STATEMENT OF PAUL A. DENETT

ADMINISTRATOR FOR FEDERAL PROCUREMENT POLICY

BEFORE THE

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COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

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Chairman Carper, Ranking Member Coburn, and Members of the Subcommittee, I appreciate the opportunity to appear before you today as the Subcommittee discusses the Administration's progress in tracking, analyzing and evaluating the federal government's information technology (IT) investments.

This morning, I will provide a short overview of agencies' progress in implementing performance-based management for their major acquisition programs. My remarks will primarily address non-IT investments. My colleague, the Honorable Karen Evans, Administrator for Electronic Government and Information Technology, will discuss the initiatives the Administration is pursuing to effectively manage the government's IT portfolio.

Performance-based management requirements

Title V of the Federal Acquisition Streamlining Act ("FASA V") requires executive agencies to establish cost, schedule and performance goals for all major acquisition programs and achieve, on average, 90 percent of those goals. Part 7 of OMB Circular A-11 (*Preparation, Submission, and Execution of the Budget*) provides guidance to implement this practice, known as performance-based management. Major acquisitions of new capital assets must be justified in terms of agency strategic goals and needs, reflect sound acquisition and capital planning decisions, and include measurable cost, schedule, and performance goals. For ongoing acquisition programs, agencies must report progress toward achieving baseline goals, explain actual or projected deviations from those goals, and describe actual or planned corrective action as needed to achieve baseline goals.

Additional guidance is provided in OMB's *Capital Programming Guide*, a supplement to Circular A-11 Part 7. OMB revised the guide in 2006 to emphasize the importance of key steps in the acquisition planning process, such as needs assessment and alternative analyses. The guide also includes expanded coverage on earned value management (EVM) to ensure agencies have and use objective "early warning" information to identify projects that may be falling short on their goals and make reasoned decisions to support corrective actions.

The Circular prescribes a form, Exhibit 300, for agencies to provide specific information on performance goals and measures, results achieved against goals, acquisition strategies, and project management. With respect to project management, Exhibit 300 requires agencies to report on the qualifications of the assigned program or project manager, and address the use of EVM.

Progress implementing performance-based management

For a number of years, government efforts to implement performance-based management at civilian agencies have focused heavily on major IT acquisition programs. As Administrator Evans will explain, the Administration continues to pursue an aggressive strategy for tracking, analyzing and evaluating the risks and results of major capital investments for information systems. Most agencies are making reasonable progress in implementing performance-based management policies and practices for their major IT investments.

Progress implementing performance-based management has been more limited on non-IT investments. Currently, there is no government-wide portfolio assessment of non-IT capital asset classes, which may take a variety of forms, ranging from construction and real-property management to aircraft acquisitions.

To assess agency progress in implementing performance-based management principles and practices, the Office of Federal Procurement Policy (OFPP) directed agencies to provide information on their new and ongoing non-IT major acquisition projects. OFPP considered whether agencies: (1) have capital planning and investment control (CPIC) policies for major acquisitions other than IT; (ii) have cost, schedule, and performance goals for new and ongoing projects; (iii) use, or plan to use performance-based management systems (PBMS) to monitor acquisition progress on ongoing programs and new programs, respectively; and (iv) are meeting their cost, schedule, and performance goals.

A number of agencies could not demonstrate that they were meeting all of these criteria. CPIC policies are often not as well established as they are for IT investments. Performance-based management systems are not always available to track cost, schedule, and performance. As a result, some agencies could not provide sufficient information to demonstrate that cost, schedule, and performance goals are being met.

We can and must do better. OMB is taking steps to strengthen the application of performance-based management to non-IT investments. These steps include the following:

1. *Increased collaboration*. In late 2007, the Chief Acquisition Officers Council (CAOC) established the Project Management Working Group (PMWG) to work with OMB in achieving the consistent implementation and use of capital planning and project management principles and practices to improve outcomes on federal projects, both for IT and non-IT.

