United States Government Accountability Office

Report to Congressional Requesters

April 2015

INFORMATION TECHNOLOGY

Additional OMB and Agency Actions Needed to Ensure Portfolio Savings Are Realized and Effectively Tracked

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Additional OMB and Agency Actions Needed to Ensure Portfolio Savings Are Realized and Effectively Tracked

Why GAO Did This Study

In March 2012, OMB launched an initiative, referred to as PortfolioStat, which requires agencies to conduct annual reviews of their IT investments and make decisions on eliminating duplication, among other things. In March 2013, OMB launched the second iteration of this initiative, with the goal of eliminating duplication and achieving savings through specific actions and time frames.

GAO was asked to review the implementation of the second iteration of PortfolioStat. GAO's specific objectives were to (1) assess agencies' plans for achieving PortfolioStat savings, (2) determine agencies' progress in achieving planned savings, (3) describe the extent to which selected agencies have reinvested PortfolioStat savings, and (4) describe action items resulting from the PortfolioStat process and determine the extent to which agencies have addressed them. To do so, GAO determined planned savings amounts for fiscal years 2013 through 2015, evaluated whether initiatives have yielded anticipated savings, analyzed data from three agencies based on expected savings for fiscal year 2013, and identified the status and time frames of action items.

What GAO Recommends

GAO is making recommendations to OMB and Defense aimed at improving the reporting of achieved savings, documenting how savings are reinvested, and establishing time frames for PortfolioStat action items. OMB agreed and Defense partially agreed. GAO modified the recommendation to Defense based on its response.

View GAO-15-296. For more information, contact David Powner at (202) 512-9286 or pownerd@gao.gov.

What GAO Found

Agencies decreased their planned PortfolioStat savings by at least 68 percent from what they reported to GAO in 2013. Specifically, while agencies initially had planned to save at least $5.8 billion between fiscal years 2013 and 2015, these estimates were decreased to approximately $2 billion. The Departments of Defense and Homeland Security accounted for most of the difference (see fig. below). Further, although the Office of Management and Budget (OMB) made its data center consolidation initiative part of PortfolioStat in 2013, agencies have not consistently included planned savings from this initiative in their PortfolioStat reporting. As a result, the total amount that agencies expect to save through fiscal year 2015 is understated.

Planned PortfolioStat savings 2013 - 2015 (billions)
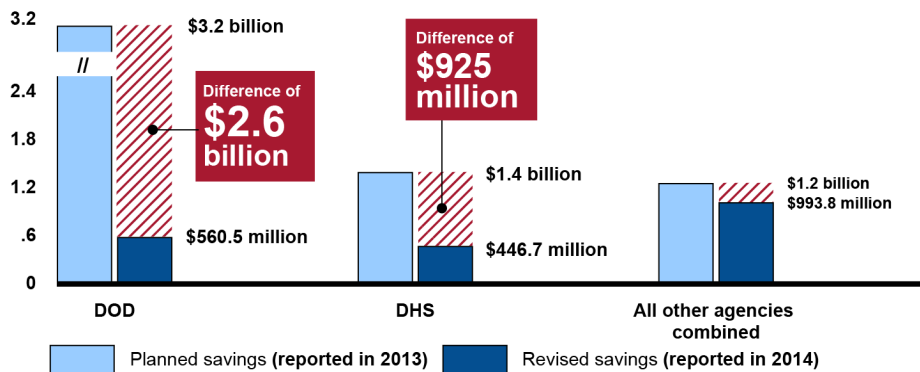
Source: GAO analysis of agency data. | GAO-15-296

As of January 2015, agencies reported having achieved approximately $1.1 billion in PortfolioStat-related savings during fiscal years 2013 and 2014. However, only 9 of 26 agencies met or exceeded their revised planned savings goals. Further, inconsistencies in OMB and agencies' reporting make it difficult to reliably measure progress in achieving PortfolioStat savings: (1) OMB included fiscal year 2012 savings in reporting against the fiscal years 2013 to 2015 goal, and (2) agencies had additional cost-savings initiatives they reported to GAO but not to OMB, and vice versa.

Three selected agencies explained how they reinvested their PortfolioStat savings, but did not always provide supporting documentation. For example, the Department of Homeland Security reported reinvesting the $176 million from its data center consolidation and enterprise licensing agreements initiatives in multiple efforts, but did not provide supporting documentation.

Agencies completed 26 of 112 action items resulting from the 2013 PortfolioStat process, such as improve project delivery. However, almost 80 percent of the 86 incomplete items did not have associated time frames for completion. During our review, OMB stated they did not believe time frames were needed to monitor the status of the action items. However, establishing such time frames would increase agencies' accountability for completing the activities.

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Abbreviations

CIO	chief information officer
DHS	Department of Homeland Security
DOD	Department of Defense
FDCCI	Federal Data Center Consolidation Initiative
IT	information technology
OMB	Office of Management and Budget
VA	Department of Veterans Affairs

GAO

U.S. GOVERNMENT ACCOUNTABILITY OFFICE

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April 16, 2015

The Honorable Ron Johnson
Chairman
The Honorable Thomas R. Carper
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Darrell Issa
House of Representatives

Federal agencies spend over $80 billion annually to meet their increasing demand for information technology (IT). Given the proliferation of duplicative, wasteful, and low-value investments that both we and the Office of Management and Budget (OMB) have highlighted over the years, it is important that federal agencies avoid investing in these types of investments whenever possible.

In March 2012, OMB launched an initiative, referred to as PortfolioStat, which requires agencies to conduct annual reviews of their IT investments and make decisions on eliminating duplication, among other things. In March 2013, OMB launched the second iteration of its PortfolioStat initiative with the goal of eliminating duplication and achieving savings through specific actions and time frames. It included holding joint OMB-agency meetings by July 2013 and agreeing on next steps (referred to in the guidance as "action items") and associated time frames.

You asked us to review the implementation of the second iteration of PortfolioStat. Our objectives were to (1) assess agencies' plans for achieving PortfolioStat savings, (2) determine agencies' progress in achieving planned savings, (3) describe the extent to which selected agencies have reinvested PortfolioStat savings, and (4) describe action items resulting from the PortfolioStat process and determine the extent to which agencies have addressed them.

To address the first objective, we obtained the revised plans for the 26 agencies required to implement PortoflioStat[1] and compared them to the plans we reported in November 2013 to determine the extent of the differences. We also determined whether agencies included Federal Data Center Consolidation Initiative activities as part of their PortfolioStat plans, consistent with OMB guidance.[2] To determine agencies' progress in achieving planned savings, we compared fiscal year 2013 and 2014 actual savings data from the 26 agencies to the revised planned savings identified in the first objective. For the third objective, we selected 3 federal agencies (the Departments of Agriculture, Homeland Security, and Veterans Affairs) based on anticipated savings and savings to date reported to Congress, analyzed documentation supporting the reinvestment of savings from selected initiatives, and interviewed officials. Finally, for each of the 26 agencies, we reviewed the memoranda summarizing agreed-upon action items and other documentation and followed up with agency officials as appropriate to identify and summarize the action items, their reported status, and any associated time frames.

We conducted this performance audit from March 2014 to April 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Appendix I contains additional details on our objectives, scope, and methodology.

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[1]The 26 agencies are the Departments of Agriculture, Commerce, Defense, Education, Energy, Health and Human Services, Homeland Security, Housing and Urban Development, the Interior, Justice, Labor, State, Transportation, the Treasury, and Veterans Affairs; the Environmental Protection Agency, General Services Administration, National Aeronautics and Space Administration, National Archives and Records Administration, National Science Foundation, Office of Personnel Management, Small Business Administration, Social Security Administration, U.S. Agency for International Development, U.S. Army Corps of Engineers and the U.S. Nuclear Regulatory Commission.

[2]For a list of initiatives and associated savings initially planned by each of the agencies for fiscal years 2013-2015, see GAO, *Information Technology: Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings*, GAO-14-65 (Washington, D.C.: Nov. 6, 2013).

GAO-15-296 OMB's PortfolioStat Initiative

Background

Federal agencies spend over $80 billion annually on IT investments. As both we and OMB have reported, duplicative, wasteful, and low-value investments have proliferated over the years, highlighting the need for agencies to avoid such investments whenever possible. To address this issue, in March 2012, OMB launched the PortfolioStat initiative, which requires 26 agencies to conduct an annual review of their commodity IT portfolio to, among other things, achieve savings by identifying opportunities to consolidate investments or move to shared services. OMB reported that the PortfolioStat effort has the potential to save the government $2.5 billion from fiscal year 2013 to fiscal year 2015 by consolidating and eliminating duplicative systems.

