

TIME TO REFORM IT ACQUISITION: THE FEDERAL IT ACQUISITION REFORM ACT

HEARING

BEFORE THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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TIME TO REFORM IT ACQUISITION: THE FEDERAL IT ACQUISITION REFORM ACT

Wednesday, February 27, 2013.

HOUSE OF REPRESENTATIVES,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
Washington, D.C.

The committee met, pursuant to notice, at 9:30 a.m. in room 2154, Rayburn House Office Building, the Honorable Darrell E. Issa [chairman of the committee], presiding.

Present: Representatives Issa, Cummings, Mica, Farenthold, McHenry, DesJarlais, Lankford, Walberg, Turner, Lummis, Connolly, Cardenas, Horsford, Davis, Tierney, Duckworth, Pocan, Grisham, Duncan and Amash.

Staff Present: Ali Ahmad, Majority Communications Advisor; Richard A. Beutel, Majority Senior Counsel; Robert Borden, Majority General Counsel; Molly Boyd, Majority Parliamentarian; Lawrence J. Brady, Majority Staff Director; Sharon Casey, Majority Senior Assistant Clerk; John Cuaderes, Majority Deputy Staff Director; Gwen D'Luzansky, Majority Research Analyst; Linda Good, Majority Chief Clerk; Mark D. Marin, Majority Director of Oversight; Peter Warren, Majority Legislative Policy Director; Rebecca Watkins, Majority Deputy Director of Communications; Meghan Berroya, Minority Counsel; Krista Boyd, Minority Deputy Director of Legislation/Counsel; Jennifer Hoffman, Minority Press Secretary; Carla Hultberg, Minority Chief Clerk; Elisa LaNier, Minority Deputy Clerk; Dave Rapallo, Minority Staff Director; Rory Sheehan, Minority New Media Press Secretary; Mark Stephenson, Minority Director of Legislation; and Thomas Cecelia, Minority Counsel.

Chairman ISSA. The committee will come to order.

I will read the Oversight Committee's mission statement. We exist to secure two fundamental principles. First, Americans have a right to know the money Washington takes from them is well spent. And second, Americans deserve an efficient, effective Government that works for them.

Our duty on the Oversight and Government Reform Committee is to protect these rights. Our solemn responsibility is to hold Government accountable to taxpayers because taxpayers have a right to know what they get from their Government. We will work tirelessly in partnership with citizen watchdogs to deliver the facts to the American people and bring genuine reform to the Federal bureaucracy.

Today, in order to move that purpose forward, we hold the second Full Committee hearing this year concerning Federal Government's approximately \$80 billion Information Technology Budget.

We are all well aware that the Government Accountability Office and others have repeatedly identified problems and challenges in the area and this hearing is continuation toward a grand solution.

One solution at the center of our discussion today is the draft IT Acquisition Reform legislation I posted on the Committee's website last fall. In recent months, we have received generous feedback on the draft bill from more than a dozen parties, actually more than 20 parties, some of them here today.

We are going to continue with that feedback and continue having the public know what the feedback is. Ultimately, getting the whole system right requires not just that people tell us how to improve it, but that the rest of the public sees what we are being told and can further comment. We believe that this open dialogue is the best way, once and for all, to prove to the public that in the light of day, in clear transparency, we can, in fact, find the best of all suggestions, evaluate them, have our evaluations public and then, ultimately, produce better legislation.

A number of things that we have come, or this Chairman has come to believe, every agency needs one Chief Information Officer who is clearly in charge. There are 243 CIOs in 24 major agencies. The Department of Transportation alone has 35 CIOs. That does not mean that the job is to layoff 34 CIOs. But there has to be a structure including a chain of command and including real authority to spend the money better, to be held accountable for that money and ultimately what budget authority needs and a CIO needs is to stop quickly when that money clearly is not being as well spent as was anticipated. The nature of why we have administration is not simply to spend the money that Congress allocates, but rather to spend it better than could be possibly considered at the beginning of the project.

The third point that we have come to believe is that consolidated resources and expertise make smarter purchases. That does not mean that it needs to be consolidated in one place. But for any given area of expertise there needs to be a best of that you go to. Accomplishing these major reforms will not be easy. It will not be done on a partisan basis. It will not be done only in the House of Representatives. At the heart of the effort is, in fact, the open dialogue about how we produce effective spending but not so we buy IT for a few dollars less, but, in fact, so that we can protect taxpayer dollars from further waste, fraud, and abuse and mismanagement.

Ultimately, IT is the tool to save and to better spend \$3.5 trillion, not about the \$80 billion that we spend on IT.

And with that, I am please to recognize the Ranking Member for his opening statement.

Mr. CUMMINGS. Thank you very much, Mr. Chairman, and I want to thank you for holding this hearing today and picking up where you left off.

What you are talking about, Mr. Chairman, is effectiveness and efficiency. And I think that is a good, those are good words to capulize what we are trying to do here. Holding this hearing today on the need to reform Government's information technology and acquisition policy is so very important. And I certainly commend you on your bipartisan approach to developing the legislation we are

considering today, the Federal IT Acquisition Reform Act, and I appreciate that you made a draft of the bill publicly available for comment.

I also want to recognize Representative Gerry Connolly, the Ranking Member of the Government Operations Subcommittee, for his critical work on these technology issues. Back in May of 2012, we held a forum in his district. It was well attended and it was one that yielded a lot of very valuable information and I know that he was very pleased, and I was very pleased, to be a part of that.

A significant portion of the Federal IT Acquisition Reform Act is based on Ranking Member Connolly's legislation on consolidating Federal data centers and I appreciate you making sure that, again, this is a bipartisan effort. I agree with both you, Mr. Chairman, and Ranking Member Connolly that reforms are needed to ensure that the Federal Government is making wise and efficient investments in information technology. Every full Committee hearing so far in this Congress has focused on wasteful spending, including some in IT investments.

Two weeks ago, the Government Accountability Office issued its newest high risk report which includes several IT investments. For example, the Department of Defense has contracts for a number of enterprise resource planning systems to modernize the management of logistics, finances and business operations. GAO and the Pentagon's Inspector General have found that many of these contracts are behind schedule and significantly over budget. For instance, a contract to streamline the Army's Inventory of Weapons System is unbelievably 12.5 years behind schedule. That is simply incredible. And, almost \$4 billion over budget.

Effective oversight is one of the best weapons against this kind of wasteful spending. Congress has a duty to conduct oversight as well as an obligation to give agencies the tools they need to conduct their own oversight. Agencies need more well-trained acquisition personnel to effectively oversee complex systems and to ensure that the Government is a smart and diligent consumer. The Federal IT Acquisition Reform Act recognizes this need.

Congress must also ensure that agencies have the resources to hire and retain acquisition professionals. Almost every witness we hear from today will testify that the acquisition workforce is critical to ensuring that the Government is spending its money wisely.

However, just two weeks ago the House voted to extend the freeze on Federal employee pay for a third consecutive year. And even worse, at the end of this week, hundreds of thousands of employees, including critical acquisition workforce personnel across every agency, will face furloughs as a result of the indiscriminate across-the-board cuts to agency budgets imposed by this sequester.

We need these employees. Instead of repeatedly attacking these key Federal workers, Congress should be pursuing ways to retain their expertise, train them in the most cutting edge techniques, and support their critical work. If we do that, it will pay for itself over and over and over again.

So, I want to thank each of our witnesses for testifying today. I look forward to hearing your thoughts on how Congress can most effectively and efficiently modernize the way the Government does business and save taxpayers money.

And again, Mr. Chairman, I want to thank you. And I yield back. Chairman ISSA. I thank the gentleman.

We now recognize the Chairman of the Subcommittee, the gentleman from Florida, Mr. Mica.

Mr. MICA. Thank you, Mr. Chairman, and thank you, Mr. Cummings, for holding this hearing. And it is extremely important, especially as we face in the next matter of hours, almost now, a very difficult time with our Nation's finances, looking for ways to cut spending, to eliminate waste, fraud and abuse, that we focus on the dysfunctional manner in which Government agencies acquire essential resources such as the very basic tools that we have in our operations today, our Government operations, of computers, software, business systems which are absolutely essential to efficiently run Government.

It does not appear that just throwing money at these problems or spending is, or lack of spending, that is the issue. In fact, between Fiscal Years 2002 and 2012, we grew from about one-quarter of a trillion to half a trillion dollars. The spending went from \$264 billion to \$514 billion. So, half a trillion dollars is a significant amount of money.

But I think what we will hear today, too, and I hope with Mr. Connolly, working with him, to drill down and look at some of the instances where we can and we must do a better job, but there are instances of again, wasteful approaches. And we will hear today from GAO, they found that in almost all cases in which IT investments are underperforming, the lack of overall skills and experience of the government-led program management team is the underlying issue. And I think that it is something that we are going to focus on.

Another area that interests me, coming from the private sector, you could never operate a business the way we do Government and these Government agencies. But I would like to look in depth with Mr. Connolly and the Committee on duplicative IT operations. In fact, we will hear today that GAO reports in Fiscal Year 2011, our Government funded the acquisition of 622 separate human resources systems at a cost of \$2.4 billion, 580 financial management systems at a cost of \$2.7 billion, 777 supply chain management systems at a cost of \$3.3 billion, and the list continues. Most of these back office systems perform the same function.

And I think it is important, the Chairman has worked on this, the Committee has worked on this, he has proposed legislation that has lagged in adoption and it can solve some of these problems. We will hear more details from some of our witnesses today, work with them, and hopefully we can get this legislation moving and adopt the reforms that are necessary to correct the problems that will be exposed here again today in this hearing.

Thank you again. I yield back the balance of my time.

Chairman ISSA. I thank the gentleman.

We now recognize the gentleman from Northern Virginia, Mr. Connolly.

Mr. CONNOLLY. Thank you, Mr. Chairman, and I want to thank you, and I particularly want to thank the Ranking Member, Mr. Cummings, for his very gracious remarks.

I find myself in full agreement with everything you have said this morning, Mr. Chairman, Mr. Mica has just said and Mr. Cummings has said. When it comes to Federal management of IT, I am reminded of John Kennedy's slogan in his first race for the Senate, the United States Senate in my home State of Massachusetts. His slogan was we can do better. And when it comes to the management of Federal IT, we can and must do better, whether it is commercial, off-the-shelf IT product management or major mission critical custom IT programs.

Today, Federal IT acquisition is a cumbersome, bureaucratic and wasteful, often wasteful, exercise. In recent decades, taxpayers have watched tax dollars evaporate into massive IT program failures that pair staggeringly high costs with astonishingly poor performance. The Air Force, for example, invested six years in a modernization effort that cost over \$1 billion but failed to deliver a usable product, prompting the Assistant Secretary of the Air Force to state, I am personally appalled at the limited capabilities that that program has produced relative to the amount of investment.

