



Highlights of [GAO-06-1099T](#), a testimony before the Subcommittee on Federal Financial Management, Government Information and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

The Office of Management and Budget (OMB) plays a key role in overseeing federal IT investments. The Clinger-Cohen Act, among other things, requires OMB to establish processes to analyze, track, and evaluate the risks and results of major capital investments in information systems made by agencies and to report to Congress on the net program performance benefits achieved as a result of these investments.

OMB has developed several processes to help carry out its role. For example, OMB began using a Management Watch List several years ago as a means of identifying poorly planned projects based on its evaluation of agencies' funding justifications for major projects, known as exhibit 300s. In addition, in August 2005, OMB established a process for agencies to identify high risk projects, i.e., projects requiring special attention because of one or more reasons specified by OMB, and to report on those that are poorly performing or not meeting performance criteria.

GAO recently issued reports on the Management Watch List, high risk projects, and agencies' exhibit 300s. GAO was asked to summarize (1) the number of projects and the fiscal year 2007 dollar value of Management Watch List and high risk projects, (2) previously reported results on how these projects are identified and provided oversight, and (3) recommendations it made to improve these processes.

[www.gao.gov/cgi-bin/getrpt?GAO-06-1099T](http://www.gao.gov/cgi-bin/getrpt?GAO-06-1099T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact David A. Powner at (202) 512-9286 or [pownerd@gao.gov](mailto:pownerd@gao.gov).

## INFORMATION TECHNOLOGY

# Improvements Needed to More Accurately Identify and Better Oversee Risky Projects Totaling Billions of Dollars

## What GAO Found

As a result of the Management Watch List and high risk projects processes, about 300 projects totaling about \$12 billion in estimated IT expenditures for fiscal year 2007 have been identified as being either poorly planned or poorly performing. Specifically, of the 857 major IT projects in the President's budget for fiscal year 2007, OMB placed 263 projects, representing about \$10 billion on its Management Watch List. In addition, in response to OMB's memorandum, agencies reported that 79 of 226 high risk projects, collectively totaling about \$2.2 billion, had a performance shortfall.

While this information helps to focus both agency and OMB management attention on these poorly planned and poorly performing projects, GAO identified opportunities to strengthen how these projects are identified and provided oversight.

- The Management Watch List may be undermined by inaccurate and unreliable data. OMB uses scoring criteria to evaluate agencies' exhibit 300s to derive the projects on its Management Watch List. GAO's detailed evaluation of exhibit 300s showed that the information reported in them is not always accurate or supported by documentation.
- The criteria for identifying high risk projects were not always consistently applied and projects that appeared to meet the criteria were not identified as high risk. Without consistent application of the high risk criteria, OMB and agency executives cannot have the assurance that all projects that require special attention have been identified.
- For both sets of projects, OMB did not develop a central list of projects and deficiencies that could facilitate tracking progress and reporting to Congress. Without such lists, OMB is not fully exploiting the opportunity to analyze and track these projects on a governmentwide basis and not involving Congress in the oversight of these projects with risks.

To improve the way the Management Watch List and high risk projects are identified and provided oversight, GAO has made a number of recommendations to the Director of OMB. These recommendations include directing agencies to improve the accuracy and reliability of exhibit 300 information and to consistently apply the high risk criteria defined by OMB. In addition, GAO recommended that the Director develop a single, aggregate list for both the Management Watch List and high risk projects to facilitate tracking progress, performing governmentwide analysis, and reporting the results to Congress. OMB generally disagreed with these recommendations. However, GAO believes that they are needed to provide greater assurance that poorly planned and poorly performing projects are more accurately identified and provided oversight, and ultimately ensure that potentially billions of taxpayer dollars are not wasted.