For PortfolioStat, OMB defined 13 types of commodity IT investments in three broad categories:

1. Enterprise IT systems, which include e-mail; identity and access management; IT security; web hosting, infrastructure, and content; and collaboration tools.

2. IT infrastructure, which includes desktop systems, mainframes and servers, mobile devices, and telecommunications.

3. Business systems, which include financial management, grants-related federal financial assistance, grants-related transfer to state and local governments, and human resources management systems.

PortfolioStat is also intended to assist agencies in meeting the targets and requirements under other OMB initiatives aimed at eliminating waste and duplication and promoting shared services, such as the Cloud Computing Initiative,[3] the IT Shared Services Strategy, and the Federal Data Center Consolidation Initiative. As we have previously reported, such initiatives have the potential to save billions of dollars, and, to date, have led to substantial cost savings and avoidance across the federal government.[4]

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[3]Cloud computing is an emerging form of delivering computing services via networks with the potential to provide IT services more quickly and at a lower cost. Cloud computing provides users with on-demand access to a shared and scalable pool of computing resources with minimal management effort or service provider interaction.

[4]GAO, *Information Technology: OMB and Agencies Need to Focus Continued Attention on Eliminating Duplicative Investments*, GAO-13-685T (Washington, D.C.: June 11, 2013).

Recognizing the importance of PortfolioStat, Congress recently enacted legislation that contains requirements reflecting the initiative, including annual reviews of agencies' IT portfolios by agency chief information officers (CIO), chief operating officers or deputy secretaries (or equivalent), and the OMB Administrator of the Office of Electronic Government.[5]

The law specifies that the portfolio review is to, among other things, identify or develop opportunities to consolidate the acquisition and management of information technology services; increase the use of shared service delivery models; develop a multi-year strategy to identify and reduce duplication and waste within the portfolio, including component-level investments; and identify potential cost savings and avoidances. The law also includes provisions that enhance CIOs' authority. For example, it requires agencies to ensure that CIOs have a significant role in programming and budgeting decisions, as well as in management, governance, and oversight processes related to IT.[6]

The PortfolioStat process consists of three key phases: (1) *preparation*, in which agencies provide information to OMB, including draft information resources management strategic plans and enterprise roadmaps; (2) *PortfolioStat session*, in which agencies are required to hold a face-to-face, evidence-based review of their IT portfolio with the Federal CIO and key stakeholders from the agency to discuss the agency's portfolio data and agree on concrete next steps; and (3) *post-session*, in which agencies work with OMB to establish follow-up discussion to track their progress in addressing agreed upon next steps.

In March 2013, OMB initiated the second round of PortfolioStat. In addition to establishing guidance for conducting PortfolioStat sessions during fiscal year 2013, the associated memorandum [7] highlighted lessons learned from the initial round, integrated PortfolioStat and other IT reform efforts like the Federal Data Center Consolidation Initiative, and

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[5]Carl Levin and Howard P. 'Buck' McKeon National Defense Authorization Act for Fiscal Year 2015 (FY15 NDAA), Pub. L. No. 113-291, § 833 (Dec. 19, 2014), 40 U.S.C. § 11319.

[6]FY15 NDAA, § 831, 40 U.S.C. § 11319.

[7]OMB, *Memorandum for the Heads of Executive Departments and Agencies: Fiscal Year 2013 PortfolioStat Guidance: Strengthening Federal IT Portfolio Management*, M-13-09 (Washington, D.C.: Mar. 27, 2013).

streamlined agency reporting requirements (including those for other OMB initiatives) into three primary collection channels—an enterprise roadmap, and information resources management strategic plan, and an integrated data collection channel. The memorandum also stated that, based on the PortfolioStat session, OMB and agencies would identify and agree upon actionable next steps and specific time frames for the actions to be taken and would formalize them in a memorandum. Deviations from the committed schedule for completing the action items shall trigger a requirement for follow-up briefings by the agency to the Federal CIO no less frequently than quarterly, until corrective actions have been implemented or the action item is back on schedule.

In May 2014, OMB issued a memo providing guidance for the conduct of PortfolioStat sessions for fiscal year 2014.[8] The memorandum continues the focus on driving cost savings and efficiencies, assessing progress, maximizing return on investment, driving innovation, and protecting systems and data (through what are known as "deliver, innovate, and protect" key process indicators). The memo also calls for measuring the effectiveness of IT delivery through the selection and review of investments that merit additional support and oversight by OMB and/or agency leadership due to their high impact.

GAO Has Reported on OMB's PortfolioStat Initiative and Related Federal Data Center Consolidation Initiative

In November 2013, we reported that additional OMB and agency actions were needed to achieve portfolio savings.[9] Specifically, we determined that the 26 major federal agencies that were required to participate in the PortfolioStat initiative fully addressed four of seven key requirements established by OMB. However, only 1 of the 26 agencies addressed all the requirements. For example, agencies did not develop action plans that addressed all elements, such as criteria for identifying wasteful, low-value, or duplicative investments, or migrate two commodity IT areas—such as enterprise IT systems and infrastructure—to a shared service by the end of 2012.

In addition, some of the 26 agencies had weaknesses in selected areas:

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[8]OMB, *Memorandum for the Heads of Executive Departments and Agencies: Fiscal Year 2014 PortfolioStat,* M-14-08 (Washington, D.C.: May 7, 2014).

[9]GAO, *Information Technology: Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings,* GAO-14-65 (Washington, D.C.: Nov. 6, 2013).

- 6 agencies reported limitations in their CIO's authority to review and approve the entire portfolio;

- 5 agencies did not include all their investments in their enterprise architecture (i.e., an organizational blueprint), limiting their ability to identify investments to be consolidated or eliminated; and

- 12 agencies reported challenges in ensuring the completeness of their commodity IT baseline data or did not identify a process to ensure their completeness.

Further, we reported that OMB's estimates of about 100 consolidation opportunities and a potential $2.5 billion in savings from the PortfolioStat initiative were understated because, among other things, they did not include estimates from the Departments of Defense and Justice. Our analysis, which included these estimates, showed that, collectively, the 26 agencies were reporting 204 consolidation opportunities and at least $5.8 billion in potential savings through fiscal year 2015.

Finally, our report noted that OMB's fiscal year 2013 PortfolioStat guidance identified a number of planned improvements to agencies' portfolio management practices, but did not fully address weaknesses in how agencies had begun implementing OMB's guidance, such as ongoing limitations in CIOs' exercise of authority, weaknesses in agencies' commodity IT baselines, accountability for migrating selected commodity IT areas, or the information on agencies' progress that OMB intends to make public.

To address these shortcomings, we made a total of 64 recommendations, including, among other things, that OMB require agencies to fully disclose limitations in CIOs' ability to exercise their authority and that 24 agencies take steps to improve their PortfolioStat implementation. OMB agreed with 3 of the 6 recommendations directed to them and disagreed with the remaining three. Of the 24 other agencies we made recommendations to, 12 agreed with our recommendations, and 5 disagreed or partially disagreed with our recommendations.

We have also reported on OMB's and agencies' progress on the related Federal Data Center Consolidation Initiative. For example, we reported in September 2014 that, among other things, 19 of 24 participating agencies

collectively reported achieving an estimated $1.1 billion in cost savings between fiscal years 2011 and 2013, and that by 2017, that figure was estimated to rise to a total of about $5.3 billion.[10] However, we also reported that planned savings may be higher because six agencies that reported closing as many as 67 data centers reported limited or no savings. In addition, 11 of the 21 agencies with planned cost savings were underreporting their fiscal years 2012 through 2015 figures to OMB by approximately $2.2 billion. While several agencies noted communication issues as the reason for this, others did not provide a reason. We concluded that until OMB assists agencies in reporting savings and agencies fully report their savings, the $5.3 billion in total savings will continue to be understated. Accordingly, we recommended that OMB assist agencies in reporting cost savings and develop a metric for server utilization as part of any reevaluation of the metrics. We also recommended that, among other things, agencies fully report their consolidation cost savings. OMB and 12 agencies agreed, 1 did not state whether it agreed or disagreed, 1 had no comments, and 1 partially agreed.

