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OFFICE OF MANAGEMENT AND BUDGET  
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**BEFORE THE SENATE COMMITTEE ON HOMELAND SECURITY AND  
GOVERNMENTAL AFFAIRS  
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT  
INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY**

*“Innovating with Less: Examining Efforts to Reform Information Technology Spending”*

Good afternoon, Chairman Carper, Ranking Member Brown and members of the Subcommittee. Thank you for the opportunity to testify on the Administration’s efforts to improve the management of Federal Information Technology (IT). Agencies today face unprecedented pressures – a rapidly evolving technology landscape, rising public expectations, and the need to operate securely in an increasingly interconnected world – all while we are driving toward flat or declining budgets. To meet these challenges, we need to shift investment away from the costly maintenance and operations of legacy IT systems, to 21<sup>st</sup>-century solutions that enable us to innovate with less.

When the President appointed me to the position of Federal Chief Information Officer last August, I was charged with carrying forward the Administration’s efforts to harness advances in IT to make Government work better and more efficiently for the American people. From my time in the private sector, I know firsthand the enabling nature of technology to increase mission efficiency. Successful organizations focus on continually looking for ways to shift investment from support activities to those mission functions that generate the most value for their customers. In a lean fiscal environment, leading companies look for ways to use IT as a strategic asset and to do the seemingly impossible: improve and expand core services while cutting costs.

It should be no different with the Federal Government. Nearly everything that we do as a Government depends on IT -- from health care, to education, to homeland security. Yet the way we fund IT, program-by-program and agency-by-agency, has led to a proliferation of duplicative systems, hinders our ability to share services Government-wide, and impedes our ability to adjust to the fast pace of technological change and corresponding adjustments in funding levels. For too long, this inflexibility has caused even the most highly visible IT projects to fail after significant investments in time and money.

Efforts to eliminate waste and duplication must be made on both ends of Pennsylvania Avenue, collaboratively, as our individual work will only get us so far. By eliminating duplication and reining in IT spending, the Federal Government can increase its focus on delivering mission critical services to the American people.

To deliver on the President's commitment to create a more effective and efficient Government, we are leveraging the latest advances in technology to save taxpayer dollars. We are working aggressively to meet the challenge of innovating with less, and we are seeing real results.

We have capitalized on the Administration's *25 Point Plan to Reform Federal Information Technology Management (25 Point Plan)*.<sup>1</sup> Already we have realized billions of dollars in cost savings and avoidance as a result of this Administration's aggressive IT reforms, while improving service and accelerating delivery. When the plan is complete, we will carry on the work of continually improving Federal IT as our efforts do not begin or end with the 25 Point Plan.

Our approach to reducing duplication and increasing efficiency in our IT spending is as follows:

- ***Maximizing the return on our investment in Federal IT*** by providing the tools to help agency leadership look across their IT portfolios and take the necessary actions so that common business functions and services are not duplicated time and again, and make the right decisions on which investments to fund and which to cut.
- ***Optimizing our IT infrastructure*** by shutting down and consolidating Federal data centers<sup>2</sup>, shifting to lightweight technologies such as cloud computing<sup>3</sup> and streamlining the use of commodity IT. Ultimately this allows us to support more efficient solutions and creates a more secure Federal footprint.
- ***Building a more efficient and effective digital government*** by enabling the American people and an increasingly mobile workforce to access high-quality digital government information and services anywhere, anytime, on any device. We must ensure that as the Government adjusts to this new digital world, we procure and manage devices, applications, and data in smart, secure and affordable ways.

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<sup>1</sup> <http://www.cio.gov/documents/25-Point-Implementation-Plan-to-Reform-Federal%20IT.pdf>

<sup>2</sup> OMB defines a data center as "a closet, room, floor or building for the storage, management, and dissemination of data and information" under the following March 19, 2012 FDCCI memo: [http://www.cio.gov/documents/CIO\\_Memo\\_FDCCI\\_Deliverables\\_Van\\_Roekel\\_3-19-12.pdf](http://www.cio.gov/documents/CIO_Memo_FDCCI_Deliverables_Van_Roekel_3-19-12.pdf)

<sup>3</sup> The National Institute of Standards and Technology defines cloud computing as "a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources (e.g., networks, servers, storage, applications, and services) that can be rapidly provisioned and released with minimal management effort or service provider interaction."

