

STATEMENT OF
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OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE
COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY,
INTERGOVERNMENTAL RELATIONS, AND THE CENSUS
U.S. HOUSE OF REPRESENTATIVES

Mr. Chairman and Members of the Subcommittee,

Thank you for the opportunity to appear before the Subcommittee to discuss efforts by the Federal government to maximize our return from technology investments, nearing **\$60** billion, across agency boundaries. Because IT investments are so critical to the missions of government, I welcome the opportunity to inform you of the Administration's efforts on this very important issue.

On March 13th of this year, I testified that one of six long-standing major IT management problems for the federal government is investing in duplicative IT initiatives. I stated that the Administration's policy calls for agencies to make maximum use of shared IT solutions and to stop redundant IT purchases, and that Best Practices in private industry create several opportunities for savings. Furthermore, in keeping with the market-based approach of the President's Management Agenda, I noted that three practices in the private sector also are applicable to the federal government, involving consolidation and integration of IT:

- around the customer,
- within a line of business or function, and
- around IT infrastructure.

So, my testimony today updates the Committee on the Administration's efforts to consolidate and integrate IT investments within a line of business or function.

The Administration's Electronic Government Strategy

Delivering better results for the citizen is at the heart of the Administration's Electronic Government vision. As I have previously testified before this committee, Expanding Electronic Government, or "E-Government," is one of the five key elements of the President's Management Agenda. This effort is designed to make better use of information technology (IT) investments to eliminate billions of dollars of wasteful federal spending, reduce the government's paperwork burden on citizens and businesses, and improve government responsiveness to citizens.

As I have discussed in previous hearings, the President's Expanding E-Government initiative focuses on both individual agency and cross agency efforts. There are 24 cross agency E-Government initiatives that are grouped into 4 citizen centered portfolios: Government to Citizen, Government to Business, Government to Government, and Internal Efficiency and Effectiveness. These 24 projects consolidate redundant initiatives around citizen needs.

The President's 2004 budget has identified significant additional opportunities for consolidating redundant IT investments in office automation and infrastructure and the lines of business (LOB) of the federal government. Specifically, it is clear from our work on the Federal Enterprise Architecture (FEA) and the Business Reference Model (BRM) that significant opportunities exist to streamline, integrate, and consolidate IT investments to support performance of LoB's that are conducted in multiple agencies. As stated in the President's 2004 Budget, the consolidation of IT efforts around LoB's is one of the primary targets for FY04 improvements in IT management, yielding increased efficiency and effectiveness of agencies in performing their primary missions. It is essential that the FEA work which identified 39 lines of Business in government, move forward to identify cross-agency opportunities to streamline process and deliver higher service at lower costs.

The purpose of our work in this area is twofold: first, to identify cross-government opportunities for efficiencies and effectiveness; and second, to reduce cost and accelerate deployment of high value IT projects by leveraging cross agency approaches. Consequently, OMB initiated assessments of how to improve IT program performance within LoB's and identified sponsors for business case development efforts. The analysis of the potential in LoB's was completed at the end of June. Phase 2 of the project, creating the business cases for the LoB initiatives is targeted to be completed prior to the start of FY04.

Maximizing Technology Investments Across Agency Boundaries – Phase 1

In 2002, OMB developed the BRM which is the foundation of the FEA. Last month, OMB released the second version of the Business Reference Model . It describes the federal government's LoB's, including operations and services to the citizen, independent of the Agencies, bureaus, and offices that perform them. The outcome of using the FEA for IT decision-making will be a more citizen-centered, customer-focused government that maximizes technology investments to better achieve mission outcomes. As the FY04 Budget indicated, "The policy of the Administration is that IT transformation will be based on consolidation along LoB's and citizen needs: agencies will have to make the business case for developing a unique solution."

As a result of deployment and use of the FEA BRM in evaluating 2004 agency IT budgets requests, an initial six LoB's were identified for potential consolidation and integration opportunities: Public Health Information, Criminal Investigations, Financial Management, Human Resources, Monetary Benefits, and Data and Statistics. The scope of this assessment was federal government-wide and focused on opportunities to better use IT while improving results across agencies in each LOB.

Line Of Business Opportunity Analysis for Maximizing Technology Investments Across Boundaries

The President's Management Council E-Government Committee had been introduced to the notion of cross-agency LoB initiatives at the January 2003 meeting and requested more information. Subsequently an Opportunity Assessment was launched as Phase 1 of the Administration's LOB consolidation efforts. To go forward on this initiative, \$500,000 was requested and received from the E-Government Fund in FY03. This money was used for the following tasks:

- Establish a framework that guided the LoB teams during the opportunity assessment
- Assessment of the current state to identify overlaps, redundancies, integrations, consolidation points
- Conceptual Definition of solution vision/opportunities
- Compile data and prepare a report on the problem/opportunity, range of alternatives identified, recommendations, and next steps to OMB

The external study, which included agency specific participation, focused on nearly \$4 billion in investments, with potential for significant savings and performance improvement opportunities during the FY04-08 timeframe. Overall, the assessment identified \$25 billion for FY04 through FY08 in 364 planned or ongoing major IT investments across the six LoB's. In addition, over 100 of the business cases did not include cost estimates beyond FY04, so the planned spending will exceed \$25 billion. The Table below displays the study findings on planned spending for the six LOBs during FY04-FY08. It should be noted that these numbers are low because several business cases lacked outyear cost estimates.

