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FEDERAL INFORMATION TECHNOLOGY INVESTMENT MANAGEMENT, STRATEGIC PLANNING, AND PERFORMANCE MEASUREMENT: $60 BILLION REASONS WHY

HEARING

BEFORE THE

SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY, INTERGOVERNMENTAL RELATIONS AND THE CENSUS

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED EIGHTH CONGRESS

SECOND SESSION

MARCH 3, 2004

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FEDERAL INFORMATION TECHNOLOGY INVESTMENT MANAGEMENT, STRATEGIC PLANNING, AND PERFORMANCE MEASUREMENT: $60 BILLION REASONS WHY

WEDNESDAY, MARCH 3, 2004

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY,
INTERGOVERNMENTAL RELATIONS AND THE CENSUS,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 1 p.m., in room 2154 House Office Building, Hon. Adam H. Putnam (chairman of the subcommittee) presiding.

Members present: Representatives Putnam and Clay.

Staff present: Bob Dix, staff director; John Hambel, senior counsel; Chip Walker, professional staff member; Juliana French, clerk; Suzanne Lightman, fellow; Adam Bordes and David McMillen, minority professional staff members; and Jean Gosa, minority assistant clerk.

Mr. PUTNAM. A quorum being present, this hearing of the Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census will come to order. I want to thank everyone for being here and welcome you to the subcommittee's kickoff hearing for 2004.

Today's hearing is appropriately entitled, "Federal Information Technology, Investment Management, Strategic Planning and Performance Measurement: $60 Billion Reasons Why." Today's oversight hearing sets the foundation for the range of oversight hearings we have planned for the remainder of the year in the areas of electronic governance, enterprise architecture, interoperability, information sharing and, perhaps most importantly, cybersecurity.

Last year, this subcommittee held 22 hearings to review the progress being made by the Federal Government in these specific IT areas. While the subcommittee individually examined each subject matter in detail at those hearings, it became clear as each hearing passed that addressing any particular IT challenge is not only related to other competing IT challenges, but also must be resolved simultaneously and in an integrated way with all others.

This is without doubt a difficult challenge that requires the ultimate combination of managing our IT investments effectively, planning strategically, and measuring performance appropriately.

The purpose of this afternoon's hearing is to provide the subcommittee with a clearer understanding of the policies, processes

and procedures that now determine the Federal Government's annual investment in IT.

Four weeks ago, the President sent his fiscal year 2005 budget to Congress, a budget requesting $60 billion in spending for IT products and services. Underlying this request are a series of acts that have established principles for sound IT management within the Federal Government.

For many years, the Federal Government pursued an IT agenda that did not necessarily emanate from customer service or sound business practices. "Stovepiped" solutions, proprietary systems and a lack of interoperability or even plans to interface with other systems were considered ordinary and acceptable conditions.

A list of congressional legislation, initiatives and guidance since 1996, including Clinger-Cohen Act, the E-Gov Act and FISMA have led to changes that provide OMB with the oversight flexibility needed to coordinate, manage, plan and measure results emanating from its IT investments made across the Federal Government.

Put another way, OMB was given the responsibility and authority to function as the check and balance on a Federal Government IT culture that long accepted agency claims that their system absolutely required a unique solution, unique software, unique hardware, unique staff, unique business processes and could never interface with other systems.

Additionally, past agency claims that IT performance and agency performance are two separate issues have taken a different course due to Clinger-Cohen and the E-Gov Act.

To what extent IT management and agency performance are appropriately tied is an important question that deserves this subcommittee's attention. OMB has taken a number of steps through budget guidance, memoranda and circulars to ensure agencies unify behind effective IT planning, cross-agency solutions and elimination of redundancies.

Perhaps the most visible initiative, matching agency performance measurements with overall IT investment, is embodied in the President's management agenda. I'm particularly pleased that Clay Johnson, the President's Deputy Director for Management at OMB, will be testifying today to discuss progress being made in this area. We're also delighted to have with us Karen Evans, Administrator of E-Government and Information Technology, OMB. In addition to connecting agency performance to IT spending, I look forward to this afternoon's dialog with Ms. Evans regarding the results of enhanced OMB budget guidance to agencies in preparing their 2005 request, the results of utilizing a Federal enterprise architecture and planning, the results of OMB's review of agency IT business cases, the results of utilizing E-Government and the results of pursuing consolidation of duplicative systems.

As I mentioned earlier, cybersecurity is one of the primary factors that must be woven into any IT spending plan. As such, the subcommittee will review the steps taken this year by OMB in preparing its 2005 budget submission to further enhance the security of Federal information networks and protect the information they contain in accordance with FISMA.

The General Accounting Office as also joined us to share their recent findings and recommendations on improving the linkages be-

tween IT's strategic planning, performance measures and investment management as required by Clinger-Cohen.

While individual congressional appropriations subcommittees and some authorizing committees have kept an eye on projects and programs within their purview, very few congressional hearings have taken place to examine the cross cutting horizontal picture of investing $60 billion on IT more wisely by coordinating and collaborating across traditional agency boundaries.

From the congressional perspective, we have passed our share of laws requiring OMB to coordinate IT expenditures. In addition to making sure the Federal Government is on course, this hearing provides Congress an opportunity to improve our own IT spending decisions. We need to be authorizing and appropriating our taxpayer dollars on IT based on the same cross agency collaborative methodology that we require of OMB and agencies in their budget submissions.

While I recognize every Member of Congress comes to Washington with a different set of priorities, I encourage my colleagues to join me this afternoon to reflect on IT investment in a comprehensive and cross-cutting manner instead of by program or by function, just as we ask this afternoon's witnesses to do every day.

At the appropriate time we will yield to the gentleman from Missouri, the ranking member, Mr. Clay, for his opening remarks and any other Members who choose to join us this afternoon.

With that we will move directly into the testimony as is the custom for the Subcommittee of Government Reform, I would ask the witnesses to please rise and raise your right hand to be sworn.

[The prepared statement of Hon. Adam H. Putnam follows:]

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SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY, INTERGOVERNMENTAL RELATIONS AND THE CENSUS
Congressman Adam Putnam, Chairman

OVERSIGHT HEARING
STATEMENT BY ADAM PUTNAM, CHAIRMAN

Hearing topic: *""Federal Information Technology Investment Management, Strategic Planning, and Performance Measurement: 60 Billion Reasons Why."*

Monday, March 3, 2003
1:00 p.m.
Room 2154 Rayburn House Office Building

OPENING STATEMENT

Good morning and welcome to the Subcommittee's kickoff hearing for 2004. Today's hearing is appropriately titled, "*Federal Information Technology Investment Management, Strategic Planning, and Performance Measurement: 60 Billion Reasons Why.*"

Today's oversight hearing sets the foundation for the range of oversight hearings we have planned for remainder of the year in the areas of electronic governance, enterprise architecture, interoperability, information sharing, and -- perhaps most importantly -- cybersecurity.

Last year, this subcommittee held 22 hearings to review the progress being made by the federal government in these specific IT areas. While the Subcommittee individually examined each subject matter in detail at those hearings, it became crystal clear as each hearing passed that addressing any particular IT challenge is not only related to other competing IT challenges, but also must be resolved simultaneously and in a fully integrated manner with all other IT challenges.

This is, without doubt, a difficult challenge that requires the ultimate combination of managing our IT investments effectively, planning strategically, and measuring performance appropriately.

The purpose of this afternoon's hearing is to provide the Subcommittee with a clearer understanding of the policies, processes and procedures that now determine the federal government's annual investment in information technology (IT).

Four weeks ago, the President sent his FY05 budget to Congress, a budget that requests nearly $60 billion in spending for IT products and services. Underlying this request is a series of Acts that have established principles for sound IT management within the federal government.

For many years, the federal government pursued an IT agenda that did not necessarily emanate from customer service or sound business practices. "Stovepiped" solutions, proprietary systems, and a lack of interoperability (or even plans to interface) with other systems were considered ordinary and acceptable conditions.

A list of Congressional legislation, initiatives, and guidance since 1996, including the Clinger-Cohen Act, the E-Government Act, and the Federal Information Security Management Act (known as FISMA) have led to changes that provide OMB with the oversight flexibility needed to coordinate, manage, plan, and measure results emanating from IT investments made across the federal government.

Put another way, OMB was given the responsibility and authority to function as the necessary check-and-balance on a federal government IT culture that long accepted agency claims that "their" particular system absolutely required a unique IT solution, unique software, unique hardware, unique staff, unique business processes, and could never interface with other systems.

Additionally, past agency claims that IT performance and agency performance are two separate issues have taken a different course due to "Clinger-Cohen" and the "E-Gov Act". To what extent IT management and agency performance is appropriately tied is an important question that deserves this Subcommittee's attention.

OMB has taken a number of steps through regulation, budget guidance, memoranda, and circulars to ensure agencies unify behind effective IT planning, cross-agency solutions, and elimination of redundancies. Perhaps the most visible initiative matching agency performance measurements with overall IT investment is embodied in the President Management Agenda.

I look forward to this afternoon's dialogue with OMB regarding the results of enhanced OMB budget guidance to agencies in preparing the FY05 IT budget, the results of utilizing a Federal Enterprise Architecture in planning, the results of OMB's review of agency IT business cases, the results of utilizing E-Government, and the results of pursuing consolidation of duplicative systems. Also, GAO will share their recent findings and recommendations on improving the linkages between IT strategic planning, performance measurements and investment management as required by the Clinger-Cohen Act of 1996.

While individual Congressional appropriations subcommittees (and perhaps some authorizing committees) have kept an eye on projects and programs within their purview, very few Congressional hearings have taken place to examine the cross-cutting, horizontal picture of investing $60 billion on IT more wisely by coordinating and collaborating across traditional federal government agency boundary lines.

From the Congressional perspective, we have certainly passed our share of laws requiring OMB to coordinate IT expenditures across agency boundary lines.

In addition to making sure the federal government is on course, this hearing provides Congress with a unique opportunity to improve our own IT spending decisions. We clearly need to be authorizing and appropriating our taxpayer dollars on IT based on the same cross-agency collaborative methodology that we require of OMB and agencies in their budget submissions.

While I recognize every member of Congress comes to Washington with a different set of priorities, I encourage my colleagues will join me this afternoon to reflect on IT investment in a comprehensive and cross-cutting manner instead of by program or function.

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[Witnesses sworn.]

Mr. PUTNAM. I note for the record that all three witnesses responded in the affirmative. And we will begin with Mr. Johnson. Clay Johnson is the Deputy Director for Management at the Office of Management and Budget responsible for providing government-wide leadership to executive branch agencies to improve agency and program performance. He was previously Assistant to the President for Presidential Personnel, responsible for the organization that identifies and recruits approximately 4,000 senior officials, middle management personnel and part-time Board and Commission Members. From 1995 to 2000, Mr. Johnson had the pleasure of working with Governor George W. Bush in Austin, first as his appointments director, then his chief of staff and finally as the executive director of the Bush-Cheney Transition.

Mr. Johnson, you clearly have the ear of the President. We are honored to have you with us this afternoon. We appreciate the work that you have performed for the Federal Government and if you will pause for just 1 second. Let me check on the status of votes.

[Pause.]

Mr. PUTNAM. Very good. We are expecting votes somewhere between 1:30 and 2:15 so hopefully we can certainly get through the opening remarks before we have to interrupt you and I apologize for that. That's unfortunately the way we run the railroad around here.

Welcome to the subcommittee and thank you for being here.

STATEMENTS OF CLAY JOHNSON III, DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET; KAREN EVANS, ADMINISTRATOR, OFFICE OF ELECTRONIC GOVERNMENT AND INFORMATION TECHNOLOGY, OMB; AND DAVID A. POWNER, DIRECTOR, INFORMATION TECHNOLOGY MANAGEMENT ISSUES, U.S. GENERAL ACCOUNTING OFFICE

Mr. JOHNSON. Mr. Chairman, thank you. Thank you for having Karen and me here. I believe, the President believes that the Federal Government is in the process of becoming results-oriented. If you asked 10 or a 100 people to raise their hand if they think the Federal Government is results-oriented, not many of them would do that. I think all of us, agencies, executive branch, legislative branch are in the process of changing that.

Traditionally, the Federal Government is focused on the amount of money we spend on a problem or opportunity as a measure of our commitment to dealing with that problem or opportunity. It's harder, but more relevant to focus on what we actually get for the money we spend and if that's not satisfactory, if what we're getting is not satisfactory, figuring out what we do about it.

This is the approach we're taking with our IT investments, and early as you said, $60 billion in IT investments. We are not perfect. We continue to improve each year. One of the reasons I believe that we are going to see significant continued improvement, if not accelerated improvement this next year in the IT management, investment management area is because Karen Evans has come over, we've enticed her away from the Department of Energy to head up this office. She's a 20 plus year employee of the Federal Govern-

ment and knows what goes on in agencies and knows the way it used to be and has a good taste for the way it can be and has tremendous credibility within the IT community and the Federal Government. And so I can't imagine a better person to head up our efforts at this time to continue to lead this effort in the direction that we all want it to go in. So you're going to hear me today refer a whole lot of questions and comments to Karen, but I know that's what you expected when you invited me to come up here, but I'm glad to be up here.

[The prepared statement of Mr. Johnson follows:]

Statement of the Honorable Clay Johnson III
Deputy Director for Management
Office of Management and Budget

before the

Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census
of the
Committee on Government Reform
U.S. House of Representatives

March 3, 2004

Thank you Mr. Chairman and Members of the Subcommittee for inviting me to testify this morning. I am proud of our accomplishments on the President's Management Agenda, particularly in the area of information technology management, which we are here to discuss today. I am joined by Karen Evans, the President's Administrator of the Office of E-Gov and Information Technology at OMB. Karen and I work together to improve how the government manages IT.

