



Highlights of [GAO-06-11](#), a report to the Chairman, Committee on Finance, U.S. Senate

## INFORMATION TECHNOLOGY

# HHS Has Several Investment Management Capabilities in Place, but Needs to Address Key Weaknesses

### Why GAO Did This Study

The Department of Health and Human Services (HHS) is one of the largest federal agencies, the nation's largest health insurer, and the largest grant-making agency in the federal government. The department manages over 300 programs that serve to improve the health and well-being of the American public. To support these programs, the department funds numerous information technology (IT); in fiscal year 2006, it plans to spend over \$5 billion on IT. GAO was asked to evaluate HHS's processes for making IT investment management decisions. Specifically, the objectives of this review were to (1) assess the department's capabilities for managing its IT investments and (2) determine what plans, if any, the department might have for improving those capabilities.

### What GAO Recommends

To strengthen HHS's investment management capability, GAO recommends that HHS develop and implement a plan to address the weaknesses identified in this report. In written comments on a draft of this report, HHS generally agreed with our findings and recommendations and stated that it will leverage the report in its continuing efforts to improve its investment management processes.

[www.gao.gov/cgi-bin/getrpt?GAO-06-11](http://www.gao.gov/cgi-bin/getrpt?GAO-06-11).

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

### What GAO Found

Judged against the criteria of GAO's framework for information technology investment management (ITIM), which measures the maturity of an organization's investment management processes, HHS has established 63 percent of the foundational practices that it needs to manage its IT investments individually; and 30 percent to manage its investments as a portfolio (see table below). Specifically, HHS has implemented processes to ensure that projects support business needs and meet users' requirements, established a process for selecting investments, and has created portfolio selection criteria. However, weaknesses remain in several areas. The department's senior investment board does not regularly review component agencies' IT investments, leaving close to 90 percent of its discretionary investments without an appropriate level of executive oversight. In addition, HHS does not evaluate the performance of its portfolio on a continuing basis or conduct postimplementation reviews. Finally, HHS currently has no structured mechanism in place to ensure that the component agencies are defining and implementing investment processes that are aligned with those of the department. Until HHS establishes the practices it needs to effectively manage its IT investments, executives cannot be assured that they are appropriately selecting, managing, and evaluating the mix of investments that will maximize returns to the organization, taking into account the appropriate level of risk.

HHS has initiated efforts to improve its investment management processes, but has not coordinated these and additional efforts that would be needed to address the weaknesses we identify in a comprehensive plan that defines and prioritizes improvements to the investment process. Such a plan is instrumental in helping HHS to coordinate and guide its improvement efforts and sustain its commitment to the efforts already under way. Without such a plan and procedures for implementing it, the department risks being unable to effectively establish mature investment management capabilities. As a result, executives may not be able to make informed and prudent investment decisions in managing HHS's multibillion-dollar IT budget.

**HHS's Current IT Investment Management Capabilities**

Stage 2: Building the investment foundation	Percentage of key practices executed	Stage 3: Developing a complete investment portfolio	Percentage of key practices executed
Instituting the investment board	63	Defining the portfolio criteria	71
Meeting business needs	100	Creating the portfolio	43
Selecting an investment	70	Evaluating the portfolio	0
Providing investment oversight	0	Conducting postimplementation reviews	0
Capturing investment information	83		
<b>Overall</b>	<b>63</b>	<b>Overall</b>	<b>30</b>

Source: GAO.