(In \$Millions)			
Line of Business	Number of Project Requests	Spend FY04	Spend FY05-08
Criminal Investigations	74	\$ 1,445	\$ 7,258
Public Health Monitoring	15	\$ 84	\$ 404
Financial Management	120	\$ 449	\$ 1,749
Human Resources	72	\$ 921	\$ 3,009
Data & Statistics	55	\$ 1,049	\$ 6,502
Monetary Benefits	20	\$ 109	\$ 1,769
Total Business Cases	364 *	\$ 4,057	\$ 20,701
		\$ 24,748**	

* Estimate refined from E-Gov PMC January 2003 briefing of 339 business cases of \$6.8B for FY03 and FY04.

** The potential 5-year spend is understated given outyear uncertainty.

Criminal Investigations - includes the systems that support the federal government's criminal investigation activities. Initial review revealed an estimated \$180 million in investments, with the potential for significant savings.

Public Health Monitoring - involves activities associated with monitoring the public health and tracking the spread of disease. There exists \$250 million in planned investment, with the potential for significant savings.

Core Financial Management - involves the aggregate set of accounting practices and procedures that allow for the accurate, efficient, transparent, and effective handling of all government revenues, funding, and expenditures. This includes cost management, funds management, financial reporting, general ledger management, payment management and accounts receivable management. The study identified over \$1.9 billion in financial projects that are candidates for significant savings.

Human Resources - includes all activities associated with the recruitment, management and separation of employees. It includes recruitment, staffing, employee and labor relations, advancement and awards, benefit management, payroll management and expense reimbursement, resource training and development and security clearance management. Based upon a review of systems in the Human Resources business line, the study identified planned spending requests of over \$700 million, with the potential for significant savings.

Data and Statistics - includes activities performed in providing data and information pertaining to the current state of the nation in areas such as the economy, labor, weather, international trade, etc. Total investments of nearly \$680 million were identified, with the potential for significant savings.

Monetary Benefits - involves the allocation of money to members of the public for retirement (e.g., Social Security), welfare, unemployment, medical services (e.g., Medicare, Medicaid), and other related services. Initial review revealed an estimated \$280 million in investments with the potential for significant savings.

The assessment segmented the 364 investment requests into three groups: redundant with the Presidential E-Government initiatives; not addressable through consolidation; and relevant for a cross-agency LOB consolidation approach. The assessment identified consolidation and multi-agency leverage integration opportunities on the basis of reviews of the IT investment business case data (OMB form 300), focus groups, questionnaires, analysis by agency subject matter experts and industry best practices.

The data collected and evaluated for the investments was scrutinized using a proven life-cycle methodology developed by Forrester Research called "Techstrategy." The approach evaluates; technology leadership, business process, infrastructure and technology selection across vertical markets or business areas. This approach mirrored our approach in that we are assessing the

depth of an organization's programs across vertical lines of business. Risk factors were also identified and measured by the Software Program Management Network and Program Management Institute criteria.

The study team recommended follow-on actions associated with approximately \$10 billion dollars spread across 100 IT investments. The assessment recommended that cross agency business cases be developed on the opportunities identified in four LoB's (Public Health Architecture, Criminal Investigations Case Management, Core Financial Management and Human Resources Information Systems). The opportunities were estimated to yield about \$3 billion savings over FY04-08, as well as accelerating availability of IT for some agencies and improving program results for the four LoB's. The assessment also found cross-agency near-term cost savings opportunities in government-wide software licensing for processing statistical data, which does not require a business case and is being pursued under the leadership of the Census Bureau. Additional agency specific recommendations were identified and forwarded to agencies.

Attached as an exhibit is a supporting graph illustrating the cross-agency LOB initiatives with findings, opportunities and recommendations.

Conclusion and Next Steps

The President's Management E-Government Council met in late June to review the outcome of the work on cross-agency opportunities for better managing IT investments in the six LoB's. Although the PMC did not take any specific actions as a result, OMB is now working with the PMC and the agencies on proceeding with Phase 2 of LOB initiative, which will yield a business case for action where practicable. Teams composed of representatives of each partner agency, the lead agency or "business line owner", and appropriate OMB official(s) are being established with the externally retained experts to conduct a thorough assessment of the potential redundancies in each business line. Based on these assessments, funding could be aligned and managed by the business line owners. A portion of the savings from eliminating redundant systems within these business lines could be re-allocated to higher priority activities, as appropriate, in coordination with the agency.

