatives and modernization efforts. I am a member of Treasury's Capital Investment Review Board (CIRB) and one of the criteria we use to analyze business cases is whether the proposed investment is in alignment with strategic business objectives. The goal of reducing the burden of paperwork and increasing the ability of customers to interact with Treasury electronically, while re-engineering and streamlining our business processes makes good business sense. GPEA was a catalyst to our efforts.

In summary, I would like to reiterate that the Department's drive to be at the forefront of electronic government extends beyond compliance with GPEA requirements. Although GPEA-related activities are a critical component of the overall Treasury effort, the Department is seeking to fundamentally redefine the way in which it performs some of its critical missions. The Department is aggressively and proactively developing plans and launching initiatives that will make it a leader in electronic government.

I would like to thank the subcommittee for the support it has given to E-Government. Without your support we would not have been able to achieve the National success we enjoyed to date. I would like to thank the members of the Committee for the opportunity to present this morning. Mr. Chairman, this concludes my formal remarks and I would be happy to respond to any questions.

Mr. BURTON. It sounds like you're doing a good job over there. Mr. Mitchell.

Incidentally, to the Members, we have 10 minutes on the clock on a vote. I will conduct the hearing here until we have about 5 minutes. And if you want to leave, you can leave, or you can come back later.

Mr. Mitchell.

Mr. MITCHELL. Thank you for this opportunity, Mr. Chairman, and members of the committee. With your permission, I would like to submit my formal testimony and the Web site customer analysis that we provided to the committee for the record——

Mr. BURTON. Without objection.

Mr. MITCHELL [continuing]. And briefly run through a PowerPoint presentation which you see on the screens before you.

On the second page, you can see that back in 1993 the Mint had many challenges, including a disclaimer on its financial statements, very few measures, and no strategic plan.

On the third page, you can see what we affectionately refer to as our "spaghetti chart." This was a legacy of no—never having automated—excuse me, implemented an automated system across the Mint and having a hodgepodge of nonintegrated systems with a lot of manual processes. In short, it was not helping us drive the strategic objectives and visions of the Mint.

On page 4, you can see that instead of—a decision was made in 1996 and 1997 that instead of spending approximately $20 million to do a Y2K solution and not gain any additional functionality, and stay with systems that were not delivering for the Mint, we decided instead to start from scratch, do a requirements analysis, and go out and select systems off the shelf with no customization that would meet our requirements. And we chose PeopleSoft as our core solution, along with other systems.

That system was implemented in 12 months in October 1998. And as you can see on slide 5, in December 2000, we completely upgraded that system and added additional functionality to it, our system called COINS 2.0.

On slide 6, you can see that we have two upgrades under way, one of which we will be implementing this August that will add substantial functionality to our e-retail site. This will be our third upgrade of the site since we implemented it. And later in fiscal year 2002, we will be adding personnel functionality and outsourcing our payroll processing.

Page 7, you can see that as a result of these systems, we have eliminated all of our Federal Manager Financial Integrity Act and FFMIA material weaknesses. We have no material weaknesses at the U.S. Mint. We close our books every month in 10 days or less. We have greatly improved our customer service, and our ERP implementation provided the foundation for our e-retail launch.

On page 8, you can see the statistics that are fun statistics about the growth of our Web site in the year 2000. As Jim Flyzik mentioned, we actually had orders in the neighborhood of about $156 million that put us in the top 20 to 30 e-tailers in the Nation.

Where are we now? On page 9, you can see that we have generated record revenues and profits for the U.S. Government and the American people. Last year, we generated $2.6 billion in bot-

tom-line profits, which was roughly four times our previous record set just a few years ago. I stress, that's bottom-line profit that goes to the Treasury general fund, reduces the amount of debt issue, and saves hundreds of millions of dollars.

The employees of the U.S. Mint are proud that in addition to our customer-centric focus, we're contributing in some small way to the American public. Seven consecutive clean audit opinions and other attributes you see there.

On page 10, you can see a brief summary of the most recent macro and micro-level surveys that we conduct. We have conducted both of these for the last 5 and 6 years.

On page 11, you can see a summary of the University of Michigan's prestigious customer satisfaction index. Heinz absolutely blew the rest of us away with a 90 score on the scale of 100. You can see that the U.S. Mint received a score of 84, which equates us with amazon.com, BMW, and others. "World class" is determined by a University of Michigan to be score of 80, and the private sector median is a score of 71.

You can see our scores on page 12 that we have participated and received since 1995.

On page 13, I want to give you an example of how we have improved, yet how much further we have to go. You can see our results for the year 2000 were anywhere from OK to poor. You can see that so far this year, we have increased tremendously, including answering our calls within 17.5 seconds.

By the way, a lot of what we do, we benchmark against the public and private sector and aspire to be the best in all of our functional areas. However, you can also see some poor results toward the bottom of the page.

In the Web survey that was conducted on our behalf, we had over 25,000 respondents that let us know what was well and what was not well in terms of what they needed from us on our Web site. You can see the good news is, nearly 80 percent rated us as excellent or very good. You can see those numbers on the next page that follow out from the January through the May surveys.

At the same time, you can see from page 16 that there are a number of things they both told us in terms of feedback as well as what they would like to change that included the fact that even though we've won many awards for our Web site, there are still components of it that are not best practices.

With our August launch, we will now be able to have customer service self-servicing on our Web. They will be able to communicate via e-mail with us through our e-retail site and other components.

In closing, several slides I would like to give to you. Page 17, you're no doubt familiar with. Your leadership role, as well as the Council For Excellence in Government, noting that 73 percent of all adults consider e-government to be a high priority. And also the Mint's commitment not only to compliance, but a proactive approach to GPRA and GPEA.

Let me just say that in terms of our customer-centric focus, recruitment and retention is a challenge for us, especially as high, as private-sector-oriented as we are. But our ultimate success will be measured by the fact that everyone—our employees, the American public, customers, our business partners—we want them to get ev-

erything they need from the U.S. Mint products and services electronically.

Mr. BURTON. Thank you very much, Mr. Mitchell.

[The prepared statement of Mr. Mitchell follows:]

Testimony of John P. Mitchell, Deputy Director
United States Mint
Before the House Government Reform Committee

Federal Information Technology Modernization: Assessing Compliance with the Government Paperwork Elimination Act

June 21, 2001

Chairman Burton, Mr. Waxman, members of the Committee, thank you for inviting me here today to discuss the incredible technological advancements the United States Mint has made over the past few years.

The keys to our success over the past few years have been a commitment to excellence and customer service; committed and aggressive leadership; implementation of innovative ideas and risk-taking; and the ability to set "stretch" goals — objectives that may not be easy to reach, but can move the organization forward and motivate employees to embrace change. The U.S. Mint has proven that the federal government can employ these values to become the best in business by using information technology.

Our employment of information technology not only enables us to achieve our strategic vision and goals, it drives cultural change . . . allows us to work across organizational lines . . . unites and integrates functions . . . increases employees' accessibility to quality, real-time data on-line thereby eliminating paper, and most importantly, enables employees to use this state-of-the art technology to provide world-class service to our customers: the American people. This is the goal throughout the Treasury Department.

In the early 1990s, the U.S. Mint was still reconciling its books using pencil and paper. Our few computer systems at our facilities across the country could not "talk" to one another. As

a result, it would take eight months to close out the year-end books; it took untold hours to determine an accurate account of the coins in our inventory; only two employees had access to the little automated data we did have; and we couldn't tell our customers when their orders would be delivered. Until 1998, the Mint had never implemented an integrated system of any kind. Based on what leading public and private sector businesses were doing, the Mint was far behind the times.

COINS

By the mid-1990s, the leadership of the U.S. Mint made a commitment to make the agency the best in business across the board. We also embraced the objectives of the Government Performance Results Act (GPRA) and the Government Paperwork Elimination Act (GPEA). To achieve that goal the agency invested $40 million in new technologies, with projected savings of $80 million. In October 1998, the Mint-wide Consolidated Information System (COINS 1.0) went on-line. The first Enterprise Resource Planning system (ERP) in the federal sector, COINS integrated 15 PeopleSoft modules plus the software from three different vendors in manufacturing, finance, marketing, and customer service data to ensure accurate, timely information for strategic and operational decisions. Our rapid implementation of the entire system took only 12 months. A mail order and cataloging module tied sales to inventory and shipping. Maintenance is monitored at each plant via our Computerized Maintenance Management System (Maximo). Modules in finance and budgeting expanded our analytical abilities and assured Y2K compliance. For the first time, employees and managers across the Mint had direct access online to accurate data about customers, costs, production, promotions, inventory, sales, and profits. All of the information is available electronically on a secured network; thereby reducing the amount of paper generated Mint-wide. Service representatives

now could tell customers the status of orders. Just as important, in FY 1999, the Mint's accountants were closing the books within 10 business days of months' end with accurate information, a very real improvement from closing the books in up to 90 days quarterly as was the case prior to COINS. Furthermore under COINS, for the first time, the yearly inventory records were turned over to auditors by noon on the first day of the new fiscal year (October 1, 1999). In addition, all of the Federal Managers Financial Integrity Act (FMFIA) and Federal Financial Management Improvement Act (FFMIA) material weaknesses that the Mint had encountered prior to COINS were eliminated. We continue to have no material weaknesses. This year, we are celebrating our **seventh** consecutive clean audit opinion. None of this would have been possible without utilizing information technology to achieve our strategic goals.

www.USMINT.gov

The implementation of COINS also laid the foundation for the Mint's e-retail efforts. Although the Mint launched its modest public information website in December 1998, customers couldn't place an order online. In April 1999, the Mint's online catalog made its public debut and offered secure Internet ordering. Since then, the Mint has marked some record-setting online events:

- May 1999 – The Mint records first month of $1 million in Internet sales
- July 12-17, 1999 – First $1 million week
- October 18, 1999 – First $1 million sales day (by 10:35 a.m. EDT)
- April 3, 2000 – Million Dollar hour

Last year, the $156 million in revenues generated by orders on the Mint's website earned the agency a ranking among the Top 25 Internet retailers according to Stores Magazine (published by the National Retail Federation). An array of products, including American Eagle Proof coins and commemoratives —the American Buffalo commemorative coins, for example

— are available through our web catalog. They have been very popular with collectors who can instantly order any of our products and choose among a number of options including overnight/next day delivery. These options are available thanks to an innovative partnership with the U.S. Postal Service that not only expedites the shipping of product to our customers; it saves the Mint millions of dollars each year.

Other products that are featured on the Mint's website include the 50 State Quarters and the Golden Dollar. More than 125 million American adults are collecting the state quarters from their pocket change. More than one-third of those 125 million are collecting 25 or more of each state design. The record number of quarters produced since January 1999 attests to their popularity. In 1998 the Mint made 1.6 billion quarters, but in 1999 — the first year of the program — it made 4.4 billion. In 2000, 6.2 billion were struck to meet demand. The American public also has embraced the Golden Dollar — one billion of them were produced in 2000. The Mint shipped more Golden Dollars in the first seven months of the program than it shipped during the 21-year history of the Susan B. Anthony dollar program. Anytime the public wants to order any of our products, or just check out what's happening at the Mint, they just need to visit **www.USMINT.gov**.

Best-in-Business

The Mint's commitment to eliminating paperwork and serving its customers through electronic government is one that we take very seriously. A January 2001 survey by the Council for Excellence in Government found that 73 percent of adults made e-government a high priority. Accordingly, our Strategic Plan goals are centered on using technology to achieve business results, serve our customers, and enable our employees.

Customer surveys confirmed their satisfaction with the Mint's online efforts. Eighty percent of the nearly 25,000 customers polled in the first half of 2001 rated the overall performance of the Mint's website as "excellent" or "very good." I'm pleased to provide a copy of that report to you today. Thanks to improved telephone technology, our customer service representatives are answering 96 percent of customer calls within 17.5 seconds — up from 20 percent in 1996.

For five straight years, the U.S. Mint has scored at the top of the annual American Customer Satisfaction Index (ACSI), issued by the National Quality Research Center at the University of Michigan School of Business. The latest survey, released in December 2000, placed the Mint among the leaders in both the public and private sectors in providing "world class" customer service with ratings equal to Amazon.com, BMW of North America, Pillsbury, Inc, and Proctor and Gamble Company. In addition, the Mint has been singled out for a number of awards and accolades for its use of information technology:

- Government Executive Magazine selected the Mint's web site as one of the *Best Feds on the Web.* (1999)
- Government Technology Award (1999)
- Hammer Award for the COINS Project (2000)
- CIO Magazine named the U.S. Mint as one of the "CIO 100 Masters of the Customer Connection" in August 2000. (One of only three federal agencies honored.)

