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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

"Examining the President's Plan for Eliminating Wasteful Spending in Information
Technology"

Good morning, Chairman Carper, Ranking Member Brown, and members of the Subcommittee. Thank you for the opportunity to testify on ongoing efforts to reform Federal information technology management.

My testimony will focus on the "25-Point Implementation Plan to Reform Federal Information Technology Management" (attached), our blueprint to bring IT spending under control and deliver better services to the American people.

The problems the reforms address are well-known: despite the vast promise of using information technology to improve how the Federal Government operates, we continue to see projects spiral out of control – wasting tax payer dollars, failing to deliver results, and introducing security vulnerabilities.

Effective management of IT projects is essential to protecting our citizen's information and our nation's security. No system can be secure unless it is well managed from its design through its implementation and operation.

Early on in this administration we took a new approach: bringing transparency to these failing projects through the IT Dashboard, using the TechStat model to bring the proper focus on resolving problems before it was too late, and reducing the structural barriers to bring innovative and effective technologies into government.

The reforms we introduced in December 2010 build on this approach – an approach that has already reduced life cycle costs of major IT investments by $3 billion and decreased the average time for delivery of meaningful functionality from over two years to eight months.

Specifically, the reforms address five key areas:

1. Applying Light Technologies and Shared Solutions;
2. Strengthening Program Management;
3. Aligning the Budget and Acquisition Process with the Technology Cycle;
4. Streamlining Governance and Improving Accountability; and
5. Increasing Engagement with Industry.

The plan is focused on execution with clear accountability and ownership. To make sure this is not like a poorly performing Federal IT project we have broken down the reforms into in 6-, 12-, and 18-month intervals, with concrete deliverables that address the structural barriers that get in the way of consistent execution.

1. Apply "Light Technologies" and Shared Solutions

As a government, we too often rely on proprietary, custom IT solutions, instead of leveraging new technology and looking at common solutions to fit our needs. By leveraging shared infrastructure and economies of scale, "light technology" or cloud computing services[1], present a compelling business model for Federal leadership. Agencies are able to measure and pay for only the IT resources they consume, increase or decrease their usage to match requirements and budget constraints, and leverage the shared underlying capacity of IT resources.

Agencies are already taking advantage of the benefits afforded by the cloud, by reducing their ownership costs, improving productivity, and provisioning and scaling faster than ever before. The Department of Agriculture is migrating 120,000 users across 5,000 locations to the cloud, reducing costs by $27 million over a five year period, while the General Services Administration (GSA) is shifting 17,000 email users to the cloud, reducing costs by $15 million over the next five years. The Census Bureau deployed a cloud-based customer self-service tool in just 25 days, rather than the six months it would have taken conventionally.

To harness the benefits of cloud computing, we have instituted a "Cloud First" policy through the "Federal Cloud Computing Strategy."[2] This policy is intended to accelerate the pace at which the government will realize the value of cloud computing by requiring agencies to evaluate safe, secure cloud computing options before making any new investments.

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[1] 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."

[2] http://www.cio.gov/documents/Federal-Cloud-Computing-Strategy.pdf

The other key reform in this area of light technologies and shared solutions is an increased focus on controlling infrastructure costs. The Federal Government currently spends $24 billion or 31 percent of its annual IT budget on often redundant and inefficient infrastructure. This is the opposite of what the private sector is doing. Large companies are radically reducing their number of data centers to significantly reduce facilities, energy, IT infrastructure, and operations costs.

Since 1998 the Federal Government has increased the number of its data centers, from 432 to 2,094, a 385 percent increase. This growth is unsustainable. That is why we are actively shutting down 800 data centers by 2015.

2. Strengthening Program Management

Challenges with program management are pervasive across the Federal Government due to a general shortage of qualified personnel. Effectively managing IT programs requires a corps of program and project management professionals with extensive experience and robust training. Strong program management professionals are essential to effectively steward IT programs from beginning to end, align disparate stakeholders, manage the tension between on-time delivery and additional functionality, and escalate issues for rapid resolution before they become roadblocks.

In many government agencies, the Program Manager position is often filled on an ad-hoc basis with individuals temporarily pulled from other functional areas. As a result, agencies suffer from high turnover and a lack of expertise in this critical position.

We have worked with the Office of Personnel Management (OPM) to take steps to significantly enhance the supply of IT program management talent in the Federal Government. OPM has created a career path to attract and reward top performers. They will also draft a competency model for IT program management consistent with the IT project manager model to ensure that the Federal Government cultivates the highest performing managers in IT. The individuals managing the most complicated, high profile, and expensive IT programs in the world must be of the highest quality and given the ability to lead.

The formation of this new occupational series will grow the community of experienced and expert program managers that will help to generate best practices, innovations in IT management, and greater efficiencies and effectiveness in the larger Federal IT portfolio.

3. Align the Budget and Acquisition Process with the Technology Cycle

The rapid pace of technological change does not match well with the Federal Government's budget formulation and execution processes. The budget process forces agencies to specify in detail what they are going to build 24-months before they can even start a project, and the acquisition process routinely tacks on another 12 to 18 months. This multiyear process locks

agencies into specific technology solutions that are almost by definition out of date by the time the project starts.

For years, including in the Clinger-Cohen Act of 1996, the Government has tried to move to modular development, allowing lessons learned from an early cycle in an IT program to inform the detailed plans for the next cycle.