The federal government is becoming results-oriented.

We are asking whether federal programs produce the intended results, and if they don't, we're working with Congress to decide what to do about it. We are asking what it costs to produce those intended results, and if the costs are trending up or considered unacceptable, we're looking for ways to become more efficient. We are asking whether we're effectively managing and investing in our workforce, and if not, we're working with Congress to decide what to do about it. We are asking whether we are professionally managing and utilizing our vast investments in real property, and if we decide we are not, we will work with Congress to do something about it.

Traditionally, we have focused on the amount of money we spend on a problem or an opportunity as a measure of our commitment to dealing with it. For instance, we have said we care a lot about teaching needed skills to low-income adults and point to our spending more than $500 million on the matter as an indication of how committed we are to the issue. The better and more relevant measures of our attention to teaching needed skills to low-income adults, though, are how many low-skilled adults we're teaching to read, how many go on to earn their high

school diplomas, how many learn English, or how many get better job skills. It's harder to do this, to determine what we're really accomplishing and at what cost, but that's what we're doing. For instance, we concluded that most of the students being served by the Adult Education State Grants program, the primary program focused on teaching needed skills to low-income adults, were not getting measurable benefits from the program. So we proposed legislation to allow us to target grants to educational approaches that have proven effective in increasing reading and math skills and making grants contingent on achieving real and measurable outcomes, like teaching people the skills they need to succeed.

We are looking at our tremendous investments in information technology in the same fashion. We spend almost $60 billion in information technology each year, more than anybody else in the world. With increasing effectiveness we are asking whether those expenditures are producing or are likely to produce the desired result, and if they aren't, we are doing something about it.

We have agencies develop a business case for each IT investment, to identify the benefit to the agency and/or the citizens that justifies the investment. If the investment is not justified, we do not recommend it be funded.

We have agencies commit qualified project management resources to each IT project to ensure execution is timely and on budget, and if those resources are not available, we work with the agency to identify and reallocate the resources needed to make certain that the management deficiency has been addressed.

We have agencies commit funds and resources to securing each IT system, and until that happens, we limit new starts and other developmental activities until the security deficiency has been addressed.

We have agencies work together on government-wide E-gov initiatives to focus on citizen needs....to inquire about benefits, to apply for a job, to inquire about and/or apply for a grant, to reserve a campsite, and the like. We are working with agencies to limit "unique" solutions to "common" needs.

Results. We are managing our IT expenditures to produce the results that will more than justify the taxpayers' money we are spending.

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Mr. PUTNAM. At this time we'll recognize Ms. Evans. On September 3, 2003, Karen Evans was appointed by President Bush to be the Administrator of the Office of Electronic Government and Information Technology at the Office of Management and Budget. Prior to joining OMB, Ms. Evans was Chief Information Officer at the Department of Energy and served as vice chairman of the CIO Council, the principal forum for agency CIOs to develop IT recommendations. Previously, she served at the Department of Justice as Assistant and Division Director for Information System Management. The last time Ms. Evans testified before our subcommittee, we were kind enough to provide her with 48 hours on the job before calling her to testify. Now that she's an OMB veteran with 5 months under her belt, we welcome her and look forward to hearing of the progress being made to improve the management of our IT spending.

Welcome, Ms. Evans, and you're recognized for your opening remarks. Thank you for coming before the subcommittee.

Ms. EVANS. Mr. Chairman and members of the subcommittee, thank you for inviting me here today. My remarks will focus on the administration's strategy and progress in planning, managing and measuring the results of the Government's technology investments on the successful results of the President's E-Government Initiatives and on the impact of the Federal Enterprise Architecture [FEA].

The President's 2005 budget includes nearly $60 billion for IT and reflects this administration's commitment to defense and homeland security. This budget also shows our continuing work in exercising fiscal responsibility without sacrificing results. We are reaffirming the administration's commitment to results-oriented management by reducing duplication in IT spending while improving service delivery for the citizen. Of the nearly 1,200 major projects included in this year's budget, 621 representing about $22 billion are on a "management watch list." These include mission-critical projects that need to improve performance measures, project management and/or IT security. The fiscal year 2005 budget requires agencies to successfully correct identified project weaknesses and business case deficiencies or OMB will limit spending on new starts and other developmental activities.

Ensuring the security of the Federal Government's information and systems is a critical element of effective and responsible IT management. The Federal Information Security Management Act [FISMA], requires agencies and Inspector Generals to review and evaluate agency IT security programs and systems each year and to report their results to OMB and the Congress. Both FISMA and the longstanding OMB policy direct agencies to fund IT security throughout the life cycle of every system and to develop remediation plans for all systems with IT security weaknesses.

OMB used the information from the annual FISMA reports and quarterly remediation updates to directly influence the fiscal year 2005 budget process as well as to prioritize fiscal year 2004 expenditures. Agencies with significant weaknesses in information and systems security were directed to remediate operational systems prior to spending fiscal year 2004 development or modernization funds. If additional resources are needed to resolve those

weaknesses, agencies are to use their 2004 development funds. These steps underscore the President's commitment to security and privacy.

The fiscal year 2005 E-Government priorities and IT resource levels reflect activities in which we are presently engaged with the agencies. For example, agencies must now review all commercial software acquisitions for possible inclusion into the SmartBuy program which is designated to leverage government purchasing power and reduce redundant purchases. Further, the appropriate agency acquisition official must review all planned IT acquisitions over $2 million to ensure the acquisition does not duplicate any E-Government initiative. Agencies may only complete an acquisition found to be duplicative with my prior approval.

In addition to using the "find and apply" solutions of the Grants.gov initiative, fiscal year 2004 new planning and development dollars are being redirected to develop an action plan, solution and architecture for an agency's grants management system that will integrate to a governmentwide solution by September 1, 2004.

Finally, agencies have been asked to redirect all planning and acquisition dollars for core financial systems in fiscal year 2004 toward developing standards and architecture for a governmentwide solution.

We first used the Federal Enterprise Architecture in formulating the fiscal year 2004 budget. Using the business reference model, we identified six major service areas with over $6.8 billion of IT investment funding that seemed to offer potential for the governmentwide collaboration, consolidation and savings.

The Department of Health and Human Services is leading efforts to identify specific health-related work areas where technologies can be leveraged leading to real cost savings. All of the major Federal investigative agencies, led by the Department of Justice, are working to identify opportunities to use shared technology tools to support their case management needs and in the area of financial management, the Departments of Energy and Labor are leading a cross-agency taskforce to achieve seamless data interchange among partner agencies, reduce acquisition expenditures and plan for a common architecture that includes standardized data structures, business processes across government for core financial systems.

For the fiscal year 2005 budget, we identified further areas within the Federal Government that have potential for substantial collaboration and consolidation and where the agencies are using the same technology components. As a result, we can target many of those technologies for government-wide, enterprise licensing through the SmartBuy program.

The administration will continue to work collaboratively across the agencies and with Congress and I look forward to working with you on these matters and would be happy to take questions.

[The prepared statement of Ms. Evans follows:]

STATEMENT OF

THE HONORABLE KAREN EVANS

ADMINISTRATOR FOR ELECTRONIC GOVERNMENT AND

INFORMATION TECHNOLOGY

OFFICE OF MANAGEMENT AND BUDGET

BEFORE THE

SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY,

INTERGOVERNMENTAL RELATIONS AND THE CENSUS

U.S. HOUSE OF REPRESENTATIVES

March 3, 2004

Mr. Chairmen and Members of the Subcommittee:

Thank you for inviting me here today to talk to you about the federal information technology (IT) portfolio. My remarks will focus on the Administration's strategy and progress to date in planning, managing, and measuring the results of the government's technology investments. In particular, I would like to provide the Committee an update on the successful results of the President's E-Government initiatives and the impact of the Federal Enterprise Architecture.

IT Portfolio

As you know, the President's 2005 Budget request includes nearly $60 billion dollars for IT, and reflects this Administration's commitment to Defense and Homeland Security. Of the

nearly $60 billion dollars requested this year, roughly $27 billion is directed to the Department of Defense, while more than $10 billion directly supports Homeland Security. For example, the Department of Homeland Security's IT budget increased in key priority areas such as an additional $69 million to support border enforcement activities and an increase of $96 million to support Transportation Security Administration (TSA) equipment.

This budget also shows our continuing work in exercising fiscal responsibility without sacrificing results. We are reaffirming the Administration's commitment to results-oriented management by reducing duplication in IT spending while providing the opportunity to share in common solutions for agency IT needs, while improving service delivery for the citizen. Efforts by agencies to hold down the cost of IT services and at the same time improve citizen satisfaction have generated some innovative solutions. Our continued emphasis on eliminating redundant IT investments drove agencies to examine IT spending and develop consolidated plans for technology acquisition and maintenance. For example, USDA conducted an extensive effort to identify opportunities to reduce redundancy and duplication within its IT portfolio. These efforts led to the department's consolidation of its portfolio and a $162 million savings from the FY2004 to FY2005 budget.

Of the nearly 1,200 major projects included in this year's budget, 621 representing roughly $22 billion are currently on a "management watch list." This list includes mission-critical projects in need of improvement in areas such as performance measures, project management and/or IT security. The FY2005 budget reflects the requirement that agencies successfully correct identified project weaknesses and business case deficiencies or OMB will limit new

starts and other developmental activities; the agencies must make real progress addressing and correcting these weaknesses.

Other specific challenges to better serve the citizen through E-Government include an ongoing shortfall in qualified project managers and IT architects needed to successfully manage the federal IT portfolio.

This challenge is being addressed through direction to agencies to have a program management plan and a qualified project manager for projects to be approved for spending in 2004 and thereafter.

Status of Federal Systems

Ensuring the security of the federal government's information and systems is a critical element of effective and responsible IT management. As you know, the Federal Information Security Management Act (FISMA) requires agencies and Inspector Generals (IGs) to annually review and evaluate agency IT security programs and systems and to report on their results to OMB and the Congress. Additionally, both FISMA and long-standing OMB policy direct agencies to fund IT security throughout the life cycle of every system and develop remediation plans for all systems with IT security weaknesses.

OMB used the information from the annual FISMA reports and quarterly remediation updates to directly influence the FY 2005 budget process. Specifically:

1. Information from agency and IG reports along with their remediation plans identified both agency-wide and system specific IT security weaknesses. The annual reviews and reports identified the gaps and the remediation plans provided the corrective actions the agency has determined are necessary to close the gaps.
2. Information from OMB IT budget submission documents, including the exhibit 53 and 300, also identifies whether appropriate steps to secure both new and legacy IT systems have been undertaken. For example, agencies must report whether risk-based and cost-effective IT security controls have been identified, implemented, and tested, and their operational systems have been fully certified and accredited.

While this information assisted OMB in making FY 2005 funding decisions, thereby addressing longer-term IT security weaknesses, it was also useful in prioritizing FY 2004 expenditures. For example, agencies with significant weaknesses in information and system security were directed to remediate operational systems with weaknesses prior to spending FY 2004 development or modernization funds. If additional resources are needed to resolve those weaknesses, agencies are to use their FY 2004 development funds. These steps were taken to reinforce both law and policy requirements; they underscore the President's commitment to security and privacy.

Effects of E-Government Initiatives

FY 2005 E-Government priorities and IT resource levels reflect activities with which we are presently engaged with the agencies. For example, this year agencies must review all commercial software acquisitions for appropriateness for inclusion into the SmartBuy

program. This program will leverage government purchasing power and reduce redundant purchases. If an agency intends to complete an acquisition found to be duplicative, my prior approval is required.

Another example is our work in the enterprise human resources initiative (EHRI). Agencies have been directed to work with OPM to develop a migration plan to the EHRI initiative which provides workforce analysis tools. Agencies must cease further development of agency-specific workforce analysis tools and capabilities. Agencies are identifying FY2004 resources for development and maintenance of workforce analysis tools, re-directing redundant spending to support migrations to the common EHRI tools. Accordingly, no resources for new agency workforce analysis tools are included in the FY2005 Budget.

In Phase 2 of Grants.gov, agencies must use the "find and apply" solutions of this initiative. In addition, agencies must designate funds for migrating grants management systems and/or applications to the common solution developed by Grants.gov. This also includes interfacing back office grants management systems to the government-wide effort. All FY 2004 new planning and development dollars will be redirected to develop an action plan, solution, and architecture for an agency's grants management system that integrates to the government-wide solution by September 1, 2004.

Finally, this year agencies must share all appropriate data with OMB about their core financial system applications on a government-wide basis. They have also been asked to redirect all planning and acquisition dollars for core financial systems planning and

In preparing for FY2006 we will continue to require agencies to align their efforts with the FEA. We will also provide them with a web-based tool giving them access to government-wide data that is organized around the FEA. With this tool, each agency can identify other agencies engaged in developments that are similar or identical to its. Through this tool they can identify potential collaboration partners as well as specific technology components they may be able to use, rather than develop their own. We anticipate substantial savings to the government as these capabilities begin to take hold.

Conclusion

The Administration will continue to work collaboratively across agencies and with Congress. I look forward to working with you on these matters, and would be happy to take questions at this time.

Mr. PUTNAM. Thank you very much, Ms. Evans. Our next witness is David Powner. As Director of GAO's Information Technology Management Issues, David Powner is responsible for GAO's review of Federal IT systems development and IT investment management. Prior to his current position at GAO, he spent a number of years with Quest Communication where he directed their information technology and financial audits, as well as overseeing DSL software development efforts. His previous work at the GAO includes reviews of its software development, information security and enterprise architecture progress at the Air Force, FAA and National Weather Service.