Agencies' Planned PortfolioStat Savings Have Significantly Decreased, but the Reported Estimates Are Understated

Agencies decreased their planned PortfolioStat savings by approximately 66 percent from what they reported to us in 2013. Specifically, while agencies initially planned to save at least $5.8 billion between fiscal years 2013 and 2015, they decreased their estimates to approximately $2 billion as of January 2015. However, because agencies have not consistently included estimated Federal Data Center Consolidation Initiative (FDCCI) savings in their plans as directed by OMB, that amount is understated.

Agencies' Planned Savings Have Decreased Significantly

In 2013, we reported that, as part of PortfolioStat, agencies identified 204 cost savings initiatives that were expected to collectively save at least $5.8 billion from fiscal year 2013 to fiscal year 2015. Since then, agencies have collectively increased the number of planned PortfolioStat initiatives by 75 (the new total is 279) while reducing their corresponding savings

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[10]GAO, *Data Center Consolidation: Reporting Can Be Improved to Reflect Substantial Planned Savings*, GAO-14-713 (Washington, D.C.: Sept. 25, 2014).

estimates by at least $3.8 billion—to approximately $2 billion—a decrease of about 66 percent.

As shown in table 1, some agencies increased the number of cost-savings initiatives from 2013 to 2014, while others canceled, eliminated, or consolidated initiatives. Five agencies—the Department of the Interior, the National Archives and Records Administration, National Science Foundation, the Social Security Administration, and the U.S. Army Corps of Engineers—maintained or increased their initial planned savings goals; conversely, the Nuclear Regulatory Commission reduced its planned savings to zero. Table 1 identifies the changes in the number of cost-savings initiatives, and table 2 compares each agency's planned savings, as reported to us in 2013 and 2014.

Table 1: Changes in the Number of Agencies' PortfolioStat Initiatives Planned for Fiscal Years 2013 to 2015

Agency	Initiatives identified in 2013	Initiatives identified in 2014	Change
Agriculture	3	4	1
Commerce	8	5	-3
Defense[a]	26	1	-25
Education	18	8	-10
Energy	16	29	13
Environmental Protection Agency	2	1	-1
General Services Administration	3	3	0
Health and Human Services	2	2	0
Homeland Security	15	15	0
Housing and Urban Development	4	5	1
Interior	6	23	17
Justice	12	67	55
Labor	12	11	-1
National Aeronautics and Space Administration	6	6	0
National Archives and Records Administration	3	3	0
National Science Foundation	2	3	1
Nuclear Regulatory Commission	8	15	7
Office of Personnel Management	2	2	0
Small Business Administration	6	6	0
Social Security Administration	7	13	6
State	4	1	.3
Transportation	24	40	16
Treasury	2	2	0

Agency	Initiatives identified in 2013	Initiatives identified in 2014	Change
U.S. Agency for International Development	4	4	0
U.S. Army Corps of Engineers	2	2	0
Veterans Affairs	7	8	1
Total	**204**	**279**	**75**

Source: GAO analysis of agency provided data. | GAO-15-296

[a]The revised number of initiatives accounts for the Department of Defense's data center consolidation effort. The department stated that all other previously identified initiatives are not well aligned with OMB's commodity IT types and should therefore not be considered part of the PortfolioStat initiative.

Table 2: Agencies' Revisions to Planned PortfolioStat Savings for Fiscal Years (FY) 2013 to 2015 (dollars in millions)

Agency	Planned PortfolioStat savings reported to GAO in 2013				Revised planned PortfolioStat savings reported to GAO in 2014				Percent change
	FY 13	FY 14	FY 15	Total	FY 13	FY 14	FY 15	Total	
Agriculture	$72.84	$86.61	$109.54	$268.99	$80.07	$93.21	$88.98	**$262.26**	-2.50%
Commerce	8.19	16.60	43.01	67.80	7.81	16.22	3.00	**27.03**	-60.13%
Defense	n.d.	n.d	n.d.	3200.00 - 5300.00	n.d.	144.75	415.75	**560.50**	-82.48 to -89.42%
Education	2.02	1.63	1.63	5.28	0.71	0.84	3.08	**4.63**	-12.35%
Energy	8.21	10.36	12.15	30.72	11.27	9.21	5.38	**25.86**	-15.81%
Environmental Protection Agency	0.00	0.00	0.00	0.00	0.00	3.00	3.36	**6.36**	N/A
General Services Administration	2.12	3.29	7.79	13.20	2.28	3.52	2.29	**8.09**	-38.74%
Health and Human Services	0.00	0.00	0.00	0.00	n.d.	n.d.	1.30	**1.30**	N/A
Homeland Security	369.27	501.25	501.25	1371.77	242.96	111.04	92.67	**446.67**	-67.44%
Housing and Urban Development	2.87	2.87	2.86	8.60	0.00	0.00	7.05	**7.05**	-18.02%
Interior	20.12	22.95	18.82	61.89	17.74	26.29	19.26	**63.29**	2.25%
Justice	n.d.	n.d.	n.d.	35.00	n.d.	0.00	27.25	**27.25**	-22.13%
Labor	1.75	8.5 -9.89	11.96 - 13.26	22.30 - 24.90	0.80	1.00	1.85	**3.65**	-83.63 to -85.34%
National Aeronautics and Space Administration	19.02	23.29	24.97	67.29	19.02	23.29	n.d.	**42.31**	-37.12%

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Agency	Planned PortfolioStat savings reported to GAO in 2013				Revised planned PortfolioStat savings reported to GAO in 2014				Percent change
	FY 13	FY 14	FY 15	Total	FY 13	FY 14	FY 15	Total	
National Archives and Records Administration	-0.02	-0.02	6.47	6.43	-0.02	-0.02	6.56	**6.52**	1.40%
National Science Foundation	0.27	0.24	0.24	0.75	2.76	3.13	0.09	**5.98**	697.33%
Nuclear Regulatory Commission	0.00	9.60	0.00	9.60	0.00	0.00	0.00	**0.00**	-100.00%
Office of Personnel Management	0.00	3.50	0.00	3.50	0.00	0.45	n.d.	**0.45**	-87.14%
Small Business Administration	0.43	0.37	0.00	0.79	0.00	0.00	0.52	**0.52**	-33.61%
Social Security Administration	7.23	150.15	8.78	166.16	72.42	224.24	32.80	**329.46**	98.28%
State	0.00	20.00	6.00	26.00	0.00	0.00	11.60	**11.60**	-55.38%
Transportation	14.40	36.57	0.00	50.98	0.25	4.60	0.75	**5.61**	-89.01%
Treasury	24.03	67.75	101.00	192.78	n.d.	7.33	47.67	**55.00**	-71.47%
U.S. Agency for International Development	3.44	5.24	8.76	17.44	3.44	10.78	0.00	**14.22**	-18.46%
U.S. Army Corps of Engineers	0.50	0.50	0.50	1.50	0.50	0.50	0.50	**1.50**	0.00%
Veterans Affairs	54.18	52.51	89.22	195.92	41.94	41.96	n.d.	**83.90**	-57.18%
Totals	**$610.54**	**$1,002.09**	**$947.2**	**$5,794.83 to $7,894.83**	**$503.95**	**$725.34**	**$771.71**	**2,001.00**	**-65.65% to -74.76%**

Note: n.d.—no data provided by the agency.