The bottom line is all of us should be appalled at that kind of performance and it is sadly not limited to the U.S. Air Force. Massive IT program failures have real consequences for the safety, security and financial health of our Nation. From census handheld computers that jeopardized a critical Constitutional responsibility to promised electronic fences that never materialized, costs of IT failures cripple an agency's ability to implement long-term strategic goals.

For instance, the Office of Personnel Management dramatically reduced its claims processing staff in anticipation of completing its retirement systems modernization program, promising enhanced automated capabilities. Unfortunately, when OPM was finally forced to kill this IT program, the agency was left flat footed, without the resources or manpower to process retirement claims, forcing thousands of Federal retirees to experience outrageously long waits to receive their benefits.

Nearly 17 years after enactment of the seminal Clinger-Cohen Act, it is clear that agency Chief Information Officers often lack the necessary authority and resources to effectively analyze, track and evaluate the risks and results of major IT programs. And here I echo what the Chairman has indicated. We have to have somebody who has the authority and responsibility centrally in each agency to manage these IT programs and investments.

The GAO has found that many agencies struggle to maintain accurate costs and schedule data from Federal IT investments, undermining transparency and accountability while rating a questionably low percentage of IT programs as high or moderately high risk. Yet, the Department of Defense actually does not rate a single DOD IT investment as either high or moderately high risk. Not passing the giggle test. Meanwhile, independent research conducted by the nonprofit institute Defense Analyses found that DOD struggled to manage major IT modernization programs for nearly 15 years.

With respect to commercial off-the-shelf IT products, I am talking about email and other commercial business systems software that could purchase on Amazon.com, far too many agencies have

spent precious dollars and time creating duplicative, wasteful contracts for products and licenses the departments already own.

The status quo is unacceptable and unsustainable, especially in light of what Mr. Mica referred to as the pending sequestration cliff here. That is why I am glad to be working with Chairman Issa and his staff to develop the Federal Information Technology Acquisition Reform Act, along with Ranking Member Mr. Cummings, to enhance IT procurement policy.

Addressing Federal IT acquisition policy in a bipartisan manner is precisely the type of important substantive work this Committee should be conducting and I very much appreciate the outreach and the willingness on both sides of the aisle to listen and to refine this legislation to try to make sure we get it right. When we are investing \$81 billion every year in Federal IT procurement, we have got to get it right, especially as we look at fewer resources overall in the coming decade.

Mr. Chairman, I look forward to continuing to work with you and your staff and I thank you very much for holding this hearing.

Chairman ISSA. I thank the gentleman.

Members will have seven days to submit opening statements for the record.

We now welcome our panel of witnesses.

Mr. Richard Spires is Chief Information Officer at the Department of Homeland Security and Chairman of the DHS Chief Information Officer Council and Enterprise Architecture Board. Now, that is a long title, but we welcome you back.

Ms. Cristina Chaplain is the Director of Acquisitions and Sourcing Management at the General Accountability Office. Mr. Daniel Gordon is the Associate Dean for Government Procurement Law Studies at George Washington University. Mr. Stan Soloway is President and CEO of Professional Services Council.

And Mr. Paul Misener is Vice President of Global Public Policy for Amazon, previously mentioned as a place that we could buy software off the shelf.

And with that, consistent with the rules of the Committee, I would ask that you all rise to take the oath. And raise your right arms.

Do you solemnly swear or affirm that the testimony you are about to give will be the truth, the whole truth and nothing but the trust?

[Witnesses respond in the affirmative.]

Chairman ISSA. Let the record reflect that all witnesses answered in the affirmative.

This is a fairly large panel. Some of you are returning veterans, so you know the drill. Green light, yellow light, red light. By the time it gets to red light, I hope you are saying for the final time, and my final point is.

[Laughter.]

Chairman ISSA. Mr. Spires?

WITNESS STATEMENTS**STATEMENT OF RICHARD A. SPIRES**

Mr. SPIRES. Good morning. Chairman Issa, Ranking Member Cummings and Members of the committee, thank you for the opportunity to discuss how the Federal Government invests in information technology to increase the efficiency and effectiveness of our Government.

As a CIO of Homeland Security and the Vice Chair of the Federal CIO Council, I speak from real world experience on the challenge of delivering highly-effective IT across the Federal Government. At DHS, we have made significant strides in IT in four key areas.

First, we are rationalizing our IT infrastructure. So far, we have closed 16 data centers as part of our data center consolidation initiative, resulting in an average savings of 14 percent. We are aggressively expanding the use of cloud computing across DHS by rolling out 11 cloud service offerings. In addition, we have significantly improved our cyber security posture through the established of inherited security controls in our data centers.

Second, we are improving program management by instituting a rigorous review process of our IT portfolio and implementing a number of initiatives to improve oversight, more effectively engage key stakeholders and ensure best practices are used in running our programs.

Third, we are leveraging IT across DHS to support more effective mission outcomes. Through the use of the DHS enterprise architecture and the implementation of portfolio governance, we are working to draw synergies from amongst DHS components that improve efficiency and effectiveness, eliminate system duplication and streamline processes.

And fourth, we are focusing on IT staff and talent development. By establishing IT specific career paths, DHS can more formally address how new workers can progress along a technical or managerial career track. We are currently working to leverage DHS developmental, mentoring and rotational programs into this strategy.

Even with the successes outlined above, there are also evolving and increasing expectations from mission customers and external stakeholders. We need to, and we can, manage IT more effectively.

I see three root causes that are barriers to having Federal IT be on a par with leading private sector firms.

First, we must standardize our IT infrastructure. An agency with a modern, homogenous infrastructure could save as much as 30 percent on its infrastructure costs, field applications more quickly and less costly, and provide improved IT security. Given the structure of agency budgets in organizations, it is very difficult for an agency CIO to have the tools needed to drive such standardization.

To address this root cause, I recommend we review the model used by the Department of Veteran Affairs where the IT organizations have been consolidated and consider its applicability on a broader basis within the Federal Government. Further, I recommend we implement an IT acquisition review process in which all IT procurements must be reviewed by the agency CIO. This will

help ensure that IT procurements meet architecture guidelines, are not duplicative and are properly staffed.

As a second root cause, we must do more to develop and retain the skills it takes to run and manage IT programs. The common denominator for successful program execution is a solid program management office. To support this, I recommend we establish a program management center of excellence staffed by detailees from agencies which would harness best practices, tools, templates and training courses and drive the development of Federal-wide capabilities that programs can leverage.

Third and finally, we must find ways to institutionalize flexibility to implement IT best practices. Agencies leaderships' need for speed and agility has far outstripped the procurement and finance models in place in the Federal Government today.

I recommend that we establish a Federal IT strategic sourcing organization. This organization, again supported by detailees from agencies, would be dedicated to IT's strategic sourcing opportunities for Government-wide buying of IT hardware, software and services. We can bolster that organization through oversight provided by the newly-formed Strategic Sourcing Leadership Council.

Finally, we need to reduce impediments to innovation by more fully leveraging existing initiatives to include a digital Government strategy and the use of such prize competitions to reward vendor innovation in helping us solve Government problems.

Mr. Chairman, I am serving as a CIO today because IT can so meaningfully and measurably improve the mission and business effectiveness of our Government.

Thank you for the opportunity to speak to you today and I look forward to your questions.

[Prepared statement of Mr. Spires follows:]

**TESTIMONY OF
Richard A. Spires
Chief Information Officer
U.S. Department of Homeland Security
Before the
House Committee on Oversight and Government Reform
February 27, 2013**

Chairman Issa, Ranking Member Cummings, and Members of the Committee, thank you for the opportunity to discuss how the Federal Government invests in information technology (IT) to increase the efficiency and effectiveness of our government. As the Chief Information Officer (CIO) at the Department of Homeland Security (DHS) and Vice Chair of the Federal Government's CIO Council, I plan to speak from real-world experience in addressing the challenges in delivering highly effective IT across the Federal Government.

DHS IT Successes

DHS has made significant strides in IT over the past four years, including improving acquisition oversight, ensuring full consideration of the investment life cycle in cost estimates, establishing procedures to thoroughly vet new requirements and alternative solutions, and adapting full funding policies at appropriate milestones. Our main objectives include rationalizing IT infrastructure, improving program management, leveraging IT across DHS to support more effective mission outcomes, and developing our staff.

Rationalizing Our IT Infrastructure

Driving consolidation, integration, and standardization across IT infrastructure is key to driving significant efficiencies (i.e., cost savings). There are many ancillary benefits to such rationalization as well, including freeing up resources to focus on improving mission effectiveness, such as enabling improved information sharing and service application reuse across Components. DHS recently completed a multi-year wide-area network consolidation to OneNet, which leverages the buying power of the Department for all network services. To do this, we consolidated 16 data centers into two state-of-the-art enterprise data centers. A recent study performed by the DHS Office of the Chief Financial Officer (OCFO) showed that ten of the first completed migrations to enterprise data centers resulted in average savings of 14 percent, which is equal to \$17.4 million in savings annually. As part of the Secretary's Efficiency Review Initiative, we have negotiated more than a dozen enterprise licensing agreements with major software and hardware vendors, resulting in more than \$125 million in cost avoidance or direct savings per year. In Fiscal Year (FY) 2012 alone, the Enterprise Licensing Agreement Program saved DHS \$181 million.

In addition to these efforts, the Department has also rolled out 11 cloud service offerings in areas as diverse as e-mail, mobility, virtual desktops, and basic computing services. Cloud computing's business model is similar to that in the telecommunications and utility sectors and will help the Department reduce its IT capital expenditures, provide transparency into IT spending, and reduce the time to market for new capabilities. Today, DHS is considered a leader in cloud computing and we are helping to drive all of government into implementing cloud computing. Our cloud computing offerings have the ability to drive significant integration along with cost savings. For e-mail, we have migrated 110,000 users to our E-mail-as-a-Service (EaaS) cloud offering. Once fully implemented across the enterprise, we expect to save approximately \$20 million per year. DHS's cloud offerings currently support enhancing DHS's government-to-citizen services, enabling a mobile workforce, reducing capital expenditures, and streamlining time to market for new services in Screening/Vetting, Benefits Administration, and Law Enforcement.

As part of the data center consolidation initiative and establishment of the DHS private cloud services, we established inherited security controls to enhance the security of information systems hosted within a DHS data center. Under the current FISMA Assessment and Authorization process, each system must fully document security controls. This is a duplicative process. At DHS, we had identified a large number of common controls at DHS data centers that systems get as soon as they migrate within our data center. The system security management program only needs to address unique or outlier security controls, drastically reducing the staff cost, technology cost, complexity, and workload. Establishing a similar model for other federal data centers, including cloud computing systems, may yield the same benefits.

Improving Our Program Management

Over the last four years, as DHS CIO, I instituted a rigorous review process of our IT portfolio, with more than 90 in-depth reviews of our own large IT programs, and we have worked with the Components and the acquisition community to develop and implement a number of initiatives to address the most common systemic issues.