On February 12th, Mr. Powner and his colleagues at GAO released a report that I requested, along with Chairman Davis and Senate Chairman Collins, entitled, "Information Technology Management, Government-wide Strategic Planning, Performance Measurement and Investment Management Can Be Further Improved."

We look forward to your recommendations and your comments on GAO's findings and the conclusions that were in that report. You're recognized for your opening statement.

Mr. POWNER. Chairman Putnam, we appreciate the opportunity to testify on Federal IT strategic planning, performance measurement and investment management. With $60 billion spent annually on Federal information technology, having sound strategic plans, associated performance measures and the processes to ensure the appropriate selection and oversight of these investments is essential. Our most recent review that you just mentioned, Mr. Chairman, showed considerable room for improvement in these IT management areas.

As Ms. Evans just mentioned, our findings are consistent with the administration's management watch list which contains over 600 mission-critical projects totaling $22 billion that are in need of improvements in the areas of performance measures, project management and/or IT security.

Today's request I will summarize our recently issued report on the extent to which Federal agencies have in place important IT management practices. These practices are called for in legislation, OMB policies and GAO guidance. I will also discuss how agencies can improve in these areas.

Our report clearly showed mixed results. Collectively, the 26 agencies we reviewed had less than 50 percent of the practices fully in place. Starting with strategic planning and performance measurement, agencies generally had IT strategic plans and goals, but these goals were not always linked to specific performance measures.

Moreover, few agencies monitor performance for all of their IT goals. Without enterprise-wise performance measures that are tracked against actual results, agencies lack information about whether their overall IT activities at a governmentwide cost of $60 billion annually are achieving expected results. In the IT investment management area which involves processes for selecting and overseeing investments, the agencies largely have IT management boards in place and use selection criteria to choose their investments. However, once selected, no agency had practices associated with the oversight of IT investments fully in place. Such oversight

is essential to periodically ensure that as projects are pursued and funds are spent, the projects are tracked to the benefits promised at expected costs, within proposed timeframes and at an appropriate level of risk.

This periodic oversight with key milestones also provides an ideal opportunity to ensure that investments continue to be aligned with enterprise architectures and are adequately addressing information security requirements. Without this executive level oversight of project activities, agencies lack assurance that investments are on track and are continuing to meet mission needs. Nor is there necessarily an early warning mechanism to flag under performing projects so that corrective actions can be pursued before projects are out of control.

To help agencies improve their performance in these IT management areas, we made over 200 recommendations to the agencies in our review. Overall, agencies agreed with our recommendations and many have planned actions to pursue them. In addition, at today's hearing, we are releasing our latest version of our IT Investment Management framework. This framework identifies and organizes critical processes for selecting, overseeing and evaluating IT investments and offers organizations a useful tool for improving their IT investment management processes in a systematic and organized manner.

First issued as an exposure drafted several years ago. This new version incorporates lessons learned from our use of the framework in our agency reviews, comments from users, as well as comments from public and private sector experts on IT investment management.

In summary, our report shows that Federal agencies have some aspects of strategic planning and performance measurement in place, namely strategic plans, goals and investment boards. However, to ensure that the Government's investment in IT is not wasted, considerable improvements are needed in the areas of performance measurement and the oversight of these investments. This can be accomplished in part through the expeditious implementation of our recommendations and adoption of best practices like our IT investment management framework.

We look forward to working with you, Mr. Chairman, and your continued oversight of these and other IT management areas. This concludes my statement. I'd be happy to respond to any questions that you have.

[The prepared statement of Mr. Powner follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census, Committee on Government Reform, House of Representatives

For Release on Delivery
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INFORMATION TECHNOLOGY MANAGEMENT

Improvements Needed in Strategic Planning, Performance Measurement, and Investment Management Governmentwide

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

GAO-04-478T

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Accountability·Integrity·Reliability

Highlights

Highlights of GAO-04-478T, testimony before the Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census, Committee on Government Reform, House of Representatives

Why GAO Did This Study

The federal government spends billions of dollars annually on information technology (IT) investments that are critical to the effective implementation of major government programs. To help agencies effectively manage their substantial IT investments, the Congress has established a statutory framework of requirements and roles and responsibilities relating to information and technology management, that addresses, for example, (1) IT strategic planning/performance measurement (which defines what an organization seeks to accomplish, identifies the strategies it will use to achieve desired results, and then determines how well it is succeeding in reaching results-oriented goals and achieving objectives) and (2) IT investment management (which involves selecting, controlling, and evaluating investments).

GAO was asked to summarize its January 2004 report on IT strategic planning/performance measurement and investment management (*Information Technology Management: Governmentwide Strategic Planning, Performance Measurement, and Investment Management Can Be Further Improved*, GAO-04-49, January 12, 2004) and to discuss how agencies can improve their performance in these areas.

www.gao.gov/cgi-bin/getrpt?GAO-04-478T.

To view the full product, click on the link above. For more information, contact David Powner at (202) 512-9286 or pownerd@gao.gov.

March 2004

INFORMATION TECHNOLOGY MANAGEMENT

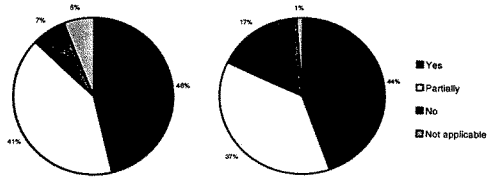
Improvements Needed in Strategic Planning, Performance Measurement, and Investment Management Governmentwide

What GAO Found

GAO recently reported that the use of important IT strategic planning/performance measurement and investment management practices by 26 major federal agencies was mixed (see figure below). For example, agencies generally had IT strategic plans and goals, but these goals were not always linked to specific performance measures that were tracked. Agencies also largely had IT investment management boards, but no agency had the practices associated with the oversight of IT investments fully in place. Although they could not always provide an explanation, agencies cited a variety of reasons for not having practices fully in place, including that the chief information officer position had been vacant and that the process was being revised. By improving their IT strategic planning, performance measurement, and investment management, agencies can better ensure that they are being responsible stewards of the billions of dollars for IT that they have been entrusted with through the wise investment of these monies.

To help agencies improve in these areas, GAO has made numerous recommendations to agencies and issued guidance. For example, in the January 2004 report, GAO made recommendations to the 26 agencies regarding practices that were not fully in place. In addition, today GAO is releasing the latest version of its Information Technology Investment Management (ITIM) framework, which identifies critical processes for selecting, controlling, and evaluating IT investments and organizes them into a framework of increasingly mature stages; thereby providing agencies a road map for improving IT investment management processes in a systematic and organized manner.

Percentage of Agencies' Use of IT Strategic Planning/Performance Measurement Practices (left) and Investment Management Practices (right)*



Source: GAO.

*Percentages do not add to 100 percent due to rounding.

Note: Yes—the practice was in place. Partially—the agency has some, but not all, aspects of the practice in place. Examples of circumstances in which the agency would receive this designation include when (1) some, but not all, of the elements of the practice were in place; (2) the agency documented that it has the information or process in place but it was not in the prescribed form (e.g., in a specific document as required by law or the Office of Management and Budget); (3) the agency's documentation was in draft form; or (4) the agency had a policy related to the practice, but evidence supported that it had not been completely or consistently implemented. No—the practice was not in place. Not applicable—the practice was not relevant to the agency's particular circumstances.

United States General Accounting Office

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to join in today's hearing on the government's information technology (IT) management. This is a critical topic because, according to the President's most recent budget, the federal government spends billions of dollars annually on IT—reportedly investing about $57 billion in fiscal year 2003.[1] Yet these dollars are not always managed wisely. For example, the Administration reported that of the $60 billion in IT investments requested for fiscal year 2005, $22 billion—representing 621 major projects—are currently on its "Management Watch List."[2] This list includes mission-critical projects that need improvement in the areas of performance measures, earned value management,[3] and/or IT security.

To help agencies effectively manage their substantial IT investments, the Congress has established a statutory framework of requirements and roles and responsibilities relating to information and technology management through laws such as the Paperwork Reduction Act of 1995[4] and the Clinger-Cohen Act of 1996. This framework addresses, for example, IT strategic planning/performance measurement (which defines what an organization seeks to accomplish, identifies the strategies it will use to achieve desired results, and then determines how well it is succeeding in reaching results-oriented goals and achieving objectives), and investment

[1]Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2005, Report on IT Spending for the Federal Government for Fiscal Years 2003, 2004, and 2005*. We did not verify this data.

[2]Office of Management and Budget, *Budget of the U.S. Government, Fiscal Year 2005, Analytical Perspectives*. We did not verify these data.

[3]Earned value management is a project management tool that integrates the investment scope of work with schedule and cost elements for optimum investment planning and control.

[4]The Paperwork Reduction Act of 1995 revised the information resources management responsibilities established under the Paperwork Reduction Act of 1980, as amended in 1986.

management (which involves selecting,[5] controlling,[6] and evaluating[7] investments).

At your request, today I will summarize our recently issued report[8] on the extent to which 26 agencies[9] had in place 30 important practices associated with key legislative and other requirements for IT strategic planning/performance measurement and IT investment management (app. I lists the 30 practices). I will also discuss how agencies can improve their performance in these areas.

Results in Brief

The use of important IT strategic planning/performance measurement and investment management practices—identified based on legislation, policy, and guidance—by the agencies in our review was mixed; collectively the agencies had less than 50 percent of the practices fully in place. For example, agencies generally had IT strategic plans and goals, but these goals were not always linked to specific performance measures that were tracked. Without enterprisewide performance measures that are tracked against actual results, agencies lack critical information about whether their overall IT activities are achieving expected goals. In the investment

[5]During the selection phase the organization (1) identifies and analyzes each project's risks and returns before committing significant funds to any project and (2) selects those IT projects that will best support its mission needs.

[6]During the control phase the organization ensures that, as projects develop and investment expenditures continue, the project is continuing to meet mission needs at the expected levels of cost and risk. If the project is not meeting expectations or if problems have arisen, steps are quickly taken to address the deficiencies.

[7]During the evaluation phase, actual versus expected results are compared once projects have been fully implemented. This is done to (1) assess the project's impact on mission performance, (2) identify any changes or modifications to the project that may be needed, and (3) revise the investment management process based on lessons learned.

[8]U.S. General Accounting Office, *Information Technology Management: Governmentwide Strategic Planning, Performance Measurement, and Investment Management Can Be Further Improved*, GAO-04-49 (Washington, D.C.: Jan. 12, 2004).

[9]We reviewed 23 entities identified in 31 U.S.C. 901 and the 3 military services. These were the Departments of Agriculture, the Air Force, the Army, Commerce, Defense, Education, Energy, Health and Human Services, Housing and Urban Development, the Interior, Justice, Labor, the Navy, State, Transportation, the Treasury, and Veterans Affairs; and the Environmental Protection Agency, General Services Administration, National Aeronautics and Space Administration, National Science Foundation, Nuclear Regulatory Commission, Office of Personnel Management, Small Business Administration, Social Security Administration, and U.S. Agency for International Development.

management area, the agencies largely had IT investment management boards, but no agency had the practices associated with the oversight of IT investments fully in place. Executive-level oversight of project-level management activities provides organizations with increased assurance that each investment will achieve the desired cost, benefit, and schedule results. Although they could not always provide an explanation, agencies cited a variety of reasons for not having practices fully in place, such as that the chief information officer (CIO) position had been vacant and that their process was being revised. Regardless of the reason, these practices are important ingredients for ensuring effective strategic planning, performance measurement, and investment management, which, in turn, make it more likely that the billions of dollars in government IT investments will not be wasted.

To help agencies improve their performance in the IT strategic planning/performance measurement and IT investment management areas, we made numerous recommendations to each of the 26 agencies we reviewed. In addition, at today's hearing we are releasing the latest version of our Information Technology Investment Management (ITIM) framework.[10] First issued as an exposure draft in May 2000, this version of the ITIM includes lessons learned from our use of the framework in our agency reviews and by users of the framework. The framework identifies critical processes for the successful selection, control, and evaluation of IT investments and organizes them into a framework of increasingly mature stages. ITIM offers organizations a road map for improving their IT investment management processes in a systematic and organized manner.

Background

Advances in the use of IT and the Internet are continuing to change the way that federal agencies communicate, use, and disseminate information; deliver services; and conduct business. For example, electronic government (e-government) has the potential to help build better relationships between government and the public by facilitating timely and efficient interaction with citizens. To help agencies more effectively manage IT, the Congress has established a statutory framework of requirements and roles and responsibilities relating to information and technology management. In particular, the Paperwork Reduction Act of

[10]U.S. General Accounting Office, *Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity*, GAO-04-394G (Washington, D.C.: March 2004).

1995 and the Clinger-Cohen Act of 1996 require agency heads, acting through agency CIOs to, among other things,

- better link their IT planning and investment decisions to program missions and goals;
- develop and maintain a strategic information resources management (IRM) plan that describes how IRM activities help to accomplish agency missions;
- develop and maintain an ongoing process to establish goals for improving IRM's contribution to program productivity, efficiency, and effectiveness; methods for measuring progress toward these goals; and clear roles and responsibilities for achieving these goals;
- develop and implement a sound IT architecture;
- implement and enforce IT management policies, procedures, standards, and guidelines;
- establish policies and procedures for ensuring that IT systems provide reliable, consistent, and timely financial or program performance data; and
- implement and enforce applicable policies, procedures, standards, and guidelines on privacy, security, disclosure, and information sharing.

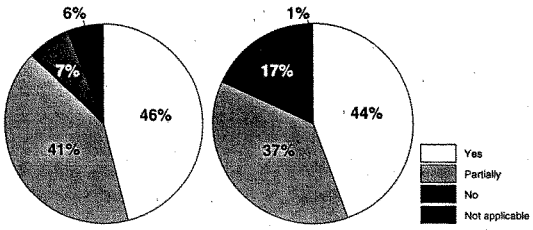
Nevertheless, the agencies face significant challenges in effectively planning for and managing their IT. Such challenges can be overcome through the use of a systematic and robust management approach that addresses critical elements such as IT strategic planning and investment management.