Nineteen agencies reported decreased savings, including 9 agencies that reported decreases of at least 50 percent from the planned savings they reported a year ago. The decreases were the largest at the Department of Defense (DOD) and the Department of Homeland Security (DHS). Specifically:
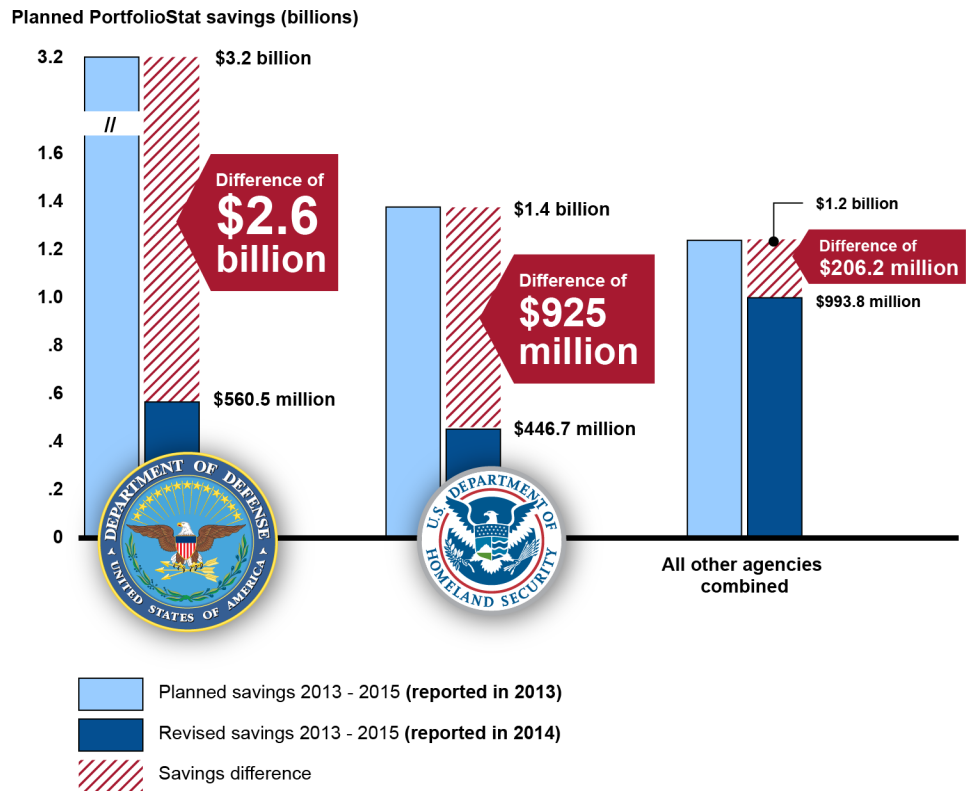
- DOD accounts for at least $2.6 billion of the decrease in planned savings (or about 65 percent). In 2013, DOD stated that it was pursuing 26 PortfolioStat initiatives that were to contribute at least $3.2 billion in savings. However, as of January 2015, DOD only reported planned savings for its ongoing data center consolidation initiative, which it estimated at approximately $560 million between fiscal years 2013 and 2015. Though the department appears to be pursuing the other 25 initiatives it identified in 2013, its Office of the Chief Information Officer stated that it no longer considers them to be part of PortfolioStat. This is because, in its view, the initiatives are not well aligned with the commodity IT categories defined by OMB due to their scope, scale, and complexity. In addition, the Acting Chief Information Officer stated that DOD's systems are not capable of easily generating the data needed to track savings as required under PortfolioStat and that the costs of attempting to collect some of the information far outweigh any potential benefits. However, OMB's commodity IT definition does not depend on the scope, scale, or complexity of initiatives, and would apply to any initiative that involved the consolidation or elimination of commodity IT such as e-mail, servers and mainframes, and mobile devices. We therefore disagree with DOD's position that the 25 initiatives should not be considered to be part of PortfolioStat. We also disagree with the Acting CIO's view that the cost of attempting to collect savings information outweighs the benefits, particularly since our extensive experience at federal agencies and recent reports have shown that the reporting of current and accurate information about the status of the PortfolioStat and other key reform initiatives, including financial savings, is a critical component to ensuring OMB's effective management and oversight of these initiatives.[11] Until DOD commits to tracking the 25 initiatives under the PortfolioStat umbrella and reporting the savings to OMB, as required by PortfolioStat guidance, potentially billions of dollars in savings will go unaccounted.

- DHS accounts for approximately $925 million of the overall decrease in planned savings (about 23 percent). Officials stated that they erroneously mislabeled planned savings figures reported to GAO in 2013. Specifically, DHS stated that planned savings they reported for fiscal years 2013, 2014, and 2015 actually represented cumulative

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[11]GAO, *Federal Chief Information Officers: Reporting to OMB Can Be Improved By Further Streamlining and Better Focusing on Priorities*, GAO-15-106 (Washington, D.C.: April 2, 2015).

GAO-15-296 OMB's PortfolioStat Initiative

savings from fiscal year 2011 through those years. For example, the $73.39 million reported as planned savings for the Workplace as a Service initiative for fiscal year 2013 actually represented planned savings for fiscal years 2011 to 2013, and the $153.80 million reported as planned savings for fiscal year 2014 actually represented cumulative planned savings for fiscal years 2011 to 2014. As a result of the error, the fiscal years 2013 through 2015 planned savings we reported were significantly overstated. DHS officials stated that they subsequently informed OMB of their error.

Figure 1 underscores how significant the changes in planned savings made by DOD and DHS are relative to the total overall change for all other agencies participating in PortfolioStat.

Figure 1: Agencies' Changes to Planned PortfolioStat Savings

Planned PortfolioStat savings (billions)

Planned savings 2013 - 2015 **(reported in 2013)**

Revised savings 2013 - 2015 **(reported in 2014)**

Savings difference

Source: GAO analysis of agency data. | GAO-15-296

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The remaining agencies provided various reasons why their number of cost savings initiatives or planned savings changed in the past year, including the termination, consolidation, or addition of new savings initiatives, and revised strategies for implementing planned or ongoing initiatives. For example, we reported in 2013 that the Department of Education had identified 18 initiatives that were planned to achieve approximately $5.3 million in savings. As of October 2014, Education reported that, upon further review, it had determined that many of the previously identified initiatives could be combined into a single, larger initiative, and as a result the department's number of initiatives was reduced to 3. In addition, Education officials stated that, after receiving additional guidance from OMB about how to calculate PortfolioStat cost savings, they also needed to revise their planned savings totals. Consequently, Education's revised total is $4.63 million, a reduction of about 13 percent from what it reported a year ago. The Nuclear Regulatory Commission stated that the previously reported estimate for some of its initiatives had been zeroed out due to funding changes. Specifically, that agency stated that the original estimate was part of a "cut and reinvestment" exercise performed in fiscal year 2012 which was superseded by the actual budget from Congress.

Estimates for Revised Planned Savings Are Understated

While agencies reported revised savings plans, the new estimates of the total amount they expect to save are understated—likely by hundreds of millions of dollars—because agencies have not consistently included planned savings for their data center consolidation initiatives as directed by OMB. OMB's March 2013 memo called for the integration of FDCCI with the PortfolioStat initiative and, for the quarterly reporting, among other things, of actual and planned FDCCI cost savings and avoidance information. This was to encourage agencies to take an enterprise-wide approach to address all commodity-IT, including data centers, in an integrated, comprehensive plan.

Nevertheless, agencies have not consistently included their FDCCI efforts as required in the planned PortfolioStat savings they reported to us. Specifically, the $1.7 billion in planned PortfolioStat savings for fiscal years 2013 through 2015 identified by agencies does not include all the planned savings resulting from agencies' FDCCI efforts. Eight agencies—EPA, GSA, HHS, NASA, NRC, OPM, Treasury, and USAID—did not

report their planned savings to us[12] even though they reported data center consolidation efforts (and in most cases, related planned savings) to GAO as part of the review of agencies' implementation of FDCCI.[13] HHS stated it did not report the initiative because it was not expected to result in a positive cost avoidance until fiscal year 2016—beyond the time frame we were considering—and the Nuclear Regulatory Commission stated it had not been able to reliably estimate planned data consolidation savings for the fiscal year 2013-2015 time frame either. USAID did not provide any reason for not reporting planned FDCCI savings. The remaining agencies—EPA, GSA, NASA, OPM, and Treasury— provided a variety of reasons why they did not report their data center consolidation efforts as part of PortfolioStat, including oversights and errors in how they reported savings data to OMB and GAO, and a lack of understanding of what information was to be reported to OMB.

In our September 2014 report on FDCCI, we also noted that four of the agencies which did not report their FDCCI planned savings and cost avoidance to us (EPA, NASA, OPM, and Treasury) were among several agencies that had not reported savings and cost avoidance information to OMB and we recommended that they do so in accordance with OMB guidance. Until the inconsistencies in reporting we identified are addressed, it will be difficult to (1) determine the true extent of savings that agencies plan to achieve under PortfolioStat, (2) hold agencies accountable for making progress in achieving those savings, and (3) determine whether PortfolioStat as a whole is on target to succeed in eliminating waste and duplication in IT spending across the federal government.