But for modular contracting to be truly effective, in many cases it will need to be complemented with budget flexibility to manage IT programs responsibly. Several agencies have worked with Congress to achieve greater IT budget flexibility through multi-year and/or agency-wide portfolio appropriations.

To deploy IT successfully, agencies need the ability to make final decisions on technology solutions at the point of execution, so that the budget process is aligned with the technology cycle. Agencies need the flexibility within their portfolio to respond to changes on the ground. At the same time, Congress has a legitimate and important need for oversight; particularly given the history of project failures.

In the past 4 months, we have worked with Agencies to examine their needs and legal frameworks to determine where we may need to work with Congress to provide additional flexibility, while making sure we deliver additional transparency on how these funds are spent. We look forward to working with Congress to consolidate commodity IT funding under the agency CIOs and develop flexible budget models that align with modular development.

4. Streamline Governance and Improving Accountability

In June 2009, the Administration launched the IT Dashboard, making information on the performance of IT projects, such as project budgets and schedules, publicly available and constantly updated. For years, GAO and members of this Committee pushed for more information on troubled projects, as OMB tracked them and worked with the Agencies to bring them under control. The Dashboard provides this transparency and accountability, giving anyone the ability to identify and monitor the performance of IT projects, just as easily as they can monitor the stock market or baseball scores. It shows budget, schedule, and performance metrics. If a project is behind schedule or over budget, you will see it on the Dashboard.

To build off of the information provided in the Dashboard, in January 2010, we held the first TechStat Accountability Session (TechStat). A TechStat session is a face-to-face review of an IT program, undertaken with OMB and agency leadership and powered by the IT Dashboard. Meetings conclude with concrete action items, with owners and deadlines that are formalized in a memo and tracked to completion. This improved line-of-sight between project teams and senior executives increase the precision of ongoing measurement of IT program health.

In June 2010, we halted all financial system modernization projects requiring agencies to ensure that project plans were focused only on critical functionality and systems were broken down into small frequent deliverables. Then in August 2010, OMB targeted 26 of the highest priority IT investments with TechStats to ensure they deliver value to the American people.

In total, these high priority TechStats and financial systems reviews have led to over $3 billion in life-cycle cost reductions, and have reduced time to delivery from over two years to eight months. As a result of these reviews, the Administration was able to gain a sharper picture of the persistent problems facing Federal IT. This engagement process led directly to our reforms in the areas of operational efficiency and large-scale IT program management.

The strategy for strengthening IT governance centers on driving agency adoption of the TechStat model. We are scaling this capability across the Federal Government, increasing the number of programs that can be reviewed and hastening the speed at which interventions occur. In the past 4 months, we have trained 129 agency representatives to implement the TechStat model at their respective agencies; 23 agencies have conducted their initial TechStat session; we open sourced the IT Dashboard code to allow adoption in states and territories; and shared our training material widely – including publicly on www.cio.gov/TechStat – leading to over 1,000 downloads of our detailed training guide, the over 100-page "TechStat toolkit".

Taken together the reforms allow Agency Chief Information Officers (CIOs) to increase their focus on portfolio management and away from policymaking and maintaining IT infrastructure. This work is being supported by the Federal CIO Council, the body for CIOs from across the government to come together to share best practices and develop policy, and the engine for much of what we do in IT across government. Moving forward, the Council will act more like the Board of a major company: setting high-level goals across the government, and conducting rigorous oversight to meet these goals.

This Council has become essential for executing all these reforms, driving collaboration among agencies, reducing stovepipes and finding common solutions to immediate problems. The CIO Council, with this new management framework, will ensure that Agency CIOs have the support they need to make these changes a reality.

5. Increase Engagement with Industry

Our review determined that Federal IT contracts are often difficult to manage because they were not well-defined or well-written. Many times this is the result of ineffective engagement with the industry, created by misinterpretations of acquisition regulations. With these artificial barriers in place, agencies cannot determine how to effectively get the services they require, which results in waste, delivery delays, and erosion of the value of IT investments as a result.

To address these barriers head-on, Dan Gordon, the Administrator of the Office of Federal Procurement Policy (OFPP) is leading an aggressive "myth-busters" campaign to identify and

address core misconceptions about communication between the government and industry during the pre-award acquisition process.

The top ten misconceptions were demystified through a memo circulated to all agencies and throughout industry.[3] These myths ranged from "[w]e can't meet one-on-one with a potential offeror," to "[g]etting broad participation by many different vendors is too difficult; we're better off dealing with the established companies we know." In addition to overall better management of IT, we believe that increased engagement with industry will also help overcome the ties that may occur between agencies and certain vendors, stifling innovation and the ability for agencies to use the best and most innovative technologies.

In addition, GSA will be developing a pre-RFP platform that will support increased collaboration between industry and government during market research and concept initiation to leverage industry advances and knowledge, improve development of requirements, and otherwise support open and fair engagement between government and industry.

Conclusion

Throughout these reforms, we have taken the approach of scaling practices that we know work and focusing on execution instead of just policy development. Already this approach has accelerated the delivery of IT functionality, re-scoped and terminated poorly performing projects, and saved money.

That is why we must continue to build upon the progress to date and scale the practices that we know work to make Federal IT perform at the level the American people expect and deserve. The Federal Government must be able to provision services like nimble start-up companies and leverage smarter technologies that require lower capital outlays.

I would like to thank the members of the Committee and their staff for putting IT management front and center and helping transform the landscape of Federal IT.

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[3] http://www.whitehouse.gov/sites/default/files/omb/procurement/memo/Myth-Busting.pdf