First, we have a more robust, tiered governance model to provide more active oversight and governance and to ensure the program has the key executive stakeholders engaged to ensure alignment. While the Department's Acquisition Review Board (ARB) has ultimate oversight responsibility over all large programs, we have added Executive Steering Committees (ESCs) for the highest risk programs. Program ESCs are chartered by the DHS ARB and are responsible for providing more robust oversight and increasing transparency and accountability. For example, the ESC for U.S. Citizenship and Immigration Services (CIS) Transformation is chaired by the CIS Director, meets every two weeks, and has had a positive impact on the outcomes of that program.

Second, we have established Centers of Excellence (COEs) in eight areas to support program management disciplines, to include requirements engineering, cost analysis, and test and evaluation. The COEs work with programs to ensure they are using best practices in these disciplines and can provide guidance and even personnel and training materials to help programs start and stay on track. The COEs also support the TechStat process when we need to address a troubled program.

With this approach, we are working to institutionalize DHS's ability to effectively deliver successful large programs. Improved governance and the use of COEs are beginning to have a positive impact. Over the past two years, the Federal IT Dashboard average rating of all large DHS IT programs has gone from 3.04 to 3.34. To further enhance our governance capabilities and improve transparency across the Planning, Programming, Budgeting, and Execution functions, we have established an enterprise business intelligence capability. To date, we have more than 200 reports that span Finance, IT, Program Health, and Real Property Assets. By the end of FY 2013, we will add integrated reports for people, contracts, and security data, and enable forecasting and simulation capabilities to support out year planning activities.

Leveraging IT across DHS to Support More Effective Mission Outcomes

While we are making progress in integrating IT infrastructure across DHS, there remains potential for synergy across like functions. For instance, every DHS Component performs standard business functions, including human resources and finance. In addition, the Components execute similar functions that support mission outcomes, such as screening, domain awareness, and incident response. For efficiency and effectiveness, we are working to properly integrate, address duplication of, and streamline processes and systems through the use of the DHS Enterprise Architecture (EA) while leveraging existing governance structures.

In its most basic terms, the DHS EA is the roadmap for the implementation of business and technical models to drive improvement in the ways DHS meets its missions and carries out its business. We have divided DHS into 13 different functions (called functional portfolios) that represent both the business (e.g., finance) and those that support the mission (e.g., screening, incident response). Looking at the Department from this perspective enables us to see areas that are natural opportunities for sharing and synergy across DHS.

To augment the work of the EA, we are in the process of establishing portfolio governance boards, in which senior executives from across DHS come together to drive decisions to affect better mission and business outcomes. For instance, much work has been completed in the Information Sharing and Safeguarding portfolio. This function has a "segment" EA (a segment EA is specialized for use at the program or portfolio level) and a strong governance board (Information Sharing and Safeguarding Governance Board, or ISSGB) co-chaired by DHS's Undersecretary for Intelligence and Analysis and CIO. Recently, the Secretary issued the DHS

Strategy for Information Sharing and Safeguarding, which was developed based on the segment EA with the oversight of the ISSGB.

Developing Our Staff

Attracting and developing DHS IT staff is critically important to our long-term success. Over the past two years, we developed the DHS IT Human Capital Strategy, an approach that outlines IT career paths and enables us to more formally address how new workers can progress along a technical or managerial career track. We are currently working to leverage DHS developmental, mentoring, and rotational programs into this strategy. We have a strong mission draw for professionals, and we are partnering with the Office of the Chief Human Capital Officer on how to better market ourselves as a Department, both for IT and cybersecurity professionals.

Challenges

Even with the successes outlined above, recent challenges related to the fiscal environment have put pressure on all IT organizations. There are also evolving and increasing expectations from mission customers and external stakeholders, particularly as they see ever-advancing consumer capabilities in their personal use of technology. Based on my experience in the private sector and in dealing with CIOs in large commercial organizations, the Government could better manage IT. I see three root causes that are barriers to the objective of having Federal IT on a par with leading private sector firms. My list of root causes:

1. **Standardizing IT infrastructure** – A department with a modern, homogeneous infrastructure could save as much as 30 percent on infrastructure costs, field applications more quickly and less costly, and provide improved IT security. Given the structure of Agency budgets and organizations, it is very difficult for an Agency CIO to have the tools available to drive such standardization.
2. **Developing the skills to run IT programs** – There are several requirements for a successful IT program, including proper alignment of stakeholders, involvement of the customer, requirements analysis, architecture, information assurance, etc. The common denominator for successful program execution, however, is the need for a solid program management office.
3. **Institutionalizing flexibility to implement IT best practices** – Agency leadership's need for speed and agility has far outstripped the procurement and finance models in place in the Federal Government today. For the Federal Government to truly leverage its buying power, it must evolve from traditional timelines for budgeting and procurements to greater agility, which is expected by today's business customers.

Addressing these three issues enables IT organizations to be both fast and flexible. They are the keys to IT success and would be transformational for the Federal Government.

Solutions

Taking each of these root causes in turn, there are a number of steps that could be taken related to better management of the Federal Government's investment in IT.

Root Cause 1: Standardizing IT infrastructure

Effectively using current statutory authorities to bring the work of CIOs under proper oversight will help us to promote standardization. The PortfolioStat process is a good start toward standardizing IT infrastructure and leveraging shared services, but we need continue to leverage PortfolioStat through additional changes. I recommend the following suggestions be examined further:

- 1.1 ***IT Staff Reporting*** – Comprehensively review the model used by the Department of Veteran Affairs where the CIO organizations have been consolidated. Sufficient time has passed since that change was made, which should allow for lessons learned to be gleaned from the VA model, including efficiencies, accountability, performance, innovation, and customer service, and provide the ability to determine its applicability on a broader basis within the Federal Government.
- 1.2 ***IT Acquisition Review (ITAR) Process*** – At DHS, we have had an ITAR process for larger procurements (above \$2.5 million) for a number of years and are looking to extend it to all IT procurements. The ITAR process has been a beneficial tool to review a planned IT acquisition in the early development of a program. Establishing an ITAR-related process that establishes that all procurements that involve IT must be reviewed by the Department or Agency CIO will help ensure that IT procurements meet architecture guidelines, are not duplicative, and are properly staffed.

Root Cause 2: Developing the skills to run IT programs

The Federal Government can make headway in addressing the issue of skills, expertise, and experience by addressing this at the Federal level and leveraging existing artifacts and guides. I recommend:

- 2.1. ***Program Management Center of Excellence (PM COE)*** – Establish a PM COE of detailees from Departments and Agencies, which would take best practices, tools, templates, training courses, etc., and drive Federal-wide capabilities that programs can leverage across Departments and Agencies. This PM COE would also mentor program management staffs and offer help to struggling programs both in obtaining the right talent for their programs and in providing expert aid to programs in areas in which they are struggling. This PM COE would leverage expertise across the

Federal Government by disseminating materials through the Federal CIO Council and providing community of interest forums.

Root Cause 3: Institutionalizing flexibility to implement IT best practices

As with all acquisition programs, the Federal Government would benefit from an approach that leverages the IT buying power of the Federal Government while adopting best practices that will lead to lower risk overall and drive needed performance improvements. Specific steps may include:

- 3.1. ***Federal IT Strategic Sourcing Organization*** – This organization, perhaps housed in GSA but with detailees from Departments and Agencies, could be dedicated to IT strategic sourcing opportunities for government-wide buying of commodity IT hardware, software, and services. Governance of this organization could occur through the Strategic Sourcing Leadership Council.
- 3.2. ***Governance for Commodity IT*** – A governance board for each functional area, consisting of relevant stakeholders, could help to drive decisions about the effective use of IT in each of these commodity areas.
- 3.3. ***Reduce impediments to Innovation*** – While driving efficiency is critically important today, innovation helps drive areas that can dramatically improve mission effectiveness. Agencies should fully embrace the tools they have at hand, to include leveraging of the OMB’s Digital Government Strategy and using prize competitions to reward vendor innovation, to solve Government problems.

Performance Measurement

In addition to these recommendations, a mechanism for performance measurement is critical. For each of the three root causes identified above a small number of outcome-based metrics should be defined that will show improved use of IT and serve as a means to measure progress.

Conclusion

Information technology has the ability to meaningfully and measurably improve the mission and business effectiveness of the Federal Government. Thank you for the opportunity to speak with you today and I look forward to your questions.

Mr. FARENTHOLD. [Presiding] Thank you, Mr. Spires. Right on time.

We now go to the Director of Acquisition and Sourcing Management of the GAO, Ms. Cristina Chaplain.

Ms. Chaplain.

STATEMENT OF CRISTINA CHAPLAIN

Ms. CHAPLAIN. Thank you Mr. Chairman, Ranking Member Cummings and Members of the Committee. Thank you for inviting me today to discuss the proposed FITARA Act and how our best practice work reflects that act.

Our best practice work provides a roadmap for overcoming acquisition problems experienced by IT and any other technology-intensive acquisitions such as weapons and space programs. At the tactical level, we have identified the basic ingredients for success on individual programs, such things as defining requirements early on, providing realistic cost estimates, and using prototypes to reduce risks.

At the strategic level, we have identified protocol enablers for success such as having the right training and support for program managers and having the right visibility over an investment portfolio and strategies that make tough trade-off decisions based on cost benefits and risks.

FITARA emphasizes several of the enablers I have just mentioned. It also emphasizes the use of strategic sourcing, which is another enabler for generating procurement savings. I want to discuss this just a little bit because it is important. The Government is very far behind the private sector in this regard.

As you know, strategic sourcing seeks to move an organization away from numerous individual procurements to a broader aggregate approach. Currently, Federal agencies act more like unrelated medium-sized businesses and often rely on hundreds of separate contracts for many commonly used items with prices that widely vary, including IT.

Our work has shown that strategic sourcing has a potential to generate 10 to 20 percent savings for procurement spending and the companies that we studied strategically sourced the vast majority of their procurement dollars. By contrast, four large agencies we studied strategically sourced just 5 percent of their procurement dollars taken together.

In addition, Federal agencies have been focused on strategically sourcing less complex acquisitions, such things as office supplies, telecommunications and delivery services. They generally do not believe more complex services and goods can be strategically sourced because of unique requirements, among other reasons. However, the companies we have studied have found ways to strategically source these types of items and services.

Also, while some believe we have picked the low hanging fruit for strategic sourcing and cannot go further in the Federal arena, we have found pockets of success, notably with DHS and the Defense Logistics Agencies. For example, in Fiscal Year 2011, DHS had reported that it implemented 42 department-wide initiatives that covered 270 products and services ranging from software to profes-

sional and program management support services. These efforts led to reported savings of \$324 million.