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[12]NARA did not report planned FDCCI savings either but it is not required to identify or report such savings because it is not a Chief Financial Officer Act agency.

[13]GAO-14-731.

Most Agencies Reported Lower Achieved PortfolioStat Savings than Planned, but Actual Results Are Difficult to Determine Due to Inconsistent Reporting

As of January 2015, agencies reported having achieved approximately $1.1 billion in PortfolioStat-related savings during fiscal years 2013 and 2014. However, only 9 of 26 agencies met or exceeded their revised planned savings goals. The remaining agencies fell short of their revised plans, and of these, 3 agencies did not achieve any savings at all. Table 3 identifies each agency's achieved PortfolioStat savings in 2013 and 2014 compared with their revised plans.

Table 3: Agencies' Achieved Savings Compared to Revised Savings Plans for Fiscal Years 2013 and 2014 (dollars in millions)

Agency	Fiscal year 2013 planned savings	Fiscal year 2013 achieved savings	Fiscal year 2014 planned savings	Fiscal year 2014 achieved savings
Agriculture	80.070	57.750	93.210	5.580
Commerce	7.810	42.320	16.220	16.400
Defense	n.d.	104.840	144.750	n.d.
Education	0.710	2.191	0.840	3.893
Energy	11.270	10.070	9.210	3.150
Environmental Protection Agency	0	0	3.000	2.970
General Services Administration	2.280	0.500	3.520	1.063
Health and Human Services	n.d	n.d.	n.d.	n.d.
Homeland Security	242.960	269.350	111.040	10.410
Housing and Urban Development	0	0	0	0
Interior	17.738	17.608	26.292	25.122
Justice	n.d.	45.966	n.d.	68.958
Labor	0.800	0.800	1.000	0.390
National Aeronautics and Space Administration	19.020	31.150	23.290	n.d.
National Archives and Records Administration	-0.02	0	-0.02	-0.02
National Science Foundation	2.760	2.880	3.130	3.130
Nuclear Regulatory Commission	0	0	0	0
Office of Personnel Management	0	0	0.45	0
Small Business Administration	0	0.15	0	0

Agency	Fiscal year 2013 planned savings	Fiscal year 2013 achieved savings	Fiscal year 2014 planned savings	Fiscal year 2014 achieved savings
Social Security Administration	72.419	109.113	224.239	92.462
State	n.d.	5.679	n.d.	7.625
Transportation	0.250	38.030	4.604	4.276
Treasury	n.d.	13.110	7.330	30.210
U.S. Agency for International Development	3.440	3.330	10.780	4.190
U.S. Army Corps of Engineers	0.500	0.500	0.500	0.500
Veterans Affairs	41.940	45.380	41.960	7.220
Total	**$503.947**	**$800.717**	**$725.345**	**$287.529**

Source: GAO analysis of agency-provided data. | GAO-15-296

Note: n.d.— no data provided by the agency. In such cases, agencies stated that their planned or achieved savings figures were under executive review, still being calculated, or were unable to be calculated due to the nature or complexity of their accounting systems.

Although agencies reported to us that they saved $1.1 billion in fiscal years 2013 and 2014, inconsistencies in how these savings have been reported make it difficult to determine actual progress.

While its $2.5 billion savings target for the PortfolioStat initiative was for fiscal years 2013 to 2015, OMB has included savings from fiscal year 2012 in quarterly reports to Congress on progress in achieving IT reform savings, including PortfolioStat savings. For example, in its August 2014 report to Congress,[14] OMB stated that PortfolioStat had produced approximately $2.08 billion in cost savings through June 2014 (a difference of nearly $1 billion from the number reported to us) and, further, that PortfolioStat was positioned to meet OMB's target of achieving $2.5 billion by 2015. In reviewing the report, however, we determined that about $600 million in reported savings OMB included in its totals were produced during fiscal year 2012, accounting for roughly half the difference between the $2.08 billion OMB reported to Congress and the number reported to us by individual agencies.

OMB's PortfolioStat lead analyst acknowledged that the reported progress against the $2.5 billion target set for fiscal years 2013 to 2015 included fiscal year 2012 savings and likely included initiatives that were

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[14]OMB, *Quarterly Report to Congress: Information Technology Oversight and Reform* (Washington, D.C.: Aug. 13, 2014).

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not part of that target. He stated, however, that their goal had been to set an initial target for agencies to meet and they were less concerned with what initiatives were used to actually reach that target. In addition, OMB staff members stated that they do not track agencies' progress against their planned savings because agencies keep changing their plans, making it difficult to track against them. While we agree with OMB on the value of setting a target, it is also important to have a baseline to hold agencies accountable for implementing their planned initiatives and also to ensure there are no missed opportunities for achieving additional savings.

In further comparing the list of PortfolioStat initiatives in OMB's August 2014 report to what agencies reported to us for this review, we identified dozens of examples of cost-savings initiatives that were reported to OMB but not to us, or initiatives that agencies reported to us but not to OMB. There are several reasons for these inconsistencies.

- As previously noted, multiple agencies did not include their planned savings for the Federal Data Center Consolidation Initiative as part of their PortfolioStat savings estimates. Similarly, those same agencies did not include actual savings as part of PortfolioStat either.

- Several agencies told us that they had reported information about their PortfolioStat savings to OMB, but that OMB did not include this information in its report to Congress. The OMB PortfolioStat lead analyst stated that staff from the E-Government Office review information submitted by agencies in their integrated data collection reports and follow up with them as appropriate when clarification is needed. They ultimately only include "what makes sense" in the reports to Congress.

- In other cases, agencies did not always follow instructions about what information to report, or when to report it, and consequently the information provided to us or to Congress was incorrect or out of date.

- Several other agencies, including the National Science Foundation, Social Security Administration, and Department of the Treasury, did not provide an explanation.

Until these inconsistencies are addressed, the validity of the achieved savings reported by agencies and OMB will remain questionable, making it difficult to determine the extent to which the PortfolioStat initiative is meeting its goals.

Selected Agencies Explained How PortfolioStat Savings Were Reinvested but Were Not Always Able to Provide Supporting Documentation

One of the goals for PortfolioStat articulated by OMB in its fiscal year 2013 guidance is the reinvestment of savings achieved through eliminating unnecessary and lower-value investments, and reducing operating costs.[15] Consistent with this goal, the three selected agencies we reviewed—DHS, the Department of Agriculture, and the Department of Veterans Affairs (VA)—explained how they reinvested the PortfolioStat savings for their two initiatives that were expected to yield the highest savings in fiscal year 2013. However, these agencies were not always able to provide support for how such savings were used. Specifically:

- DHS reported achieving approximately $176 million in savings from its Data Center Consolidation and Enterprise Licensing Agreements initiatives. Officials from the department's Enterprise Business Management Office told us that the reinvestment of funds is handled at the component level and thus is not tracked at the department level. Officials from DHS's component agencies provided information about reinvesting PortfolioStat savings as follows:

  - Customs and Border Protection and Immigration and Customs Enforcement stated that their savings were used to mitigate budget reductions. However, they did not provide documentation to support this.

  - Four DHS component agencies (the Domestic Nuclear Detection Office, Departmental Management and Operations, the Office of Health Affairs, and the Transportation Security Administration) identified a variety of purposes for which their savings were reinvested, such as fixing critical system issues, investment in engineering support contracts, investment in an innovation project, and additional monitoring and remediation of real-time technical operational activities and incidents. However, these components did not provide supporting documentation to illustrate the reinvestment of such savings.

  - The Science and Technology Directorate reported that it used its achieved savings for general management purposes.

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[15]GAO has an ongoing engagement focused on examining how all major federal agencies have reinvested savings from IT reform efforts, including PortfolioStat.

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- Agriculture reported achieving approximately $72 million in savings from its Data Center Consolidation and Geospatial Consolidation initiatives. Officials provided a general explanation that savings from the Data Center Consolidation initiative enabled elements within Agriculture to transition to an "infrastructure as service" project sponsored by the Office of the Chief Information Officer and/or purchase additional hosting capacity to meet increased processing workload and data storage needs. However, Agriculture officials provided neither an accounting nor documentation for how it reinvested these savings. Further, officials did not provide any explanation or documentation for how the department reinvested savings from its Geospatial Consolidation initiative.