Other High-Tech Initiatives

The Mint's technological advances extend far beyond the desktop. In 1999, the San Francisco Mint installed robotic equipment that increased the production and packaging of Mint proof and uncirculated coin sets by 350 percent.

1998	435,000 coins per 5-day week - average (23-25 days overtime)
1999	731,000 coins per 5-day week - average (20-23 days overtime)
2000	1,149,000 coins per 5-day week - average (2-3 days overtime)
2001 (to date)	1,494,000 coins per 5-day week - average (no overtime)

This 350 percent increase in production capacity from 1998 to 2001 was accomplished while employee overtime was eliminated as a requirement. In addition, employees who had sat at tables inserting coin after coin into packages day after day have learned new skills, are more motivated, earn more pay, have safer jobs with the elimination of related repetitive-motion injuries, and have higher job satisfaction while operating and maintaining the computer-operated robotics system.

Furthermore, since the installation of robotics, the lost time accident rate at San Francisco is 1.11, down from 4.35 in 1998. Mint employees have done a commendable job achieving our Strategic Plan goal of reducing the frequency and severity of workplace injuries when coin demand and production have been at record levels. This is considerable progress, but we won't be satisfied until there are no lost time accidents at San Francisco and all of our facilities.

We've also implemented other high-tech programs that have reduced the amount of paper generated Mint-wide each day. Employees use E-Forms to request leave, submit travel reimbursements, and requisition supplies and services. In addition, the Mint's use of a document

management software package (Documentum) enables the agency to create, deliver, publish, and personalize content across all its e-business applications.

A Customer-Centric Future

While the U.S. Mint has made great strides over the past decade, we're not satisfied to rest on our laurels. We envision a future that is customer-centric and one where every single function of the Mint is the best in the world.

We've had some challenges to overcome. Most significantly, we've had difficulty recruiting and retaining enough talented people with the necessary high-tech skills we need. To try to level the playing field, we've placed a greater emphasis on our employee training and tuition assistance programs, as well as recruiting and retention bonuses.

We've also driven change throughout our corporate culture as we strive to become the best in business. Old stovepipe chains of command were knocked down and we raised our standard of excellence — requiring employees to upgrade their skills to match the advanced machinery and software we installed Mint-wide. We're continuing our efforts to stay on the cutting edge of technology as well. In December 2000, we implemented COINS 2.0, an upgrade of our entire ERP to further expand our technological and strategic capacity. We've already begun planning the next upgrade, COINS 3.0.

Mr. Chairman, one of the rewards of this massive undertaking has been witnessing the Mint's Chief Information Officer Jackie Fletcher and her team successfully lead and implement the subsequent upgrade effort themselves, and without the need for outside vendor consulting support — a tremendous accomplishment. Another reason the upgrades have gone so smoothly is our core commitment to using commercial-off-the-shelf (COTS) programs and not customizing these applications.

Most importantly, we continue to listen to our customers. No matter how many awards and recognitions we've received, there are still aspects of our website that are not "best in business." Many of our customers are frustrated that they can't independently track their orders once they are shipped, communicate with us through our website via e-mail, or subscribe to specific coin programs.

We've heard them loud and clear. In August, we will complete our third e-tail upgrade since our April 1999 launch in order to provide customer web self-service, outsourced, centralized "pick-and-pack" order fulfillment services, and more.

The United States Mint — literally and figuratively — embraces change. Just a few years ago we received a disclaimer on our financial statements; our few existing computer systems were not integrated nor compatible; we had no Strategic Plan and few performance measures; and we were unable to meet our customers' demand for products or fill their orders in a timely manner. But by employing information technology to drive our business, enabling our employees to reach our customers, and driving cultural change, we have increased capacity by 40 percent in our Circulating business unit [a record 28 billion coins were produced in CY 2000], and 300 percent in our Numismatics business line.

The Mint operates under a Public Enterprise Fund — without a penny of American tax dollars. Our operations are funded from the sale of circulating coins to Federal Reserve Banks and from the sale of numismatic and bullion products to coin collectors and investors worldwide. In FY 2000, a record-breaking $2.6 billion total bottom-line profit was generated by the U.S. Mint — more than four times the record set several years earlier. This money is deposited into the Treasury General Fund and reduces the debt the government must issue, also saving hundreds of millions of dollars of interest on the debt.

But our work is far from done. We will constantly strive to exceed our customers' expectations, to increase our effectiveness and efficiency, to reduce paperwork, and to eliminate all work-related injuries. Our ERP, e-retail, and e-business approaches are keys to our future successes. I appreciate this opportunity to share with the Committee how the Mint has transformed itself into to a high-tech leader in the 21st Century.

House Government Reform Committee

Federal Information Technology Modernization: Assessing Compliance with the Government Paperwork Elimination Act

(Oral Testimony)

June 21, 2001

John P. Mitchell
Deputy Director
United States Mint

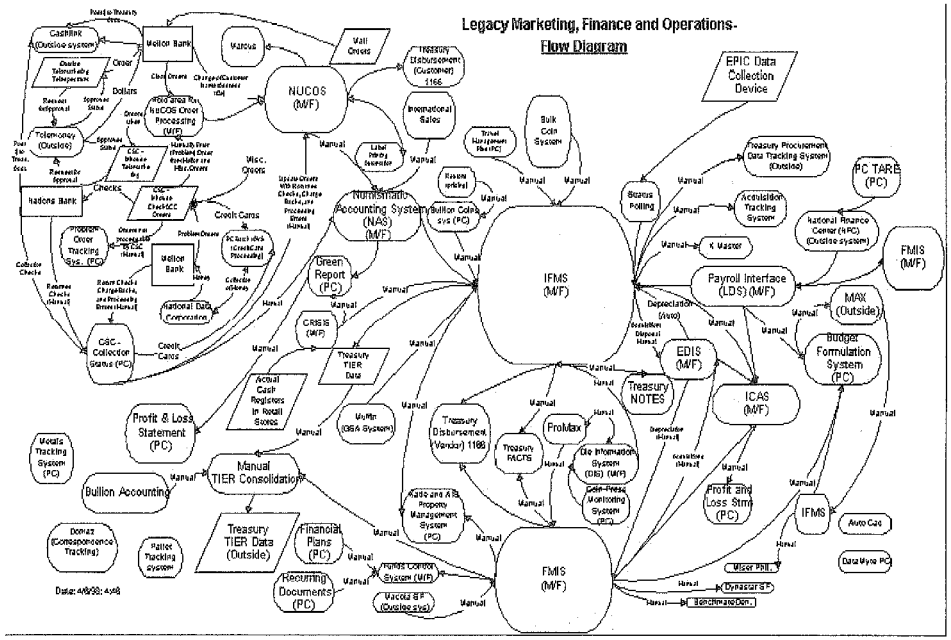
A Look Back – the Mint in 1993

- 1993 – disclaimer on financial statement
- Shrinking customer/product base
- Few measures. Customer service:
  - 50% of orders fulfilled in 8 weeks…
- No Strategic Plan – ever!
- Crumbling systems – no Y2K compliance
- Poor management/union relationship
- Minimal capital investment in 25-30 years
- Bureaucratic silos

U.S. MINT

The New DOLLAR COIN

Mint Legacy Systems

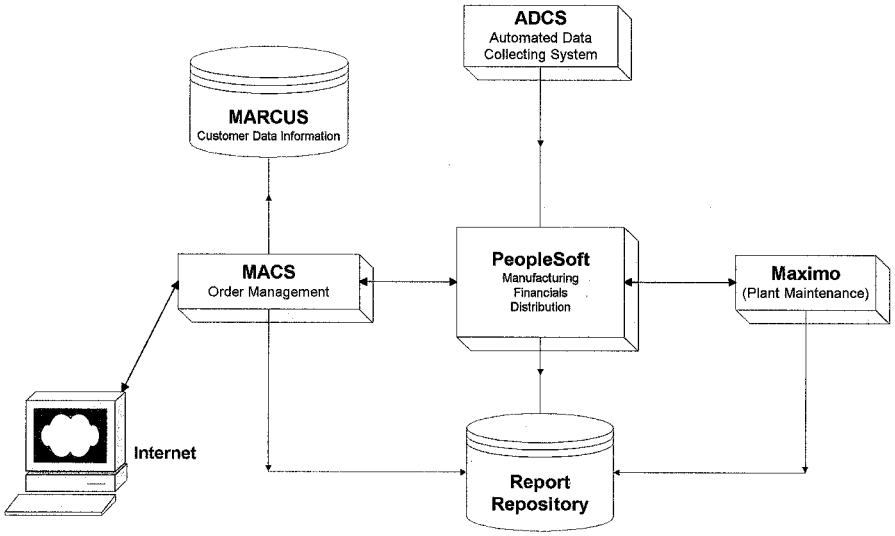


Systems Solution

- Y2K fix
  - First Federal ERP
  - The Mint's ERP - CoInS
- **Consolidated Information System** (1.0 & 2.0)
  - Fully integrated ERP system
  - Change Driver
  - Principal COINS Software Suppliers
    - PeopleSoft - Enterprise Software (OTS)
    - Oracle - Database for PSFT (OTS)
    - PSDI - Maximo (OTS)
    - Smith Gardner - MACS (OTS)
    - Dialogos/U.S. Mint - Data Based Marketing (MARCUS)
    - ADCS

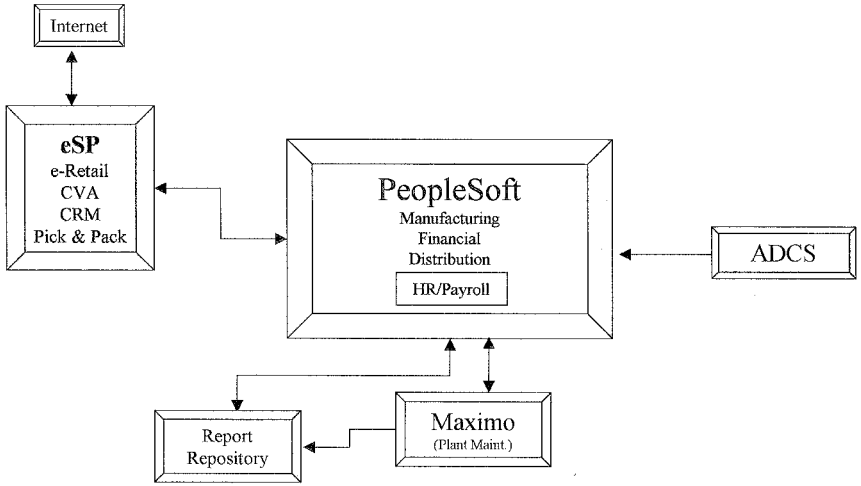
U.S.
MINT
The New
DOLLAR
COIN

COINS 2.0


ADCS
Automated Data
Collecting System
MARCUS
Customer Data Information
MACS
Order Management
PeopleSoft
Manufacturing
Financials
Distribution
Maximo
(Plant Maintenance)
Internet
Report
Repository

U.S.
MINT
The New
DOLLAR
COIN

COINS 2.5


Internet
eSP
e-Retail
CVA
CRM
Pick & Pack
PeopleSoft
Manufacturing
Financial
Distribution
HR/Payroll
ADCS
Report
Repository
Maximo
(Plant Maint.)

COINS *Results*

- Elimination of all FMFIA and FFMIA material weaknesses
- Books closed every month in 10 days or less
- Improvements in inventory management
- Automated financial consolidation
- Effective measurement of operating goals
- Improved customer service
- Foundation for e-retail

WEB

- Launch of e-retail site April 29, 1999
- Million dollar month - May 1999
- Million dollar week - July 11-17, 1999
- Million dollar day - October 18, 1999
- Million dollar hour - April 3, 2000
- 5 Million dollar day - September 25, 2000

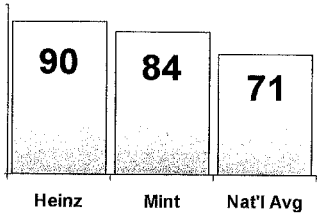
Now...