## **Maximizing the Return on Investment in Federal IT**

The first policy that OMB introduced during my tenure as Federal CIO, Memorandum 11-29, *Chief Information Officer Authorities*, shifted the role of agency Chief Information Officers (CIOs) away from just policymaking and infrastructure maintenance to encompass true IT portfolio management for the entire agency.<sup>4</sup> This Memorandum directs CIOs to focus on reducing duplication and to right size and eliminate waste in their agencies' IT investments so that spending can be shifted to mission areas and innovative solutions that better serve the American people and maximize the return on our investment in IT.

### *TechStat and PortfolioStat*

TechStat has been an important tool for enhancing and promoting CIO oversight of the large investments agencies make in IT. TechStat Accountability Sessions are reviews of agency IT programs with OMB and/or agency leadership. Using data from the Federal IT Dashboard, investments are carefully analyzed with a focus on problem-solving that leads to concrete actions to improve performance. On top of recent successes in propagating the TechStat model throughout the agencies and bureaus, we are also currently expanding our efforts to conduct more OMB-led TechStat reviews to tackle the most complex and significant IT issues facing the Government today. Using tools like the IT Dashboard, we are targeting underperforming IT investments, and then working with agencies to find solutions to address inefficiencies and to deliver better technology solutions sooner, and at a lower cost.

Through the work outlined in the IT Reform Plan, agencies identified nearly \$1 billion in efficiencies over the last year, adding to the \$3 billion found in OMB-led TechStat reviews. This brings the grand total of TechStat cost implications to approximately \$4 billion in less than two years. More information about these results is available in the TechStat Report released on December 8, 2011, and published on CIO.gov.<sup>5</sup>

While TechStat targets individual investments, the newly launched PortfolioStat initiative takes a broader approach by looking across entire agency portfolios for consolidation and optimization opportunities. Launched on March 30, 2012, PortfolioStat will be the primary tool through which agencies will assess the maturity of their IT portfolio management process, identify and eliminate duplication, cut lower priority investments, and move to shared solutions in order to maximize the return on IT investments across the portfolio.<sup>6</sup> Agency Deputy Secretaries are responsible for the implementation and subsequent outcomes from the PortfolioStat initiative.

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<sup>4</sup> <http://www.whitehouse.gov/sites/default/files/omb/memoranda/2011/m11-29.pdf>

<sup>5</sup> <http://www.cio.gov/techstatreport.pdf>

<sup>6</sup> [http://www.whitehouse.gov/sites/default/files/omb/memoranda/2012/m-12-10\\_1.pdf](http://www.whitehouse.gov/sites/default/files/omb/memoranda/2012/m-12-10_1.pdf)

### *Shared-First*

The Federal IT Shared Services Strategy, released on May 2, 2012, calls for agencies to migrate two commodity IT services to a shared approach by the end of 2012.<sup>7</sup> Agencies will increasingly consolidate IT-related enterprise, business, and infrastructure services and systems. In so doing, we will not only improve the scope and quality of these shared services, but through strategic sourcing initiatives, agencies will also be able to take advantage of lower prices and acquisition strategies that better support modernization as new approaches become available.

To help agencies innovate with less, we are promoting Enterprise Architecture (EA) principles that support the development of solutions along the lines of “little-to-big” (e.g., consolidating duplicated capabilities) and “big-to-little” (e.g., using modular delivery to speed results and reduce risk).

EA is a powerful tool for agency leadership and management to use in eliminating waste and duplication, moving toward shared service delivery models, and embracing new technologies such as cloud computing, mobile, and social media. EA can also support new, enhanced governance methods and subsequent changes to operating procedures, such as TechStat, PortfolioStat, and continuous monitoring.