- VA reported achieving approximately $38 million from its Microsoft Enterprise Licensing Agreement and Vista Data Feeds initiatives. While officials stated the funds had been reinvested in "unfunded requirements," they could not identify specifically which of these requirements were funded by PortfolioStat savings. According to officials, VA systems track the status of spending on funded projects, and periodically throughout the year will release unspent funds (such as the savings achieved from the Microsoft Enterprise Licensing Agreement initiative) for use on the highest-priority unfunded projects. Officials stated that once unspent funds were released for other projects, VA's systems no longer tracked specifically where the money ended up being spent. However, officials said that the types of projects that savings from the Microsoft Enterprise Licensing Agreement initiative might have funded included the Enterprise Testing Services, Renew Oracle Enterprise Agreement, or VA Time and Attendance Systems.

The lack of documentation to support agencies' reinvestment of funds may be in part because there is no requirement to develop such documentation. While OMB requires agencies to describe how they plan to reinvest savings resulting from PortfolioStat initiatives, there is no requirement for agencies to report whether they actually reinvested the funds as planned. This requirement would increase agencies' accountability and confirm whether PortfolioStat initiatives are yielding their expected value. Without it, questions can be raised about whether reinvestments actually occurred.

Agencies Have Identified a Wide Range of Action Items Resulting from the PortfolioStat Process, but Most of the Incomplete Action Items Did Not Have Associated Time Frames

OMB and agencies identified a wide range of action items during the 2013 PortfolioStat process. Specifically, they established a combined total of 112 action items, 26 of which they completed.[16] Generally, action items reflect the major areas of IT management OMB highlighted in its 2013 PortfolioStat memorandum or were specific to an agency's functional mission. For example, multiple agencies agreed to steps addressing cybersecurity management by identifying improving access control as one of their action items. Other examples include considering a policy for enhanced CIO authority, accelerating or completing the implementation of Internet Protocol version 6, improving mobile contract management, and increasing the use of government-wide mobile applications. The following are specific examples of action items assigned to agencies.

Improve access control: OMB requested that DHS accelerate and complete an initiative to strengthen access controls across the department in accordance with its related directive.[17]

CIO authorities: OMB recommended that the Department of the Interior consider policies and procedures that (1) require the CIO to review and concur, prior to contract award, all IT commodity acquisitions;[18] and (2) consolidate IT commodity acquisitions within the acquisition directorate. This was in response to the finding that the department was duplicating IT acquisition activities and not leveraging economies of scale and volume discounts.

Accelerate and complete Internet Protocol version 6 implementation: OMB recommended that the Department of Housing and Urban Development accelerate its implementation of Internet

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[16]We only considered action items identified in memoranda summarizing OMB and agency agreements resulting from the PortfolioStat session. We did not receive these documents from five agencies (HHS, NASA, NSF, OPM, and USAID) and therefore did not include their action items in our analysis. See app. II for a list of the action items by agency.

[17]*Homeland Security Presidential Directive 12: Policy for a Common Identification Standard for Federal Employees and Contractors.*

[18]Section 831 of the recently enacted FY15 NDAA contains provisions that enhance CIO authorities and includes a prohibition on a covered agency entering into an IT contract unless the contract was reviewed and approved by the CIO. The approval requirement may be satisfied if the agency uses its governance processes that include the CIO as a full participant, to approve the contract.

Protocol version 6 and achieve 100 percent compliance no later than January 2015.

Improve mobile contract management: The Department of Energy agreed with OMB to review its mobile acquisitions and achieve performance that is equal to or better than the rates identified by the General Services Administration.

Increase participation in government-wide mobile application gallery: OMB noted that the Department of Transportation should increase its participation in the government-wide mobile application gallery (apps.usa.gov) by centralizing its mobile application inventory across the department, continuing to develop mobile capabilities centered on customers, and registering all existing mobile applications on apps.usa.gov.

Of the 86 incomplete action items, about 78 percent do not have any associated time frames or due dates for completion. Further, OMB did not establish time frames for any action items for six agencies (Defense, Education, General Services Administration, Homeland Security, Labor, and the U.S. Army Corps of Engineers), and only one agency (Department of Transportation) had time frames associated with all of its action items. Appendix II provides a list of the 112 agency action items resulting from the 2013 PortfolioStat process, their status (completed or not), and whether incomplete action items have established time frames.

According to OMB's PortfolioStat lead analyst, staff follow-up on the status of action items as part of the follow-up discussions they have with agencies and these discussions occur at least quarterly. He stated he did not believe time frames were needed to follow up on the status of the action items, particularly in cases when time frames established in policy have already passed (such as for the implementation of the Internet Protocol version 6). However, establishing time frames for action items and following up on whether they are being met—consistent with OMB's own PortfolioStat guidance—would increase agencies' accountability in completing activities they agreed to and would help improve their portfolio management posture.

Conclusions

In a little over a year, agencies reduced the amount of savings they plan to achieve via PortfolioStat between fiscal years 2013 and 2015 by about 68 percent—from at least $5.8 billion to about $2 billion. The decision of the Department of Defense, which represents the biggest decrease, to no longer consider 25 of its 26 cost savings initiatives part of the PortfolioStat

effort and not to track associated savings suggests that the department may not agree with the importance of reporting cost savings information to OMB in accounting for and achieving the benefits of PortfolioStat. Moreover, since agencies have not consistently included data center consolidation initiatives in their planned PortfolioStat savings estimates as OMB requires, those revised estimates are, at best, highly questionable and as such cannot serve as an accurate indicator of the level of potential savings that are achievable. Until OMB and agencies revisit these planned savings estimates to consistently include data center consolidation initiatives, opportunities for savings may be missed or overlooked and the PortfolioStat initiative will likely not yield expected benefits.

Similar to agencies' revised plans, the reported savings of $1.1 billion is questionable because many agencies omitted savings from their data center consolidation efforts in reports to OMB and because of other inconsistencies in reporting from both OMB and agencies. Without ensuring the accurate and complete reporting of savings, OMB will have difficulty holding agencies accountable for meeting the goals of the PortfolioStat initiative and determining the true extent of the initiative's results.

Although selected agencies were able to provide explanations for how they reinvested the savings from selected initiatives, they were not, in some cases, able to provide supporting documentation, in part because there is no requirement to develop such documentation. Having this documentation would provide OMB and Congress with greater assurance that agencies are effectively using savings generated through the PortfolioStat process.

Finally, while agencies and OMB agreed on action items as a result of agencies' PortfolioStat sessions, most incomplete action items did not have associated time frames consistent with OMB's guidance. A lack of time frames makes agencies less accountable for completing the action items they have agreed to, and raises questions about OMB's commitment to tracking them.

Recommendations for Executive Action

To better ensure that the PortfolioStat initiative improves governmental efficiency and achieves cost savings, the Director of OMB should direct the Federal CIO to

- ensure that its reports to Congress about the results of IT reform efforts accurately reflect savings generated from all PortfolioStat initiatives, including those associated with FDCCI;

- track agencies' planned savings and use them as a baseline for measuring reported actual savings;

- require agencies to document specifically how the cost savings achieved from PortfolioStat have been reinvested; and

- establish time frames for completing assigned PortfolioStat action items and hold agencies accountable for meeting those time frames.

We also recommend that the Secretary of Defense direct the Chief Information Officer to revisit the 25 cost initiatives we reported in GAO-14-65 to identify those that have achieved savings and cost avoidances and report those savings and avoidances to OMB.

Agency Comments and Our Evaluation

We provided a draft of this report to OMB and DOD for comment and received responses from both agencies. OMB agreed with the four recommendations directed to it, and DOD partially concurred with our recommendation to it. OMB and DOD's comments and our responses are summarized below.

In an e-mail response from its Office of E-Government and Information Technology, OMB agreed with our four recommendations and stated that implementing them will assist in implementing the Federal Information Technology Acquisition Reform Act[19] and addressing the management of IT acquisitions and operations area that we recently added to the GAO High Risk List. In a written response to our draft report (reprinted in app. III), DOD partially concurred with our recommendation to maintain the 25 cost savings initiatives that we identified in GAO-14-65 under the PortfolioStat umbrella and report the associated savings to OMB. Specifically, DOD stated that it supports the PortfolioStat process and reporting savings to OMB.