- Record revenues & profits – great return on the American public's investment!
- Vision & customer-centric focus
  - Strategic & business plans. Stretch goals.
- 7 consecutive clean audit opinions
- World class customer service
- Customer base expansion
- 4 Partnership Awards/17 Hammer Awards
- Strategic Business Units
- Model Change Agency

Customer Service Center

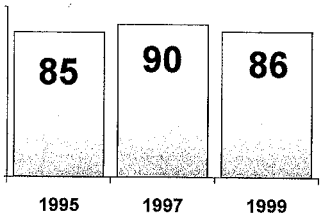
To match the best in business in the delivery of customer service…

ACSI 2000 Study



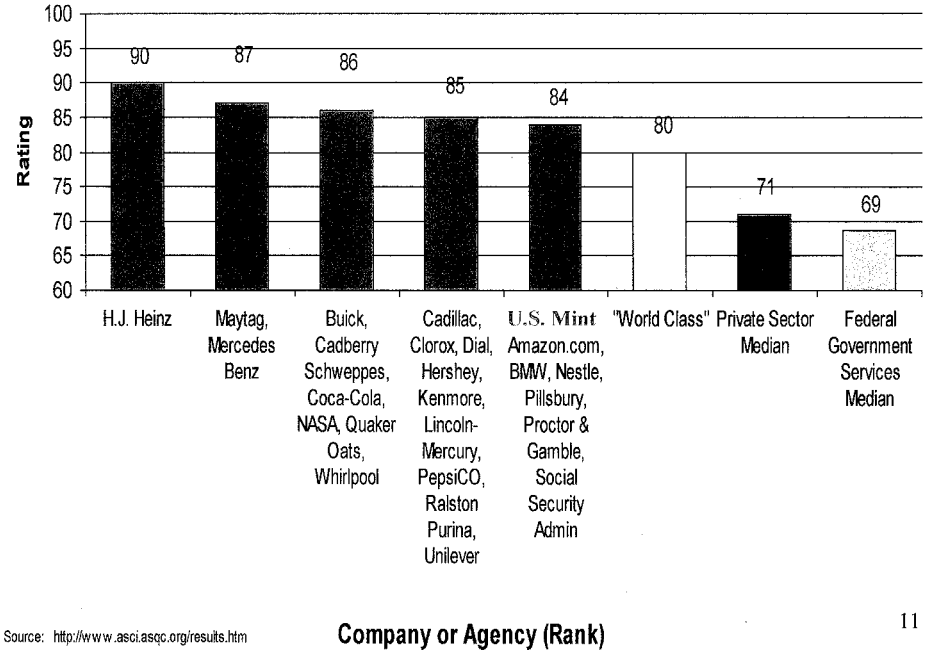
U.S. Mint Customer Satisfaction Rating Compared with Select Companies

SRBI Survey



U.S. Mint Customer Service % of Customers Rating U.S. Mint Excellent or Very Good

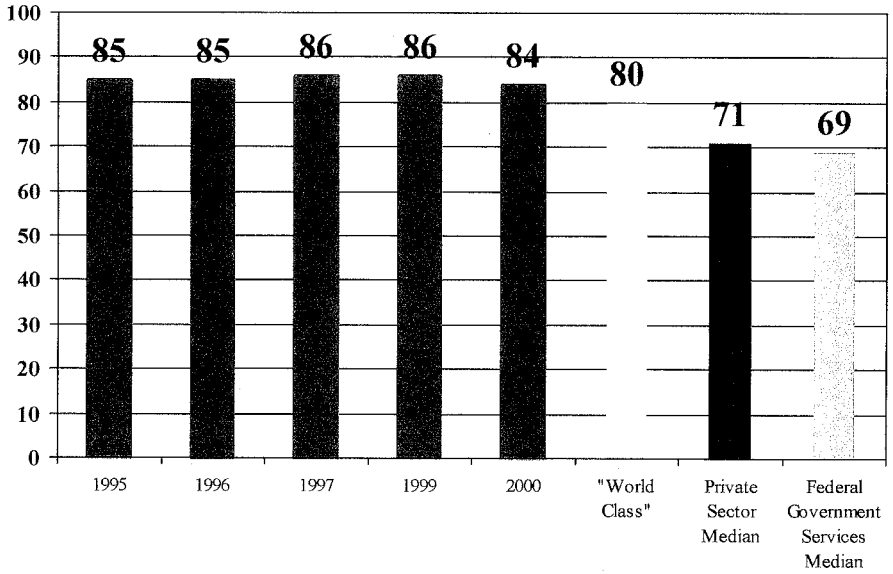
2000 American Customer Satisfaction Index



Source: http://www.asci.asqc.org/results.htm

Company or Agency (Rank)

U.S. Mint ACSI Scores 1995-2000



12

Note: Survey was not conducted in 1998. The columns on the right represent 2000 data.

Customer Service Center

To match the best in business in the delivery of customer service…

Customer Service Standard	FY01 To 04/30	FY00
Calls will be answered within 17.5 seconds:		
Customer Care Center	96%	76%
Telespectrum	92%	83%
Correspondence will be answered within 3 business days.	96%	73%
Returns for refund will be processed within 14 business days.	90%	80%
Provide a 95% average quality rate on all customer service calls.	98%	97%
Calls will be returned within one business day.	78%	64%
Replacements will be processed within 7 business days.	68%	30%

Note: Strong progress made, still falling short of the industry best practices.

Web Survey

Scope of Analysis

- The U.S. Mint received 24,703 responses to its survey between January 1, 2001 & May 13, 2001.

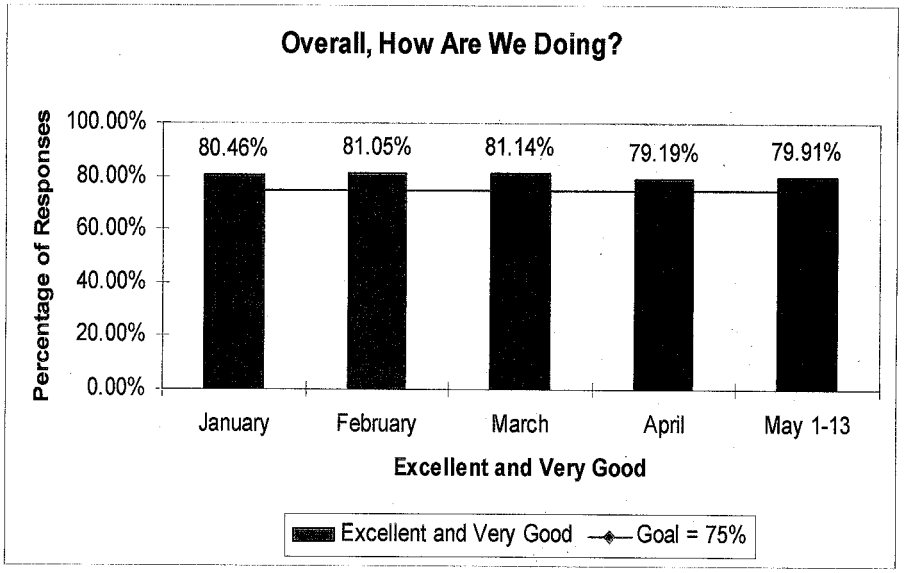
Types of Survey Respondents

- Over 50% of respondents identify themselves as collectors who are frequent or weekly visitors. Many already receive direct mailings from the U.S. Mint.
- Nearly half of survey respondents have made a purchase through the website.

Survey Multiple Choice Analysis

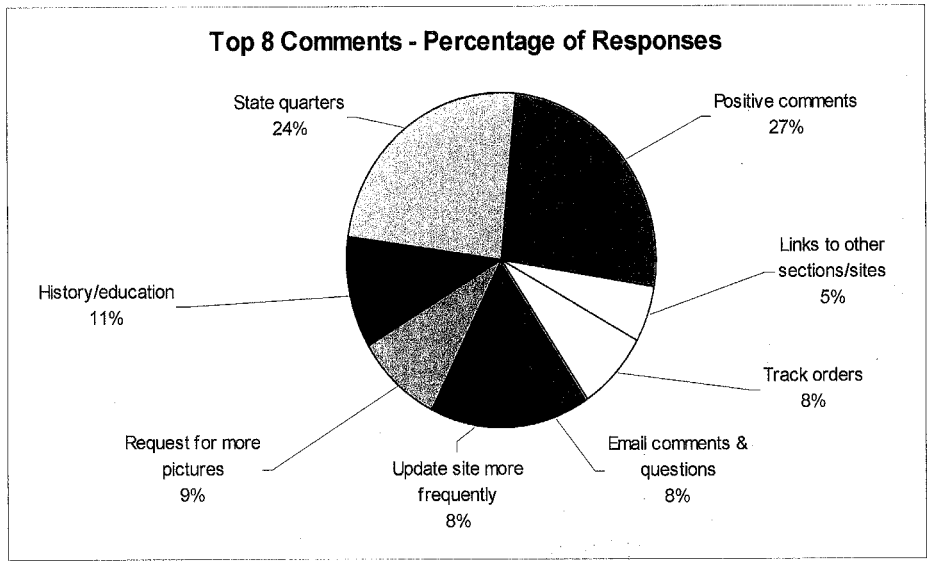
- Nearly 80% of respondents rated the overall performance of the U.S Mint website as "Excellent" or "Very Good." This high positive ranking exceeds satisfaction goals set by some other government agencies.
- The greatest proportion (23%) of specific comments in the sample focused on the catalog portion of the site.

Key Findings – Multiple Choice Responses

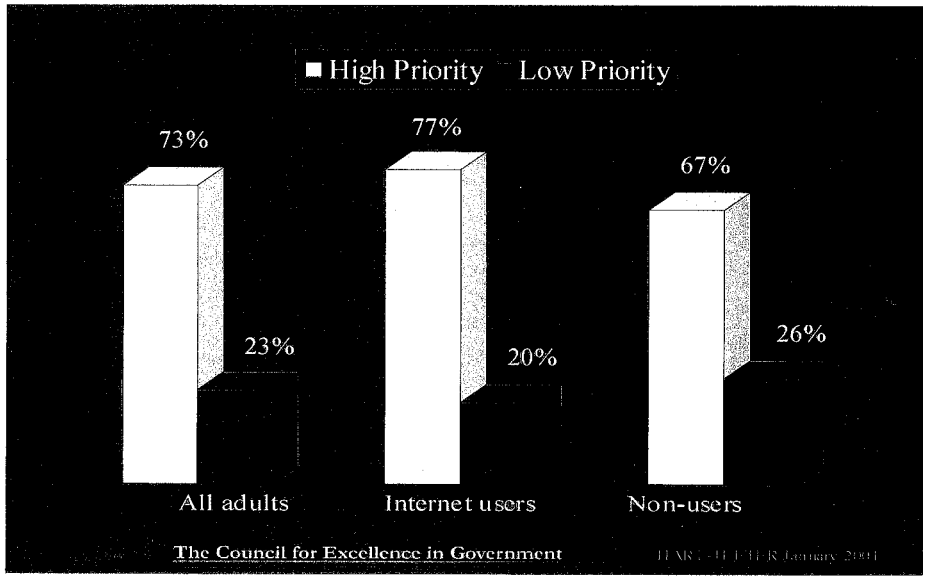


* Options included: "Excellent", "Very Good", "Average", "Fair", and "Poor".

Key Findings – Open-ended Feedback



Public Support for Making E-Government a High Priority



Government Paperwork Reduction Act (GPEA)

- Web
- E-Retail
- E-Forms
- Documentum
- Employment of IT to meet and exceed goals of GPEA & achieve Mint strategic vision and goals

Customer-centric Focus

- Meeting Challenges
- Recruitment & Retention
- Centralized Services
- Automated direct access to all Mint services and information by:
  - Employees
  - Public
  - Customers
  - Business partners