### *Operationalizing IT Management*

For the first time, the Federal Government has dedicated funding to operationalize and build upon these efforts to deliver most cost savings to the American taxpayers. The new Integrated, Efficient and Effective Uses of Information Technology (IEEUIT) account will augment and accelerate the early results from TechStat and PortfolioStat by providing expert resources and additional analytical capabilities like the continually improving IT Dashboard, to root out and fix or terminate poorly performing or duplicative IT investments. IEEUIT will also fund activities designed to drive down commodity IT costs, such as data center consolidation, shared incubation pilots, and a centralized catalog of commodity IT products and services accessible by agencies.

### **Optimizing our IT Infrastructure**

When this Administration came into office, we found outdated technology, infrastructure and rampant duplication. From poorly performing projects to redundant infrastructure, it was clear aggressive reform was needed. We are attacking the problem by consolidating data centers and moving to lightweight, shareable technologies, such as cloud computing, while also directing agencies to consolidate commodity IT services and move to a shared services model.

### *Data Center Consolidation*

Under the Federal Data Center Consolidation Initiative (FDCCI), we have accelerated our efforts to consolidate Federal data centers and now plan to close 968 data centers by 2015, pushing our

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<sup>7</sup> [http://www.cio.gov/documents/SharedApproachMemo\\_0502.pdf](http://www.cio.gov/documents/SharedApproachMemo_0502.pdf)

goal up 20% from the original as set in February 2010. By the end of calendar year 2012 alone, we plan to close 429 data centers.

To date, 267 data centers have been consolidated and we are beginning to see budgetary results. For example, as stated in the President's Budget, the Department of Defense plans to save up to \$300 million in FY 2013 by closing 100 data centers. In other cases, agencies are investing in their current infrastructure to accomplish the goals of data center consolidation. The Department of Homeland Security (DHS) is currently building its enterprise data centers and expects to reap billions in savings starting at the end of the decade. But as we decommission data centers, we must make sure we are optimizing the infrastructure we will continue to operate as the future inventory must be more efficient, secure, and better able to serve agency missions.

That is why in addition to focusing on data center consolidation opportunities to maximize savings, we must also improve the operations of the data centers that remain in our inventory. Agencies will focus on efficiency and quality of service, ensuring that they are taking advantage of current technologies, which deliver a greater return on IT investments.

Finally, as agencies optimize their infrastructure, the Government will become more secure by improving its cyber security posture, more sustainable by reducing the energy use of our total data center inventory, and more cost efficient with its use of Federal property. Data center consolidation and optimization enables the Federal Government to be more agile as we expand our use of cloud services and other innovative technologies.

#### *Cloud Computing*

As we consolidate our infrastructure, we must also shift the Government's mindset from capital intensive asset ownership to more service-oriented models, such as cloud computing, which allow agencies to pay for only the resources they need at the time of use.

For too long, the government's administrative and procurement processes did not keep pace with new technologies. To accelerate the adoption of cloud based services, the Administration launched the Federal Risk Authorization Management Program (FedRAMP). FedRAMP establishes a standardized approach to security assessment, authorization, and continuous monitoring for cloud solutions.

FedRAMP leverages a "do once, use many times" framework that produces savings in the overall cost, time, and staff currently associated with conducting duplicative agency security assessments. It also provides a uniform risk management approach that utilizes a standard set of baseline security controls so that each agency doesn't have to reinvent the wheel. An initial operating capability of FedRAMP will go-live in June 2012.

Additionally, agencies have made significant progress on cloud migrations under the Administration's "Cloud First" policy.<sup>8</sup> This led to the successful migration of 40 services to cloud with an additional 39 migrations to come by June 2012. These migrations alone have led to the elimination of more than 50 legacy systems, and greater efficiency through providing shared services such as collaboration tools.

### *Cyber Security*

As we optimize our infrastructure by consolidating data centers and leveraging innovative technologies, we must never lose sight of the fact that we need to be ever-vigilant in protecting our national assets and information. With threats evolving daily, cyber security must be a focus of everything we do.