Accordingly, after discussions with the PMC E-Government Committee, the Administration is moving forward with business case development in the four areas. HHS is taking the lead on Public Health Architecture. Justice is taking the lead on Criminal Investigations Case Management and there will be a lead identified for the HR Information Systems initiative, in conjunction with the Chief Human Capital Officers Council. The Executive Branch will continue to further develop the Core Financial Management business case with CFO council input. We expect to be in a position to proceed directly with congressional consultation concerning support from the E-Government fund (administered by GSA) for Phase 2 of this project; which will result in business case development supporting these LOB initiatives. Finally, I would like to leave you with some of the Administration's performance targets this year as a result of these efforts:

1. The necessary business cases will be developed.
2. Integration will begin to occur within the **LOB'S**.
3. Dollars will be used more effectively with the programs for which they were appropriated.

In conclusion, while the Government has made significant progress in implementing E-Government to better serve the citizen effectively, work remains. We must work to rationalize our architecture to eliminate redundant IT investments that are both costly and often create an unnecessary burden on the citizen. Our work is just the beginning of this effort, and it is critically important to the success of this effort that OMB receive the six architects requested in the **FY04** Budget -- to move forward in architecting an government-wide approach to more effectively use IT across agencies. There should be no doubt, however, that the empowerment of agencies to modernize and work on a cross-agency basis through joint submissions will point to where we can free dollars, for use in more pressing areas serving their core missions to the constituents.

RECOMMENDATIONS & NEXT STEPS

AREA	RECOMMENDATION	OPPORTUNITY	NEXT STEP
Criminal Investigation	<ul style="list-style-type: none"> ▪ Develop detailed business cases identifying the opportunity, agencies affected, costs, and schedule ▪ Establish a cross-department governance structure for identification and development of shared resources ▪ Conduct a joint analysis/review of VISIT program by DOJ and DHS to ascertain overlap and potential savings in pre-RFP stage of the programs lifecycle (already in progress elsewhere will piggy-back) 	<ul style="list-style-type: none"> • Reduced acquisition and implementation costs, license fees, maintenance and operations costs • Improved law enforcement effectiveness from information sharing • Prevents physical and economic damage to the homeland and better protects the lives and livelihood of citizens • Potential savings 	Moving forward on each recommendation. Complete business case by September.
Public Health Monitoring	<ul style="list-style-type: none"> ▪ Develop business case to establish Federal Health Architecture. ▪ Define analysis and implementation strategies for disease surveillance and patient safety consolidations ▪ Establish a governance policy to review and coordinate federal health initiatives across government agencies ▪ Assess current inventory and define best practices for standardization ▪ Commence articulation of architecture for the public health line of business to stakeholders as a means to establish early momentum for this project 	<ul style="list-style-type: none"> • Reduced acquisition and implementation costs, license fees, maintenance and operations costs • Reduce costs of data collection and distribution • Reduce cycle time to alert officials to critical public health information • Potential savings 	Moving forward on each recommendation. Complete business case in September.
Financial Management	<ul style="list-style-type: none"> ▪ Identify approach for reducing redundant investments ▪ Develop a business case 	<ul style="list-style-type: none"> • Reduced acquisition and implementation costs, license fees, maintenance and operations costs • Improve timeliness of financial transactions • Improved financial management information for making program decisions 	Moving forward on each recommendation. Leadership roles to be determined with CFO council. Complete business case by September.
Human Resources	<ul style="list-style-type: none"> ▪ Develop business case to establish HRIS consolidation case ▪ Endorse OPM sponsorship role, identify PM ▪ Establish a strategy and governance policy to develop, operate, maintain, and enforce personnel transaction processing systems across Federal agencies ▪ Confirm degree of overlap of 32 investment requests identified with E-Gov initiatives. 	<ul style="list-style-type: none"> • Reduced acquisition and implementation costs, license fees, maintenance and operations costs • Reduced administrative cost per Federal employee (e.g., servicing cost ratio) • Improve human capital management due to better reporting capabilities • Potential savings 	Moving forward on each recommendation. Leadership roles to be determined with CHCO council. Complete business case by September.
Data and Statistics	<ul style="list-style-type: none"> ▪ Establish interagency working group to lead effort ▪ Conduct inventory and requirements analysis ▪ Conduct necessary procurement ▪ Conduct business process analysis ▪ Leverage FedStats interagency process 	<ul style="list-style-type: none"> • Reduced license fees, maintenance and operations costs • More efficient data collection and processing activities • Reduction in costs in producing federal statistics • Potential savings 	It was felt this was already occurring and did not need discussion/business case. Follow-up by Census Bureau to determine other partners.
Monetary Benefits	<ul style="list-style-type: none"> ▪ Consolidate SSA planning & Acquisition initiatives for citizen-centered payment services 	<ul style="list-style-type: none"> • Potential savings 	Follow-up necessary by SSA.