However, DOD stated that its "federated approach" to tracking cost savings does not align with the 25 cost savings initiatives reported to us in

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[19] This refers to the federal information technology acquisition reforms from the FY15 NDAA.

2013, although it did not provide any further information to support this assertion. On a related note, during our review, the department stated that DOD's systems are not capable of easily generating the data needed to track savings as required under PortfolioStat and that the costs of attempting to collect some of the information far outweigh any potential benefits. As noted in the report, we disagreed that the costs of attempting to collect savings information outweigh the benefits. Our extensive experience at federal agencies has shown that the reporting of current and accurate information about the status of the PortfolioStat and other key reform initiatives, including financial savings, is a critical component to ensuring OMB's effective management and oversight of these initiatives.[20]

In its comments, the department also noted that a number of the 25 initiatives identified in 2013 had been ineffective in generating savings, or had not been achievable. Because DOD did not specify which of its initiatives had been ineffective or unachievable, we modified our recommendation from "maintain the 25 cost initiatives under the PortfolioStat umbrella" to "revisit the 25 cost initiatives" to identify those that have achieved savings and cost avoidances, and to report those savings and avoidances to OMB. This is consistent with OMB guidance requiring quarterly reports of cost savings and/or avoidances achieved through the implementation of the PortfolioStat initiative. It also supports recently enacted legislation recognizing the importance of the PortfolioStat initiative and its focus on identifying cost savings and avoidance. Specifically, as stated earlier, the law requires agencies to, among other things, identify or develop opportunities to consolidate the acquisition and management of information technology services; reduce duplication and waste within the portfolio; and identify potential cost savings and avoidances.
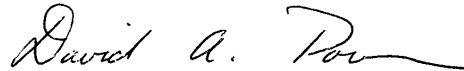
Finally, DOD stated that it is in the process of developing more useful performance indicators to more closely align with OMB's intent, is seeking continuous improvement in its enterprise-wide efforts to achieve cost savings, and will report such savings to OMB. While the department did not provide any specific information on what would be more useful performance indicators, we recently reported that OMB and agency chief

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[20]GAO, *Federal Chief Information Officers: Reporting to OMB Can Be Improved By Further Streamlining and Better Focusing on Priorities*, GAO-15-106 (Washington, D.C.: April 2, 2015).

information officers did not fully agree on the usefulness of reporting requirements integral to the success of OMB's reforms.[21] We made recommendations to OMB aimed at enhancing its collaboration with CIOs and achieving a common understanding of the priority of current reporting requirements and related IT reform initiatives.

We are sending copies of this report to interested congressional committees, the Director of the Office of Management and Budget, the secretaries and agency heads of the departments and agencies addressed in this report, and other interested parties. In addition, the report is available at no charge on GAO's website at http://www.gao.gov.

If you or your staffs have any questions on the matters discussed in this report, please contact me at (202) 512-9286 or pownerd@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix III.

David A. Powner
Director, Information Technology Management Issues

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[21]GAO-15-106

Appendix I: Objectives, Scope, and Methodology

Our objectives were to (1) assess agencies' plans for achieving PortfolioStat savings; (2) determine agencies' progress in achieving planned savings; (3) describe the extent to which selected agencies have reinvested PortfolioStat savings; and (4) describe action items resulting from the PortfolioStat process and determine the extent to which agencies have addressed them.

To assess agencies' plans for achieving PortfolioStat savings, we asked the 26 agencies required to implement PortfolioStat to (1) confirm the planned initiatives and associated planned savings amounts for fiscal years 2013 through 2015 that they had reported to us in 2013 and (2) provide any changes to planned initiatives and savings along with reasons for these changes. We compared the revised plans to those we reported in 2013 to determine the extent of the differences and also determined whether agencies included Federal Data Center Consolidation Initiative activities as part of their PortfolioStat efforts, consistent with Office of Management and Budget (OMB) guidance.

To determine agencies' progress in achieving planned savings, we requested actual savings or cost avoidance data for fiscal years 2013 and 2014 from each of the 26 agencies required to implement the PortfolioStat initiative. We compared agencies' achieved savings to their revised savings plans for fiscal years 2013 to 2015. We also collected and analyzed information from the agencies on challenges they faced in achieving PortfolioStat savings and on their process for ensuring the completeness of the achieved savings or cost avoidance numbers. We also compared the initiatives and associated savings and cost avoidance information reported to us to that reported by the Office of Management and Budget for the same period. In doing our analyses, we identified data reliability issues (including inconsistencies in data reported to us and OMB) which we have highlighted in the report, as appropriate.

To describe the extent to which selected agencies had reinvested PortfolioStat savings, we focused on the Departments of Homeland Security, Agriculture, and Veterans Affairs because they reported that they planned to achieve the most savings or cost avoidance for fiscal year 2013 in our previous PortfolioStat review.[1] We then reviewed reports on

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[1]GAO, *Information Technology: Additional OMB and Agency Actions Are Needed to Achieve Portfolio Savings,* GAO-14-65 (Washington, D.C.: Nov. 6, 2013).

actual cost savings or avoidance for fiscal year 2013 and, for each one, selected the two initiatives that reportedly yielded the most cost savings for fiscal year 2013.

For these initiatives, we asked agency officials to describe how the identified savings had been reinvested. Further, we asked that the officials provide supporting documentation, such as budget artifacts illustrating the reinvestment or transfer of funds (savings) and artifacts illustrating management approval of the reinvestment or transfer.

To describe action items resulting from the PortfolioStat process and determine the extent to which agencies had addressed them, we reviewed agencies' action item memoranda resulting from the PortfolioStat sessions, and analyzed them to identify the action items, their status (whether completed or not), and specific time frames that each agency and OMB had agreed to as part of the PortfolioStat process. Five agencies (HHS, NASA, NSF, OPM, and USAID) did not provide any memoranda and we therefore did not include their action items in our analysis. We also determined whether agencies were meeting projected milestones and due dates for each of their action items.

We conducted this performance audit from March 2014 to April 2015 in accordance with generally accepted government auditing standards. Those standards required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Agency Action Items from Fiscal Year 2013 PortfolioStat Sessions

Table 4 describes the action items agreed to by agencies and OMB during the fiscal year 2013 PortfolioStat process, their status (completed or not), and whether an associated time frame was established for incomplete items.

Table 4: Agency Action Items for the Fiscal Year 2013 PortfolioStat Process

Action items by agency	Has the action item been completed?	Did the agency and OMB establish a time frame for this action item?
Department of Agriculture		
CIO Authorities	No	No
Operations and Maintenance (O&M Spending is Limiting Development and Innovation)	No	No
Conservation Delivery Streamline Initiative	No	No
MIDAS	No	Yes
Value Measurement Methodology and Zero-Based Budgeting	No	No
Department of Commerce		
Improve Project Delivery	No	No
Review Commodity IT Costs for Consolidation and Savings Opportunities	No	No
Consolidate Mobile Contracts	Yes	No
Accelerate and Complete Internet Protocol Version 6 Implementation	No	No
Improve Network Access Controls and Threat Awareness	No	Yes
Department of Defense		
Increase DOD Management of High Risk Investments	No	No
Reduce High Operations and Maintenance Costs	No	No
Implement Uniform Policies on Open Data	No	No
Focus on Modular Approaches	No	No
Department of Education		
Deliver IT Projects on Schedule	No	No
Share IT Project Manager Hiring Best Practices	Yes	No
Build Incident Response Capability through Trusted Internet Connection Capabilities	No	No
Increase Participation in Government-Wide Mobile Application Gallery	Yes	No
Identify opportunities for IT consolidation across tools and systems	No	No
Identify and assess key IT projects at FSA	No	No
Department of Energy		
Increase Transparency of IT Investments	Yes	No
Optimize Portfolio Transparency	Yes	No
Optimize Security Investments	No	No

