Testimony

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

INFORMATION TECHNOLOGY

Continued Attention Needed to Accurately Report Federal Spending and Improve Management

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Abbreviations

CIO  chief information officer
FFATA  Federal Funding Accountability and Transparency Act
IT  information technology
OMB  Office of Management and Budget

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What GAO Found

In June 2009, OMB deployed the IT Dashboard Web site to improve the transparency into and oversight of federal agencies’ IT investments. This site displays detailed information on major IT investments, including assessments of actual performance against cost and schedule targets. According to OMB, these data are intended to provide a near real-time perspective on the performance of these investments. The Dashboard has drawn additional attention to over 300 troubled IT investments at federal agencies, totaling $20 billion. The Federal Chief Information Officer (CIO) recognized that the Dashboard has increased the accountability of agency CIOs and established much-needed visibility into investment performance. However, GAO has found that the data on the Dashboard were not always accurate. Specifically, in reviews of selected investments from 10 agencies, GAO found that the Dashboard ratings were not always consistent with agency cost and schedule performance data. In these reports GAO made a number of recommendations to OMB and federal agencies to improve the accuracy of Dashboard ratings. Agencies and OMB agreed with almost all of these recommendations.

Using the Dashboard, OMB initiated efforts to improve the management of IT investments needing attention. Specifically, beginning in January 2010, the Federal CIO initiated reviews—known as “TechStat” sessions—of selected IT investments involving OMB and agency leadership and which, according to OMB officials, have resulted in improvements to or termination of some investments. Further, OMB identified 26 high-priority IT projects and plans to develop corrective action plans with agencies at future TechStat sessions. According to the Federal CIO, OMB’s efforts have already resulted in $3 billion in savings. Lastly, recent and ongoing GAO work has identified additional opportunities for using the Dashboard to increase operational efficiency and realize cost savings, such as by identifying duplicative investments. Continued OMB oversight, along with the implementation of outstanding GAO recommendations, could result in further significant savings and increased efficiency.

In responding to a statutory requirement, OMB deployed USAspending.gov in December 2007. This site provides details on over $1 trillion in contracts and financial assistance awarded annually by federal agencies. However, in March 2010, GAO found that agencies did not always report awards on USAspending.gov and that numerous inconsistencies existed between USAspending.gov data and agency records. These errors were due to a reliance on voluntary agency compliance and a lack of specific guidance. Accordingly, GAO recommended that OMB ensure complete reporting and clarify guidance for verifying agency-reported data. OMB generally agreed with GAO’s findings and recommendations. Since then, OMB has issued guidance to federal agencies on improving the data quality of federal spending information, including developing data quality plans.
July 14, 2011

Chairman Lankford, Ranking Member Connolly, and Members of the Subcommittee:

I am pleased to be here today to discuss the federal government’s key activities and efforts to improve the transparency and oversight of information technology (IT) and other investments—IT spending in particular totaled an estimated $79 billion in the President’s Budget for fiscal year 2011. Given the size of these investments and the criticality of many of these systems to the health, economy, and security of the nation, it is important that the Office of Management and Budget (OMB) and federal agencies provide appropriate oversight of and adequate transparency into these programs.

During the past several years, we have issued multiple reports and testimonies on OMB’s initiatives to highlight troubled projects, justify IT investments, and encourage the use of project management tools.¹ We made numerous recommendations to OMB and to federal agencies to improve these initiatives to further enhance the transparency, oversight, and management of IT projects.

As part of its response to our prior work, OMB deployed a public Web site in June 2009, known as the IT Dashboard, which provides

detailed information on federal agencies’ major IT investments,\(^2\) including assessments of actual performance against cost and schedule targets (referred to as ratings) for approximately 800 major federal IT investments.

In addition, Congress passed the Federal Funding Accountability and Transparency Act (FFATA) of 2006,\(^3\) which, among other things, required OMB to establish a free, publicly accessible Web site containing data on federal awards (e.g., contracts, loans, and grants) across the government. This site was deployed by OMB in December 2007 and is known as USAspending.gov.