Among other things, the PMWG will serve as an inter-agency focal point to help evaluate the appropriate application of performance-based management -- including tools, models and metrics -- to different types of major non-IT investments, such as construction and aircraft.

2. *Mitigation of high risk in major acquisitions*. Since the early 1990s, the Department of Defense (DoD), the Department of Energy (DOE), and the National Aeronautics and Space Administration (NASA) have been listed on the High-Risk List established by the Government Accountability Office (GAO) for significant vulnerabilities in contract management, including the management of major acquisitions. In 2007, OMB partnered with each of these agencies and the GAO to collaborate in the development of corrective action plans (CAPs). Each plan will identify a clear definition of success tied to successful attainment of cost, schedule, and performance goals. Plans are to include outcome and process goals, metrics on cost and schedule containment, and corrective steps to meet each goal. Goals and metrics will be shared among the agencies so they may build on each other's efforts to mitigate risk and maximize return on investment. DOE's CAP was finalized earlier this month. We expect NASA and DoD to finalize their CAPs by the fall.

3. *Strengthened workforce competencies in program and project management*. OFPP, in conjunction with the Federal Acquisition Institute and more than twelve federal agencies, developed a federal acquisition certification program for program and project managers to standardize training and experience requirements for the civilian agencies. The certification program promotes development of competencies that are critical to successful performance-based management, such as requirements analysis, cost estimating, financial management, risk management, and quality assurance. Certification is required for program and project managers that are assigned to major acquisitions. These managers will be expected to have at least four

years of program and project management experience on federal projects and programs, including managing and evaluating agency acquisition investment performance, developing and managing a program budget, building and presenting a successful business case, reporting program results, strategic planning, and high-level communication with internal and external stakeholders.

4. *Improved assessment of internal controls*. This past spring, OFPP issued guidance to standardize the approach agencies use to assess their acquisition activities. The guidance requires agencies to integrate their assessments with other agency internal control reviews established under Circular A-123 *(Management's Responsibility for Internal Control)*. The guidance, which is modeled on an analytical framework developed by the GAO, is designed to ensure reviews address the areas that most significantly influence the effectiveness and accountability of the acquisition process – namely, organizational alignment and leadership, policies and practices, human capital, and information management and stewardship. The guidance includes a series of critical questions to help agencies identify factors that may contribute to weaknesses in the planning and execution of major projects. For example, the guidance helps agencies assess if they are integrating organizational goals into the capital decision-making process, evaluating, selecting, and controlling capital assets using an investment approach, and balancing budgetary control and managerial flexibility when funding capital projects. If a material weakness with an internal control involving a major acquisition was identified during an assessment, it would be addressed during corrective action monitoring and reflected on the agency's statement of assurance.

Reports on agency implementation efforts

Information on major capital investments for IT may be found in Chapter 9 of the *Analytical Perspectives* volume of the President's Budget and on OMB's E-Government homepage at www.omb.gov. This analysis is published annually. Of particular note, Table 9-1 of Chapter 9 provides an evaluation of each agency's effectiveness in managing IT investments and E-Government processes, along with improvement milestones for the calendar year. The information in the Budget is provided to Congress and the public in accordance with section 5112(c) of the Clinger-Cohen Act.

Information on agency progress in implementing performance-based management for both IT and non-IT investments is included in an OFPP report addressing the FASA V requirements. OFPP will partner with the CAOC PMWG to ensure timely collection of information and preparation and submission of future reports to Congress in accordance with FASA V.

Conclusion

The Administration strongly supports use of performance-based management for its major acquisition programs and remains committed to its effective implementation. This discipline helps agencies identify and mitigate cost overruns, schedule delays, and performance shortfalls. We will also continue to rely on those additional tools that have helped us achieve success – including the management watch list, the high-risk list, EVM and the scorecard -- and adopt new tools, as necessary, to ensure taxpayer dollars are invested wisely and managed responsibly.

This concludes my prepared remarks. I am happy to answer any questions you might have.