The United States Mint
www.usmint.gov
WHAT'S NEW
FAQs
SEARCH
MINT TOURS
Serving America Since 1792
ABOUT THE MINT
PRODUCT CATALOG
MINT PROGRAMS
FOR KIDS
PRESSROOM
JOIN OUR TEAM
PRIVACY POLICY
TAKE OUR SURVEY
50 STATE QUARTERS
UNITED STATES MINT
New York
Now in Circulation!
2001
Golden Dollar
Bags and Rolls
Hip New Look
h.i.p. pocket change
Great New Design. Easier Navigation. Faster Downloads.
Start your collection NOW!
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Washington, DC 20220
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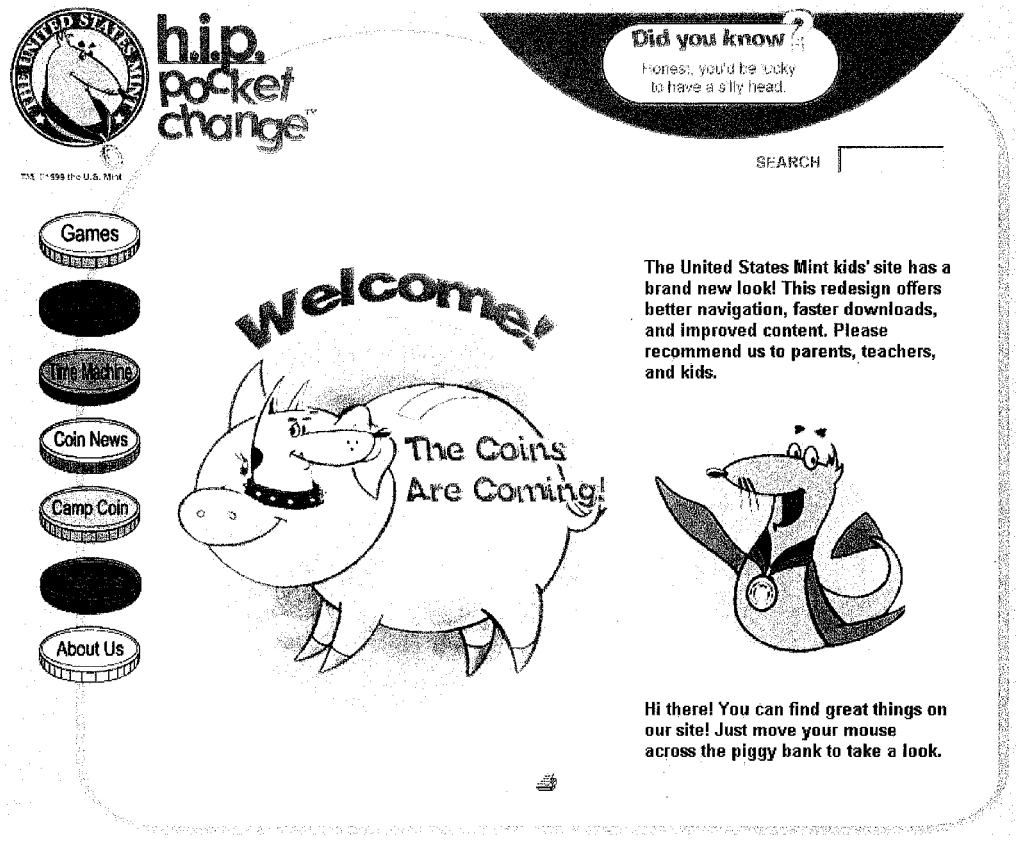
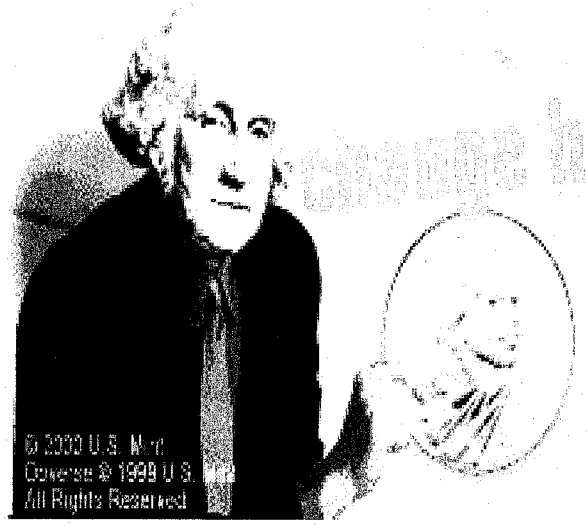
Portions © 1998-2000. The U.S. Mint. All Rights Reserved.
Updated: 02/21/2001
FIRSTGOV
Your First Click to the U.S. Government


h.i.p. pocket change™
Did you know?
Honest, you'd be lucky to have a silly head.
SEARCH
Games
Time Machine
Coin News
Camp Coin
About Us
welcome!
The Coins Are Coming!
The United States Mint kids' site has a brand new look! This redesign offers better navigation, faster downloads, and improved content. Please recommend us to parents, teachers, and kids.
Hi there! You can find great things on our site! Just move your mouse across the piggy bank to take a look.

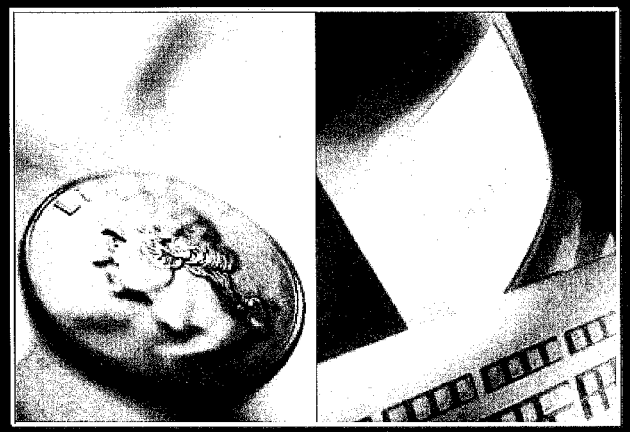


Change happens.

Some resist it.
Others embrace it.
So...how do you
handle change?

United States Mint

Website Customer Feedback Analysis



May 25, 2001

1-1086

Overview

- Executive Summary
- Introduction
- Approach
- Key Findings
  - Multiple Choice Responses
  - Open-ended Responses

Executive Summary

Scope of Analysis

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Types of Survey Respondents

- Over 50% of respondents identify themselves as collectors who are frequent or weekly visitors. Many already receive direct mailings from the U.S. Mint.
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- The greatest proportion (23%) of specific comments in the sample focused on the catalog portion of the site.

Executive Summary (Continued)

Top Recurring Open-Ended Comments

- Positive comments about the site
- Comments about the state quarters program
- Comments about history/education components of the site
- Request for more pictures on the site
- Request to update site more frequently
- Desire to e-mail comments and questions
- Request to track orders
- Wish for additional links to other sections/'sites

Introduction -- Background on U.S. Mint Website

- The U.S. Mint's current website became active in April of 1999.
- The site allows visitors to learn about coins and coin-collecting; browse online coin catalogs and place online orders; and learn more about the Mint. Specific content includes:
  - High-resolution image library including pictures of recent coins and medals and links to text of relevant Congressional legislation
  - Content pages devoted specifically to children
  - Information on tours of Mint facilities
  - Frequently Asked Questions (FAQs) and responses
  - Catalog of products
  - What's new, including information on new coin releases, U.S. Mint activities, site enhancements, and other news
  - Press releases and links to previous public statements from the U.S. Mint
  - Mint program information

Introduction -- Background on U.S. Mint Web Site

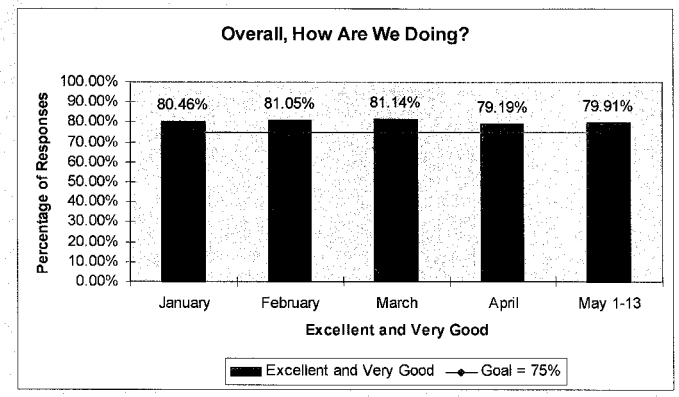
- Website functionality includes:
  - Site search engine (search can be performed for Main Site, Catalog, or Kids)
  - Catalog search by product or price
  - Direct links to products in high demand (e.g., 50 State quarters, commemorative coins, the HPC Coin of the Month)
  - Customer feedback mechanism through online customer survey
- Overview of web survey
  - To solicit customer feedback and input on ways to improve the site, the Mint developed an online customer survey.
  - The survey is designed to collect information from site users the Mint can use to understand its performance.
  - The survey included seven questions soliciting information on respondents' demographics, their views on online purchasing, and opinions on overall site performance
- Purpose of data analysis
  - The purpose of this document is to summarize analysis of key data collected through the Mint's customer survey.
  - This analysis should help the Mint understand customer/user opinions on its site.

Approach

- The U.S. Mint received 24,703 responses to its survey between January 1, 2001 and May 13, 2001.
- The survey analysis was divided into several key steps:
  - Organize and tabulate data.
    - A sample of written feedback was used to generate the statistics for the responses to the question "Do you have any suggestions on how to make this a better site." One week of data was taken from each month, January through May 13, and these 4,951 responses were analyzed to determine the nature of survey participants' comments and feedback. All of the Multiple Choice Response data was used in its entirety.
  - Identify relevant statistics and measures to analyze.
  - Compile and present data into these key categories.
  - Analyze and evaluate results.
  - Present key findings -- quantitative and qualitative.
  - Identify recommendations for future action.

Key Findings – Multiple Choice Responses

"I have always heard, "If it ain't broke, don't fix it". Well done U.S. Mint!!!"[1]



When asked to give an overall rating of the U.S. Mint website, nearly 80% of participants responded with "Excellent" or "Very Good". Other federal agencies have set goals of 55-75% for these ratings. The Mint's overall rating exceeds satisfaction goals set by other agencies. Clearly, those customers who have taken the time to address the questions asked by the U.S. Mint are pleased with the website. Solicited feedback can then, as a result, only contribute to the continued success of an already highly-rated online tool.

"This is already the best website"

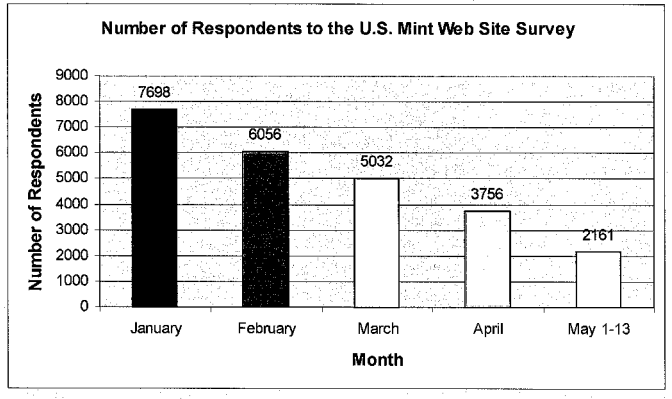
*Options included: "Excellent", "Very Good", "Average", "Fair" and "Poor".

"At this time I really don't know what could be done to make this a better site. Good Job!!"

[1] This comment, as well as all others across the ensuing slides, is a direct quote from a survey respondent.

Key Findings – Multiple Choice Responses

"Have a customer email contact for questions and comments (and provide speedy answers)"

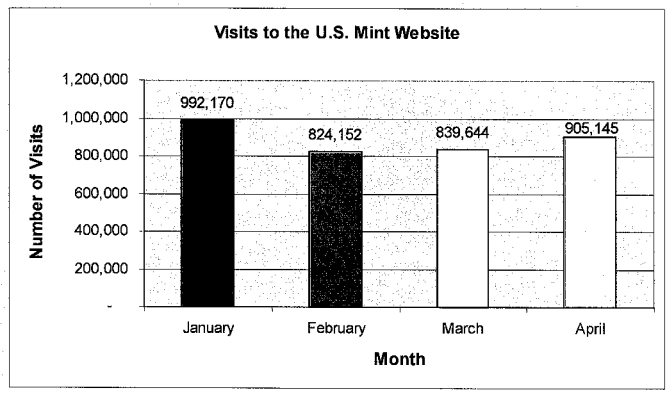


Survey participation has diminished over the survey period. This decrease in participation is probably due to the type of visitor who chose to take the time to participate in the survey, and the length of time the survey was available on the site.

"Allow more room for comments"

"Provide the user with a way to send comments or questions"

Key Findings – Multiple Choice Responses



*Data from Webtrends

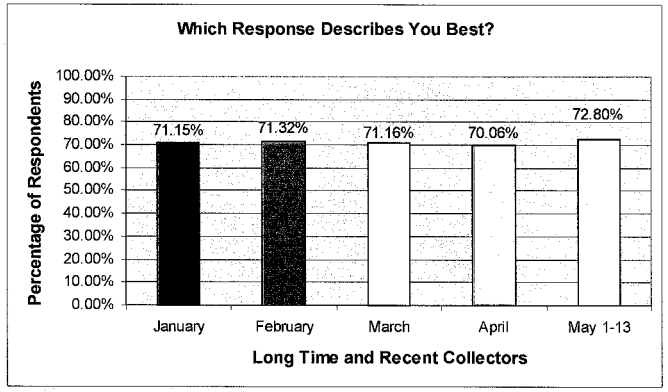
Overall visits to the U.S. Mint Website were fairly consistent during the period of performance of the online survey.

However, the number of participants as a percentage of the total visitors diminishes during the survey's lifetime on the site. In January, 0.78% of visitors took the time to complete the survey. In February, 0.73%. The percentage of survey participants diminishes again in March, to 0.60% of visitors. And, most significantly, only 0.41% of visitors to the U.S. Mint website during the month of April took the time to voluntarily respond to the survey. This decline is almost certainly due to the repeat nature of the Mint's online customers, and the fact that a single customer will probably elect to complete the survey only once.

Since the number of visitors does not significantly fluctuate during the four month period of survey availability, we can assume that the number of respondents will indeed continue to diminish.

Key Findings – Multiple Choice Responses

"Have a large collector's site "



Over 70% of survey respondents each month consider themselves collectors – either long time or recent. This information may help in developing future surveys; knowing its customers allows the Mint to gather information that can enhance their experience with the website or agency.