Agencies Did Not Always Have Strategic Planning/Performance Measurement and Investment Management Practices in Place

Federal agencies did not always have in place important practices associated with IT laws, policies, and guidance related to strategic planning/performance measurement and investment management (see fig. 1). A well-defined strategic planning process helps to ensure that an agency's IT goals are aligned with its strategic goals. Moreover, establishing performance measures and monitoring actual-versus-expected performance using those measures can help to determine whether IT is making a difference in improving performance. Finally, an IT investment management process is an integrated approach to managing

investments that provides for the continuous identification, selection, control, life-cycle management, and evaluation of IT investments.

Figure 1: Percentage of Agencies' Use of 12 IT Strategic Planning/Performance Measurement Practices (left) and 18 Investment Management Practices (right)[a]



Source: GAO.

[a]Percentages do not add to 100 percent due to rounding.

Note: Yes—the practice was in place. Partially—the agency has some, but not all, aspects of the practice in place. Examples of circumstances in which the agency would receive this designation include when (1) some, but not all, of the elements of the practice were in place; (2) the agency documented that it has the information or process in place but it was not in the prescribed form (e.g., in a specific document as required by law or the Office of Management and Budget); (3) the agency's documentation was in draft form; or (4) the agency had a policy related to the practice, but evidence supported that it had not been completely or consistently implemented. No—the practice was not in place. Not applicable—the practice was not relevant to the agency's particular circumstances.

Agency IT officials could not always identify why practices were not in place, but in those instances in which reasons were identified, a variety of explanations were provided; for example, that the CIO position had been vacant, that not including a requirement in the agency's guidance was an oversight, or that the process was being revised. Nevertheless, these practices are based on law, executive orders, Office of Management and Budget (OMB) policies, and our guidance, and are also important ingredients in ensuring effective strategic planning, performance measurement, and investment management that, in turn, make it more likely that the billions of dollars in government IT investments will be wisely spent.

Agencies' Use of IT Strategic Planning/Performance Measurement Practices Was Uneven

Critical aspects of the strategic planning/performance measurement area include documenting the agency's IT strategic planning processes, developing IRM plans, establishing goals, and measuring performance to evaluate whether goals are being met. Although the agencies often had these practices, or elements of these practices, in place, additional work remains, as demonstrated by the following examples:

- *Strategic planning process.* Strategic planning defines what an organization seeks to accomplish and identifies the strategies it will use to achieve desired results. A defined strategic planning process allows an agency to clearly articulate its strategic direction and to establish linkages among planning elements such as goals, objectives, and strategies. About half of the agencies had fully documented their strategic planning processes. Such processes are an essential foundation for ensuring that IT resources are effectively managed.

- *Strategic IRM plans.* The Paperwork Reduction Act requires that agencies indicate in strategic IRM plans how they are applying information resources to improve the productivity, efficiency, and effectiveness of government programs. An important element of a strategic plan is that it presents an integrated system of high-level decisions that are reached through a formal, visible process. The Paperwork Reduction Act also requires agencies to develop IRM plans in accordance with OMB's guidance. However, OMB does not provide cohesive guidance on the specific contents of IRM plans. Accordingly, although agencies generally provided OMB with a variety of planning documents to meet its requirement that they submit an IRM plan, these plans were generally limited to IT strategic or e-government issues and did not address other elements of IRM, as defined by the Paperwork Reduction Act. In particular, these plans generally include individual IT projects and initiatives, security, and enterprise architecture elements but do not often address other information functions—such as information collection, records management, and privacy—or the coordinated management of all information functions.

  OMB IT staff agreed that the agency has not set forth guidance on the contents of agency IRM plans in a single place, stating that its focus has been on looking at agencies' cumulative results and not on planning documents. These staff also noted that agencies account for their IRM activities through multiple documents (e.g., Information Collection

Budgets[11] and Government Paperwork Elimination Act[12] plans). Nevertheless, half the agencies indicated a need for OMB to provide additional guidance on the development and content of IRM plans. Accordingly, we recommended that OMB develop and disseminate to agencies guidance on developing IRM plans.

- *IT goals.* The Paperwork Reduction Act and the Clinger-Cohen Act require agencies to establish goals that address how IT contributes to program productivity, efficiency, effectiveness, and service delivery to the public. We have previously reported that leading organizations define specific goals, objectives, and measures, use a diversity of measure types, and describe how IT outputs and outcomes impact operational customer and agency program delivery requirements.[13] The agencies generally had the types of goals outlined in the Paperwork Reduction Act and the Clinger-Cohen Act. However, five agencies did not have one or more of the goals required by the Paperwork Reduction Act and the Clinger-Cohen Act. It is important that agencies specify clear goals and objectives to set the focus and direction for IT performance.

- *IT performance measures.* The Paperwork Reduction Act, the Clinger-Cohen Act, and an executive order[14] require agencies to establish a variety of IT performance measures—such as those related to how IT contributes to program productivity, efficiency, and effectiveness—and to monitor the actual-versus-expected performance using those measures. Although the agencies largely had one or more of the required performance measures in place, these measures were not always linked to the agencies' enterprisewide IT goals. Moreover, few agencies monitored actual-versus-expected performance for all of their enterprisewide IT goals. Specifically, although some agencies tracked actual-versus-expected outcomes for the IT performance measures in their performance plans or accountability

[11]Each year, OMB's Office of Information and Regulatory Affairs publishes an Information Collection Budget by gathering data from executive branch agencies on the total number of burden hours it approved for collection of information at the end of the fiscal year and agency estimates of the burden for the coming fiscal year.

[12]In fulfilling its responsibilities under this act, OMB requires agencies to report to OMB on their plans for providing the public with the option of submitting, maintaining, and disclosing required information electronically, instead of on paper.

[13]U.S. General Accounting Office, *Executive Guide: Measuring Performance and Demonstrating Results of Information Technology Investments*, GAO/AIMD-98-89 (Washington, D.C.: March 1998).

[14]Executive Order 13103, *Computer Software Piracy* (September 30, 1998).

reports and/or for specific IT projects, they generally did not track the performance measures that were specified in their IRM plans. As we have previously reported, an effective IT performance management system offers a variety of benefits, including serving as an early warning indicator of problems and the effectiveness of corrective actions; providing input to resource allocation and planning; and providing periodic feedback to employees, customers, stakeholders, and the general public about the quality, quantity, cost, and timeliness of products and services.[15] Moreover, without enterprisewide performance measures that are tracked against actual results, agencies lack critical information about whether their overall IT activities are achieving expected goals.

- *Benchmarking.* The Clinger-Cohen Act requires agencies to quantitatively benchmark agency process performance against public- and private-sector organizations, where comparable processes and organizations exist. Benchmarking is used because there may be external organizations that have more innovative or more efficient processes than their own processes. Seven agencies in our review had mechanisms in place—such as policies and strategies—related to benchmarking their IT processes. In general, however, agencies' benchmarking decisions were ad hoc. Few agencies had developed a mechanism to identify comparable external private- or public-sector organizations and processes and/or had policies related to benchmarking, although all but 10 of the agencies provided examples of benchmarking that they had performed. Our previous study of IT performance measurement at leading organizations found that they had spent considerable time and effort comparing their performance information with that of other organizations.[16]

Agency IT officials could not identify why strategic planning/performance measurement practices were not in place in all cases, but in those instances in which reasons were identified, a variety of explanations were provided. For example, reasons cited by agency IT officials included that they lacked the support from agency leadership, that the agency had not been developing IRM plans until recently and recognized that the plan needed further refinement, that the process was being revised, and that requirements were evolving.

[15]GAO/AIMD-98-89.

[16]GAO/AIMD-98-89.

Without strong strategic management practices, it is less likely that IT is being used to maximize improvement in mission performance. Moreover, without enterprisewide performance measures that are being tracked against actual results, agencies lack critical information about whether their overall IT activities, at a governmentwide cost of billions of dollars annually, are achieving expected goals.

Agencies' Use of IT Investment Management Practices Was Mixed

Critical aspects of IT investment management include developing well-supported proposals, establishing investment management boards, and selecting and controlling IT investments. The agencies' use of practices associated with these aspects of investment management was wide-ranging, as follows:

- *IT investment proposals.* Various legislative requirements, an executive order, and OMB policies provide minimum standards that govern agencies' consideration of IT investments. In addition, we have issued guidance to agencies for selecting, controlling, and evaluating IT investments.[17] Such processes help ensure, for example, that investments are cost-beneficial and meet mission needs and that the most appropriate development or acquisition approach is chosen. The agencies in our review had mixed results when evaluated against these various criteria. For example, the agencies almost always required that proposed investments demonstrate that they support the agency's business needs, are cost-beneficial, address security issues, and consider alternatives. However, they were not as likely to have fully in place the Clinger-Cohen Act requirement that agencies follow, to the maximum extent practicable, a modular, or incremental, approach when investing in IT projects. Incremental investment helps to mitigate the risks inherent in large IT acquisitions/developments by breaking apart a single large project into smaller, independently useful components with known and defined relationships and dependencies.

- *Investment management boards.* Our investment management guide states that establishing one or more IT investment board(s) is a key component of the investment management process. Such executive-level boards, made up of business-unit executives, concentrate management's attention on assessing and managing risks and regulating the trade-offs between continuing to fund existing operations and developing new performance capabilities. Almost all of the agencies in our review had one or more enterprise-level investment management board. However, the

[17]For example, see GAO-04-394G.

investment management boards for six agencies were not involved, or the agency did not document the boards' involvement, in the control phase. Maintaining responsibility for oversight with the same body that selected the investment is crucial to fostering a culture of accountability by holding the investment board that initially selected an investment responsible for its ongoing success.

- *Selection of IT investments.* During the selection phase of an IT investment management process, the organization (1) selects projects that will best support its mission needs and (2) identifies and analyzes each project's risks and returns before committing significant funds. To achieve desired results, it is important that agencies have a selection process that, for example, uses selection criteria to choose the IT investments that best support the organization's mission and that prioritizes proposals. Twenty-two agencies used selection criteria in choosing their IT investments. In addition, about half the agencies used scoring models[18] to help choose their investments.

- *Control over IT investments.* During the control phase of the IT investment management process, the organization ensures that, as projects develop and as funds are spent, the project is continuing to meet mission needs at the expected levels of cost and risk. If the project is not meeting expectations or if problems have arisen, steps are quickly taken to address the deficiencies. In general, the agencies were weaker in the practices pertaining to the control phase of the investment management process than to the selection phase and no agency had the practices associated with the control phase fully in place. In particular, the agencies did not always have important mechanisms in place for agencywide investment management boards to effectively control investments, including decision-making rules for project oversight, early warning mechanisms, and/or requirements that corrective actions for under-performing projects be agreed upon and tracked. Executive level oversight of project-level management activities provides an organization with increased assurance that each investment will achieve the desired cost, benefit, and schedule results.

[18]With a scoring model, the assessment body typically attaches numerical scores and "relative value" weights to each of the individual selection criteria. Investments are then assessed relative to these scores and then against weights associated with each individual criterion. Finally, the weighted scores are summed to create a numerical value for each investment.

Among the variety of reasons that agencies cited for not having IT investment management practices fully in place were that the CIO position had been vacant, that not including a requirement in the IT investment management guide was an oversight, and that the process was being revised. However, in some cases agencies could not identify why certain practices were not in place. It is important that agencies address their shortcomings, because only by effectively and efficiently managing their IT resources through a robust investment management process can they gain opportunities to make better allocation decisions among many investment alternatives and to further leverage their IT investments.

Improving Agencies' IT Strategic Planning/Performance Measurement and Investment Management

To help agencies improve their IT strategic planning/performance measurement and investment management, we have made numerous recommendations to agencies and issued guidance. Specifically, in our January 2004 report we made recommendations to the 26 agencies in our review regarding practices that were not fully in place. These recommendations addressed issues such as IT strategic planning; establishing and linking enterprisewide goals and performance measures and tracking progress against these measures; and selecting, controlling, and evaluating investments. By implementing these recommendations, agencies can better ensure that they are using strategic planning, performance measurement, and investment management practices that are consistent with IT legislation, executive orders, OMB policies, and our guidance.

Another mechanism that agencies can use to improve their IT management is to apply the management frameworks and guides that we have issued, which are based on our research into IT management best practices and our evaluations of agency IT management performance.[19] In this vein, today we are releasing the latest version of our ITIM framework.[20] This framework identifies and organizes critical processes for selecting, controlling, and evaluating IT investments into a framework of increasingly mature stages (see fig. 2).

[19]For example, see U.S. General Accounting Office, *Information Technology: A Framework for Assessing and Improving Enterprise Architecture Management (Version 1.1)*, GAO-03-584G (Washington, D.C.: April 2003) and GAO/AIMD-98-89.

[20]GAO-04-394G.

Figure 2: The ITIM Stages of Maturity with Critical Processes

Maturity stages	Critical processes
Stage 5: Leveraging IT for strategic outcomes	- Optimizing the investment process - Using IT to drive strategic business change
Stage 4: Improving the investment process	- Improving the portfolio's performance - Managing the succession of information systems
Stage 3: Developing a complete investment portfolio	- Defining the portfolio criteria - Creating the portfolio - Evaluating the portfolio - Conducting postimplementation reviews
Stage 2: Building the investment foundation	- Instituting the investment board - Meeting business needs - Selecting an investment - Providing investment oversight - Capturing investment information
Stage 1: Creating investment awareness	- IT spending without disciplined investment processes

Source: GAO.