Action items by agency	Has the action item been completed?	Did the agency and OMB establish a time frame for this action item?
CIO Authorities	Yes	No
Improve Mobile Contract Management	No	No
Optimize Server Utilization	No	Yes
Continue Data Center Consolidation	No	Yes
Environmental Protection Agency		
Improve Reporting of Cost Savings and Targets	Yes	Yes
Disaggregate the Technology Infrastructure Modernization Investment	No	No
Continue to Evaluate Opportunities for Commodity IT Consolidation	No	No
Develop a Comprehensive Project Plan and Business Care of e-Enterprise	No	No
Continue to Engage with OMB on electronic Rulemaking and Freedom of Information Act online	Yes	No
Work with OMB on the Alternatives Analysis Related to the Financial Replacement System	No	No
Review Leading Practice Valuation Models	Yes	No
General Services Administration		
Review and Revisit Operations and Maintenance Spending	No	No
Optimizer Platform and Application Solutions	No	No
Evaluate Opportunities to Adopt Cloud Solutions and Optimize Server Utilization	No	No
Strengthen the Security of the Integrated Award Environment / System for Award Management	No	No
Consolidate Resources towards One Unified Prices Paid Portal	No	No
Review and Evaluate Current Financial System Modernization Projects	Yes	No
Department of Health and Human Services		
Did not provide information	n/a	n/a
Department of Homeland Security		
Improve Project Delivery	Yes	No
Improve Modularity of IT Projects	No	No
Reduce Mobile Contract Costs and Variance	No	No
Improve Access Control	No	No
Deploy and Use Web Analytics	No	No
Meet Customer Expectations	No	No
Consolidate Fragmented IT Services	No	No
Department of Housing and Urban Development		
Design for Modularity	No	No
Accelerate and Complete Internet Protocol Version 6 Implementation	No	Yes
Adoption of New Technology – Cloud Alternatives	No	No

Action items by agency	Has the action item been completed?	Did the agency and OMB establish a time frame for this action item?
Uneven Distribution in the Portfolio	No	No
Performance Metrics	No	No
CIO Authorities	Yes	No
Department of the Interior		
Optimize Investment Management	No	No
Deliver IT Projects on Schedule	No	No
CIO Authorities- Management of People	No	No
CIO Authorities- Significantly Fragmented Acquisition	No	No
CIO Authorities- Protect Assets	No	Yes
Department of Justice		
Increase Transparency of Investments	Yes	No
Improve Project Delivery	Yes	No
Review Commodity IT Costs for Consolidation and Savings Opportunities	No	No
Improve Network Access Controls	No	Yes
Enable Digital Government	Yes	No
Evaluate Opportunities to Adopt Cloud Solutions	Yes	Yes
Department of Labor		
Deliver IT Projects on Schedule and on Budget	No	No
Strengthen Communications and Partnerships with External Stakeholders to Improve Reporting of Outcomes	No	No
Increase Participation in Government-Wide Mobile Application Gallery	Yes	No
Improve Mobile Contract Management	No	No
Data Center Optimization	No	No
National Aeronautics and Space Administration		
Did not provide information	n/a	n/a
National Archives and Records Administration		
Optimize Investment Management	No	No
Enable Digital Government	No	No
Improve Network Access Controls	No	Yes
Accelerate and Complete Internet Protocol Version Implementation	Yes	No

Action items by agency	Has the action item been completed?	Did the agency and OMB establish a time frame for this action item?
National Science Foundation		
Did not provide information	n/a	n/a
Nuclear Regulatory Commission		
Improve Mobile Contract Management	Yes	No
Strong Authentication	No	Yes
Datacenter Efficiency (Server Utilization)	No	No
Development, Modernization, and Enhancement	No	No
Office of Personnel Management		
Did not provide information	n/a	n/a
Small Business Administration		
Improve Management of IT Infrastructure	No	No
Weak Logical/Network Access Controls	No	Yes
Improve Mobile Contract Management	No	No
Improve Mobile Apps Innovation and Open Data Support	No	No
Social Security Administration		
Improve Project Delivery	No	No
Improve Modularity of IT Projects	No	No
Enable Digital Government	No	No
Reduce Mobile Contract Costs and Variance	No	No
Improve Access Control	No	Yes
Department of State		
Improve Access Control	No	Yes
Report Objectives, Outcomes, and Plans in Accordance with Administration Priorities	Yes	No
Build Incident Response Capability through Trusted Internet Connection Capabilities	No	No
Accelerate and Complete Internet Protocol Version 6 Implementation	No	No
Complete Commodity IT Initiatives	Yes	No
Optimize Data Center Consolidation	Yes	No
Department of Transportation		
Cybersecurity- Continuous Monitoring	No	Yes
Improve Network Access Controls	No	Yes
Improve Governance Controls at Project and Program Level	Yes	Yes
Address IT Workforce Needs	Yes	Yes
Improve Data Center Optimization	Yes	Yes
Increase Participation in the Government-Wide Mobile Applications Gallery (apps.usa.gov)	Yes	Yes

Action items by agency	Has the action item been completed?	Did the agency and OMB establish a time frame for this action item?
National Science Foundation		
Continue to Look Across the Department for Department-Wide Solutions	No	Yes
Department of the Treasury		
Continue to Pursue Consolidation of IT Services	No	No
Improve Access Control	No	Yes
Identify Opportunities for Mobile Contract Consolidation	No	No
Insufficient Technical Readiness for Public-Facing IPV6 Websites	No	No
Deploy and Use Web Analytics	No	No
U.S. Agency for International Development		
Did not provide information	n/a	n/a
U.S. Army Corps of Engineers		
Optimize Investment Management	No	No
Improve Project Delivery	No	No
Meet Customer Expectations	No	No
Department of Veterans Affairs		
Improve Project Delivery	No	No
Improve Network Access Controls	No	Yes
Secure Communications through Trusted Internet Connections	No	Yes
Reinforce Management Controls for the Integrated Electronic Health Record	No	No
Continue the Pace of Veterans Benefit Management System Development	No	No
Total number of action items	**112**	
Total completed action items	**26**	
Total incomplete action items	**86**	
Total incomplete action items without established time frames (percent)		**67 (78%)**

Source: GAO analysis of agency data. | GAO-15-296

DEPARTMENT OF DEFENSE
6000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-6000

April 2, 2015

CHIEF INFORMATION OFFICER

Mr. David A. Powner
Director, Information Technology Management Issues
U.S. Government Accountability Office
441 G Street, NW
Washington DC 20548

Dear Mr. Powner:

This is the Department of Defense (DoD) response to the GAO Draft Report GAO-15-296, "INFORMATION TECHNOLOGY: Additional OMB and Agency Actions Needed to Ensure Portfolio Savings Are Realized and Effectively Tracked," dated February 25, 2015 (GAO Code 311405).

Our comments to the draft report are attached. My point of contact for this matter is CAPT Grady Banister, USN, Chief of Staff, Office of the DoD CIO, at 703-695-0348.

Sincerely,

David L. DeVries
Principal Deputy

Attachment:
As stated

**GAO DRAFT REPORT DATED FEBRUARY 25, 2015
GAO-15-296 (GAO CODE 311405)**

**"INFORMATION TECHNOLOGY: ADDITIONAL OMB AND
AGENCY ACTIONS NEEDED TO ENSURE PORTFOLIO
SAVINGS ARE REALIZED AND EFFECTIVELY
TRACKED"**

**DEPARTMENT OF DEFENSE COMMENTS
TO THE GAO RECOMMENDATIONS**

RECOMMENDATION: GAO recommends that the Secretary of Defense direct the
acting Chief Information Officer to maintain the 25 cost initiatives GAO reported in
GAO-14-65 under the PortfolioStat umbrella and report the associated savings to OMB.

DoD RESPONSE: Partially Concur. The Department supports the OMB Portfoliostat
process, and reporting savings to OMB. However, the Department uses a federated
approach to track its relevant cost savings metrics, which does not align with the OMB
"25 cost initiatives" described in the 2013 GAO report. A number of those initiatives
have proven to be ineffective in generating the desired cost savings, or have not been
achievable by DoD or other federal agencies. DoD has shifted its focus to more closely
align with OMB's intent for useful performance indicators to drive operational
excellence. DoD continues to discuss and develop more useful performance indicators
with OMB and other federal agencies, as discussed at the DoD Portfoliostat session in
November 2014. DoD is seeking continuous improvement in its enterprise wide efforts to
achieve cost savings, and will report those savings to OMB.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact	David A. Powner, (202) 512-9286, or pownerd@gao.gov
Staff Acknowledgments	In addition to the individual named above, the following staff made key contributions to this report: Sabine Paul, Assistant Director; Chris Businsky; Lynn Espedido; Mary Evans; Rebecca Eyler; Dan Gordon; Andrea Harvey; Lee McCracken; and Bradley Roach.