My written statement does focus mostly on strategic sourcing but I would like to emphasize that many of the other leading practices we have identified over the years have not taken root in the Federal arena. Short tenure of acquisition leaders, for instance, still seems to be an issue as well as the authority for program managers and, in this case the CIOs. There are also those basic ingredients for success we do not see fully taking hold yet, such things as defining requirements before you start programs, realistically meeting costs and providing good oversight.

In conclusion, best practices can be introduced into the Government setting, but we know they do not always take hold. What threatens tactics like strategic sourcing the most is a lack of leadership, a lack of data and metrics, a desire to maintain control, a lack of incentives and weak enforcement. Reform sometimes end up adding new layers of oversight and bureaucracy rather than streamlining and simplifying and for this reason it is important that implementation be closely monitored, that early successful adopters be recognized, that incentives and disincentives be continually assessed and that leaders be held accountable for success.

This concludes my statement. I am happy to answer any questions you have.

[Prepared statement of Ms. Chaplain follows:]

United States Government Accountability Office

GAO

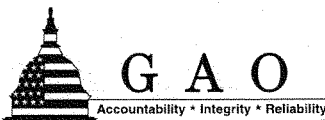
Testimony
Before the Committee on Oversight and
Government Reform, House of
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STRATEGIC SOURCING

Improved and Expanded Use Could Provide Procurement Savings for Federal Information Technology

Statement of Cristina Chaplain, Director
Acquisition and Sourcing Management





Highlights of GAO-13-408T a testimony before the Committee on Oversight and Government Reform, U.S. House of Representatives

February 27, 2013

STRATEGIC SOURCING

Improved and Expanded Use Could Provide Procurement Savings for Federal Information Technology

Why GAO Did This Study

Federal agencies plan to spend about \$20 billion on development and acquisition of IT investments in fiscal year 2013, but GAO's prior work has found that IT projects too frequently incur cost overruns and result in duplicate systems. The proposed FITARA bill seeks to implement important reforms to maximize the return on investment for IT services and supplies. For many years, GAO has reported that the government is not fully leveraging its aggregate buying power and found that strategic sourcing, a process that moves a company away from numerous individual procurements to a broader aggregate approach, enabled companies to achieve savings of 10 to 20 percent. In 2012, GAO reported that expanded agency use of strategic sourcing could save billions in federal procurement costs.

GAO was asked to testify on the value of strategic sourcing as an important tool to achieve greater savings and efficiencies in information technology and other procurements. This testimony is based largely on GAO's September 2012 report on strategic sourcing as well as a body of work on IT management and acquisition practices.

What GAO Recommends

GAO is not making any new recommendations in this testimony. GAO has issued recommendations to OMB and agencies on key aspects of strategic sourcing and IT management in the past. OMB and agencies concurred with the recommendations, and are in the process of implementing them.

View GAO-13-408T. For more information, contact Cristina Chaplain at (202) 512-4841 or chaplainc@gao.gov.

What GAO Found

In September 2012, GAO reported that many large procurement agencies were in the early stages of implementing strategic sourcing and had achieved limited results. For example, in fiscal year 2011, the Departments of Defense, Homeland Security, Energy, and Veterans Affairs accounted for 80 percent of the \$537 billion in federal procurement spending, but reported managing about 5 percent of that spending, or \$25.8 billion, through strategic sourcing efforts. These agencies reported savings of \$1.8 billion—less than one-half of 1 percent of federal procurement spending. Further, most of these agencies' strategic sourcing efforts did not address their highest spending areas—including some information technology (IT)-related services—which may provide opportunities for additional savings. While strategic sourcing may not be suitable for all procurements, leading companies strategically manage about 90 percent of their procurements and report annual savings of 10 percent or more. When strategic sourcing contracts were used, federal agencies generally reported achieving savings between 5 and 20 percent.

Agencies also continue to face challenges in obtaining and analyzing reliable and detailed data on spending, securing leadership support for strategic sourcing, and applying this approach to acquiring services. In 2012, GAO reported that agencies and federal strategic sourcing programs generally continued to rely on the government's current system for tracking contracting information data, and noted numerous deficiencies with this data for the purposes of conducting strategic sourcing research. GAO also found that most of the reviewed agencies were challenged by a lack of leadership commitment to strategic sourcing, though improvements were under way. Additionally, officials reported that they have been reluctant to strategically source services (as opposed to goods) for a variety of reasons, such as difficulty in standardizing requirements. However, leading companies GAO spoke with have focused their efforts on services, such as telecommunications and IT services, over the past 5 to 7 years because of the growth in spending in that area, and have achieved significant savings. Leading companies employ more sophisticated strategic sourcing techniques, using spend analyses and in-depth market research to tailor their acquisition approaches to the complexity and availability of the particular good or service they are acquiring.

Agencies and the Office of Management and Budget (OMB) have taken some recent actions to increase the use of strategic sourcing and improve IT management. For example, in 2012, OMB called for agencies to strategically source at least two new products or services in 2013 and 2014 with at least one to target an IT commodity or service. To increase transparency and visibility into agencies' potentially duplicative IT investments, OMB required in March 2012 that agencies conduct IT portfolio reviews to identify duplicative IT investments.

Strategic sourcing is not the only tool to improve IT acquisitions. GAO has previously reported on the value of matching requirements to resources, ensuring cost estimates are complete and accurate, and empowering program managers, among other practices, in preventing the types of acquisition problems the proposed Federal Information Technology Acquisition Reform Act (FITARA) would address.



United States Government Accountability Office
Washington, DC 20548

Chairman Issa, Ranking Member Cummings, and
Members of the Committee:

I am pleased to be here today to discuss the proposed Federal Information Technology Acquisition Reform Act (FITARA) bill provisions and the value of strategic sourcing as an important tool to achieve greater savings and efficiencies in information technology and other procurements. Given the increasing fiscal pressures facing the federal government, there has been a renewed focus on maximizing efficiencies in the procurement process to achieve cost savings. In prior reports, we have found that because procurement within the federal government is generally decentralized, the government is not fully leveraging its aggregate buying power to obtain the most advantageous terms and conditions for its procurements, and could benefit from further adoption of a process known as strategic sourcing. This process, used by leading companies, involves a range of activities, from using spend analysis to develop a better picture of how much an agency is spending on goods and services, to taking an enterprisewide approach that moves an organization away from numerous individual procurements to a broader aggregate approach. Our prior work has found that such an approach can help agencies leverage their buying power, reduce costs, and better manage suppliers.¹ While strategic sourcing may not be suitable for all procurements, we have found that leading companies generally strategically manage about 90 percent of their procurement spending and achieve savings of 10 to 20 percent of total procurement costs.

As FITARA recognizes, federal information technology (IT) investments could benefit from adoption of strategic sourcing practices. Federal agencies plan to spend about \$20 billion on development and acquisition of IT investments in fiscal year 2013, but our prior work has found that IT projects too frequently incur cost overruns and result in duplicate systems while contributing little to mission-related outcomes.² The proposed

¹GAO, *Strategic Sourcing: Improved and Expanded Use Could Save Billions in Annual Procurement Costs*, GAO-12-919 (Washington, D.C.: Sept. 20, 2012).

²GAO, *Information Technology: OMB and Agencies Need to Fully Implement Major Initiatives to Save Billions of Dollars*, GAO-13-297T (Washington, D.C.: Jan. 22, 2013); and *Information Technology: Better Informed Decision Making Needed on Navy's Next Generation Enterprise Network Acquisition*, GAO-11-150 (Washington, D.C.: Mar. 11, 2011).

FITARA bill also recognizes that it is vitally important for agencies to conduct meaningful spend analyses of IT procurement data to identify unnecessary duplication of contracts and where possible, aggregate demand to get the best price for commonly used IT products and services. The bill also stresses the importance of greater Chief Information Officer (CIO) accountability and authority, and the need to establish centralized IT centers to manage an optimal mix of governmentwide IT contracts.

You asked us to testify on the value of strategic sourcing as an important tool to achieve greater savings and efficiencies in information technology and other procurements. In September 2012, we issued a report to this committee on selected federal agencies' use of strategic sourcing practices, and found that many large procurement agencies were in the early stages of implementing strategic sourcing and had difficulties collecting and analyzing procurement data, as well as obtaining leadership support to achieve savings and efficiencies on par with leading companies.³ For example, in fiscal year 2011, the Departments of Defense (DOD), Homeland Security (DHS), Energy, and Veterans Affairs (VA) accounted for 80 percent of the \$537 billion in federal procurement spending, but reported managing about 5 percent of that spending, or \$25.8 billion, through strategic sourcing efforts. These agencies reported savings of \$1.8 billion—less than one-half of one percent of procurement spending. For all categories of spending, including information technology, agencies we reviewed faced challenges to collect and analyze procurement spending data needed to identify strategic sourcing opportunities, some struggled to obtain senior leadership support, and once strategic sourcing initiatives were implemented, most agencies did not monitor progress against established goals to achieve savings and other benefits. To successfully implement the proposed FITARA and achieve its intended results, it is important for agencies to overcome these challenges.

GAO has identified other acquisition leading practices that are relevant to the proposed FITARA. In particular, our visits to leading companies over the past decade have repeatedly confirmed that acquisition success hinges on practices such as:

³GAO-12-919.

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- prioritizing investments so that projects can be fully funded and it is clear where projects stand in relation to the overall portfolio;
 - researching and defining requirements before programs are started and limiting changes after they are started;
 - matching resources to requirements, that is time, money, technology and people, before undertaking a new development effort;
 - using quantifiable data and demonstrable knowledge to make go/no-go decisions, covering critical facets of the program such as cost, schedule, technology readiness, and relationships with suppliers;
 - ensuring cost estimates are complete, accurate, and updated regularly; and
 - empowering program managers to make decisions on the direction of the program and to resolve problems and implement solutions as well as holding program managers accountable for their choices.

These and other leading practices we have identified can be employed on IT projects as well as any other complex, sophisticated government technology program.

This testimony is based largely on GAO's September 2012 report on strategic sourcing, as well as a body of work on IT management and acquisition practices. All work on which this testimony is based was performed in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Background

GAO has been assessing strategic sourcing and the potential value of applying these techniques to federal acquisitions for more than a decade. In 2002, we studied leading companies that made a number of dramatic changes to the way they managed procurement and found that these changes, in turn, resulted in significant cost savings and other

improvements. In 2004, we identified four broad principles that were critical to successfully carrying out the companies' strategic approach to procuring both products and services.