First issued as an exposure draft in May 2000, this new version of the ITIM includes lessons learned from our use of the framework in our agency reviews and from lessons conveyed to us by users of the framework. In addition, in order to validate the appropriateness of our changes and to gain the advantage of their experience, we had the new version reviewed by several outside experts who are familiar with the ITIM exposure draft and with investment management in a broad array of public and private organizations.

ITIM can be used to analyze an organization's investment management processes and to determine its level of maturity. The framework is useful to many federal agencies because it provides: (1) a rigorous, standardized tool for internal and external evaluations of an agency's IT investment management process; (2) a consistent and understandable mechanism for reporting the results of these assessments to agency executives, Congress, and other interested parties; and (3) a road map that agencies can use for improving their investment management processes. Regarding the first two points, we and selected agency Inspectors General have used the ITIM to evaluate and report on the investment management processes of several

agencies.[21] Concerning the third point, a number of agencies have recognized the usefulness of the ITIM framework and have used it to develop and enhance their investment management strategies. For example, one agency uses the framework to periodically review its IT investment management capabilities and has developed an action plan to move through the stages of maturity.

In summary, our January 2004 report indicates that the federal government can significantly improve its IT strategic planning, performance measurement, and investment management. Such improvement would better ensure that agencies are being responsible stewards of the billions of dollars for IT with which they have been entrusted, by helping them to invest these monies wisely. This can be accomplished, in part, through the expeditious implementation of our recommendations and the adoption of best practices, which we have incorporated into our IT management frameworks and guides such as the ITIM.

Mr. Chairman, this completes my prepared statement. I would be happy to respond to any questions that you or other Members of the Subcommittee may have at this time.

[21]For example, see U.S. General Accounting Office, *Information Technology: Departmental Leadership Crucial to Success of Investment Reforms at Interior*, GAO-03-1028 (Washington, D.C.: Sept. 12, 2003); *Bureau of Land Management: Plan Needed to Sustain Progress in Establishing IT Investment Management Capabilities*, GAO-03-1025 (Washington, D.C.: Sept. 12, 2003); *United States Postal Service: Opportunities to Strengthen IT Investment Management Capabilities*, GAO-03-3 (Washington, D.C.: Oct. 15, 2002); *Information Technology: DLA Needs to Strengthen Its Investment Management Capability*, GAO-02-314 (Washington, D.C.: Mar. 15, 2002); and *Information Technology: INS Needs to Strengthen Its Investment Management Capability*, GAO-01-146 (Washington, D.C.: Dec. 29, 2000).

Contacts

If you have any questions regarding this statement, please contact me at (202) 512-9286 or by e-mail at pownerd@gao.gov. Specific questions related to our January 2004 report may also be directed to Linda Lambert at (202) 512-9556 or via e-mail at lambertl@gao.gov or Mark Shaw at (202) 512-6251 or via e-mail at shawm@gao.gov. Questions related to the ITIM framework can be directed to Lester Diamond at (202) 512-7957 or via e-mail at diamondl@gao.gov.

Appendix I: Information Technology (IT) Strategic Planning/Performance Measurement and Investment Management Practices

Table 1 describes the 12 IT strategic planning/performance measurement and the 18 IT investment management practices that we used in our January 2004 report on the government's performance in these areas.[1] We identified these 30 practices after reviewing major legislative requirements (e.g., the Paperwork Reduction Act of 1995 and the Clinger-Cohen Act of 1996), executive orders, Office of Management and Budget policies, and our own guidance.

Table 1: IT Strategic Planning/Performance Measurement and Investment Management Practices

Practice Number	Practice Description
IT Strategic Planning/Performance Measurement Practices	
1.1	The agency has documented its IT strategic management process, including, at a minimum, • the responsibilities and accountability for IT resources across the agency, including the relationship between the chief information officer (CIO), chief financial officer (CFO), and mission/program officials; and • the method by which the agency defines program information needs and develops strategies, systems, and capabilities to meet those needs.
1.2	The agency has documented its process to integrate IT management operations and decisions with organizational planning, budget, financial management, human resources management, and program decisions.
1.3	The agency requires that information security management processes be integrated with strategic and operational planning processes.
1.4	The agency has a process that involves the CFO, or comparable official, to develop and maintain a full and accurate accounting of IT-related expenditures, expenses, and results.
1.5	The agency prepares an enterprisewide strategic information resources management (IRM) plan that, at a minimum, • describes how IT activities will be used to help accomplish agency missions and operations, including related resources; and • identifies major IT acquisition program(s) or any phase or increment of that program that has significantly deviated from the cost, performance, or schedule goals established for the program.
1.6	The agency's performance plan required under GPRA includes • a description of how IT supports strategic and program goals, • the resources and time periods required to implement the information security program plan required by the Federal Information Security Management Act (FISMA), and • a description of major IT acquisitions contained in the capital asset plan that will bear significantly on the achievement of a performance goal.
1.7	The agency has a documented process to • develop IT goals in support of agency needs, • measure progress against these goals, and • assign roles and responsibilities for achieving these goals.

[1]U.S. General Accounting Office, *Information Technology Management: Governmentwide Strategic Planning, Performance Measurement, and Investment Management Can Be Further Improved*, GAO-04-49 (Washington, D.C.: Jan. 12, 2004).

Practice Number	Practice Description
1.8	The agency has established goals that, at a minimum, address how IT contributes to • program productivity, • efficiency, • effectiveness, and • service delivery to the public (if applicable).
1.9	The agency has established IT performance measures and monitors actual-versus-expected performance that at least addresses • how IT contributes to program productivity, • how IT contributes to the efficiency of agency operations, • how IT contributes to the effectiveness of agency operations, • service delivery to the public (if applicable), • how electronic government initiatives enable progress toward agency goals and statutory mandates, • the performance of IT programs (e.g., system development and acquisition projects), and • agency compliance with federal software piracy policy.
1.10	The agency has developed IT performance measures that align with and support the goals in the GPRA performance plan.
1.11	The agency developed an annual report, included as part of its budget submission, that describes progress in achieving goals for improving the efficiency and effectiveness of agency operations and, as appropriate, the delivery of services to the public through the effective use of IT.
1.12	The agency requires that its IT management processes be benchmarked against appropriate processes and/or organizations from the public and private sectors in terms of cost, speed, productivity, and quality of outputs and outcomes where comparable processes and organizations in the public or private sectors exist.
IT Investment Management Practices	
2.1	The agency has a documented IT investment management process that, at a minimum, • specifies the roles of key people (including the CIO) and groups within the IT investment management process, • outlines significant events and decision points, • identifies external and environmental factors that influence the process, • explains how the IT investment management process is coordinated with other organizational plans and processes, and • describes the relationship between the investment management process and the agency's enterprise architecture.
2.2	The agency established one or more agencywide IT investment management boards responsible for selecting, controlling, and evaluating IT investments that, at a minimum, • have final project funding decision authority (or provide recommendations) over projects within their scope of authority, and • are composed of key business unit executives.
2.3	The agencywide board(s) work processes and decision-making processes are described and documented.
2.4	If more than one IT investment management board exists in the organization (e.g., at the component level), the organization has • documented policies and procedures that describe the processes for aligning and coordinating IT investment decision making, • criteria for determining where in the organization different types of IT investment decisions are made, and • processes that describe how cross-functional investments and decisions (e.g., common applications) are handled.

Practice Number	Practice Description
2.5	As part of its investment management process, the agency has available an annually updated comprehensive inventory of its major information systems that includes major national security systems and interfaces.
2.6	A standard, documented procedure is used so that developing and maintaining the inventory is a repeatable event, which produces inventory data that are timely, sufficient, complete, and compatible.
2.7	The IT asset inventory is used as part of managerial decision making.
2.8	Proposed IT investments are required to document that they have addressed the following items during project planning: • that the project supports the organization's business and mission needs and meets users' needs, • whether the function should be performed by the public or private sector, • whether the function or project should be performed or is being performed by another agency, • that alternatives have been considered, and • how security will be addressed.
2.9	In considering a proposed IT project, the agency requires that the project demonstrate that it is economically beneficial through the development of a business case that at least addresses costs, benefits, schedule, and risks.
2.10	In considering a proposed IT project, the agency requires that the project demonstrate that it is consistent with federal and agency enterprise architectures.
2.11	The agency requires that the proposed IT investment, at a minimum, • support work processes that it has simplified or redesigned to reduce costs and improve effectiveness, and • make maximum use of commercial-off-the-shelf (COTS) software.
2.12	The agency has established project selection criteria distributed throughout the organization that include, at a minimum, • cost, benefit, schedule, and risk elements; • measures such as net benefits, net risks, and risk-adjusted return on investment; and • qualitative criteria for comparing and prioritizing alternative information systems investment projects.
2.13	The agency has established a structured selection process that, at a minimum, • selects IT proposals using selection criteria; • identifies and addresses possible IT investments and proposals that are conflicting, overlapping, strategically unlinked, or redundant; • prioritizes proposals; and • is integrated with budget, financial, and program management decisions.
2.14	Agency policy calls for investments to be modularized (e.g., managed and procured in well-defined useful segments or modules that are short in duration and small in scope) to the maximum extent achievable.
2.15	The agencywide investment management board(s) has written policies and procedures for management oversight of IT projects that cover, at a minimum, • decision-making rules for project oversight that allow for terminating projects, when appropriate; • current project data, including expected and actual cost, schedule, and performance data, to be provided to senior management periodically and at major milestones; • criteria or thresholds related to deviations in cost, schedule, or system capability actuals versus expected project performance; and • the generation of an action plan to address a project's problem(s) and track resolution.

Practice Number	Practice Description
2.16	The agencywide investment management board(s) established an oversight mechanism of funded investments that, at a minimum, • determines whether mission requirements have changed; • determines whether the investment continues to fulfill ongoing and anticipated mission requirements; • determines whether the investment is proceeding in a timely manner toward agreed-upon milestones; • employs early warning mechanisms that enable it to take corrective action at the first sign of cost, schedule, or performance slippages; and • includes the use of independent verification and validation (IV&V) reviews of under-performing projects, where appropriate.
2.17	Corrective actions for under-performing projects are agreed upon, documented, and tracked by the agencywide investment management board(s).
2.18	The agencywide investment management board(s) requires that postimplementation reviews be conducted to • validate expected benefits and costs and • document and disseminate lessons learned.

Source: GAO.

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Mr. PUTNAM. Thank you very much, Mr. Powner, and we certainly have some. I'd like to begin with Mr. Johnson. You have experience in the private sector, experience in State government and probably more experience in Federal Government now than you ever wanted. Tell me, explain if you would, where you think the President's management agenda is, where some of the successes have been and frankly, what the greatest obstacles continue to be and perhaps some ways where Congress can help.

Mr. JOHNSON. Regarding IT?

Mr. PUTNAM. Let's start in general. Let's start out here and then work our way into IT. Ms. Evans, I think, is going to have plenty of questions on IT, but while we have you, I'm curious to know just, in general, on the agenda.

Mr. JOHNSON. When the President's management agenda was introduced in August 2001, thinking in terms of the scorecard that we use, 130 scores, 5 initiatives, 26 agencies, 110 of those were red. About half of them are red now and by this summer, 3 years after the beginning of the introduction of the agenda, I would guess there might be 30 or 40 reds. The average agency 2 plus years ago was red, the way we keep score. The average agency, this summer, 3 years later, will be yellow and if you look at the description of what a yellow agency is, it's a very different place. It's much more focused on results. It's a different place to work for. It's a different place to be served by if you're a citizen or taxpayer. It's a different place for Congress to interact with and I would suggest better in all instances and that's just at yellow. And the next step is to go to green.

We're pleased with those, the progress that's been made. One of the things that's interesting is that every component part of what it takes to be green has been in every subpart of every initiative has been achieved by at least one agency. So we know that everything that we say is required to be green is really advanced state of management practice, is physically possible. Some part of the Federal Government has demonstrated their physical ability to do that, so it's not a question of can we do it, it's a question of how we do it and how quickly we can do that.

The agencies own this. It began as the President's management agenda. I think it's become the agencies' management agenda. I think that the employees at the Interior Department and HHS and etc., realize that it's better to work for a results-oriented organization than it is for one that's not. This is good for them and I think they have embraced it in almost every case and so the pace of implementation is accelerating.

So we are pleased with the progress to date. There's still a lot of progress to be made and one of our primary responsibility is to help agencies get to where they want to be. They have identified, they're starting to identify now longer term goals, where they'd like to be a year from now, 2 years from now. And so OMB started off pushing them a quarter at a time. Now we're helping them get to where they want to be.

So we can do this. We can get to where you, we, all want the IT part of this agenda to be, and it's just a question of making sure there's plenty of rigor, plenty of discipline, plenty of attention. There's a lot of check and balance. There's things we can do to

make sure that agencies understand what the goal is, understand the importance of qualified management people, understand the importance of security and there are ways of making sure that they don't spend money on other things until they've taken care of that and we just to make sure that those disciplines are, in fact, enforced and that the proper attention is paid to all of these three or four most important parts of getting our IT management to where we all want it to be.

Mr. PUTNAM. On the IT side, we spent an awful lot of time, in fact, it probably comes up in every single hearing we have, lamenting the fact that our IT issues are not technological problems. They're not even financial hurdles. They're cultural. They're institutional barriers to change. And in our little committee scorecard and on FISMA and other ways of kind of measuring these things we find that when the Secretary of the respective department makes the President's management agenda a priority, then things happen. And what I really don't have a good feel for is who keeps that on their agenda. Does it happen in Cabinet meetings? Does it happen at the chief of staff level? Is that what you do all day? Who keeps pushing these issues to keep the President's management agenda, the mechanics of operating the Government, even though in Treasury you're worried about collections and you're worried about the falling dollar and in Justice you're worrying about protecting this and all these kinds of things. Everybody has their own problems associated with the mission, but who reminds them to keep their eye on the ball of the mechanics and the process of making Government work smarter?