You asked us to testify on IT systems that federal agencies use to report spending, including performance relative to planned and actual expenditures. In this regard, my testimony specifically covers the two key government reporting mechanisms mentioned above. In preparing this testimony, we relied on prior GAO reports and testimonies that assessed the implementation of the IT Dashboard and USAspending.gov, as well as the government’s management of IT investments, including agencies’ oversight boards and use of project management tools.\(^4\) All of our work for these reports and

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\(^2\)Major IT Investment means a system or an acquisition requiring special management attention because it: has significant importance to the mission or function of the agency, a component of the agency, or another organization; is for financial management and obligates more than $500,000 annually; has significant program or policy implications; has high executive visibility; has high development, operating, or maintenance costs; is funded through other than direct appropriations; or is defined as major by the agency’s capital planning and investment control process.


testimonies was performed 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.

Background

OMB assists the President in overseeing the preparation of the federal budget and supervising budget administration in executive branch agencies. In helping to formulate the President’s spending plans, OMB is responsible for evaluating the effectiveness of agency programs, policies, and procedures; assessing competing funding demands among agencies; and setting funding priorities. Further, the agency ensures that the federal budget is consistent with relevant statutes and presidential objectives.

Each year, OMB and federal agencies work together to determine how much the government plans to spend on IT projects and how these funds are to be allocated. The President’s Budget for fiscal year 2011 included an estimated $79 billion for IT investments. Figure 1 displays the breakdown of agencies’ planned IT expenditures for fiscal year 2011.
To improve IT investment oversight, Congress enacted the Clinger-Cohen Act of 1996, which requires OMB to establish processes to analyze, track, and evaluate the risks and results of major capital investments in information systems made by federal agencies and report to Congress on the net program performance benefits achieved as a result of these investments. Further, the act places responsibility for managing investments with the heads of agencies and establishes chief information officers (CIO) to advise and assist agency heads in carrying out this responsibility.

\[^5\]40 U.S.C. § 11302(c).
Laws and Associated OMB Initiatives Seek to Improve Transparency and Oversight of IT and Other Investments

A long-standing goal of Congress has been to improve the performance and transparency of the federal government through the use of IT. This was, for example, a major goal of the E-Government Act of 2002. Under the act, the Administrator of OMB’s Office of Electronic Government (also known as the federal Chief Information Officer) is responsible for assisting the Director of OMB in carrying out the act and other e-government initiatives. Projects supported by the act may include efforts to make federal government information and services more readily available to members of the public. For example, in June 2009, OMB deployed a public Web site—known as the IT Dashboard—to improve the transparency into and oversight of agencies’ IT investments.

The Dashboard displays detailed information on federal agencies’ major IT investments, including assessments of actual performance against cost and schedule targets (referred to as ratings) for approximately 800 major federal IT investments. According to OMB, these data are intended to provide a near real-time perspective of the performance on these investments, as well as a historical perspective. Further, the public display of these data is intended to allow OMB, other oversight bodies, including Congress, and the general public to hold government agencies accountable for results and progress.

In addition, to increase the transparency of and accountability for the over $1 trillion in contracts and financial assistance awarded each year by federal agencies, Congress passed the Federal Funding Accountability and Transparency Act of 2006. Among other things, the act required OMB to establish a free, publicly accessible Web site containing data on federal awards (e.g., contracts, loans, and grants) no later than January 1, 2008. In addition, OMB was required to include data on subawards by

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January 1, 2009. The act also authorized OMB to issue guidance and instructions to federal agencies for reporting award information and requires agencies to comply with that guidance. OMB launched the Web site—www.USAspending.gov—in December 2007.

Prior Reviews of Agencies’ IT Investment Governance Have Identified Weaknesses

We have previously reported on the enduring challenges that agencies have faced in effectively managing IT investments, which demonstrate the continuing need for more effective oversight and transparency. Specifically, we found that agencies had weaknesses in several areas relating to the oversight, budget justification, and planning and management of these investments, among others.

- In January 2004, we reported that agencies did not always have the mechanisms in place for investment review boards to effectively control their investments.\(^8\) Among other things, we reported that selected agencies largely had IT investment management boards, but these boards did not have key policies and procedures in place for ensuring that projects were meeting expectations. Agencies cited a variety of reasons for not having these mechanisms in place, such as that the CIO position had been vacant, a requirement was not included in guidance, or that the process was being revised. We made recommendations to the agencies regarding those practices that were not fully in place.