Figure 1: Broad Principles and Practices of Leading Companies' Strategic Approach

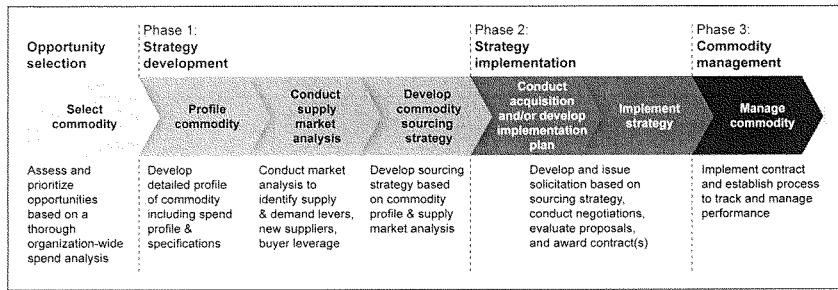
<p>Commitment... <i>Secure up-front commitment from top leaders</i></p> <ul style="list-style-type: none"> • Recognize and communicate the urgency to change procurement spending practices • Provide clear and strong executive leadership, including goals and targets
<p>Knowledge... <i>Obtain improved knowledge on procurement spending</i></p> <ul style="list-style-type: none"> • Develop information system—i.e., a spend analysis system—to identify how much is being spent with which supplier for what goods or services • Analyze the data to identify opportunities to reduce costs, improve service levels, and provide better management of suppliers
<p>Change... <i>Create supporting structure, processes, and roles</i></p> <ul style="list-style-type: none"> • Create or identify organizations responsible for coordinating or managing purchases • Establish proactive business relationships among end users, purchasing units, and other stakeholders • Implement more integrated team-based sourcing processes • Create commodity/service experts
<p>Support... <i>Enable success through sustained leadership, communication, and metrics</i></p> <ul style="list-style-type: none"> • Obtain sustained support from senior leadership to facilitate change • Establish clear lines of communication among all affected parties • Demonstrate value and credibility of new processes through the use of metrics

Source: GAO.

A strategic sourcing effort begins with an opportunity assessment—an analysis of spending and the identification of products and services for which strategic sourcing should be implemented. Spend analysis provides knowledge about how much is being spent for which products and services, who the buyers are, who the suppliers are, and where the opportunities are for leveraged buying and other tactics to save money and improve performance. Data on spending are analyzed on a continual basis to support decisions on strategic sourcing and procurement management in areas such as cost cutting, streamlining operations, and reducing the number of suppliers.

Once a product or service is selected for strategic sourcing, a standardized process is followed to develop, implement, and manage the sourcing strategy for that product or service. See figure 2 for key steps in the strategic sourcing process.

Figure 2: Overview of the Strategic Sourcing Process



Source: GSA

Recognizing the benefits of strategic sourcing, the Office of Management and Budget (OMB) issued a memorandum in 2005 that implemented strategic sourcing practices.⁴ Agencies were directed to develop and implement strategic sourcing efforts based on the results of spend analyses.⁵ In addition to individual agency efforts, a governmentwide strategic sourcing program—known as the Federal Strategic Sourcing Initiative (FSSI)—was established in 2005. FSSI was created to address governmentwide opportunities to strategically source commonly purchased products and services and eliminate duplication of efforts

⁴Office of Management and Budget, *Memorandum for Chief Acquisition Officers, Chief Financial Officers, and Chief Information Officers on Implementing Strategic Sourcing* (Washington, D.C.: 2005).

⁵“Spend analysis” is a tool that provides knowledge about who are the buyers, who are the suppliers, how much is being spent for what goods and services, and where are the opportunities to leverage buying power. Private sector companies are using spend analysis as a foundation for employing a strategic approach to procurement.

across agencies. The FSSI mission is to encourage agencies to aggregate requirements, streamline processes and coordinate purchases of like products and services to leverage spending to the maximum extent possible. At the time of our 2012 report, four FSSI efforts were ongoing and three were planned. The FSSI website indicates that as of February 1, 2013, that status is unchanged. Table 1 describes the four implemented governmentwide strategic sourcing initiatives.

Table 1: Implemented Federal Strategic Sourcing Initiatives (FSSI), Fiscal Year 2011

Initiative	Description	Date implemented	Governmentwide spending on applicable products and services	Spending through strategic sourcing	Savings reported by FSSI Program Management Office
Office Supplies - Second Generation	Offers a catalog of consumable office supplies	June 2010	\$1.6 billion	\$202 million	\$24 million
Domestic Delivery Services - Second Generation	Offers delivery service for small packages	August 2009	\$505 million	\$109 million	\$31 million
Telecommunications Expense Management Services	Optimizes wireless rate plans, reduces billing errors, and increases visibility into spending	January 2008	\$100 million	\$28 million	\$5 million
Print Management	Reduces equipment needed for printing, copying, scanning, and faxing, and includes print behavior and continuous process improvement components	September 2011	Spending not yet under management in fiscal year 2011	Spending not yet under management in fiscal year 2011	Spending not yet under management in fiscal year 2011

Source: GAO analysis of GSA data

Three additional initiatives are planned as of February 2013. SmartBUY is an existing federal procurement vehicle that was started in 2003 and leverages the government's buying power to reduce the cost of commercial off-the-shelf software and services. As of the end of fiscal year 2011, SmartBUY was not classified as an FSSI effort, but the Strategic Sourcing Working Group in June 2012 formally accepted it as an FSSI. The FSSI Program Management Office planned that going forward, the FSSI SmartBUY will develop strategies to address as many large software publishers as possible. A second planned initiative targets wireless rate plans and devices, and will aim to deliver acquisition savings due to lower purchasing costs as well as operational savings through

improvement of processes and information. Finally, a third upcoming FSSI effort for publication licenses will be led by the Library of Congress.

To allow government agencies to purchase jointly, the FSSIs use interagency acquisition vehicles. An interagency acquisition takes place when an agency needing supplies or services (the requesting agency) either places an order using another agency's contract in a direct acquisition or obtains acquisition assistance from another agency (the servicing agency) in an assisted acquisition. Agencies spend tens of billions of dollars annually through interagency contract vehicles, such as the General Services Administration's Multiple Award Schedules (MAS) program, governmentwide acquisition contracts, and multi-agency contracts. In recent years, for example, annual spending through governmentwide acquisition contracts and GSA's MAS program has totaled more than \$40 billion. Citing risks in the use of interagency contracts as well as instances of agencies awarding out-of-scope work through interagency contracts and not complying with laws and regulations, GAO designated the management of interagency contracting as a governmentwide high-risk area in 2005. In 2013, GAO found that sufficient progress has been made to remove the high-risk designation from management of interagency contracting.⁶ Improvements include (1) continued progress made by agencies in addressing identified deficiencies, (2) establishment of additional management controls, (3) creation of a policy framework for establishing new interagency contracts, and (4) steps taken to address the need for better data on these contracts.

Expanded Use of Strategic Sourcing Could Save Billions in Federal Procurement Costs

In our September 2012 report, we found that most of the selected agencies we reviewed leveraged a fraction of their buying power. More specifically, in fiscal year 2011, DOD, DHS, Energy, and VA accounted for 80 percent of the \$537 billion in federal procurement spending, but reported managing about 5 percent of that spending, or \$25.8 billion, through strategic sourcing efforts. Similarly, we found that the FSSI program had only managed a small amount of spending through its four governmentwide strategic sourcing initiatives in fiscal year 2011, although it reported achieving significant savings on those efforts. Further, we found that most selected agencies' efforts did not address their highest

⁶GAO, *High-Risk Series: An Update*, GAO-13-283 (Washington, D.C.: February 2013).

spending areas such as services—including some IT-related services—which may provide opportunities for additional savings. However, we found that when strategically sourced contracts were used, agencies generally reported achieving savings. For example, selected agencies generally reported savings ranging from 5 percent to over 20 percent of spending through strategically sourced contracts. DHS reported fiscal year 2011 savings of \$324 million. At the governmentwide level, the FSSI program reported managing \$339 million through several governmentwide initiatives in fiscal year 2011 and achieving \$60 million in savings, or almost 18 percent of the procurement spending it managed through these initiatives. These savings are on par with leading companies, though on a much lower scale, as leading companies strategically manage 90 percent of their procurement spending.

After strategic sourcing contracts are awarded, realizing cost savings and other benefits depends on utilization of these contracts. We found that only 15 percent of governmentwide spending for the products and services covered by the FSSI program went through FSSI contracts in fiscal year 2011. Agencies cited a variety of reasons for not participating, such as wanting to maintain control over their contracting activities, or because the agency had unique requirements. FSSI use is not mandatory and agencies face no consequences for not using FSSI contract vehicles. Proposed FITARA provisions seek to maximize the benefits of FSSIs by prioritizing FSSI use over other sources for similar products or services.

Agencies Need to Overcome Key Challenges to Improve Strategic Sourcing Efforts

Agencies also continue to face challenges in obtaining and analyzing reliable and detailed data on spending, securing leadership support, and acquiring services through strategic sourcing. Practices used by leading companies offer some insights into how these challenges may be addressed.

Spending Data

Agencies continue to face challenges in obtaining and analyzing reliable and detailed data on spending. In March 2011, we reported that the starting point for strategic sourcing efforts is having good data on current spending, and we suggested that agency leaders across the government

need to collect, maintain, and analyze data on current procurement spending.⁷ Likewise, the proposed FITARA underscores the importance of using spend analyses to identify wasteful spending on duplicative contracts and opportunities to aggregate demand and leverage scale to achieve procurement savings. Specifically, section 211 of the proposed FITARA would require that an analysis of governmentwide spending on software products or services be conducted as part of a governmentwide inventory of information technology assets. The information gained through this spend analysis would be used to support decisions for strategic sourcing under the FSSI program.

This provision focuses on the biggest stumbling block to increasing the use of strategic sourcing in the federal government. In 2012, we found that agencies were still challenged to obtain and analyze suitable agencywide spending data.⁸ Conducting a spend analysis to obtain knowledge of procurement spending is a foundational component of an effective strategic approach. The analysis reveals how much is spent each year, what was bought, from whom it was bought, and who was purchasing it. The analysis also identifies where numerous suppliers are providing similar goods and services—often at varying prices—and where purchasing costs can be reduced and performance improved by better leveraging buying power and reducing the number of suppliers to meet needs. For example, we have previously reported that the General Services Administration estimated federal agencies spent about \$1.6 billion during fiscal year 2009 purchasing office supplies from more than 239,000 vendors.⁹ GSA used available data on spending to support development of the Office Supplies Second Generation FSSI, which focuses office supply spending to 15 strategically sourced contracts. Agencies and the federal strategic sourcing program generally continued to rely on the government's current system for tracking contracting information data, and noted numerous deficiencies with this data for the purposes of conducting strategic sourcing research. Although we noted that some agencies had been able to identify some strategic sourcing opportunities despite flaws in the available data, the difficulty of obtaining

⁷GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP (Washington, D.C.: Mar. 1, 2011).

⁸GAO-12-919.

⁹See, *Strategic Sourcing: Office Supplies Pricing Study Had Limitations, but New Initiative Shows Potential for Savings*, GAO-12-178 (Washington D.C.: Dec. 20, 2011).

reliable and detailed data on spending hindered their ability to assess which strategic sourcing opportunities offered the most potential benefits. Section 301(i) of FITARA provides for assisting agencies by requiring the compilation of a price list and catalog containing current pricing information by vendor for IT commodities, accessible to executive agencies. This could assist agencies in conducting spend analyses of IT investments by enhancing their ability to conduct price comparisons and make more informed purchasing decisions.