Mr. JOHNSON. Well, all that you mentioned. In fact, I talked to Brian Montgomery who is the person, the Cabinet Secretary in the White House. The President has, I think it's quarterly, maybe monthly meetings with each Cabinet Secretary, whether he needs to or not, whether they need it or not. And every time he meets with them he asks them and inquires about their status on the President's management agenda and are they pleased with their progress. It comes up at Cabinet meetings. At their Cabinet meeting in January, I think the Attorney General talked about his scorecard and the next person to talk was John Snow, Secretary Snow who's got five reds. It was a very difficult 2 minutes for the Secretary. In fact, the next week the Secretary called me. We went to have lunch and he was seeking advice on how to get the Department of Treasury out of a red status state. So a little public shame and humiliation within the Cabinet and outside also keeps their attention.

I work directly with the Chief Operating Officers, the Deputies in most cases, of the agencies and we are in constant communication on all of the President's management agenda items and again, helping them get to where, as I said, they want to be. And they all have very aggressive goals for their agencies. These are all competitive people and they also want to do the right thing. They want to leave a good, strong legacy and so it's not like we're trying to get them to pay attention. It's like we're trying to help them get to where they want to be.

So I'm working at it on the operating standpoint that Cabinet Secretaries are reminded in informal meetings and at Cabinet

meetings, not every Cabinet meeting, but they talked about it at the January Cabinet meeting I know for sure. So it's all of the above.

And the public quarterly scorecard puts that out there for all to see and make of it what they will.

Mr. PUTNAM. Thank you. Clinger-Cohen was enacted 8 years ago and it gave OMB responsibility and the authority to raise the concerns that are addressed in the GAO's findings and, after 8 years, the results are mixed as the report and Mr. Powner indicated.

And Clinger-Cohen holds OMB responsible. Rightly or wrongly, they're the designated, the buck stops with you all. How do you respond to some of the findings of this GAO report?

We'll begin with Mr. Johnson.

Mr. JOHNSON. It's better. It's kind of like our situation with homeland security. It's a whole lot better than it used to be. It's not good enough. And 20 some odd percent of our systems used to be secured. It's now 62. Our plan is for it to be 80 this year. Our plan is for it to be this year 80. The goal to be green in our—keeping scores—all but 90 percent of all the systems be secure. We have whatever it is half of the systems that are on the watch list. That's unsatisfactory. We're doing a better job this year of putting restrictions on agencies via apportionment, via whatever mechanisms we have to make sure that they address security matters, quality of management matters, quality of business case matters before they spend development moneys on new systems.

So we're trying to put more rigor, more discipline, more check and balance into the enforcement of these mechanisms this year than we even have done in the past and I have confidence, plus the fact that Karen is there, that we will continue to make progress on this.

The progress, particularly in the security area is not what we planned for it to be this year, but we intend to correct that.

Mr. PUTNAM. Ms. Evans, do you wish to add anything to that?

Ms. EVANS. I think that Mr. Johnson has clearly summed up where our priorities are and what we are doing is using the mechanisms that are available to us as OMB to ensure that the agencies are really adhering to what the goals of the administration are, so that we can adequately address this, we do the recommended actions that are in the GAO report that next time this is evaluated that you will see that it is implemented versus the mixed results that it currently demonstrates.

Mr. PUTNAM. The GAO mentioned in their testimony that most agencies do not have information resources, management plans that are supposed to address privacy records management, information collection. Half the agencies told GAO they would like to see additional guidance on the content of those plans and at the same time the 2005 budget document discusses the OMB's evaluation of their IRM practices.

How does OMB evaluate those plans that GAO says are not complete and do you share their opinion that they're incomplete?

Ms. EVANS. There are several requirements that are on the agencies as far as how they need to manage their overall IT investments. The IRM strategic plan is one of many plans that the agencies submit. As far as the recommendation about OMB offering ad-

ditional guidance as far as strategic plans, we're evaluating that now. We did tell GAO orally that we didn't plan to give them more specific guidance, but that we were evaluating our overall guidance that we give out in A–11 and A–130 as far as how the agencies would move forward and how they would manage their IT portfolio overall.

So what we're doing now is in our post mortem of fiscal year 2005's budget submission, we're looking at what guidance needs to be supplemented and then update that and we'll be working with the agencies through the CIO Council to issue draft guidance shortly to address some of the concerns that were in here. But right now, we do not specifically intend to just address IRM strategic plans, but really to address guidance as a whole for portfolio management.

Mr. PUTNAM. Mr. Powner, do you want to address this?

Mr. POWNER. One comment I think OMB does deserve a fair amount of credit through the budget submission process, the 300 process that most folks refer to, we found in our review that the questions that they asked on the front end when the budgets are submitted, that agencies generally have those practices in place. I think where a lot of attention and focus needs to go now is once we prioritize and select investments and we decide to march forward, that's where we started seeing the rigor and the practices not really being in place. So when we have agencies that continually have these cost overruns and schedule slippages and not delivering functionality, that's where we really need to put processes into place to make sure that we're staying on track with the benefits promised and we're delivering within cost and schedule. So OMB clearly has made some strides in terms of the agency's rigor on that front end.

Also too, there's a fair amount of accountability that resides within the agencies with the CIOs. If we go back to the legislation that's in place, a lot of the accountability does reside with the CIOs, so I think it's a combination of the two. OMB can do their part, but we're going to continue to push and ensure that the CIOs are performing these functions that are called for in law and basically are called for in best practices in IT management.

Mr. PUTNAM. Thank you very much. The ranking member of the subcommittee, Mr. Clay, is from Missouri, and when he walks in the spotlights come on. If I had known that I would have put on a little more powder.

You're recognized for your questions and remarks.

Mr. CLAY. Thank you, Mr. Chairman, let me say that I'm glad that this is our first meeting of the year and I'm glad to be back here with you. I'm glad to see the panel here today and this is a pretty important subject to talk about, the IT role of Government, as our first meeting now for this session of Congress and thank you for calling it.

For Mr. Johnson, generally speaking, do you consider the Government's annual investment of roughly $60 billion in IT an adequate level of funding or are we spending too much on IT systems and not enough on implementing and training? Should the amounts be adjusted to an appropriate level in order to better integrate new IT programs and systems at the agencies?

Mr. JOHNSON. I didn't hear the last part. Are we doing investments or should we be spending more on implementing?

Mr. CLAY. Let's start over. Should the Government's annual investment of roughly $60 billion in IT—is it an adequate level of funding, first of all?

Mr. JOHNSON. Yes, I believe it is. Agencies requested more than that, but the amount that was agreed to and budgeted for was $58 point whatever it is billion. We didn't think there was a strong enough business case for the additional $4, $5 or $6 billion that were requested.

The agencies are challenged to achieve the goals of their mission, goals of their agency and they are encouraged to figure out how investments in IT can help them achieve those goals and so it's all supposed to be mission-specific and they come to us with their recommendations and it adds up to $60 plus billion. We looked at it and decided that, in fact, it was a legitimate reason to spend the $58 billion this year. So yes, I would say that in light of what the Federal Government's individual agencies' goals are, it is an appropriate amount to be spending.

Mr. CLAY. Does the $58 billion also include implementation and training of employees on the system?

Mr. JOHNSON. I do not know that. Karen.

Ms. EVANS. As the agencies prepare their business cases, they're supposed to plan for the full life cycle of that investment. So that would mean that representative in that amount does deal with depending on how they're reporting a business case. So if it's development, if it's in the early stages of development or steady state which is on-going, they have to reflect the full cost such as training and implementation. So if it's a new investment, those investment dollars should include training and implementation of the users for that system as well as cybersecurity.

Mr. CLAY. Do we need to address the levels of appropriations at this point or is this adequate to $58 to $60 billion? Is it adequate or do you need an adjustment on that?

Ms. EVANS. Sir, based on the President's budget submission and the review that my office did in accordance with the budget examiners, we believe that on the business cases, the way that they have been justified, that it is an adequate level that reflects the administration's priorities.

Mr. CLAY. Well put. And in your opinion do the annual performance reports of the Government Performance and Results Act provide an adequate forum for agencies to communicate their information about IT acquisition programs or should another tool for such information be dedicated to the process?

Ms. EVANS. I think right now in conjunction, the business cases have a fairly rigorous process associated with that and with the questions that the agencies are asked about their investments, but I also—we are working very closely with another part of the President's management agenda which is budget and performance integration and on that particular element there is an assessment tool that is also in there, the PART, which is the Program Assessment Rating Tool which talks about the program overall. So the IT investments need to ensure that they complement the way that the program is moving forward. And so we are really working now to

ensure the integration of the IT investments into the overall program performance and the results that program intends to achieve.

So the results and the performance results that are outlined in the business case need to complement and enhance the overall program results that we are now using the assessment tool for. So I think between those two elements, we're moving forward in that we have tools that are there now to work with the agencies to reflect that.

Mr. CLAY. Thank you. Mr. Powner, let me say it's my belief that the investment management process is integral for effective program stewardship and necessary in a time of severe budget constraints. Having said that, your findings indicate that the absence of an agency CIO was hindering a number of agencies from implementing some of the recommendations made for investment management practices. Can you tell us how many of the agencies detailed in the report were missing a CIO and if the absence of this leadership position is common at the agency level?

Mr. POWNER. I would have to get back to you on the exact number that were missing, the CIO, and they gave that for a reason why they didn't have that practice in place. We received a number of reasons why some of these key practices were not in place. Clearly, not having a CIO was one of several reasons. In many instances, agencies and departments told us that it was clearly an oversight and they were in the process of putting these practices in place.

Mr. CLAY. How long have they been in the process of doing this? I mean, how many years has it been have they been told to get a CIO?

Mr. POWNER. Clearly, it differed by agency. We had agencies differ in terms of the timeframe which they've been putting these in place, clearly it's been in law and required for quite a number of years. You're absolutely correct on that, but the specifics by agency, I'd need to get back to you on that.

Mr. CLAY. OK, I'd appreciate that. Mr. Johnson.

Mr. JOHNSON. Mr. Clay, all of these agencies have had CIOs. If they don't have one now it's because the person left and they haven't been replaced yet. Not having a CIO is not an excuse for not having done this.

Our agencies are supposed to be set up to continue to function and to continue to do good work in the absence of Assistant Secretary or Deputy Assistant Secretary, whatever. And the absence of a CIO should not be given as an excuse.

Mr. CLAY. Thank you for that answer.

Mr. PUTNAM. Thank you, Mr. Clay. We have four votes pending which will be about a 30 to 35 minute delay. So, if your schedule will accommodate, we would ask your indulgence and your patience and offer our apologies. So the subcommittee will stand in recess for 30 minutes, feel free to go check your e-mail.

[Recess.]

Mr. PUTNAM. The committee will reconvene and I want to thank you again for your indulgence and I apologize for leaving you stranded for 30 minutes with the reporters. [Laughter.]

They had you sort of captured, but it's unfortunately, just a part of this process.

We will pick up where we left off in terms of performance measures and proceed.

Ms. Evans, what mechanisms are in place to prepare for and manage for our long-term IT needs as opposed to we're constantly playing catch-up with legacy systems and eliminating stovepipes and all that? What process is in place to look ahead to see how we end up where we really need to be as opposed to playing catch-up all the time?

Ms. EVANS. With our efforts on the Federal Enterprise Architecture, that really is our plan of how to move forward. That effort with the reference models and then the way the whole architecture process works where we'll be defining our to-be architecture, that is where we want to be. And as we start using the agencies' submission of their Enterprise Architectures and how they align to the Federal Enterprise Architecture, we've had the opportunity, both in fiscal year 2004 as well as 2005, to identify collaboration efforts that we can see where agencies are planning expenditures, where agencies are planning modernization efforts and then based on it all coming into a central location and doing the analysis that we have with the Federal Enterprise Architecture and how they map to the reference models. We can then see where there is potential collaboration efforts and we can work with the agencies so that they realize that versus them doing it on their own. That cycle by having it in the budget cycle right now has a 2-year budget cycle associated with it, as well as the long term out year through the plans that the agencies submit with a 5-year cycle.

So that really is our long-term plan, to continue to use the enterprise architecture efforts of the agencies as well as our own Federal Enterprise Architecture.

Mr. PUTNAM. And how do you then measure the success of an IT purchase? Is it about just simple compliance with the RFP or is there a performance linkage associated with it? You or Mr. Johnson can——

Ms. EVANS. OK, first, there is a performance reference model contained within the Federal Enterprise Architecture. We released the first model of that and we're going to continue to work, as I stated earlier with the budget and performance integration team that is that part of the tenet of the President's management agenda.

The PART does have metrics in there that will measure the effectiveness of the program. The IT investments have to support that and so also within the business case, there is a specific area that deals with performance measures. And so we ask the agencies to ensure that those align with the reference model as well as those going forward with the PART. Also, we're asking the agencies and what we're working with the agencies now on is earned value management which is having an EVMS system in place. That then gets to a lot of the issues that were brought up in the GAO report as far as execution of measuring your expected results against your actual results, about having business processes in place that will then track all of that so that we can say yes, this is what we thought we were going to do. This is what we actually did. Or, if an investment starts to get off track, because of the way, if you implement this appropriately, you'll have leading indicators which

will then allow you to adjust whatever you have to adjust on a project that is supporting the overall mission of the agency. So we think between the PART, the Federal Enterprise Architecture and then more specifically an earned value management system within an agency will then allow us to be able to match and measure planned results against actual results.

