



Highlights of [GAO-08-951](#), a report to Subcommittee on Financial Services and General Government, Committee on Appropriations, U.S. Senate

Why GAO Did This Study

In 2008, the Department of Treasury (Treasury) plans to spend approximately \$3 billion on information technology (IT) investments—the third largest planned IT expenditure among civilian agencies. To more effectively manage such investments, in 2005 the Office of Management and Budget required agencies to use earned value management (EVM). EVM 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 a program’s total costs.

GAO was asked to assess whether the department and its key component agencies (1) have the policies in place to effectively implement EVM and (2) are adequately using EVM techniques to manage critical system investments. GAO compared agency policies to best practices identified in the *Cost Assessment Guide* and reviewed the implementation of key EVM practices for several investments.

What GAO Recommends

GAO is recommending that the Secretary of Treasury define a comprehensive EVM policy consistent with best practices and establish a process for ensuring effective EVM implementation. In written comments on a draft of the report, Treasury agreed with the report findings and recommendations.

To view the full product, including the scope and methodology, click on [GAO-08-951](#). For more information, contact David Powner at 202-512-9286 or PownerD@gao.gov.

INFORMATION TECHNOLOGY

Treasury Needs to Better Define and Implement Its Earned Value Management Policy

What GAO Found

The Department of Treasury’s EVM policy is not fully consistent with best practices. Specifically, of seven best practices that leading organizations address in their policies, Treasury’s policy fully addresses three, partially addresses three, and does not address the training component (see table below). According to the Director for Capital Planning and Investment Control, the department is currently working on revising its policy and according to Deputy Assistant Secretary for Information Systems and Chief Information Officer expects to finalize it by October 2008. Until Treasury develops a comprehensive policy to guide its efforts, it will be difficult for the department to optimize the effectiveness of EVM as a management tool.

The department and its bureaus are not fully implementing key EVM practices needed to effectively manage their critical system investments. Specifically, the six programs at Treasury that GAO reviewed were not consistently implementing practices needed for establishing a comprehensive EVM system, ensuring that data from the system are reliable, and using the data to help manage the program. For example, when executing work plans and recording actual costs, a key practice for ensuring that the data resulting from the EVM system are reliable, only two of the six investments reviewed incorporated government costs with contractor costs. These weaknesses exist in part because Treasury’s policy is not comprehensive and because the department does not have a process for ensuring effective EVM implementation. Unless the department consistently implements fundamental EVM practices, it may not be able to effectively manage its critical programs.

Table: Seven Key Components of an Effective EVM Policy

Policy component	Assessment of Treasury policy
Establish clear criteria for which programs are to use EVM	Fully addressed
Require programs to comply with national standards	Partially addressed
Require programs to use a standard structure for defining the work products that enables managers to track cost and schedule by defined deliverables (e.g., hardware or software component)	Partially addressed
Require programs to conduct detailed reviews of expected costs, schedules, and deliverables (called an integrated baseline review)	Fully addressed
Require and enforce EVM training	Not addressed
Define when programs may revise cost and schedule baselines (called rebaselining)	Fully addressed
Require system surveillance—routine validation checks to ensure that major acquisitions continue to comply with agency policies and standards	Partially addressed

Source: GAO *Cost Guide: Exposure Draft* (GAO-07-1134SP) and analysis of Treasury data.