Leadership Commitment

We also found in 2012 that most of the agencies we reviewed were challenged by a lack of leadership commitment to strategic sourcing, though improvements were under way.¹⁰ We have reported that in the private sector, the support and commitment of senior management is viewed as essential to facilitating companies' efforts to re-engineer their approaches to acquisition as well as to ensuring follow through with the strategic sourcing approach. However, we found in 2012 that leaders at some agencies were not dedicating the resources and providing the incentives that were necessary to build a strong foundation for strategic sourcing. In addition, a lack of clear guidance on metrics for measuring success had also impacted the management of ongoing FSSI efforts as well as most selected agencies' efforts. We found that agencies were challenged to produce utilization rates and other metrics—such as spending through strategic sourcing contracts and savings achieved—that could be used to monitor progress. Several agencies also mentioned a need for sustained leadership support and additional resources in order to more effectively monitor their ongoing initiatives.

Purchasing Services

Finally, agencies have reported a perception that strategically sourcing the purchase of services (rather than products) entails additional challenges. In fiscal year 2011, more than half of the procurement spending at the four agencies we reviewed was used to acquire services. However, we found that strategic sourcing efforts addressed products significantly more often than services. Officials reported that they have been reluctant to strategically source services for a variety of reasons, such as difficulty in standardizing requirements or a decision to focus on less complex commodities that can demonstrate success. However,

¹⁰GAO-12-919.

leading companies we spoke with have focused their efforts on services in the past 5 to 7 years because of the growth in spending in that area, and have achieved significant savings. Leading companies reported viewing telecommunications and IT services, among others, as prime candidates for centralized procurement in order to achieve savings and efficiencies.

**Leading Company
Practices**

Our recent work indicates leading companies have moved into more sophisticated strategic sourcing techniques, using spend analyses and in-depth market research to tailor their acquisition approaches to the complexity and availability of the particular good or service they are acquiring. Leading companies anchor their procurement strategies for both goods and services on certain key practices such as maintaining spend visibility, centralizing procurement, and using category strategies in order to build spending and market knowledge. For example, companies establish automated systems to extract and compile internal financial data covering everything they buy; organize data into complete and consistent categories of products, services, and suppliers; and have data continually analyzed. This knowledge allows companies to take a tailored approach to individual purchase decisions: for example, leveraging buying power across the company for relatively less complex commodity items with many suppliers, and negotiating costs of individual components of more complex goods and services that have few suppliers.

Our work has found that companies' centralized procurement approach relies on robust spending and market knowledge that allows for a tailored procurement approach to each type of service. Telecommunications and IT services vary in requirements complexity, but are generally served by many suppliers and a competitive marketplace. For telecommunications services—viewed as relatively simple—companies rely on the classic tactic of aggregating demand and leveraging volume and competition to lower costs. Companies view IT services as more complex, requiring greater attention to the trade-off between price and quality. Nevertheless, companies are able to lower costs through leveraging competition among suppliers prequalified by skill and effectiveness.

In addition, leading companies we most recently spoke with highlighted the use of procurement catalogs with pre-negotiated prices for services, particularly those that are less complex. The catalogs allow the companies to leverage their detailed knowledge about vendor pricing. One company that was in the midst of developing such catalogs at that

time, planned to implement them for commonly acquired, routine services so that business units could directly contract for these services up to a specified dollar amount. Companies emphasized the need to frequently review and revise tactics to account for market trends and ensure they are getting the best value.

Recent Actions Could Facilitate Making IT Investments More Efficient

OMB and other agencies have recently taken actions to expand the use of strategic sourcing, reduce duplicative IT contracts, and improve the use of interagency contracts. In September 2012, GAO recommended that the Secretary of Defense, the Secretary of Veterans Affairs, and the Director of OMB take a series of detailed steps to improve strategic sourcing efforts. More specifically:

- the Secretary of Defense should evaluate the need for additional guidance, resources, and strategies, and focus on DOD's highest spending categories;
- the Secretary of Veterans Affairs should evaluate strategic sourcing opportunities, set goals, and establish metrics; and
- the Director of OMB should issue updated governmentwide guidance on calculating savings, establish metrics to measure progress toward goals, and identify spending categories most suitable for strategic sourcing.

In commenting on the September 2012 report, DOD, VA, and OMB concurred with the recommendations and stated they would take action to adopt them.

In 2012, OMB also released a Cross-Agency Priority Goal Statement, which called for agencies to strategically source at least two new products or services in both 2013 and 2014 that yield at least 10 percent savings. At least one of these new initiatives is to target IT commodities or services. In December 2012, OMB further directed agencies to reinforce senior leadership commitment by designating an official responsible for coordinating the agency's strategic sourcing activities. In addition, OMB identified agencies that should take a leadership role on strategic sourcing. OMB called upon these agencies to lead governmentwide strategic sourcing efforts by taking steps such as recommending management strategies for specific goods and services—including several that are IT-related—to ensure that the federal government receives the most favorable offer possible. Additionally, OMB directed

these agencies to promote strategic sourcing practices inside their agencies by taking actions including collecting data on procurement spending.

Actions to Reduce Duplicative IT Investments

We previously reported and testified on the issue of duplicative IT investments at DOD and the Department of Energy.¹¹ Specifically, we found 37 potentially duplicative investments, accounting for about \$1.2 billion in total IT spending for fiscal years 2007 through 2012. We made recommendations to those agencies to report on the progress of efforts to identify and eliminate duplication, where appropriate. To increase transparency and visibility into agencies' potentially duplicative IT investments, OMB required in March 2012 that agency Deputy Secretaries or Chief Operating Officers lead PortfolioStats—IT portfolio reviews—working in coordination with CIOs, Chief Financial Officers, and Chief Acquisition Officers. Such an effort, as planned, is appropriate given the numerous investments performing the same function, as we reported in February 2012.¹² For example, 27 major federal agencies planned to spend \$2.7 billion on 580 financial management systems in 2011. OMB believes that the PortfolioStat effort has the potential to save the government \$2.5 billion over the next 3 years by, for example, consolidating duplicative systems.

Actions to Improve Use of Interagency Contracts

In response to our recommendations aimed at improving data on interagency contracts, OMB and GSA have taken a number of steps to address the need for better data on interagency contracting vehicles. These efforts should enhance both governmentwide efforts to manage interagency contracts and agency efforts to conduct market research and negotiate better prices. To promote better and easier access to data on existing contracts, OMB has made improvements to its Interagency Contract Directory, a searchable online database of indefinite-delivery vehicles available for interagency use. It has also posted information on governmentwide acquisition contracts and blanket purchase agreements available for use under the Federal Strategic Sourcing Initiative on an OMB website accessible by federal agencies. A policy framework established by

¹¹GAO, *Information Technology: Departments of Defense and Energy Need to Address Potentially Duplicative Investments*, GAO-12-241 (Washington, D.C.: Feb. 17, 2012).

¹²GAO-12-241.

OMB addresses concerns about potential duplication by requiring agencies to develop a thorough business case prior to establishing certain contract vehicles. The guidance further requires senior agency officials to approve the business cases and post them on an OMB website to provide interested federal stakeholders an opportunity to offer feedback. OMB then is able to conduct follow-up with sponsoring agencies if significant questions, including those related to duplication, are raised during the vetting process. While these actions are steps in the right direction, it is too early to determine what results these actions will have. The importance of ensuring these efforts are supported with rigorous spend analysis and strong leadership cannot be stressed enough. We observed during our review that when roadblocks were encountered by agencies, officials too easily gave up on the idea of applying strategic sourcing techniques to more complex goods and services.

In closing, current fiscal pressures and budgetary constraints have heightened the need for agencies to take full advantage of strategic sourcing and other efficiencies. These practices drive efficiencies and yield benefits beyond savings, such as increased business knowledge. Governmentwide strategic sourcing efforts have been initiated, and federal agencies have improved and expanded upon their use of strategic sourcing to achieve cost savings and other benefits. However, as the proposed FITARA bill recognizes, much more needs to be done to better incorporate strategic sourcing leading practices, increase the amount of spending through strategic sourcing, and direct more efforts at high spend categories, such as IT services. Strategic sourcing efforts to date have targeted a small fraction of federal procurement spending, and progress to expand strategic sourcing has been slow. If implemented effectively, billions of dollars in potential savings may be realized, providing agencies a valuable tool for maximizing their ability to carry out critical missions under tight budgets.

Chairman Issa, Ranking Member Cummings, and Members of the Committee, this concludes my statement. I would be pleased to answer any questions at this time.

GAO Contact and Staff Acknowledgments

For future questions about this statement, please contact me at (202) 512-4841 or chaplainc@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this statement include W. William Russell, Assistant Director; Raj Chitikila; Laura Greifner; John Krump; Ann Marie Udale; and Rebecca Wilson.

Mr. FARENTHOLD. Thank you very much, Ms. Chaplain. We will get to the questions after all of the witnesses.

Our next testimony will be from the Honorable Daniel Gordon. He is the Associate Dean for Government Procurement Law Studies at the George Washington University School of Law and the former Administrator, the Office of Federal Procurement Policy with the OMB. Mr. Gordon?

STATEMENT OF DANIEL L. GORDON

Mr. GORDON. Mr. Chairman, Ranking Member Cummings, Members of the Committee, good morning. I am grateful for the opportunity to testify before you today regarding the reform of Federal IT acquisition.

This is the first time that I am testifying before this Committee not as a Federal employee but as the Associate Dean for Government Procurement Law Studies at The George Washington University Law School. As you know, GW Law's Government Procurement Law Program has, for more than 50 years, been the premiere venue for the studying and teaching of procurement law in this Country. And I am pleased that we have both students and alumni of our program in the room this morning.

Let me begin by commending you for focusing on improving the way the Federal Government buys IT goods and services. Despite the criticism and the obstacles you may face down the road, I am confident that we can improve the way the Government buys IT.

You are particularly to be commended for your willingness to get input, what I think the Chairman referred to as generous feedback, from the many and varied stakeholders in this complex area.

We at GW Law School hosted a symposium about this very draft bill last October 18th and we heard at that symposium the range of views that you have heard in your hearings and your other outreach. I hope as the bill moves forward you will continue to listen to the stakeholders and I hope this will be a genuinely bipartisan effort.

With respect to the bill, my written statement includes comments on various provisions. I am happy to address them in question time. Let me highlight a couple of points here.

First, strengthening the acquisition workforce of the Federal Government. I applaud the draft bill for drawing attention to the continuing need to strengthen and invest in our Federal acquisition workforce such as the provisions on the IT acquisition cadres and a more secure source of funding for them.