Mr. PUTNAM. What are the consequences when an agency fails to meet their goals or their milestones or their performance measures? What consequences are there?

Ms. EVANS. Right now we are using what we have available which is and several things are available, but it's apportionment of funds and what that means is that if a project is to fall off target and we have major concerns and right now there are several, obviously, that are on the management's watch list, we work very closely with the budget side of the house of OMB and what we do is make sure that the agency has a good remediation plan in place, that it's agreed upon between the agency and OMB and then we have tools that are available to us that say OK, you have to take this particular action and then we apportion the funds to ensure that those actions are met and that they are complying with the action plans that they said that they would.

Mr. PUTNAM. And have you done that, Mr. Johnson?

Mr. JOHNSON. Karen and I have talked and I have a 15,000 or 20,000 foot view of it. We need to put more check and balance, more teeth into it. There needs to be more consequence and there's more this year than there was last, and more last than the year before that and that's just something we need to do working with the OMB branches and working with the agencies and we just—we have a clear definition of where—the agencies have a clear definition of where they want to be, to be yellow and green is the way we discussed it and they've talked to us about timeframes by which they'd like to be at what we call green state of affairs and almost to help them be rigorous about it, we need to be—make sure there's plenty of teeth. I told Karen last week, in fact, let's figure out how we can put as many teeth into this mouth as possible. All these things—the rigor, disciplines and checks and balances that we need to ensure that, in fact, we are properly focused on security and the quality of management and project management and budget management and so forth.

Mr. PUTNAM. So you currently can apportion funds. What additional teeth would you like to see?

Mr. JOHNSON. We can apportion funds. We don't apportion funds to the extent to which we can.

Mr. PUTNAM. So it is not a matter of authority.

Mr. JOHNSON. Right.

Mr. PUTNAM. So much as it just hadn't been done.

Mr. JOHNSON. Right. I mean when you go in and stop a project that's mid-development, you're fixing to have a little wrestling match with the agency and there are opportunities to do that and sometimes it's going to take that.

Mr. PUTNAM. I wouldn't think you'd have to do it but once or twice and everybody else would catch on.

Mr. JOHNSON. Right.

Mr. PUTNAM. Every time I need something from OMB, we have to wrestle with them. [Laughter.]

Mr. JOHNSON. You wouldn't recommend it, would you?

Mr. PUTNAM. I lose every time. [Laughter.]

Have you ever been in an arm wrestling match with OMB? Have you ever won? It's not fun and yet——

Mr. JOHNSON. We're gentlemanly about it, aren't we?

Mr. PUTNAM. You're very gracious, just wiping the mat with us. And yet, I see these agencies and we're going to get into this in our next hearing, but agencies don't even know what equipment they own and can't find it, don't know where it is. Didn't know they had it. They're not accountable for securing it and nothing happens and——

Mr. JOHNSON. We have plenty of authorities now and it's our responsibility to make sure that we are using every authority we know.

Mr. PUTNAM. If you all are as tough on agencies as you are on Members of Congress, we can save a bunch of money because it concerns me.

Mr. JOHNSON. But you're talking about those B people, right, not the M people.

Mr. PUTNAM. That's right, that bad old B team. But it's a legitimate issue in that you have this authority. Everybody is pretty clear on what the problem is and we just can't seem to get our arms around it. And that's a little disappointing.

Mr. JOHNSON. Although great progress has been made in every area, I mean 3 years ago, 2 years—we were 20 percent secure. We're 62 percent secure, just as an example. But we want to be at 80, so we are making great strides. We can make greater strides and will.

Mr. PUTNAM. Fair point and I don't want to diminish the progress that you have made. We didn't get into this position overnight and we're not going to get out of it overnight.

So you have 621 IT projects totaling $22 billion on the OMB management watch list. That means they need improvement in performance measures, earned value management or IT security or some combination and so can we—let's begin with how do you decide who gets on the list and I guess to our earlier discussion, what point will you decide or do you decide that you're just going to terminate or modify these at risk projects and what are they? Is that a list that we can get our arms on, get our hands around?

Ms. EVANS. OK. First, the way that we determine the list——

Mr. PUTNAM. Mr. Johnson, you're such a gentleman letting her answer first.

Mr. JOHNSON. Southern. You know how we were raised.

Mr. PUTNAM. Ladies first.

Ms. EVANS. I get to go first. OK, the way that we determine the management watch list is based on the business case submissions and so the business cases are reviewed internally within OMB and they're assigned a score between 1 and 5, a total score. The management watch list is composed of any business case that has received a 3 or lower, total score. Or, if you've gotten a 4 or 5 on the overall business case, but you have a 3 in the cybersecurity ele-

ment of the business case, then you're put on management watch list.

Then what happens at that particular point, say for example, if it's cybersecurity, agencies receive specific guidance during the budget process of what they needed to do to remediate that particular risk. So in the case of cybersecurity they had a specific date that they had to turn in a remediation plan to us to talk about how they were going to address the overall cybersecurity posture within an agency. And then also what had to be included are the costs associated to accomplish that remediation. When that came in, now we're in the process of evaluating that plan to see if it meets everything that is under the guidance of FISMA, that it has the IG review, how to go forward and do they have adequate funding levels within their current levels. If they don't, what the process was of how we went forward is the guidance is very specific that no new development efforts should go forward in that agency until they have remediated this weakness and dollars that they have associated with new development efforts would be redirected to help supplement and remediate that particular weakness. And that's where we're working hand in hand with the budget side of the house to ensure that happens under our current authorities.

If it's something else like the EVMS or performance measures, we also have asked the agencies to turn in plans to deal with that and we set a target for June of this year, associated with the scorecard, because we measure their progress on a quarterly basis with the President's management agenda scorecard. And so those plans will also be looked at prior to them actually expending funds in fiscal year 2005 and so in the meantime, we're looking to see how far down, how bad is it and then we're making recommendations to go forward of whether that project should be stopped if we don't feel that there's an adequate plan to remediate the weakness and that's what I'm working with Mr. Johnson on very closely.

Mr. PUTNAM. Can we get a list of the projects on that list?

Ms. EVANS. I need to check because we normally don't release the list and so I will check internally since it's coming to you. We don't normally release it to the press at all because what we really want to do is have the agencies have the opportunity to be able to justify that business case, be able to remediate the weakness, have a good business practice in place to ensure the success of that project.

So I will check and get back to you on that.

Mr. PUTNAM. Thank you. Let me just ask one final question before I recognize Mr. Clay.

Help me to understand this; $60 billion spent on all IT investments governmentwide. And the State of Florida's budget is about $56 billion this year. So it kind of puts it in perspective as a former legislator, thinking about all the things that we used to be able to do with $56 billion, actually it was more like $50 back then and what we're spending just on IT.

How much of that roughly $60 billion is just ordinary kind of stuff that anybody in America who owns a small business or a big business or a home computer would understand, you're just upgrading your operating system, making sure everybody has the latest, the greatest, the newest to do the things that they need to do

that are commercially available off-the-shelf kind of stuff, and what percentage of that $60 billion are really zebras, things that are unique to the mission of IRS or DOD or whomever that really do fit that unique category?

Is the overwhelming majority of the $60 billion just because of the sheer size and scope of the government? Or is it because we're still building zebras to do what anybody could go down to the store and buy a horse to do?

Ms. EVANS. Well, if I understand the question correctly, so the way the $60 billion is broken out for the fiscal year 2005's budget, it reflects the administration's priorities of defense and homeland security. So if you look at—it's actually $59.7 billion; $27.4 billion are associated with DOD systems. And then——

Mr. JOHNSON. Can you say that again?

Ms. EVANS. $27.4 billion——

Mr. JOHNSON. Alone are DOD?

Ms. EVANS. Yes. Out of that total. And then of the homeland security, $10.3 billion is associated with homeland security. So that leaves $22 billion associated with all other.

So that all other includes all the civilian agencies going forward. Now, also in the homeland security piece, and I want to make a distinction there, as agencies send business cases forward, that is not just the homeland security's IT budget. It is what agencies who have homeland security missions or are supporting homeland security missions, they mark their business cases and say that this is in support of homeland security and then what a particular area is. So we pull that out of the investments to show where the agencies were investing their dollars. So it's not just the Department of Homeland Security, but it also reflects what the Department of Justice may be doing, what Department of Treasury may be doing in the area of homeland security.

Mr. PUTNAM. What I'm really asking, and we're getting there is, take CAPPS II for example, it's not something that everybody in America needs or wants or would have or could go out and buy. Obviously, it's a very expensive thing to make it all happen.

So that's a big ticket item that clearly government is going to spend a lot of money to get it right. But of that $27.4 billion defense and certainly the $22 billion of the other, how much of that is just getting the newest Windows system on every extension agent's desk in America for the Department of Agriculture and those kinds of things?

Mr. JOHNSON. So purchasing an upgraded computer, new, latest version of an operating system or Windows or something——

Mr. PUTNAM. Sure.

Ms. EVANS. I would have to get back to you on the specific of what that number is and we have it available because we did ask the agencies this year as part of their 2005 submission to send in one business case that consolidated all the infrastructure costs such as office automation, computer purchases, network, cost, network infrastructures, so we should be able to pull that and I'd be glad to get back to you and give you a specific number of what's related to that.

Mr. PUTNAM. I think that would be helpful because when I give the Rotary Club speech and I tell people we spend $60 billion on

this stuff, people are just in shock. And the assumption is that it's because of things related to homeland security, things related to defense like CAPPS II or the things that truly are unique, but my sense that the majority of it is just when you figure up how many employees of the Federal Government we have and all the offices we have and everything else, it's just ordinary upgrade that every business in America does in an outfit the size of the Federal infrastructure. That's the real goal here is to see what that is.

Do you want to add anything?

Mr. JOHNSON. Well, I'm going to conjecture. My sense of it is, the number that you're asking about is a gargantuan number, but it's a small percent of the total.

Mr. PUTNAM. Thank you. Mr. Clay.

Mr. CLAY. For Mr. Powner, of the many practices that GAO evaluated in its recent report, which rise to the top as the most critical for agencies to fix?

Mr. POWNER. Clearly, there were two that require more work. One is associated with strategic planning and performance measurement. As I had mentioned prior, we saw strategic plans in place and goals. What we didn't see was the associated performance measures nor processes in place that would actually track those performance measures to results. So performance measurement would be No. 1.

Second, when you look at investment management, there was a fair amount of rigor on the front end where we had investment boards in place and selection processes. We were choosing investments based on sound criteria, but once we selected those investments, having the appropriate oversight processes in place, those were clearly lacking.

Mr. CLAY. Are there any agencies that would have greater challenges in managing their IT strategic planning and performance practices or investment management practices due to the nature of programs they administer? In other words, are some agencies in need of more frequent upgrade due to the change in technologies or trends?

Can you identify of them that have some unique issues that they——

Mr. POWNER. I don't know if there's unique issues by agency. I think when you look across the board, almost every Federal agency, we look at—the FAAs, the DHS—we are really trying to insert technology into these organizations. So I would say the majority of these organizations are challenged to ensure that we have new technologies in place to meet missions.

Mr. CLAY. OK, thank you. Ms. Evans, how does OMB intend to utilize the CIO Council to encourage better IT management across the government?

Ms. EVANS. The CIO Council directly in partnership with OMB has two major committees that we use. Actually, there's three major committees, but the two that impact what we're talking about today are the Best Practices Committee as well as the Architecture and Infrastructure Committee.

The Architecture and Infrastructure Committee really works on in partnership with us on governance of the overall models that we have in place that are leading us to better management of the IT

as a whole. And then the Best Practices Committee looks at where there are pockets of innovation, who has best practices in place and then takes those out so that we can then share those across the IT community as a whole.

So both of those committees are very important to ensure that we have all that information out to all the CIOs.

Mr. CLAY. Let me ask you, we've been talking about information management, information security and investment and information technology, but we haven't talked very much about information itself.

Most of the systems we are talking about are used to create a process, government information. Now some of this information should be readily available to the public. I would like to know what OMB is doing to assure that these systems make it easier for permanent, public access to government information.

What happens all too often is that a citizen writes to an agency and asks for Document X. The agency writes back that it is going to take six people 4 hours each to search through the filing cabinets to find that document and if you will send us a check for $4,000, we will go look for that document.

What are you doing to make sure this investment improves public access to this information?

Ms. EVANS. Every investment proposal that comes forward, we evaluate that investment for interoperability, as well as utilization. And the whole focus of the President's management agenda in the tenet of E-Government is a citizen-centered approach. So everything that we're doing, along with things that are already existing such as the Government Paperwork Elimination Act, even though we reported on that, that doesn't mean that we are not continuing our work to eliminate those areas and to automate those transactions.

So all those investments are looked at that way to ensure that we have transparency and then availability of the Government's information to the public.

Mr. CLAY. Will the public have better access to the documents, to the information that they seek, or will it be the same bureaucratic delay that they encounter now?

Ms. EVANS. The answer is yes, they will have better access, yes sir.

Mr. CLAY. Thank you, Ms. Evans. Mr. Johnson, has the Program Assessment Rating Tool [PART], that has been used for the past two budget cycles by OMB for the evaluation of program performance and outcomes offered any insights into the ways in which the lack of IT management is impacting the effectiveness of programs at the agency level?

Mr. JOHNSON. I don't know the answer to that, but whether it's indicated where there are bit IT gaps, where IT has not been deployed and should have been. My suspicion is no, it has not identified any large IT gaps, but I don't have a specific answer.

Mr. CLAY. Can you respond back to us in writing?

Mr. JOHNSON. I'm sorry, what?

Mr. CLAY. Could you respond back to us in writing?

Mr. JOHNSON. Sure.

Mr. CLAY. On that question. Thank you and thank you, Mr. Chairman.