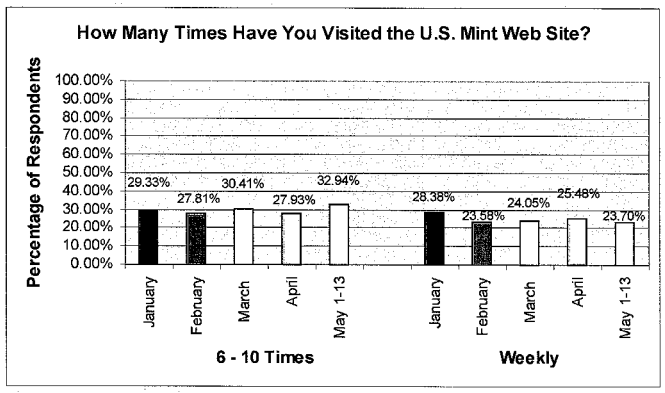
Although many open-ended comments (presented starting on p. 15) , focus on the catalog, we cannot conclude that collectors are exclusively interested in the catalog component of the website. The nature of their hobby means these customers also want information relating to the history of U.S. Mint products, release dates for future products, as well as scheduled events and/or forums for new and seasoned collectors. Based on survey feedback, collectors are also interested in the administration of the site itself. Photographs, the ability to track their orders, and frequent updates are also important factors of importance to both long time and recent collectors.

"You might consider adding a fink to the collectors corner and some dealers/buyers on the main page"

"Tell new collectors what dealers to trust and where we can find commorative coins"

Key Findings – Multiple Choice Responses

"Allow regular customers or collectors to pre-order or place a standing order '"

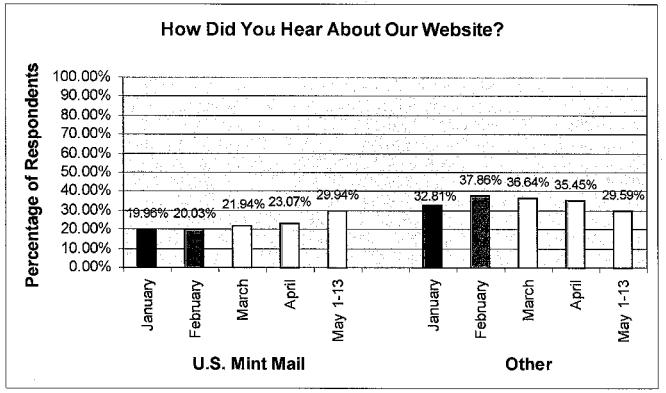


Over 50% of survey respondents identify themselves as either frequent (have visited the site 6-10 times) or weekly visitors. The preponderance of survey respondents fall into these two categories every month. Because these customers have demonstrated loyalty to the agency and the website, the Mint may want to consider their comments carefully and continue to work towards maximizing their online experiences. As such, future surveys might be tailored with these individuals, and their feedback, in mind.

This data also reflects the direct correlation to the reduced number of survey participants over time – frequent site users are unlikely to fill out the survey more than once. The volume of repeat users who have filled out the survey means fewer and fewer responses will be tallied per month, exponentially diminishing the value of the survey.

"Regular Customers need to be assigned a customer ID so all static data is loaded i.e.: address, creditcard info "

Key Findings – Multiple Choice Responses



"Add more direct links to your website"

Many respondents heard about the website through mailings by the U.S. Mint to its customers. Indeed, only the general "Other" category was selected more often. Thus, it is reasonable to assume that many of those who are visiting the site, and electing to respond to the survey, have indicated a previous interest in the U.S. Mint. "Other" may indicate that respondents were referred initially by a search engine, another government agency site, or they may be so familiar with the U.S. Mint that they never had to be notified of the website's existence.

By tying the survey results together, we can begin to extrapolate a profile of a large segment of the respondents: they are collectors, who visit the site fairly frequently, and are on an internal U.S. Mint direct mailing list. As such, we can assume that they will only take the time to complete this survey on a single occasion, early in its presence on the site.

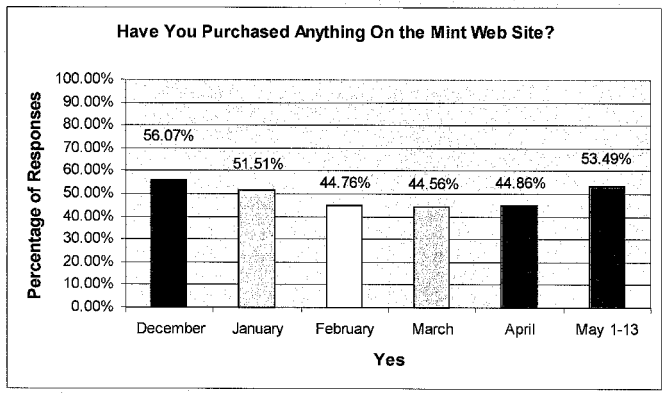
"Have links to other Mints, like Philadelphia"

"Include links to other sites that have information on coins"

Key Findings – Multiple Choice Responses

"Like many consumers, I'm trying to get the 50 state quarters - it's a fantastic program!"

"I like the new set up of the state quarters page, with the information about each design."



Nearly half of Survey respondents have purchased something through the U.S. Mint website. Although the survey data does not identify how many actual visits resulted in sales, the Mint is clearly converting visitors into buyers. In the future, surveys can and should be designed to gather information from both segments – those visiting the site for information, and those who visit in order to make catalog purchases.

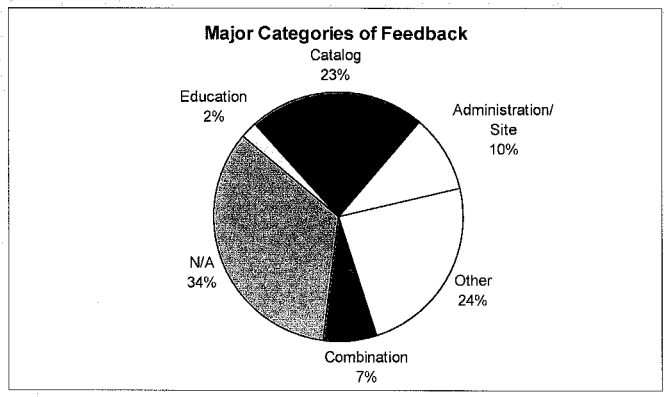
Customer feedback can be used not only to increase revenue generation opportunities, but to make improvements and additions to the site. Similarly, the "educational" or informational segments can be altered or enhanced to meet the needs of those customers who use the U.S. Mint website as a tool for research on the agency, learning more about currency, or as a source for beginning a hobby as a collector.

"Don't make your focus sales "

" Remember that the mint is a government agency, not only a tool of collectors...have current info and not just a catalog '"

"More Fun Facts!! There are a lot of interesting stories regarding our coins and currency."

Key Findings – Open-ended Feedback

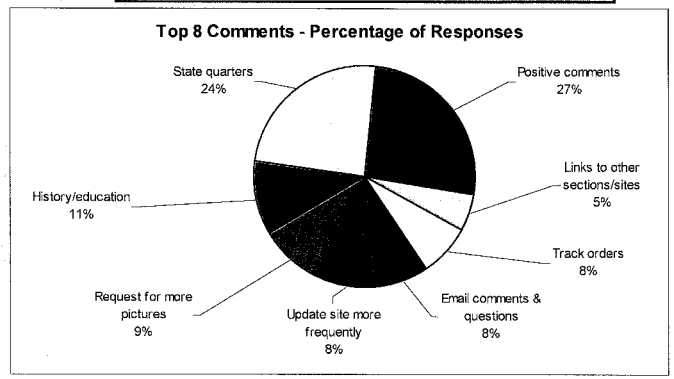


Nearly two-thirds of the 5,000 respondents in our sample provided some write-in feedback in response to the open-ended question: "Do you have any suggestions on how to make this a better site?" Our analysis groups these responses into six categories. The first three correspond directly to key performance areas for the Mint: Catalog, Education, and Site Administration/ Organization. Comments not specific to those categories were labeled "Other." In addition, some responses addressed points in more than one category. Finally, 34% of survey participants elected not to provide write-in feedback or suggestions in response to this question. Their responses were categorized "N/A."

"Other" represented the largest category of comments, totaling 24%. Most were positive feedback, as detailed on the next page. About 23% of comments were directed toward the catalog, 10% addressed the site itself, while 2% of comments addressed the educational or informational content of the site. 7% of the response sample addressed a combination of key performance metrics. For example, "There should be more information about the coins I can purchase" would be categorized as a "Combination", as it refers to both the catalog and the educational content of the site.

Key Findings – Open-ended Feedback

We reviewed the open-ended responses in each of the feedback categories to identify recurring themes, Comment types are summarized in the exhibit.



The Top 8 Types of Comments

Nearly two-thirds of survey respondents elected to complete a response to the open-ended question. Over half (36%) of this feedback can be grouped into the following eight types of comments:

1. **Positive comments**
2. **State quarters**
3. **History/education**
4. **Request for more pictures**
5. **Update site more frequently**
6. **E-mail comments & questions**
7. **Track orders**
8. **Links to other sections/sites**

Key Findings – Open-Ended Feedback

- *Positive comments:* Of the 1180 comments that made up the Top 8, 27% were positive comments about the website, the Mint, and the customer's overall experience.

- *50 State Quarters:* The second most frequently addressed category was the 50 State Quarters program. 24% of responses inquired as to when the next State Quarters would be released, whether a release schedule could be posted, requests and suggestions for configurations of bags for purchasing the quarters, if photos or information could be given regarding the designs that were not selected, and other catalog, education, and administrative feedback. The popularity of this program is clear. As such, the Mint may want to give serious attention to customer suggestions. At the same time, the high percentage of responses focusing on State quarters should not overshadow the significance of other feedback.

- *Educational/informational site content*: 11% of the top comments were geared toward the educational/informational content of the site. Most were inquiries as to how to learn more about catalog items, and suggestions as to how to augment the non-catalog sections of the site to encourage the availability of more content for those seeking to learn how to become a collector, or for those who are trying to learn about the Mint itself.

- *Additional pictures:* 9% of the top feedback was requesting more pictures be placed on the site – of the catalog products, and of rare or coveted coins and currencies.

- *More frequent site updates:* 8% of specific feedback requested that the site be updated more frequently, complaining that current information is unavailable, while some outdated information persists on the site.

- *Opportunity to provide ad hoc feedback:* 8% of comments requested a vehicle for sending their continuous thoughts, questions, and feedback – indicating that they preferred an e-mail option that could be selected throughout the site.

- *Order tracking:* Customers claimed to be more likely to make purchases if they could track their orders. 8% requested the functionality to track their orders once placed, preferably via the website.

- *Additional links:* Finally, 5% of the Top 8 comments requested additional links. Respondents requested links throughout the U.S. Mint website to make their navigation easier; links to "other" Mints (e.g., Philadelphia), links to foreign Mints, and to links other federal agencies.

Mr. BURTON. We have to go vote. We will be back in about 10, 12 minutes. And then we will get to the DOD folks.

Thank you very much. We stand in recess.

[Recess.]

Mr. BURTON. The committee will once again come to order. We will now hear from Mr. Osterholz.

Mr. OSTERHOLZ. Thank you, Mr. Chairman. First of all, I join everybody in wishing you a happy birthday. My son had a birthday a few days ago. I'll report to him that he is in very good company.

I would like to give some brief opening comments to supplement the written statement, which you indicated is placed in the record, and give you a better, a more broad picture, a more comprehensive picture of what we're doing with respect to GPEA.

To provide a functional view—and this is very critical, because as the folks from industry pointed out, getting a functional buy into anything that utilizes information technology is so vital today—I have Norma St. Claire, who is the information technology senior executive in our Personnel and Readiness community. So she is here to provide you with a functional perspective as we walk through this.

The GPEA report, in response to the data call, represented only a portion of what we are doing with GPEA and related activities. And I acknowledge, while I didn't have cognizance of this area at the time of the report, I have got to acknowledge the shortcomings of that report. I went over it yesterday, and in fact it is not the best product we could have submitted.

At the enterprise level, which really is the level that we are operating at, what we are responsible for as the Chief Information Officer of the Department of Defense is those cross-functional issues that come as a result of the process reengineering and the integration of the process reengineering that occurs within the business functions of the Department.

As a result of that, a lot of our emphasis is in the areas of architecture, enterprise, capital planning, and in the area of assurance, because the way we achieve security and assurance for our transactions needs to be uniform in order not to open up vulnerabilities as a consequence of different procedures leaving seams that, in fact, could erode confidence with our partners on our systems.