It was striking to me that in last month's hearing before this Committee, private sector witnesses talked about the importance that they attach to demonstrating to their employees how much they are valued. No successful company would treat its employees the way Federal employees have been treated recently, repeated pay freezes, threats of unpaid furlough days and general disrespect, as if our employees were causing our Nation's fiscal imbalances.

Second, reducing wasteful duplication in IT investment and contracts. During my service as Administrator for Federal Procurement Policy, I saw example after example of multiple agencies, and sometimes multiple components within a single agency, spending

time and resources creating duplicative contracts for the same goods or services.

It is for that reason that I am particularly supportive of the draft bill's effort to support strategic sourcing and to require that agencies establish a business case before they issue a solicitation that would create a new contract for goods or services already available under existing interagency contracts. And for the same reason, I support the draft bill's effort to increase the transparency of blanket purchase agreements.

Apart from these comments on the draft bill's provisions, allow me to briefly mention a couple of additional factors that I think that you will want to keep in mind as you move forward.

First, there are limits to what legislation can do in this area. The problems that plague large Federal IT projects, in particular, are often the result of management weaknesses in both acquisition planning and contract management. And they may not lend themselves to improvement through legislation.

Second, the Federal Government should learn from industries' practices but it cannot always copy them. We all agree the Federal Government should be focused on low prices and high quality, just like private companies. Unlike private companies though, Federal agencies have to ensure competition, transparency and small business participation that our laws require and that our citizens expect from the Government.

In addition, Federal agencies face some unique obstacles. As members of this Committee well know, we generally insist on agencies using one year appropriations in their IT acquisitions, a constraint that no private company has to deal with. I will not go on and talk about the impact of continuing resolutions and sequestration that is certainly an obstacle private companies do not face.

In conclusion, and the final point, many of the challenges before this Committee are genuinely difficult and it is best to proceed with caution. Legislation can be a blunt instrument and there is a risk that even the best intentioned legislation will lead to unintended and undesirable consequences.

But in conclusion, let me again commend you for your work in this important but challenging area and thank you for the opportunity to appear before you today. I look forward to questions.

Thank you.

[Prepared statement of Mr. Gordon follows:]

**STATEMENT OF THE HONORABLE DANIEL I. GORDON
ASSOCIATE DEAN FOR GOVERNMENT PROCUREMENT LAW STUDIES
THE GEORGE WASHINGTON UNIVERSITY LAW SCHOOL**

BEFORE THE HOUSE COMMITTEE ON OVERSIGHT & GOVERNMENT REFORM

February 27, 2013

Chairman Issa, Ranking Member Cummings, Members of the Committee, good morning. I am grateful for the opportunity to testify before you today regarding reform of federal information technology acquisition and management, including the provisions of the draft Federal Information Technology Acquisition Reform Act bill. This is the first time that I am testifying before this Committee, not as a federal employee, but as the Associate Dean for Government Procurement Law Studies at the George Washington University Law School. As you know, GW Law's Government Procurement Law Program has, for more than 50 years, been the premier venue for the studying and teaching of procurement law in this country.

Let me begin by commending you on focusing on the important topic of improving the way the federal government buys IT goods and services. As you know, the government pays more than \$70 billion a year on IT, and yet we have for many, many years witnessed delays, cost overruns, and technological failures in IT projects.

You are particularly to be commended for your willingness to listen to the many stakeholders in this complex area. We at the George Washington University Law School were pleased to host a symposium about the draft Federal Information Technology Acquisition Reform Act bill last October 18. At that symposium, a packed house in our Law School's moot court room heard from your Chief Counsel for acquisition and procurement policy, as well as from a range of speakers with, cumulatively, many decades of experience in acquisition law and policy. I hope that, as the bill moves forward, it will benefit from the input from the stakeholders, and I hope that it will be a genuinely bipartisan effort.

I believe that, despite the frustrations and the sense of "déjà vu," we can improve the way the government buys IT. We have already proven wrong those who said that it is not possible – that federal employees are incapable, and contractors are unwilling, to do a better job. In the 1990s, procurement reform led to a dramatic move toward the use of commercial items, and away from the use of government-unique specifications. Moreover, a number of innovations, including e-procurement, modernization of the Federal Supply Schedule, and creation of government-wide acquisition contracts (GWACs) facilitated much faster purchasing, so that today federal employees can buy IT, at least in relatively small dollar volume, almost as quickly as we do as private citizens, while maintaining the transparency and integrity that are so important when public tax dollars are being spent.

During my service as Administrator for Federal Procurement Policy, we pushed hard to put in place government-wide strategic sourcing vehicles for frequently purchased commodities, with office supplies being the focus for much of my time as Administrator, and we succeeded in then driving up use of those vehicles. As a result of the collaboration among federal employees at GSA and across the Executive Branch, the federal government obtained lower prices, while also increasing reliance on small business suppliers. In short, we can succeed in improving the way we buy goods and services.

With respect to the draft Federal Information Technology Acquisition Reform Act bill, I would offer several comments, which I have grouped under the rubrics of strengthening the federal acquisition workforce and reducing wasteful duplication in IT investment and contracts:

- **Strengthening the federal acquisition workforce.** I applaud the draft bill for drawing attention to the continuing need to invest in the federal acquisition workforce. Notwithstanding all the budgetary pressures, we must continue to strengthen the federal acquisition workforce, and to support the creation of specialized IT acquisition cadres, called out in the Administration's 25-Point Plan to improve IT acquisition and management. I appreciate that reasonable people can argue with the specific provisions of the draft bill, such as the requirement for annual reports from OMB about IT acquisition cadres, and the details of how the proposed Federal IT Acquisition Management Improvement Fund would be supported. The central message, however, is one that I enthusiastically endorse: investing in the federal acquisition workforce is needed, if we are to improve IT acquisition.

I was particularly pleased to hear private-sector witnesses in last month's hearing before this Committee talk about the importance that they attach to demonstrating to their companies' employees how much they are valued. No successful company would treat its employees the way federal employees have been treated recently – repeated pay freezes, threats of unpaid furlough days, and treatment as if they were the problem causing the nation's fiscal imbalances. In my opinion, all federal employees – and all contractors, for that matter – should be treated with the same appreciation that we show for our servicemembers. We can't treat people with disrespect and then be surprised when the result is reduced morale and poor performance.

- **Reducing wasteful duplication in IT investment and contracts.** During my service as Administrator for Federal Procurement Policy, I saw example after example of multiple agencies – and sometimes multiple components within an agency – spending time and resources creating duplicative contracts for the same goods or services. The point of our Federal Strategic Sourcing Initiative was to reduce that duplication, so that every federal employee at every agency could use the strategic sourcing vehicles when they were buying office supplies or other covered goods. I am pleased that my successor as

Administrator, Joe Jordan, together with Steven VanRoekel, the Federal CIO (who testified before this Committee last month), have created a Federal Strategic Sourcing Leadership Council to expand strategic sourcing to other commodities, including IT.

As a general matter, I support the draft bill's provisions requiring that agencies establish a business case before issuing a solicitation that would create a contract for goods or services available under existing interagency contracts. Again, reasonable people may disagree on details in the draft bill, such as the role that the Office of Federal Procurement Policy should play, particularly in light of the burden the draft bill's provisions would place on that small office. The underlying goal, though, is a commendable one: we should not be creating new contracts for goods or services already available under existing contracts, without good justification.

That should be distinguished from opposition to interagency contracts. As Administrator for Federal Procurement Policy, I often found myself explaining that interagency contracts can reduce duplication, as long as we have a business-case mechanism in place, and they should be encouraged. For example, if dozens of federal agencies use a few GWACs to buy IT goods or services, those interagency contracts reduce the duplication that we would have if each of the dozens of agencies created its own single-agency IT contract. For that reason, I was pleased that GAO recently removed management of interagency contracts from its "High Risk" list – while interagency contracts, like all contracts, need to be properly managed, there is no longer justification in calling them out as presenting particularly high risk.

With respect to strategic sourcing of IT, I applaud the draft bill's language calling for an inventory of IT assets. While details will need to be refined, the importance of the government getting better knowledge of what it owns cannot be denied. We have heard too many instances of agencies wasting money because they had never conducted an inventory. I remember being told of one agency that had more cellphones than employees, and of another agency that had many cellphones sitting unused in desk drawers, with the employees they were assigned to long gone from the agency, even though the agency continued to pay a monthly fee for every phone. Compiling an inventory of what you already own should be one of the first steps in planning future acquisitions.

I also support the draft bill's effort to increase the transparency of blanket purchase agreements (BPAs). These agreements, which are typically negotiated under the Federal Supply Schedules, often represent unjustified duplication, since one agency generally has no way of knowing that another agency already has a BPA in place for particular goods and services. While deciding the best, and most user-friendly, way to share information

about BPAs will be challenging, I am convinced that reducing duplication in BPAs can reduce the waste of taxpayer funds.

Apart from these comments on the draft bill's provisions, allow me to highlight several additional factors to keep in mind as you move forward:

First, there are limits to what legislation can do in this area. I found it noteworthy that, in the Committee's January hearing, neither GAO's Dave Powner nor OMB's Steve VanRoekel expressed the view that new legislation was needed. Mr. Powner, whose expertise and insights I am familiar with from my years at GAO, called for continued Congressional oversight through hearings, and I agree with him. The problems that plague federal IT projects and IT contracts are often the result of management weaknesses, which do not lend themselves to improvement through legislation. Contrast that with the excessive use of sole-source contracts that was a key reason for the enactment of the Competition in Contracting Act in 1984. Mandating competition, or written justification for not conducting competition, is something that can be accomplished through legislation – improving management may not be.

Two key challenges that the federal government faces in large IT projects (and it is worth noting the similarity, in this regard, to major weapon system procurements) are acquisition planning and contract management, and with respect to both of those challenges legislation can have only limited impact. Congress has sometimes tried to mandate good acquisition planning, but that legislation has brought, in my opinion, only marginal benefit. What I learned when I served as the Administrator for Federal Procurement Policy was that agency personnel are sometimes reluctant to speak with industry during the planning phases of acquisitions, and the result has been poorly drafted requirements in the solicitations – which, in turn, has led to problems throughout the life of the contract. It is for that reason that we launched the “MythBusters” campaign, part of which has been an effort to encourage and foster more communication between government and industry during acquisition planning.

Regarding program and contract management, one of the great challenges in large IT projects is identifying program and contract performance problems early and taking steps to address them promptly. In this regard, OMB's IT Dashboard has been particularly helpful, and I saw the benefits that flowed from the “TechStat” sessions that Vivek Kundra initiated, when he was the Federal CIO. Periodic Congressional oversight through public hearings may be the best way to shine a spotlight on troubled IT programs and procurements. Having GAO issue periodic reports, as it has done on large projects, from the Capitol Visitor Center to major weapon systems, can also be helpful. Whether legislation can be beneficial in addressing these program and contract performance challenges is, in my view, less clear.