Mr. PUTNAM. Thank you very much. Let's talk about the enterprise architecture for a second.

How have OMB and the agencies addressed the lines of business consolidation opportunities within their submissions and how has OMB addressed that—how did the individual agencies address lines of business consolidation and how have you addressed it and what success have we seen from that?

Ms. EVANS. Each agency, as they go forward in their efforts of putting together their enterprise architecture, see the opportunities to consolidate and I believe the best example of that right now is the Department of Agriculture. They did a very rigorous analysis, using their architecture this year before they submitted their fiscal year 2005 budget and it resulted in $162 million worth of savings within their IT portfolio.

So that's a clear example of how an agency has used that internally within their own enterprise. That then translates up into the overall efforts of where we see investments going along a path, for example, of the ones we've already highlighted, such as financial management and grants management systems and human resource systems. And so what we've done this year again through the budget passback process that we have available to us is that we have specific levels of effort now, lines of business analysis, as you've said, that has resulted from us looking at the Federal Enterprise Architecture and said we want a very concerted effort looking at that, seeing what can be the common solution, how we can move forward.

And what we have done is we have directed the fiscal year 2004 development and modernization dollars that are associated in these lines of business to support that analysis which will then move the agencies to the common solution that will be defined by September of this year.

Mr. PUTNAM. What is it that USDA consolidated to save $162 million?

Ms. EVANS. They looked at their entire portfolio, everything that they were investing IT dollars in and they did a very rigorous analysis and tied it in with their overall capital planning and what they did was consolidate down their portfolio, so that as they send in their business cases they really looked at what is supporting their corporate, what is supporting program specific IT investments and it resulted in them really taking a hard look at what they were going for and asking for in the past and what they were asking for this year in fiscal year 2005 and it resulted in $162 million worth of savings.

Mr. PUTNAM. And did they benefit from any of that savings? Were they able to redirect it to other priorities?

Ms. EVANS. The way that this works prior to it coming in, what should happen and the way that this should work and the way that it does work, it worked at Energy in this way as well is that if the agency moves forward and through its budget process they give specific guidance that are aligned with the President's priorities, so in the spring, they'll do a call out to their entire agency and say send everything in and align with this guidance.

Then the departmental offices will evaluate how that aligns very similar to the same questions that you're asking me of how I do it on the $60 billion, each agency does it for their piece. Then as they go forward there is then a review in the summer that the Secretaries and the Deputy Secretaries then look at that.

In this particular case, as Agriculture went forward, there were certain targets that we are given by OMB that each agency is supposed to have their budget meet. So as we consolidate and have saving and realize that we can consolidate or leverage what we already have or get an enterprise license for our department as a whole, those savings are then reflected within the agency submission to meet the target levels that we've been given by OMB. That's how an agency puts together its overall budget.

So the answer, that's a long answer to yes, they realize the savings because it's reflected in how they put together their overall target numbers that go forward to OMB for us to review.

Mr. PUTNAM. Do you have other success stories like that? Is it totaled up, $165 million here, $70 million there, $10 here. Pretty soon, it's real money.

Ms. EVANS. Right, and that's why we're going back through each portfolio and really working with the agencies through the scorecard process as well, so that we can really get a handle on what the true cost savings are.

I can tell you from an overall piece of looking at the budget as a whole that development and modernization dollars went down by 5.66 percent this year from 2004 to 2005. So the next logical question you would think is OK, all the maintenance dollars really skyrocketed through the roof because everything that was new is now implemented in the separate agencies.

But there's only a 3.45 percent increase in steady State dollars. So what we're now starting to see is benefits from the consolidation efforts as the agencies are moving forward because their budgets reflect how they plan to use the common solutions that are being developed under the government initiatives.

Mr. PUTNAM. I went through a Coca-Cola Shared Services Center in my District that I went through over the Presidents' Day break. They have 400 people, one building, who do all the accounts receivable, all of the accounts payable, payroll, 80 CPAs doing their tax accounting, their financial accounting, all their books for Coca-Cola North America.

They have a sales force that doesn't have an office to report to, they have wireless devices. They visit their clients, the convenience store, the restaurant, the mom-and-pop diner, whatever it may be, key in the order, no paper. Their hours are paperless. Direct deposit, paperless. Are we even close to getting to that type of efficiency in the Federal Government?

Mr. JOHNSON. I've met in the last week with the people in Social Security, student loan operation in Education, the IRS, phone operation, customer service operation, this isn't specifically IT, but those operations and I've referenced that—I compare that to my experience in mail order business. Those operations are very, very sophisticated, very sophisticated, very results-oriented. They measure everything. They're very focused on service. They have great use of technology. They deploy things here and there and their facilities

are doing BlackBerries and so forth, but that's very sophisticated use of technology to provide high levels of service. I bet you that's the anomaly in the Federal Government, but there are places where technology really lends itself to getting the mission accomplished like that, like in Defense, all the things you see when we go to the battlefield. That is extremely sophisticated. So we are using—we are deploying very sophisticated IT intensive systems in those service operations, Social Security and student loans and so forth in the defense world, those things we're exploring it there. As sophisticated as the brainiest people can think of, there are other areas where it's not that sophisticated.

One of the things I know that Karen's group looks at is to make sure that when we are going from a manual, basically a manual operation to a system attached operation, we just don't systemize the manual process. We just don't get computers to do what human beings were doing. We look at that as an opportunity to completely change the way we do business and do you really need a copy—those kinds of things.

But with $60 billion and all the things that we do in the Federal Government, there's a wide range, but in some areas it's as sophisticated as it can be.

Mr. PUTNAM. And this goes back to our question of Ms. Evans earlier on our long-term needs. I'm less interested in playing catch up with the Federal Government than I am in skipping generations of technology and getting us where we need to be. So if INS doesn't have enough computers, maybe they don't need to buy more desk tops. Maybe we need to have Border Control agents who have wireless devices that are beaming at real time so that we have a better sense of what's going on. And the Defense example is an outstanding example, because it represents the best and the worst of the Federal Government.

We are so good, so effective and ought to be so proud of how we can move things from the laboratory to the battlefield and then into the commercial sector. You know, GPS. Everybody in Florida has a $99 hand held GPS and they've got 4,000 lobster and grouper holes programmed into it. That's a rapid movement of technology because of the Federal Government.

And then if you look at the rest of the DOD, they can't find $1 trillion worth of stuff and they've got an ancient, Stone Age procurement and personnel and payroll system and all of this other stuff. It's just abysmal. You've got the best and the worst all in the same five-sided building and so that's where I'd like to see us go. Instead of focusing on let's catch everybody up and make sure that we're fine with 2003 computers, let's get them to the next step.

Mr. JOHNSON. I'm not a defense specialist by any stretch of the imagination, but I know there's been a lot of talk about skipping generations of technology in the defense world and because of these major weapons systems it does take 10, 20, 30 years oftentimes to bring them to full utilization and by then the technologies change dramatically and so, a lot of attention is being paid to that at the Defense Department.

Mr. PUTNAM. I'm going to keep going. Ms. Evans, I understand that you have developed a new way to fund the Government

through GSA surplus revenues. Could you discuss this a little bit further for us?

Ms. EVANS. Well, the way that the President's budget is put together this year for fiscal year 2005 is that we have the $5 million that we're going back and asking for that. That has been previously appropriated, not this year. We got $3 million, but the previous year we had $5 million.

We're looking to use surpluses in the GSA supply fund and the thought process behind that was that fund is built on transactions that occur from the agencies as GSA does services for them. And since the E-Government Fund is really to then go back and reinvest into the agencies and really serve as an innovation fund similar to what like a venture capitalist fund would be like, then we thought that the agencies should be able to benefit from the dollars that they've already spent and then reinvest back into the agencies so that they would then be able to move forward with the common solution, whatever a pilot program may be. And use that as we have the formal budget process, catch up with the planning and the execution of the long-term solution.

Mr. PUTNAM. So you do see that as potential long-term solution, not just a 1-year event. How successfully have we ingrained in IT managers' and CIOs' minds the importance of building cybersecurity into their new systems and how would you rate where we are on that?

Ms. EVANS. That is actually highlighted as well in the fiscal year 2005 budget. It's in the chapter associated with information technology and we did set a specific goal for ourselves of trying to achieve that which was again 80 percent of the systems would have that appropriately budgeted for in the life cycle. To date, we're just slightly over 60 percent and so we are still targeting to have 80 percent of the major systems have cybersecurity budgeted for it. So we are still shooting for that target. We missed it for the calendar year, but we are pushing the agencies forward for that.

Mr. PUTNAM. And is there a common approach to cybersecurity for all the new systems? Obviously, it varies by mission but when a—walk me through the process of governmentwide what the reaction is when a new virus or worm is identified and begins to move. How quickly can the entire Federal Government either apply the new patch or take the appropriate measures to protect their systems? How quickly can we get that information out there and how consistent is our response?

Ms. EVANS. We work very closely with the CIO Council and as well as with DHS and as DHS has moved forward, they actually have now taken over what is FedCIRC. And so FedCIRC then notifies the agencies and there are multiple levels of which they get notification that there is a new virus out there.

And so then what will happen is to ensure that we hit at all levels and I'm sure that you're aware that DHS has also started a new forum which will complement the CIO Council which is the Chief Information Security Officers Forum, to then continue to talk about best practices to do that. But it does vary from agency to agency, depending on what types of services they have in place and how those operations from a corporate level, as well as by program specific level, within an agency are handled.

So if they have a very centralized approach, then the dissemination of a patch can happen very quickly. If they have a very decentralized approach, then it takes a little bit longer for the CIO and the Headquarters Operation to have full accounting of how a patch is applied.

Mr. PUTNAM. I guess what concerns me is the number of agencies and departments out there who don't know everything they have. So even if everybody is doing everything they can you still have a pretty gaping hole in your readiness, don't you? Because people forget about the server that's out in Iowa or down in Florida, that all of these machines that over the years have accumulated and are still on the network that just don't know where they are according to, at least, our scorecard and FISMA.

Ms. EVANS. Well, cybersecurity is multi-tiered. The way that you manage the cybersecurity posture of a department or the government as a whole is very—it's multi-tiered. So applying a patch or when there's things dealing with viruses, those are very technological types of approach. But cybersecurity starts at day 1 when an employee enters into the Federal work force. Or, if an employee enters into any type of facility, there is a whole piece associated with cybersecurity that deals with education and how best to secure your own asset. So even though as you said, there's huge gaping holes of how we manage from a centrally postured type of approach, each person is responsible again and has responsibilities to management their portion or their asset going forward.

So if I'm an individual system administrator down in a field office operation that may be a CIO may not know that my particular server is there, based on the way our security programs work and our education programs work within the Department, I am responsible as the system administrator to ensure the cybersecurity posture of the resources that have been assigned to me.

So that is done and that education is done as new employees come and that level of education is commensurate with the level of responsibility that you have for your Federal assets.

Mr. PUTNAM. How safe—excuse me, how comfortable are you with our access management issues in terms of being able to get on to the systems as a new employee. How long does it take to process that new name in the system and give them access to the things they need to have access to and only the things that they need to have access to. How are we dealing with access management?

Ms. EVANS. That is now currently being reviewed. And it always can improve because as you also probably know that 80 percent of security vulnerability in types of attacks and all types of things that happen, usually happen internally. They don't normally come from the outside; 80 percent of the problems are internal and usually are related to education of employees or unauthorized access.

OMB did release in December of this year guidance out to the agencies to really look at the process to go forward to support our E-Authentication Initiative which talks about identity management as well as authorized access. And it's asking the agencies to look at each of the systems that are in place, what level of access do they really need to have and then go forward to ensure that there's adequate security that's in place with that and they have to report

back to us on that for their major systems. I believe it's at the end of this year. And then do the rest of the systems. But this is all in support of what the question that you're asking right now. We need to make sure that the agencies have a good handle as an employee comes on board that based on—is that the right employee, do they have the right clearances and then are they authorized to access those systems and that's what we're working with the agencies now on.

Mr. PUTNAM. And conversely, how quickly can we terminate their access?

Ms. EVANS. Right, absolutely and that is all part of the same process.

Mr. PUTNAM. I'm also reminded that we have in October, somewhat related to your role, a deadline for foreign visitors to this country, that if they don't have a passport with a biometric they will have to get a visa to come in, even from current nations who are visa-waiver nations and that has Floridians and the tourism industry a little bit concerned because they don't think that too many countries are going to be in that position and frankly, our country with our passports, are a long way in being in that position, and so from a management inside of OMB that's an issue that all of us are going to have to deal with as we move forward.

Mr. Clay, do you have any additional questions or comments?

Mr. CLAY. I have no further questions.

Mr. PUTNAM. Do you all have anything that you would like to add that we haven't dealt with or anything that you'd like to mention?

Mr. JOHNSON. Just one comment, one of you used the phrase a minute ago about that even though an agency might be doing all that it can, we try not to fall back on. We're working as hard as we can. We're doing everything possible. That's not—it's like there's not a CIO that should not be an excuse. We're working as hard as we can. That should not be an excuse.

We should have a definition of success in a given timeframe. We want to be 80 percent secure by a certain date. That's our goal. And if we don't have the resources to do that, we need to get those resources.

When we say that we're at 60 some off percent security now, some agencies are 90 plus. Some are at 30. It's not that they're all hovering around 60. There is a wide disparity in security here and there's no excuse why some of those agencies that are in the 30's are there and we need to make sure they get caught up.

Mr. PUTNAM. We're certainly prepared to do whatever it takes to help you get them there. We appreciate your efforts.

Ms. Evans, Mr. Powner, thank you very much. this has been a good hearing and we stand adjourned.

[Whereupon, at 3:22 p.m., the hearing was adjourned.]

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