The execution of GPEA is a decentralized affair, and it's tied to those directly responsible for the processes in the Department, the business processes in the Department. And that is consistent with the testimony that you heard in the prior panel.

Our functional process owners are responsible for process transformation. However, doing that, we must ensure the ability to electronically protect both citizen and employee privacy, the intellectual property rights of our partners—very important—and sensitive DOD information, particularly that information that might be revealing of plans to be executed.

The Department is on a path to achieve strong electronic authentication of sensitive documents. The Department has an aggressive, probably the most aggressive, public key infrastructure and public key enablement initiative in the Federal Government today and is partnering with many of our agencies.

The Department, as such, is involved in a number of implementations to validate our steps and journey toward GPEA compliance. These pilots and initiatives are absolutely necessary to prove that we can properly apply—not only on a small scale, but on a large scale, the Department has these solutions.

Before I bring you down close to the weeds, I just wanted to point out a few things that gets to some of the opening statements, opening points, you made earlier.

Secretary Rumsfeld has just announced the formation of a Senior Executive Council which will consist of himself, the Deputy Secretary, the Under Secretary for Acquisition Technology and Logistics, and the service Secretaries. The purpose expressed to that is to bring together those senior individuals, each one of which is a captain of industry in his own right, in dealing with new ways of doing business within the Department of Defense.

So, yes, we're poised for the kind of leadership—looking at the way, bringing the private-sector approach within the Department in a way that I don't remember in recent memory. So we're looking forward to the leadership that will come from that panel or that council to kind of bridge together the islands of excellence that we have got in the Department.

Another point that I would like to make before I bring you again close to the weeds is, we now have, as a result of a lot of hard work, the first enterprise IT architecture in Department of Defense history. So we now have the ability to look across the enterprise known as the Department of Defense and address the value of information, how hard we need to protect it, what are the interoperability difficulties associated with moving that information around both within the Department and externally, and be able to address the value of the capital investments necessary to move us further forward toward GPEA compliance.

That is a major achievement, to have that enterprise architecture. We didn't have that before. I point out that was required by Clinger-Cohen.

Another point is, we looked at interoperability very hard. Some of the other members mentioned interoperability more than once. When we looked at interoperability within the Department ourselves—and title 10 was modified in 1999 to make the Chief Information Officer of the Department of Defense responsible for ensuring interoperability across the Department—we looked at the process that basically provided that interoperability.

We found that policy was 10 years old. That policy goes back to when we may have argued about whether e-mail was a relevant way of doing government. We have gone past that point.

So we basically have taken the entire interoperability process down to bare metal and have rebuilt it back up, so it effectively works in the network age and the GPEA. And the progress in GPEA will, of course, benefit from that new process that we're putting in place under this administration.

Along the same lines, the acquisition of our capabilities to include information technology now incorporates interoperability as a key performance parameter. That is a technical term in acquisition talk. But what it means is failing to meet a key performance pa-

rameter is cause to stop a program. So interoperability has now achieved that importance within the Department of Defense.

So those are some of the kind of top-level things that get at the very important and correct questions that you brought up.

Let me, if I may, take you a little closer to the weeds. We are cosponsoring with a number of others the Federal Bridge Certificate Authority that Jim Flyzik discussed earlier. That started out as a Navy project through the Department that was housed in GSA and—excuse me, Treasury—and has moved to GSA for instantiation.

That is a very important activity and initiative to us because that allows for addressing differences among agencies from the point of view of security and transactions. So that bridge will be kind of a gateway in the sense of allowing us to arbitrate and deal with security differences between partners and between members of the Federal Government in a way that we still can preserve the benefits of electronic business.

We are issuing SmartCards, those common-access cards that you might hear about. Here is an example. We are, in fact, issuing them; we have issued 25,000 to date, and we are going to be issuing, at the end of the game, 3.5 million of these.

This revolutionizes our ability to gain access to information technology services in a paperless way. It increases our ability to audit, as I think was brought up by some of the members earlier, the uses of our IT to make sure that the IT utilizations are lawful and legal, that they do not usurp resources that are needed elsewhere.

So this is a very important reengineering step where technology is applied for the purposes of better electronic business.

We are pursuing initiatives to use PKI in the export licensing process involving the Departments of Defense, Commerce, State and Energy, a very critical reach-out from our point of view. That will include 10,000 businesses.

We are making great strides toward achieving a paperless end-to-end contracting process. Today, we are able to achieve 83 percent paperless. That is the capability we can get to. The 7 percent that is beyond our reach at the present time requires us to implement the public key infrastructure [PKI], that I talked about and also to recognize that some of the smaller business partners will have difficulty working electronically because of the investment necessary on their end. That is an important point that we are mindful of. But that 7 percent, our last mile, if you will, we are working hard to overcome.

Finally, we are moving toward electronic submission and processing of claims for payments we called e-invoicing. The target date for that is October 2002, which is 1 year before, 1 year ahead of the GPEA target. So we have a number of short-run milestones on our plate.

Other than to introduce Ms. St. Claire, this concludes my comments, sir. Ms. St. Claire is here to give you a quick summary of Personnel and Readiness initiatives, again focusing on the importance of the functional buy-in for any of our information technology investments.

[The prepared statement of Mr. Osterholz follows:]

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JOINT STATEMENT OF

JOHN L. OSTERHOLZ

PRINCIPAL DEPUTY CHIEF INFORMATION OFFICER

DEPARTMENT OF DEFENSE AND

NORMA J. ST. CLAIRE

DIRECTOR, INFORMATION MANAGEMENT FOR

PERSONNEL AND READINESS,

OFFICE OF THE SECRETARY OF DEFENSE

BEFORE THE HOUSE COMMITTEE ON

GOVERNMENT REFORM

21 JUNE 2001

UNCLASSIFIED

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BY THE HOUSE COMMITTEE ON GOVERNMENT REFORM

Government Paperwork Elimination Act

The Department of Defense is committed to achieving the goals of the Government Paperwork Elimination Act (GPEA) within the target of October 2003.

Electronic business or e-government represents the new approach to streamlining and structuring business and processes to meet the global and competitive challenges of the future. Congressional support with legislation such as GPEA, the Clinger-Cohen Act (CCA), and the Government Performance and Results Act (GPRA) provide the foundation for advancing E-Business across the Department.

E-business is an important tool to improve customer service and governmental efficiency through the implementation of improved processes and the application of information technology. Such improvement involves transacting business electronically with the public, trading partners, and other federal agencies using the Internet and its World Wide Web. In so doing, we must ensure the ability to electronically protect individual citizen and employee privacy, the intellectual property rights of our partners, and sensitive DoD information.

Since 1988, the Department of Defense has been on a path to achieve strong electronic authentication of individual employees and the capability to sign digital documents. In 1988, we codified those requirements in the Defense Message System program documentation. We recognized the value of Public Key Infrastructure (PKI) as central to securing our networks and conducting business over the Internet. This was thirteen years ago at a time when the projected cost was a significant barrier and technology was not yet sufficiently mature to achieve our goals. Nevertheless, we held to this objective and began a worthwhile journey.

During the past decade, the technologies have improved significantly and industry has provided solutions that have proven the value of conducting business over the Internet. With these changes, public sector PKI efforts have gained momentum. Examples include initiatives undertaken by the State of Iowa, the government of Canada and many Federal agencies, including the Department of Defense.

These positive activities indicated that the time was approaching where the U.S. government could safely conduct business with citizens and trading partners, while protecting individual privacy, intellectual property rights, and monetarily valuable information. Congress correctly decided that it was time to provide guidance to accelerate the exploitation of technology and concurrently to reduce obstacles to the use and acceptance of electronic signatures. As a result, the GPEA was signed into law in October 1998.

The path to electronic transactions is closely coupled to the maturation and affordability of the PKI. Through PKI digital signature, we will maintain and, in fact, improve the

integrity, authentication and non-repudiation that are necessary to assure trusted business interaction. The Department's initial focus has been to make PKI work for us internally in order to prove the technology, learn lessons through implementation, and make it simple for the users. We have been closely partnered with the Federal PKI efforts to leverage our efforts and to seek the best possible solution for the Department of Defense and those who conduct business with the government.

The path to achieving the objectives of GPEA has been a long one and the path has varied as the technical solutions have improved. The DoD issued its first comprehensive PKI policy in May 1999. We caveated it then with a promise to revisit the policy each year based upon lessons learned and developments in the private sector. In November 1999, we committed to using the Smart Card for our Common Access Card (CAC) to carry PKI tokens, which serve as identification certifications, for DoD employees. We partnered with the General Services Administration (GSA) to produce a government-shared solution. In August 2000, DoD updated our PKI policy to align PKI and CAC to the changing environment. During the intervening months, several industry consortia evaluated our policy and intended course of action and they confirmed that our path was compatible with the mainstream developments in industry.

The Department's activities have included consideration of how the private sector will be able to acquire and use PKI certificates for interaction with the federal government. The GSA created the Access Certificates for Electronic Services (ACES) contracts whereby the private sector, including private citizens, can get certificates. DoD assessed the initial ACES as providing relatively weak authentication. Consequently, DoD established Initial External Certification Authorities (IECAs) to issue certificates to our external partners at a security level that is adequate for the Department. Subsequently, the GSA improved ACES by adding business quality certificates, which have features comparable to the IECA. We are today exploring with the GSA the possibility of replacing the DoD IECA with the business quality certificates of ACES. This would provide a single approach for the private sector to authenticate themselves instead of the two approaches previously contemplated. This promises to be another positive step in our journey toward achieving the goals of GPEA.

The achievement of GPEA goals by DoD requires more than a PKI and external authorities to issue certificates to citizens and trading partners. It requires the DoD to enable the appropriate electronic applications to use and understand these new signature technologies. To that end, DoD published policy guidance on enabling applications. After a year of development and vetting, this guidance was issued on May 17, 2001. We are now working to enable mission applications. Again, the lessons learned in enabling mission applications will be used to enable the applications that interface externally, which are the applications that are necessary for GPEA compliance.

The Department is involved in a number of pilots and other initiative to validate our steps in the journey. These are necessary to prove that we can properly apply and scale these solutions. Examples of these activities include the following:

- DoD participated in the Federal Bridge Certificate Authority (FBCA) Pilot to prove interoperability between DoD, other federal departments, industry partners and the government of Canada. Now, the FBCA is working to establish trusted relationships with the State of Illinois. The education community is building an Education Bridge Certificate Authority that will eventually be cross certified with the Federal Bridge. DoD has provided the majority of resources to the FBCA.

- DoD is currently pursuing an initiative to utilize PKI in the export licensing process. This involves a coordinated effort to provide the export industry with the ability to submit license applications and supporting documentation electronically. This initiative will streamline the approval process and will involve the Departments of Defense, Commerce and State. It will include more than ten thousand businesses. To be successful, the initiative will require the interoperability of DoD issued certificates and ACES certificates, and the use of the FBCA. By early 2002, we will have real experience on the use of these pieces of the broader GPEA solution.

- The Department has made great strides over the past three years toward achieving the goal of a paper free end-to-end contracting process. To date, 81 percent of our contracting activity is paperless. Achieving the goal of a 100 percent paperless is dependent, in large part, on our ability to engage in trust commerce with our trading partners. Trusted commerce, in turn, is dependent on the implementation of a Public Key Infrastructure and the use of digital signature. Trusted commerce will eliminate the remaining security barriers to the electronic submission of claims for contract payments, the area that remains the most paperbound in the contracting process.

- The fiscal year 2001 National Defense Authorization Act directed the Department to move to the electronic submission and process of claims for contract payments, which we loosely call E-Invoicing. The target date for full compliance is October 2002 or one year before the GPEA target. As directed by Congress, the Defense Federal Acquisition Regulations will be modified to require all claims to be invoiced electronically. This covers our defense contractors and grant recipients. There are over 175,000 vendors registered in the DoD Central Contractor Registry (CCR) who will be required to interact with the Department electronically after they receive a contract or grant. Satisfaction of this requirement will move us much closer to the objectives of GPEA.

In summary, the path toward full compliance with GPEA is not only dependent upon improvements in technology and our ability to change our processes, but it is also the convergence of several key activities:

- A government-wide public key infrastructure with strong authentication using digital signature certificates that achieves a balance between security of and access to information;
- Enablement of applications and workstations;
- Issuance of acceptable certificates to the private sector; and
- Bridging to state governments and private sector communities of interest.

The Department of Defense will continue to pursue these activities and seek other ways to transform our processes and exploit information technology so that we can better serve the American public and improve mission performance.

We have also been asked to comment specifically on the work of the Under Secretary of Defense for Personnel and Readiness in implementing GPEA. Ms. Norma St. Claire is the Director for Information Management for Personnel and Readiness (P&R). She is here to answer any questions.