- In January 2006, we reported that the underlying support for agencies’ budget justifications for IT investments (OMB’s Capital Asset Plan and Business Case, also known as the exhibit 300) was often inadequate.\(^9\) Specifically, we found weaknesses in all 29 of the exhibit 300s that we reviewed. For example, 21 investments were required to use a specific management system as the basis for the cost, schedule, and performance information in the exhibit 300, but only 6 did so following OMB-required standards. We made recommendations aimed at improving related guidance and training

\(^8\)GAO-04-49.

\(^9\)GAO-06-250.
and at ensuring the disclosure and mitigation of limitations on reliability.

- In July 2008, we reported that approximately half of the federal government’s major IT projects had been rebaselined—i.e., had modifications made to their cost, schedule, and performance goals to reflect changed circumstances.\(^\text{10}\) Reasons for these rebaselines included changes in project goals, changes in funding, or inaccurate original baselines. We also found that agencies lacked comprehensive rebaselining policies and that, without such policies, baseline changes could be used to mask cost overruns or schedule delays. We recommended that OMB issue guidance for rebaselining policies and that the major agencies develop policies that address identified weaknesses. Consequently, OMB issued a memorandum in June 2010 on baseline management that provided this guidance.\(^\text{11}\)

- In June 2009, we reported that about half of the projects we examined did not receive selection reviews (to confirm that they support mission needs) or oversight reviews (to ensure that they are meeting expected cost and schedule targets).\(^\text{12}\) Specifically, 12 of the 24 reviewed projects that were identified by OMB as being poorly planned did not receive a selection review, and 13 of 28 poorly performing projects we reviewed did not receive an oversight review by a department-level board. To address these weaknesses, we made recommendations to selected agencies to improve their department-level board representation and selection and oversight processes.

- In October 2009, we reported that selected agencies’ policies were not fully consistent with best practices for a key program management tool.\(^\text{13}\) Specifically, most agencies’ policies lacked appropriate earned value management training requirements and

\(^{10}\) GAO-08-925.

\(^{11}\) OMB Memorandum, M-10-27.

\(^{12}\) GAO-09-566.

\(^{13}\) GAO-10-2.
did not adequately define criteria for revising baselines. Earned value management is a project management approach that, if implemented appropriately, provides objective reports of project status, produces early warning signs of impending schedule delays and cost overruns, and provides unbiased estimates of anticipated costs at completion. Additionally, we reported that for 13 of 16 selected investments, key practices necessary for sound earned value management execution had not been implemented. Finally, we estimated the total cost overrun of these investments to be about $3 billion at program completion. We recommended that the selected agencies modify policies to be consistent with best practices, implement practices that address identified weaknesses, and manage negative earned value trends.

Continued Attention Is Needed to Accurately Report Federal Spending and Improve Investment Management

OMB’s IT Dashboard, deployed in June 2009, provides detailed information, including performance ratings, for over 800 major investments at federal agencies. Each investment’s performance data are updated monthly, which is a major improvement from the quarterly reporting cycle used by OMB’s prior oversight mechanisms. As of March 2011, the Dashboard provided visibility into over 300 IT investments in need of management attention (rated “yellow” to indicate the need for attention or “red” to indicate significant concerns)—totaling almost $20 billion. (See fig. 2.)
The Federal CIO stated that the Dashboard has greatly improved oversight capabilities compared to previously used mechanisms, increased the accountability of agencies’ CIOs, and established much-needed transparency.

However, in a series of reviews, we have found that the data on the Dashboard are not always accurate. Specifically, in reviews of selected investments from 10 agencies, we found that the Dashboard ratings were not always consistent with agency performance data.
In July 2010, we reported that cost and schedule performance ratings were not always accurate for selected investments. Specifically, we reviewed investments at the Departments of Agriculture, Defense, Energy, Health and Human Services, and Justice and found that the cost and schedule ratings on the Dashboard were not accurate for 4 of 8 selected investments and the ratings did not take into consideration current performance. For example, the Dashboard rated a Justice investment’s cost performance as “green” from July 2009 through January 2010, but our analysis showed the investment’s cost performance was equivalent to a “yellow” rating, meaning it needed attention. We also found that there were large inconsistencies in the number of investment activities that agencies report on the Dashboard.