The Administration continues to make significant investments in cyber security efforts, providing DHS with resources that will fund enhancements to our cyber programs to protect large and small agencies from cyber intrusions. We have also provided resources for a centralized continuous monitoring capability to identify and mitigate vulnerabilities on agency networks, improving the cyber security of the entire Federal enterprise.

### **Building a More Efficient and Effective Digital Government**

Technology is fundamentally transforming how we conduct our business and live our daily lives. Advances in computing power, the rise of high-speed networks, and the growing mobile revolution have unleashed new innovations, spawned new industries and reshaped existing ones. The President has charged us with harnessing the power of technology to help create a future-ready digital government – one that is efficient, effective and focused on improving the delivery of services to the American people.

### *Digital Government Strategy*

The Digital Government Strategy will provide a 12-month roadmap to jumpstart the use of smart mobile technology and improve delivery of digital services to the American people and our Federal workforce. We must ensure that Government information, data and services are available anywhere, anytime, on any device. The strategy will help agencies use modern tools and technologies to seize the digital opportunity and fundamentally change how the Government serves both its internal and external customers, at lower costs. It will also lay out actions to ensure that as the Government adjusts to this new digital world, we build the infrastructure needed to support digital government efforts to leverage the Federal Government's buying power to reduce costs where appropriate.

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<sup>8</sup> <http://www.cio.gov/documents/Federal-Cloud-Computing-Strategy.pdf>

Through the implementation of this strategy, we aim to fundamentally transform how the Government connects with, and provides services to, the American people. Through our ongoing efforts, we will help provide the Federal workforce with the 21<sup>st</sup>-century tools to carry out their mission of delivering services to all citizens. Lastly, the strategy will enable more efficient, coordinated digital service delivery at a lower cost.

### *Innovative Tools*

In addition to providing the Federal Government with a roadmap to improve digital services, we are regularly leveraging innovative tools and technologies to create efficiencies across agencies. In January of this year, President Obama laid out a proposal to consolidate the Federal Government. His first focus is on Government's interaction with businesses and the fact that there are six separate organizations within the Federal Government that focus primarily on business and trade. Through the work and cooperation of the Department of Commerce, the Small Business Administration, and other agencies, we have been able to stand up BusinessUSA, a virtual one stop shop that makes it easier for America's businesses to access the services and information they need to help them grow, hire and export.<sup>9</sup>

Another tool that the Administration launched this year was the Federal Infrastructure Projects Dashboard,<sup>10</sup> bringing new transparency and accountability to the multi-agency permitting process. The focus of the current phase is to create new opportunities for collaboration among the Federal agencies involved in a nationally or regionally significant project. For the first time, each of these projects will have a space in which the Government can answer the questions of who, what, and when for the permits and actions required to make these projects shovel ready.

### **Innovating With Less**

The steps the Federal Government is taking to eliminate waste and duplication and invest in innovative technologies will allow us to better serve the American people. Now there are some who say we should not invest in IT in this fiscal environment, or use cyber security concerns to promote the misconception that you cannot innovate and effectively maintain security. But, the American people expect us to use technology to provide the same level of service they experience in their everyday lives. They pay bills online and buy plane tickets on smartphones. And it's not just the millennial generation – with grandparents now using social media to keep in touch with grandchildren – expectations have reached a critical point faster than anticipated.

Building on the progress of the last two-and-a-half years, my focus going forward will be to drive innovation in Government and make investments in technology that better serve the American people. We will use technology to improve productivity and lower barriers to citizen and business interaction with the Government, all while bolstering cyber security.

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<sup>9</sup> <http://business.usa.gov/>

<sup>10</sup> <http://permits.performance.gov/>

As part of a broader continuous improvement in IT, the Federal Government is shifting its mindset from building proprietary and highly customized systems to adopting light technologies and shared or provisioned solutions. Eliminating duplicative IT infrastructure, reforming Federal IT management, and streamlining service delivery are at the core of the Administration's approach to root out waste and duplication throughout Government. I appreciate the work this Committee has done in this area—as you well know the magnitude of these efforts require all of us to continue to work together.

Thank you for the opportunity to appear today and I look forward to our discussion.