P&R has been very proactive in a number of areas for paperwork reduction and elimination. We all face the dueling challenges of accessibility versus security in the implementation of most of these capabilities. As the Department attempts to implement web-based capabilities, we must ensure that we do not increase the opportunity for fraud and that we ensure the security of personal information. In spite of these challenges, P&R has made significant progress in moving forward with a number of initiatives. They have a full Business Process Reengineering program that continues to identify opportunities for streamlining and elimination of paperwork.

First, the Common Access Card that I discussed earlier is a major initiative of the personnel community. The Common Access Card will replace the military identification card and will be used in conjunction with PKI applications to greatly expand our ability to accept digital signatures and access computer systems.

The Defense Personnel Records Imaging System (DPRIS) is another major initiative of the personnel community. This capability allows for automated access to records that have been digitized by the individual Services but in the past have only been available through manual intervention. This fully automates a process that has been administered through the use of paper forms and letters for queries, paper or microfiche copies for response, and paper correspondence in carrying out information requests and exchanges. We have worked with the Department of Veterans Affairs to ensure that they can use DPRIS to access records on line. DPRIS initial operating capability has been established between the Bureau of Naval Personnel and the Department of Veterans Affairs. We expect the Army to be on line by September 2001, with the Marine Corps following in 2002 and the Air Force in 2003. We are also evaluating the applicability of this system for use by the Department of Labor and the National Personnel Records Center.

P&R has also been working for over a year on a review of the approximately 400 forms that are used throughout the personnel management process. The first recommendations from the Forms Team focused on the 68 forms that are used in the Accessions Process. The team recommended that all but four of these forms could be either eliminated completely or fully automated with no paper copies. The recommendations were accepted in August of 2000 and we are now reviewing implementation time-lines. The Forms Team has moved on to the review of the remaining personnel management forms.

One of the most ambitious undertakings of P&R is the design and implementation of the Defense Integrated Military Human Resources System (DIMHRS). DIMHRS is an all Service, all Component, fully integrated personnel and pay management system. It will eliminate forms from all aspects of personnel and pay management. It will also eliminate duplicate data collection and provide web-based services to individual Service members as well as to personnel managers. DIMHRS will be implemented sequentially to each of the Services, with the Army coming on line first in CY 2003. Part of the review process mentioned above for elimination of forms is focused on how many of the forms can be eliminated before DIMHRS is available. All of them can be eliminated with DIMHRS. DIMHRS will be implemented using a COTS HR product (PeopleSoft) and will take advantage of all of the best business processes imbedded in the product.

All of the Services are fully participating in the design and development of DIMHRS. In the interim, each Service has developed capabilities that will help reduce and eliminate paper within the Service personnel communities. Four of these initiatives are Army Knowledge on Line, Sailor OnLine, Air Force Link and Marine OnLine. All of these implement paperless requests, self-service capabilities, and on-line access to information.

The Defense Civilian Personnel Data System (DCPDS) is substantially reducing the amount of paperwork generated in the administration of civilian employees of the Department of Defense. DCPDS is an automated processing and reporting personnel system currently supporting approximately 275,000 employee records in the Department. When fully deployed, DCPDS will support almost 800,000 records. The system places an automated human resources system at the desktop of supervisors and managers. Personnel actions, training documentation, position descriptions, and other personnel documents are created, forwarded, coordinated, processed, and finalized in an electronic medium, including the application of digital signatures. Supervisors and managers are able to access the system at any time from their desktop application to review employee information, initiate or check the status of actions, and to extract and review a variety of reports. DCPDS also includes an automated staffing program that supports the receipt and evaluation of electronic resumes. Through the DCPDS, civilian positions are established, classified, announced, and filled in a totally paperless environment.

The Under Secretary of Defense for Personnel and Readiness (USD(P&R)) also oversees training for the Department and has worked with the Services and the rest of the Department on a number of training initiatives. The Advanced Distributed Learning initiative significantly reduces paper and paperwork in several ways. It permits electronic transcripts, applications and payment for education and training. It also features electronic class materials, electronic books and digital laboratory experimentation all in lieu of traditional paper products. It incorporates paperless homework assignments, tests and other performance indicators.

Equally important, these on-line training initiatives have made training far more accessible to both military and civilian personnel and have made it possible for personnel to take courses that once required several weeks of travel to complete.

Also within the P&R family, the Defense Commissary Agency (DeCA) has implemented a number of processes that have resulted in operational efficiencies and the elimination of hardcopy requirements. Electronic Data Interchange (EDI) provides for electronic purchase orders, invoices and vendor pricing and advance shipping notices for the receiving process. We also have a web-based pricing system for small vendors and pay most of the vendors through electronic funds transfer (EFT). DeCA Intranet is used for publication of directives, forms and handbooks and provides an important interface to patrons.

In closing, I want to reiterate the Department's commitment to achieving the goals of the Government Paperwork Elimination Act (GPEA) by October 2003. We will continue to seek new ways to transform processes and exploit technology so that the Department can better serve the public and the nation.

Mr. BURTON. Ms. St. Claire.

Ms. ST. CLAIRE. Good afternoon. I am pleased to be here to tell you about the way we are implementing GPEA in the DOD personnel community. The Office of the Under Secretary of Defense for Personnel and Readiness works with all of the services within the Department of Defense, as well as with all of the external agencies that need to have access to DOD personnel records.

As a matter of fact, a couple of years ago, we did this report—we did this study on what the external customer base was for the military personnel records, so that we could prioritize those areas where we had the most problems. And as you mentioned in your opening statement, we recognize that we do have some issues with Veterans Affairs in being able to provide them the paper that they need as quickly as possible.

Our goal is the elimination of redundant data capture forms and other paperwork. And that is a critical component of our entire business process reengineering program.

We have a Personnel and Readiness strategic plan and a Military Personnel Management Information strategic plan. They are on our Web site. I can give you the address for our Web site. Our entire business process reengineering program is described there. It is www.mpm.osd.mil. We would be happy to have you look at everything there.

We have already implemented a number of initiatives that we feel satisfy the GPEA requirement, and they are discussed in more detail in my written statement.

We are trying to ensure that the way we do this is smart. We do not want to automate processes and forms that would be better eliminated. And that's what the goal of our business process reengineering program is. We are finding that we can eliminate a lot of the forms and paperwork, and then we wouldn't have to worry about automating them. So we are trying to take this in a very smart way.

The work that we do in military personnel impacts our entire community, and it impacts military personnel through their entire life cycle. Our military people, we start with when they first access—actually, when we first start recruiting them.

They come into the military. They go back and forth between Active and Reserve components, of course. They leave the military. And we still have an obligation to them as they go out and are entitled to benefits that they are entitled to because of their military service. We also track all of their dependents. So we have a very large community that we take care of.

I would like to close by emphasizing that both in P&R and in the Department, we fully support the goals of GPEA, and we have actually used this law to help highlight some of our issues and problems to help us move faster with our whole program for business process reengineering and making maximum use of new technology. Thank you.

Mr. BURTON. Thank you.

Let me start the questioning to Mr. Willemssen.

We asked you to look at the GPEA plans for the Treasury Department and the Defense Department, and I have some questions about both of those.

Have you reviewed the plan of the Defense Department that was submitted to OMB? Have you reviewed that yet?

Mr. WILLEMSSEN. Yes, sir. We did, Mr. Chairman.

Mr. BURTON. What was your impression of it?

Mr. WILLEMSSEN. We were disappointed with the lack of a strategy that would have detailed the Department's approach to addressing GPEA. The plan, instead, was a listing of potential activities that could be electronically done, rather than by paper; but we did not see any kind of strategy.

Upon meeting with Department officials, we again did not receive any kind of documented strategy.

Mr. BURTON. So I presume you conclude that by the goal of 2003, they won't be able to comply?

Mr. WILLEMSSEN. Based on progress to date, it will be a challenge for them. Setting up interim milestones would be a step in the right direction. If the Department can lay out tasks and milestones to try to get there, that is definitely where they need to go.

Mr. BURTON. Did your staff then meet with people from the Defense Department to determine, you know, how they were going to put the plan together?

Mr. WILLEMSSEN. Yes, we did.

Mr. BURTON. I know you have heard some of the things today that were positive.

Mr. WILLEMSSEN. We did contact the Department to try to understand the process that they used. And, bottom line, what we could determine is, the process was going out with the data call to component level and then—component levels and then the data call continuing to go to lower levels, and then the data coming back up through the chain. And, unfortunately, we did not see any evidence of review of what came back up; and that is when we looked at the collection information.

It also appeared that some of the entries were duplicative and inaccurate. Upon talking with the Department on that, they agreed to followup. And I think they can speak for themselves, but I think they did find those types of discrepancies.

Mr. BURTON. We will get to that in just a second. As I understand it, if you saw that they were, in essence, just cutting and pasting things that had already been determined.

Mr. WILLEMSSEN. Yes. Rather than thinking strategically about what should be done electronically versus paper, it appeared to us, based on the audit work we did, that it was an approach of, let's go out with a data call and ask people what they currently do and what they can do electronically instead of on paper. So the data call went out, data came back, and it was aggregated without, from our viewpoint, critical review.

Mr. BURTON. Did you, when you were going through the process, ever identify anyone who was responsible for implementing GPEA? I mean, was it just nobody was responsible?

Mr. WILLEMSSEN. Well, at the Department level, I believe the current CIO is in an acting position. And then we had a couple of meetings with a Mr. Grant, who was in the Office of CIO, and then several of his staff. I believe Mr. Grant's title is e-business, e-government.

But in terms of, I think, being consistent with Clinger-Cohen, the accountability has to stop with the CIO and the Secretary.

Mr. BURTON. So, in essence, you didn't really find anyone that was?

Mr. WILLEMSSEN. We didn't find, from a departmental perspective, somebody willing to sit and take the reins and say, this is what we need to do from a strategic perspective, this is what makes the most sense, as opposed to continuing with business as usual.

Mr. BURTON. We heard what Mr. Osterholz and Ms. St. Claire just said. But do you think they are making a serious effort over there to comply?

Mr. WILLEMSSEN. I think oversight activities, such as the hearing today, can make a tremendous difference in the extent to which this is viewed as a priority at the Department. So I sense that, even within the last 1 to 2 weeks, there has been much more of an effort and more of a priority placed on this particular area.

Mr. BURTON. Have you done—well, of course, you are pretty much working just on the Defense Department, aren't you, over there on your reviews?

Mr. WILLEMSSEN. I have responsibility for IT across the government.

Mr. BURTON. You do?

Mr. WILLEMSSEN. Yes.

Mr. BURTON. Have you found other agencies of the government that are in the same predicament as the Defense Department?

Mr. WILLEMSSEN. Yes. The Defense Department is certainly not alone in the challenges it faces in——

Mr. BURTON. Could we get a list of those agencies? Because what we will want to do is—I think we ought to send a letter to them telling them of this hearing and telling them that the Defense Department, we think, is now moving in the right direction; but that if they don't, they will be subject to being called before the committee, along with you, to explain why they are not moving in the right direction to make sure they comply by 2003.

So—would you make a note of that?

So we would like to have that list so we can contact them. So if you can get that to me, I would really appreciate it.

Mr. WILLEMSSEN. Yes, sir.

Mr. BURTON. Mr. Osterholz, we want to be fair to you. We didn't bring you up here to beat on you with a ball bat or anything, although I've got one.

I understand from what you said that there are a number of good automation programs under way, and hopefully, they'll produce results. At the same time, as you can see, you haven't come off looking as well as you would like.

But you feel like you're now moving in the right direction?

Mr. OSTERHOLZ. We are moving in the right direction.

I have to echo what Mr. Willemssen said, that the Department is a very large enterprise. And we have tremendous responsibilities with respect to information technology to support our core missions of warfighting. And prioritization is a daily occurrence with us. And I think clear prioritization is important, keeping us on the right path.

Mr. BURTON. Let me—with Mr. Kanjorski's approval, I would like to ask just a couple more questions. Then I'll yield to you.

Who is the most senior person at the Defense Department who is responsible on a day-to-day basis for implementing the GPEA and electronic filing programs?

Mr. OSTERHOLZ. The Acting Chief Information Officer is Dr. Linton Wells.

Mr. BURTON. You say "acting."

Mr. OSTERHOLZ. He is the Acting Chief Information Officer. He is the Acting Assistant Secretary of Defense for Command, Control, Communications and Intelligence. The President hasn't filed an attempt to nominate a successor. That gentleman is not on board, obviously, and has not been confirmed yet.

Mr. BURTON. We ought to check and find out when they plan to submit that name for confirmation.

So did the person who is currently in charge, did he review the plan before it was submitted?

Mr. OSTERHOLZ. No, sir, I believe he did not.

Mr. BURTON. Why was that?

Mr. OSTERHOLZ. I cannot answer that, sir. I do not know.

