



U.S. TREASURY DEPARTMENT OFFICE OF PUBLIC AFFAIRS

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TESTIMONY OF CHIEF INFORMATION OFFICER MICHAEL D. DUFFY BEFORE THE U.S. SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT INFORMATION, FEDERAL SERVICES, AND INTERNATIONAL SECURITY

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to appear before you to discuss the management of information technology (IT) investments. Like the other Federal agencies represented here today, the Department of the Treasury is diligently working to improve the management of information technology and especially, those investments considered to be “high risk.” The Department has experienced its share of IT challenges in recent years. In response, Secretary Henry Paulson made IT management one of his top priorities when he took over the Department last year. And as the most recent addition to the Secretary’s senior management team, I am fully committed to improving our ability to effectively manage our IT investments and receiving value from these investments on behalf of the Congress and the American Taxpayer. I hope by discussing some of Treasury’s recent and planned actions, and by offering some of my own perspectives, I can contribute to the discussion today. With your permission, I will summarize my remarks and submit my complete written testimony for the record.

My Personal Background

Today, I appear before you honored to serve as the Chief Information Officer (CIO) of the U.S. Department of the Treasury. I began working in this position on September 10th of this year. Since I am relatively new to my position, I would like to preface my comments today by briefly sharing a synopsis of my IT and general management experience. Prior to joining the Treasury Department, I served at the Department of Justice (DOJ) for 15 years, the past 4 as the Deputy CIO for e-Government. In this role, I directed the development of the Justice information sharing strategy, and I led the deployment of a tactical wireless communications system used by federal field agents from multiple agencies. Prior to my tenure as a Deputy CIO, I managed DOJ’s telecommunications program, led the DOJ information security and information technology planning efforts, and architected a department-wide office automation system. In sum, I had a broad array of IT management experiences at DOJ. I will draw on that experience as I undertake my new role as CIO at Treasury.

Strengthening Treasury’s Investment Management Capability through Executive Leadership

The Department of the Treasury has a significant IT investment portfolio that totals \$2.958 in FY08 billion – about 25 percent of its budget – funding 285 discrete investments. Of the total, \$2.398 billion

(81%) funds Treasury's 63 major investments, and the remaining \$560 million support 222 "non-major" investments (i.e., those that cost less than \$5 million annually).

The Department and its bureaus rely significantly on information technology to carry out its extensive and varied mission. Our largest investments are at the Internal Revenue Service (IRS), which relies on IT to administer its tax programs. But the Department also relies on technology for other critical purposes, such as assisting Treasury to analyze financial intelligence information to combat terrorism.

Given the importance and nature of Treasury's IT investments, the Government Accountability Office (GAO) reviewed and issued a report on Treasury's IT management. The July 2007, GAO report found that while Treasury had established many of the capabilities needed to select, control, and evaluate its IT investments, the Department had significant weaknesses. Due to these findings, the GAO identified the need for Treasury to implement an executive level review board to monitor the progress of IT investments through the entire life cycle of the projects. The GAO also recommended that Treasury implement a comprehensive process by which to manage all IT investments, irrespective of size, scope or dollar value.

The Department concurred with the GAO recommendations and began to immediately address the key issues raised. I strongly support these steps and believe this is a clear indication of the commitment of the Department's leadership to rapidly and comprehensively improve Treasury's overall management of IT.

As the new CIO, I have taken a particular interest in the GAO's findings and recommendations. I believe regular engagement of our Department and bureau executives and continuous attention to the progress of Treasury IT investments are integral to Treasury's successful planning, implementation and use of IT. Indeed, effective management of IT is a prerequisite for effective use of IT to facilitate accomplishment of Treasury's mission. I am committed to working collaboratively across the Department – as well as with the Office of Management and Budget and the Congress – to ensure Treasury IT expenditures provide value for the Department and the citizens we serve.

In the coming months, the Department intends to make several key changes to address its IT management issues. Per the GAO's recommendation, we will revitalize the Executive Investment Review Board during the first quarter of FY 2008, in order to bring greater executive and leadership involvement in Treasury's management of IT. We will also use this forum to further ensure our IT portfolio decisions are driven by our business requirements and strategies. Additionally, we will be reviewing our existing IT management organizations and processes to assess their maturity and effectiveness. Finally, we intend to better leverage existing management tools and processes that can be used coincidentally to improve investment management capabilities across Treasury.

As we work towards addressing our IT management issues in the coming months, the Treasury Investment Review Board, which is comprised of the Department's senior-level IT executives, will continue to perform oversight assessments of IT investments consistent with our continued commitment to the Clinger-Cohen Act. Additionally, I will be offering to participate in governance and investment review boards at the bureau level.

Notwithstanding the planned changes I just mentioned, I note that the Department has already taken a number of steps to improve Treasury IT management. To ensure that all IT investments receive comprehensive oversight, the Department began implementing process changes in June 2007 to ensure that "non-major" investments are formally selected by the appropriate Treasury Governance Board and reviewed quarterly to validate cost, schedule, and performance goals. The Department established a Capital Planning and Investment Control Working Group which will convene shortly to implement changes needed to ensure that the Department and its bureaus perform in a comprehensive manner the four core disciplines of IT capital planning: the Pre-Select, Select, Control and Evaluate functions.

Recognizing the importance of managing IT from an enterprise perspective, the Department currently collaborates with bureau executives from both the IT and business side. This collaboration ensures active stakeholder engagement which helps validate the alignment of IT investments with the Department's business requirements. Finally, the Department currently interacts with industry users through its Chairmanship role on the Federal User Group for its portfolio management tool "Prosight." In this capacity, the Department participates in a variety of discussions on best practices and emerging strategies in effective IT portfolio management.

Conclusion

In summary, the Department has made significant strides in the past year to improve the management and performance of its information technology resources. We believe these efforts and the actions through which we plan to fully engage executive stakeholders across the Department will result in significant progress towards implementing comprehensive IT investment management at Treasury. In so doing, Treasury IT programs will provide value-added services to the bureaus and offices performing Treasury mission functions, and we will do so in a manner mindful of the citizen taxpayer's investments in those programs.

Thank you for the opportunity to participate on this panel. I would be happy to answer any questions that you have at this time.