In March 2011, we also reported that agencies and OMB need to do more to ensure the Dashboard’s data accuracy. Specifically, we reviewed investments at the Departments of Homeland Security, Transportation, Treasury, and Veterans Affairs, and the Social Security Administration and found that cost ratings were inaccurate for 6 of 10 selected investments and schedule ratings were inaccurate for 9 of 10. We also found weaknesses in agency and OMB practices contributing to the inaccuracies on the Dashboard. In particular, we found that agencies had uploaded inconsistent or erroneous data, failed to submit data, and/or used unreliable source information. Additionally, we found that OMB’s ratings understated some schedule variances and did not emphasize current performance.

In these reviews, we made recommendations to the agencies and OMB aimed at improving data accuracy on the Dashboard. Specifically, we recommended that the selected agencies comply with OMB’s guidance to standardize activity reporting, provide complete and accurate data to the Dashboard on a monthly basis, and ensure that CIO’s ratings of investments disclose issues that could undermine the accuracy of investment data. These agencies

14GAO-10-701.
15GAO-11-262.
generally concurred with our recommendations. We also recommended that OMB improve how it rates investments related to current performance and schedule variance. Further, we recommended that OMB report on the effect of planned changes to the Dashboard and provide guidance to agencies to standardize reporting. OMB agreed with most of these recommendations but disagreed with the recommendation to change how it reflects current investment performance in its ratings because Dashboard data are updated on a monthly basis. However, we maintained that current investment performance may not always be as apparent as it should be; while data are updated monthly, ratings include historical data, which can mask more recent performance.

Drawing on the visibility into federal IT investments provided by the Dashboard, OMB has initiated efforts to improve the management of IT investments needing attention. In particular, in January 2010, the Federal CIO began leading TechStat sessions—a review of selected IT investments between OMB and agency leadership to increase accountability and transparency and improve performance. OMB has identified factors that may result in a TechStat session, such as policy interests, Dashboard data inconsistencies, recurring patterns of problems, or an OMB analyst’s concerns with an investment.

As of December 2010, OMB officials stated that 58 TechStat sessions have been held with federal agencies. According to OMB, these sessions have enabled the government to improve or terminate IT investments that are experiencing performance problems. For example, the June 2010 TechStat on the National Archives and Records Administration’s Electronic Records Archives investment resulted in six corrective actions, including halting fiscal year 2012 development funding pending the completion of a strategic plan. In January 2011, we reported that the National Archives and Records Administration had not been positioned to identify potential cost and schedule problems early, and had not been able to take timely actions to correct problems, delays, and

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cost increases on this system acquisition program.\textsuperscript{16} Moreover, we estimated that the program would likely overrun costs by between $205 and $405 million if the agency completed the program as originally designed. We made multiple recommendations to the Archivist of the United States, including establishing a comprehensive plan for all remaining work, improving the accuracy of key performance reports, and engaging executive leadership in correcting negative performance trends. The Archivist generally concurred with our recommendations.

OMB has also identified 26 additional high-priority IT projects and plans to coordinate with agencies to develop corrective actions for these projects at future TechStat sessions. According to OMB officials, OMB and agency CIOs identified these projects using Dashboard data, TechStat sessions, and other forms of research. As an example of these corrective actions, OMB directed the Department of the Interior to establish incremental deliverables for its Incident Management Analysis and Reporting System, which will accelerate delivery of services that will help 6,000 law enforcement officers protect the nation’s natural resources and cultural monuments.

According to OMB, the TechStat sessions and other OMB management reviews had resulted in a $3 billion reduction in life-cycle costs as of December 2010. Further, OMB officials stated that, as a result of these sessions, 11 investments have been reduced in scope and 4 have been canceled. Additional opportunities for potential cost savings and efficiencies exist through the use of the Dashboard by executive branch agencies to identify and make decisions about poorly performing investments, as well as its continued use by congressional committees to support critical oversight efforts.

In addition, our recent and ongoing work has identified other opportunities for using the Dashboard to increase operational

efficiency and realize cost savings. As part of our first report responding to a statutory requirement that GAO identify duplicative goals or activities in the federal government, we reported on the potential for further significant savings if OMB implements planned improvements to the Dashboard, along with outstanding GAO recommendations.\footnote{GAO, Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue, GAO-11-318SP (Washington, D.C.: Mar. 1, 2011).} We also have ongoing work to evaluate the publicly available data on the Dashboard in order to determine the extent to which agencies may be investing in similar projects, as well as efforts to identify and act on such duplicative investments. As part of that ongoing work, we found that federal agencies invest in hundreds of systems with similar functions, including 602 human resources management systems, 741 supply chain management systems, 436 health systems, and 94 public affairs systems.\footnote{These figures are as of March 2011.} Many of these systems are within a single department. For example, 614 of the 741 supply chain management systems are within the Department of Defense, and 331 of the 436 health systems are within the Department of Health and Human Services. While OMB and selected agencies have undertaken initiatives to reduce duplicative investments, there are opportunities to do more to identify and address such systems. We plan to issue a report on this body of work in September 2011.