As I said, I took cognizance of this issue. I can speculate. I took cognizance of this issue after that had gone on. As I said, last night and the last week, I went through this process to verify that in fact what was discussed was substantively correct. I cannot tell you why he did not, at what level it was reviewed. I can only tell you that he did not review it.

It was probably reviewed at a Director's level at the Department. A lot of things get done by e-mail. Unfortunately, things get sent out under the press of a time line that don't get the review that they require. Not an excuse, but an explanation, sir.

Mr. BURTON. But that won't be the case in the future, though?

Mr. OSTERHOLZ. Certainly not, sir.

Mr. BURTON. OK. Good. What is that person doing on a day-to-day basis to move the process along?

Mr. OSTERHOLZ. Mr. Wells is the chair—is the chair of the Chief Information Officer Executive Board, which makes the information technology decisions for the Department. That board involves all of the IT service providers in the Department, as well as the functional process owners in the Department, so that we have the joint of technology and process that again was discussed in the earlier panel. And so information technology is his primary responsibility.

In addition to that, the guidance that was put out, which was put out under Art Money, who is the predecessor to Mr. Wells, is very clear about—if I may just simply read the key pieces of it—new or redesigned GPEA-compliant electronic transaction applications will be based upon the following: redesigned business processes, again making sure we're not paving the cow path; relative cost benefits and risk analysis, providing the basis for attempting to maximize benefits by minimizing risks; inclusion of DOD privacy and information security policies and practices; again, the balance between access, what you project, what you protect; the termination and documentation of the chosen electronic signature alternative.

And electronic signatures are interesting in that the technology is certainly there. Its acceptability in some cases is questionable.

We've had rulings that said electronic signatures, good idea, but send the paper anyway. And that is an important piece to look at.

And review of policies to adequately support electronic transactions.

So that's the guidance that was given out in January of this year to our components with respect to their GPEA activities. So there is an active role, but it is one role among a number of things that the Chief Information Officer does.

Mr. BURTON. Mr. Kanjorski.

Mr. KANJORSKI. Thank you very much, Mr. Chairman.

I guess this is the wrap-up panel. And I don't know whether accolades are in order or whether we should be questioning why all the departments and agencies aren't in the same thing.

But let me just run through some of the testimony that I heard and get corrections.

In the Treasury area, I understand that you think you are moving along very well and making great strides. But besides efficiencies and movement of paper, there is the thing of picking up fraud and abuse, and particularly in tax returns.

What I can't understand is, if we do have a sophisticated computer system operating in Treasury, how is it that prisoners can still file for tax returns by the hundreds and receive them, direct mail to their prisons, and we don't have a system that picks that type of fraud up.

Mr. FLYZIK. Yes, sir. The IRS has a very aggressive program to modernize. The issues you are raising are well known, they are well documented, they are well publicized. It is also well known and well publicized, the history of attempts to modernize in the IRS.

I perhaps was able to say in the past that was not my watch. I can no longer say that. I am directly involved in the modernization of the IRS today. I feel real good about the progress we are making.

We have a lot of legacy applications in the IRS that date back a long time. And I feel happy with the fact that Commissioner Rossotti is there. He has got an IT background. I feel we have got a governance structure in place, we have got due diligence in place, and we will fix those problems.

I think that most of those problems are due purely to the sheer complexity of the legacy systems that exist today in the IRS and the inability to do a lot of interoperability kinds of programs.

I like to think the Internet knows no time boundaries like these old legacy applications do; and obviously, what we need to do is get these applications on line to do real-time editing and error correction before the errors can get into the system.

And that is our goal. It won't happen overnight, but it will happen.

Mr. KANJORSKI. In my district, there is a county prison, and one of the prisoners operates a network across the country on the Internet with other prisons. And they are just notorious and extremely successful in making applications for income tax refund checks. And they get them by the dozens, I mean literally.

And I have had complaints from the warden of that prison just saying, you know, he just doesn't understand how this can continue

to go on. You would think one or two times that they would catch it, but this is year after year.

Now they are spreading out through the prison system across the country, and I don't know whether it's on a commission basis that they're doing it, but they are being very successful and still requesting these checks and getting them.

Naturally—probably there is strong publicity when that occurs. But you have to understand how offensive it is to a legitimate taxpayer when they find out that all you have to do is get sentenced, go to prison, start filing your returns and make several hundred thousand a year. It tends to rub us the wrong way.

But I think you're on the right track. It was a good report.

I particularly want to compliment that part of the Treasury that is known as the U.S. Mint. And they are obviously up here because I guess they are the four-star or five-star agency here. They not only are very good in showing how they can correct the system and make the hard decisions to go to a modernized system under the 2000 problem; they showed us all that thinking ahead and using your money wisely can really accomplish some great things.

So, Mr. Mitchell, you should take back my compliments. But mostly because you have the good foresight to have press representatives and public relations people like Eva on your staff. I happen to know how competent she is. So that's very good.

In regard to Defense, it is a huge agency. And of course if you are not on board, everything everybody else does is minor by comparison. I think that both the Department of Defense and the Department of Energy have real needs to get into the modern age and to work through their systems.

I am particularly interested in disposal of property and knowing what assets are out there that are excess or surplus and how we can get utilization of them and get a handle around them in a big way.

The only other thing that I would say that did bother me, and I don't know whether it was the Defense Department or the Department of Energy, they seem to have slipped in their awareness of technology and what can be erased from computers. And I know for a fact where they excessed to the waste pile hundreds and hundreds of computers that had all the formulas for nuclear weaponry on them; and we just can't afford to have those types of failures in the system where people aren't aware of what potentially they are throwing away.

I happened to find out about it because I was dealing with people who were trying to do construction—or destruction and demanufacturing of computers and found a lot of that material readily accessible on the computers that were discarded. And I would hope that we would tighten up. It's not only to accomplish a paperless society or reduction in paper, but it certainly is important that we protect information, particularly highly classified information such as that.

So that, as we go down this road, it seems to me that all the component parts, including disposal of materials, is very important. And I would hope that the departments of government would cooperate.

Let me ask you this question, would it be helpful to the various departments to have a centralized clearinghouse operation that would establish the standards of how to handle things, the programs that are available and the information, as a central repository; or do you think it's absolutely essential that each department have its own system and sometimes without standardization and without the capacity to be accessed by other departments of government or outside interests?

Maybe I'll direct that as an open question.

Mr. FLYZIK. I would like to believe that the Federal CIO Council is stepping up to becoming the central repository for a lot of issues. We now have in place a Federal Government architecture model. We are looking at the standardization process. We have an architecture at Treasury, as does DOD, as mentioned. Our Treasury architecture complies with the Federal architecture standard that is being defined.

So I think we are getting there.

I would like to think the CIO Council has gone through an interesting evolution. Like any other group first put together, we went through kind of a bonding process to figure out who we are and how we work. And I think, though, over the last year or so, it has really evolved into taking on specific, tangible programs and projects that will deliver the kind of results that you're addressing here.

Mr. KANJORSKI. Do you ever see a day where those of us that sit up on the Hill, that want to find out what is available to a constituent, can dial in that information and type it in, and it is going to source it out and find it?

Right now, most of the departments of the executive branch of government, and the bureaus, unless you know what program they are administering and how it works, you can't find it. I mean, it is the most closely held secret.

Very simple questions, you know, is there a disaster relief for mortgage holders in a disaster area, and does the Federal Government have a program like that? Unless you know exactly the name of that program or where it is, it is hard to access.

Mr. FLYZIK. Yes, sir. And I believe I refer you to—we did roll out the portal First.Gov, www.first.gov, and it is designed to do exactly what you are suggesting here. That individual constituent, without any knowledge whatsoever of the functions of government, can get answers to specific questions. I think First.Gov is merely scratching the surface of where we are going to go, because for the first time we will begin to understand the way customers see government.

And I agree with you. They don't see government on an agency-by-agency basis. They see government on a functional basis.

I think First.Gov is our first start at fundamentally restructuring. I think we will go through phases here where First.Gov will lead to kind of virtual agencies, agencies that are working together in common functional areas. And I think, in the long run, looking out beyond it could actually lead to fundamental restructuring of government.

Mr. KANJORSKI. Very good. Maybe I'll put this to the Defense Department.

Your part of the agencies or departments that are involved, not all of them obviously, but you have an awful lot of technology that is still black-bagged, that is already being duplicated in the commercial area that could be of great assistance to other governments and the commercial interests of the country.

How do we go about freeing that stuff up?

Mr. OSTERHOLZ. I would tell you that—to be honest, tell you, that is a very complicated question, because some of those other parties who would want that technology would not necessarily be interested in using it for the betterment of our interests.

So that is a very, very complex question. And it's hard to give you a general answer except perhaps to point out some of the issues that we have to wrestle with today.

Understanding what a corporation is and what its interests are and what its pedigree is is an interesting question for us. What a U.S. company is today is sometimes a very complicated question to get an answer on. So understanding the motives for technology transfer is a vital piece of answering that question.

To move technologies, you referred to "black-bagged," you are referring to classifying technologies perhaps, such as you might find in geospatial information systems, things that you were very familiar with.

Very frankly, we look at commercial geospatial information systems as a very positive factor in that their existence for us gives us access to information that we may not be able to get to because of limited resources on our end. Our own assets obviously are very heavily tasked, and the availability of additional geospatial sources of information is very positive thing for us.

Now, we worry a lot about who else has access to that, No. 1, because we would hate to see that sort of capability used against our forces with the sorts of resolutions that I am sure you are aware of that are coming around the commercial world.

No. 2, we have to be careful as we deal with them from an electronic commerce point of view. We would buy that information from them. We want to make sure that wasn't necessarily revealing of our interest. It would be very unfortunate if our buying of, say, commercial imagery products revealed an operation pending and put our forces in jeopardy. So we have to worry about that. And that's where the PKI issues come really to the fore.

But I think you are going to see, and increasingly—in fact, there aren't a lot of black-bag technologies, as you put it—that the commercial world is, in fact, the place where the technologies are and that its first adoption is not necessarily behind the green door, as it used to be. Its first adoption is in Silicon Valley. Its first adoption may be in the government agency, sir.

Mr. KANJORSKI. As to the programs, I agree with you. They are probably ahead of the government in what they can do.

But the delivery systems, the satellite systems, etc., that could be utilized to help out, particularly in environmental protection, fire protection—I'll throw that out there and leave it; you probably know what I'm talking about—you know, we can save inordinate amounts of money and benefit to the general citizenry, the individual States and individual communities if we can find a way to open up and use the excess capacity that we have in the Defense Depart-

ment for the private sector, for the government, for State and municipal governments in particular.

So I just throw that out there and leave it.

Mr. Chairman, I just want to congratulate you for calling this hearing. It seems to me it's one of the more progressive ideas in the role of this committee; and I hope we stay on this course, because for us, as members, who are so ill-informed in this new technology, to have the opportunity to get the testimony and hear the statements of this type of expertise is very rewarding. So thank you very much.

Mr. BURTON. Thank you, Mr. Kanjorski. We will try to do just that.

I want to thank all of you for being here. We appreciate the input. We appreciate the progress that you have made both at the Mint and Mr. Flyzik.

And the Defense Department, we hope and wish you well in the future. We will be watching and trying to work with you.

With that, we stand adjourned. Thank you.

[Whereupon, at 1:15 p.m., the committee was adjourned.]

[The prepared statement of Hon. Edolphus Towns follows:]

Statement of Congressman Edolphus "Ed" Towns (D- New York)
House Government Reform Committee
"Federal Information Technology Modernization; Assessing Compliance with the Government Paperwork Elimination Act"
June 21, 2001

Mr. Chairman, thank you for holding this hearing on federal agency efforts to comply with the Government Paper Elimination Act(GPEA). According to GPEA, agencies are required to give their constituents the option of maintaining, submitting or disclosing information electronically by October 21, 2003. The goal of this amendment to the Paperwork Reduction Act is to reduce the paperwork burden. E-government may offer true opportunities for efficiency but those opportunities must be balanced against the need to protect privacy. In order to achieve the mandated deadlines the Office of Management and Budget - the office in charge of managing GPEA's implementation - has established guidelines for agencies to follow. Unfortunately, many agencies have not fully followed these guidelines and are far behind in their transitions to e-government. What do these agencies need to achieve their e-transition by the deadline ? And, why are nearly fifty percent of the agencies falling short in this effort ? These are questions that I hope to hear answers to as this hearing proceeds. While I recognize the potential benefits that this transition may offer, I am concerned that e-government may come at the expense of those people who are on the wrong side of the digital divide. In my district in Brooklyn, there is a desperate need for increased computer education, training and equipment. While I continue to work on addressing this situation, I am concerned that the e-government transition will continue to deprive my constituents of the access to government services that they so desperately need. I look to the testimony from today's witnesses.

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