While the Dashboard focuses on IT investments, OMB’s other reporting mechanism, USAspending.gov, is to provide detailed information on federal awards, such as contracts, loans, and grants. This site was deployed in December 2007 in response to statutory requirements\footnote{The Federal Funding Accountability and Transparency Act of 2006, Pub. L. No. 109-282, §§ 1 to 4, Sept. 26, 2006, as amended Pub. L. No. 110-252, § 6202(a), June 30, 2008 (31 U.S.C. § 6101 Note).} intended to increase the transparency of and accountability for the over $1 trillion in contracts and financial assistance awarded each year by federal agencies.

In March 2010, we reported that, of nine statutory requirements, OMB had satisfied six, partially satisfied one, and had not yet
satisfied the remaining two. For example, USA spending.gov allowed searches of data by all required data elements and provided for totals and downloadable data. However, OMB had not yet included subaward data on the Web site nor had it yet submitted a required annual report to Congress detailing the use of the site and the reporting burden placed on award recipients. Further, while USA spending.gov contained required fiscal year 2008 data on grants from 29 agencies, 9 agencies did not report a total of 15 awards as required. Moreover, OMB had not implemented a process for identifying nonreporting agencies but instead relied on voluntary agency compliance with its guidance to ensure complete reporting.

In addition, we reported that, in a random sample of 100 awards, numerous inconsistencies existed between USA spending.gov data and records provided by awarding agencies. Each of the 100 awards had at least one required data field that was blank or inconsistent with agency records—or for which agency records lacked sufficient information to evaluate their consistency with data on USA spending.gov. The most common data fields with inconsistencies or omissions included titles describing the purpose of the award and the city where award-funded work was to be performed. These errors could be attributed, in part, to a lack of specific OMB guidance on how agencies should fill in these fields and how they should perform the required validation of their data submissions. In addition, publicly available information that OMB provides on the completeness of agency-provided data did not address a required data field relating to the city where work for the award was to be performed. Accordingly, we recommended that OMB include all required data on the site, ensure complete reporting, and clarify guidance for verifying agency-reported data. OMB generally agreed with our findings and recommendations.

Subsequent to the completion of our USA spending.gov audit work, OMB issued guidance intended to improve the quality of publicly disseminated federal spending data. Specifically, in February 2010,
OMB issued a framework which called for agencies to establish internal controls over the preparation and dissemination of financial data, including data reported to USAspending.gov. Further, agencies are expected to submit to OMB a data quality plan that describes the current processes implemented at their respective agencies. Also, in April 2010, OMB issued guidance which required agencies to report this data to USAspending.gov. This guidance also called for agencies to establish metrics for measuring the quality and completeness of data reported to USAspending.gov and set goals for improvements in data quality.

In summary, OMB's recent efforts have resulted in greater transparency into and oversight of federal spending, but continued attention is necessary to build on the progress that has been made. For example, OMB and federal agencies need to improve the accuracy of information on the Dashboard and USAspending.gov and continue to use OMB's TechStat sessions to address troubled IT investments. In addition, the expanded use of the Dashboard to identify duplicative goals or activities in the federal government, along with the implementation of outstanding GAO recommendations, should result in more effective IT management and delivery of mission-critical systems, as well as further reduction in wasteful spending on poorly managed or unnecessary investments.

Chairman Lankford, Ranking Member Connolly, and Members of the Subcommittee, this concludes my statement. I would be pleased to answer any questions at this time.

**GAO Contact and Staff Acknowledgments**

If you should have any questions about this testimony, please contact me at (202) 512-6253 or by e-mail at willemssenj@gao.gov. Individuals who made key contributions to this testimony are Carol Cha, Assistant Director; Kate Agatone; Eric Costello; Lee McCracken; Colleen Phillips; James Sweetman; and Kevin Walsh.
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