Second, the federal government should learn from industry's practices, but it cannot copy them. Just as when a private company is making its IT purchases, federal IT acquisition does need to deliver goods and services at low prices and high quality. Unlike private companies,

though, federal agencies have to ensure the competition and transparency that our laws require and that our citizens expect of their government. Moreover, we strive to have 23 percent of our federal prime contract dollars going to small businesses. All of these are worthy goals, but not ones that private companies have to worry about.

In addition, our lawmakers make it more difficult for federal employees to conduct sophisticated, efficient IT acquisitions. The salaries that we pay our IT and acquisition professionals are constrained by law, while private-sector salaries are not, so that we are often told that agencies have to use contractors to have IT services performed, because anyone with the requisite skills would decline to work for the amount that the government pays its employees. Furthermore, as members of this Committee well know, we generally insist on agencies using one-year appropriations in their IT acquisitions, a constraint that no private company has to contend with. And, at least recently, we haven't given our agency personnel even a full year's appropriations, but instead have demanded that they run their IT acquisitions – and all their operations – under short-term “continuing resolutions,” interspersed with crises over debt ceilings and sequestration. No private-sector company has to deal with any of that when it buys IT.

Third, many of the challenges are genuinely difficult, and it is best to proceed with caution. Legislation can be a blunt instrument, and there is a risk that even the best intentioned legislation will lead to unintended and undesirable consequences. Three examples relevant to the draft bill are worth mentioning here:

- Deciding how much to centralize acquisition is not an easy question. When centralization of procurement goes too far, the result is too great a distance between the people making the acquisition decisions and those who will have to use what is bought – often leading to delays, user dissatisfaction, and waste. We have been down that road, in the days – now relegated to history, fortunately – when GSA was buying commodities for the whole government. Yet when procurement is totally decentralized, the result is duplication and waste, which is why we have struggled to promote government-wide strategic sourcing.
- Strengthening the role of CIOs can be a good thing, but there are limits. In a large agency, the challenges of centralization vs. decentralization mentioned above can appear in deciding whether the agency's top CIO should be involved in all procurements. Moreover, there is always a risk that strengthening an agency's CIO will translate into weakening the agency's acquisition workforce, which can be harmful – particularly since acquisition professionals are often more sensitive to competition requirements and small business goals than some other agency personnel. In this regard, the December 2010 25-point plan to improve IT called for integrated program team, including IT, program, and contracting staff, as well as other agency stakeholders, and I think that team-based approach is a good one.

- Modular acquisition of IT, or proceeding by “chunks,” has appeal, and we have had it on the books, including in the Clinger-Cohen Act and Part 39 of the Federal Acquisition Regulation, since the 1990s. It risks, however, leading to inefficient, disjointed acquisition planning and contract performance, and needs to be managed well. Among other challenges: if a contractor does not perform one or more “chunks” well, the agency needs to consider whether to conduct a new competition, which could lead to another firm doing a better job, but also risks introducing additional costs and inefficiency into the process.
- Creating centers of excellence, while the idea has appeal, can lead to unintended consequences, undercutting agencies’ own workforce and complicating the acquisition process. Unless we sweep away our existing structures, creating centers of excellence also risks duplicating what GSA already does. A limited pilot may be a prudent way to proceed in this area.

In conclusion, I would again commend you for your work in this important, but challenging, area, and thank you for the opportunity to appear before you today. I would be pleased to respond to any questions you may have.

Mr. FARENTHOLD. Mr. Gordon, thank you very much.

We will now go to our next witness, Mr. Stan Soloway. He is the President and CEO of the Professional Services Council. Mr. Soloway?

STATEMENT OF STAN SOLOWAY

Mr. SOLOWAY. Mr. Chairman, Mr. Cummings, on behalf of the 360 member companies of the Professional Services Council and their hundreds and thousands of employees across the Nation, we want to thank you for the opportunity to share our thoughts with you this morning.

The legislation before us is both timely and important. And while we do have some concerns with the current draft, we strongly support its focus and intent and look forward to working with the Committee on further refinements.

Clearly, the time is right for a thorough review of the progress that has been made, or not, and of the ways in which we can rapidly and effectively ensure even greater progress in the future to foster an environment that enables the Government to access the best and most innovative solutions at the best possible price while also enabling this critical industry to continue to invest, innovate and improve its service to the Government.

In today's environment of constrained resources, budget instability and dynamic workforce changes, that challenge has never been more difficult nor more important. This fact was highlighted in our biennial Acquisition Policy Survey of dozens of Federal Government acquisition officials who made eminently clear their concern that the state of acquisition and the acquisition workforce has not noticeably improved over the last decade or more despite enormous investments of time and money. And it is the foundation of the CEO Commission PSC formed earlier this year which will be reporting in April its perspectives on how to drive efficiency and innovation in a time of resource constraints.

Hence, we are deeply committed in working with you and the Committee on this important bill. As difficult as the challenges before us might be, we also have a unique opportunity to fundamentally transform how Government utilizes technology and in so doing to dramatically improve Government performance and efficiency.

With regard to the legislation, we strongly support the direction to bolster the role and effectiveness of Federal CIOs by providing them with greater budgetary and personnel authorities. Similarly, we are very supportive of the data center consolidation provisions and the creation of Assisted Acquisition Centers of Excellence provided that the requirements include adequate flexibility with regard to the actual nature and structure of those centers. Of greatest importance is ensuring that they each share the qualities and capabilities that are the hallmarks of excellence and best practices.

There are also several aspects of the bill we believe merit additional attention in order to ensure the achievement of the bill's stated objectives. Key among them is the treatment of so-called commodity IT and the creation of a Commodity IT Acquisition Center.

First and foremost, the very term commodity IT is fraught with risk and must be used with great care. Contemporary information technology offerings often involve myriad hardware, software and services solutions, some of which are highly complex, others of which are far simpler, more routine and more static. It is essential that any discussion of commodity IT include clear definitions and context so that this critical distinction is adequately and fully accounted for in both policy and strategy.

And while the legislation does mandate that such definitions be developed by OMB, we believe that the legislation itself should address these distinctions and make clear the importance of avoiding a one-size-fits-all approach.

We are also concerned with the tendency of some to equate commodity IT with commercial IT. While most commodity IT is commercial, a great deal of commercial IT is anything but a commodity. This distinction must also be very clear in the bill and reflected in any strategy associated with strategic sourcing or other approaches.

This is also where the issue of buying for value versus price is so critical, which was alluded to by the Chairman in his opening remarks. Today, across Government, we witness the dominance of low-priced, technically-acceptable acquisition strategies both in name and in practice. For commodities, this might be appropriate.

For more complex requirements, clearly it is not. Especially in a resource-constrained environment, it is more incumbent than ever on the buyer to ensure that their strategies are truly appropriate to their requirements and that where real complexity and risk is involved, where continuous improvement and innovation is called for, the best of the best are selected and incentivized for long-term success.

We also believe that additional attention needs to be paid to the issue of competition, the single most effective means by which to drive costs down and performance up. One goal of the legislation must be to expand the competitive ecosystem and to preserve robust competition where it exists. This involves carefully assessing unique practices and policies that serve as barriers to entry as well as resisting efforts to significantly roll back current statute in ways that could cause current market participants to exit.

So, it also means that we need to avoid overly limiting contract options. While the proliferation of multiple award vehicles has certainly created overlap and may have gone too far, it is also important to not allow that pendulum to swing back too far in the other direction. It is to the advantage of the Government to have multiple competitive contract vehicles that can be tapped for its IT and other requirements.

This is the core of our concern with the creation of a single Commodity IT Center. That concern is exacerbated by the proposal to give the center both policy-making and purchase authority. Doing so, we believe, could create a conflict of interest that is actually at odds with the Government's best interests.

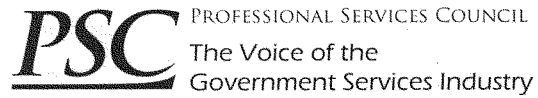
Finally, we greatly appreciate the attention paid to the human capital dimension but believe more could be done to bolster the ranks of the acquisition and technology workforces through this legislation. We face a series of very distinct but connected human

capital challenges and skills gaps that must be addressed holistically to include new strategies for workforce recruitment, development and training. Long-term success will simply not be possible without a well-resourced creatively and effectively developed and supported Federal acquisition and technology workforce.

Whatever we have been doing for the last decade has clearly not been enough and this is a challenge we can no longer ignore.

Mr. Chairman, Mr. Cummings, that concludes my oral statement and I look forward to your questions.

[Prepared statement of Mr. Soloway follows:]



STATEMENT OF
STAN SOLOWAY
PRESIDENT & CEO
PROFESSIONAL SERVICES COUNCIL

"Time to Reform Information Technology
Acquisition: The Federal IT Acquisition Reform Act"

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES

FEBRUARY 27, 2013

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Chairman Issa, Ranking Member Cummings, and members of the committee, thank you for the invitation to testify today and for your attention to the critical issue of reforming the way the federal government plans for and acquires information technology. Given the substantial government spending on information technology and the critical role it plays in furthering agency missions, the Professional Services Council (PSC)¹ is pleased that the committee is continuing its focus on this important initiative to enhance the government's acquisition and management of information technology capabilities. A comprehensive effort at reforming IT acquisitions has not been undertaken since the 1996 passage of the Clinger-Cohen Act² and is long overdue.

I would also like to commend you, Chairman Issa, and your staff for engaging in an open process by sharing a discussion draft with key stakeholders well in advance of the formal introduction of the legislation and for the collaborative approach that you have taken, including through these hearings, to understand industry's concerns and consider our recommendations. We have presented identical extensive comments to both majority and minority staff and look forward to continuing that exchange.

Last month PSC launched its own commission to identify underlying challenges to achieving real efficiency, facilitating private sector innovation and obtaining performance results in the federal acquisition of services where IT now plays an integral role. While the commission's focus is on services broadly, many of the same principles can be directly tied to IT acquisitions specifically. Many of the frustrations around the lack of progress on IT acquisition improvements are shared by the broader federal services industry.

The nexus for the creation of our commission can be traced in large part to PSC's biennial Acquisition Policy Survey of federal acquisition and other senior government officials. Our 2012 survey, titled "Acquisition in an Unabated Crisis,"³ indicated that many of the acquisition challenges that were identified in our first survey 10 years ago and repeated in subsequent surveys—namely budget stability, workforce resources and capabilities, and oversight and transparency—remain top challenges today. The fact that our government colleagues believe that the acquisition environment has not improved in the last decade or more raises real questions as to whether the way in which the government approaches its acquisition, human capital and workforce development needs should be fundamentally re-thought. Moreover, and in keeping with the theme of this hearing, the survey found that the

¹ For 40 years, PSC has been the leading national trade association of the government professional and technical services industry. PSC's more than 350 member companies represent small, medium, and large businesses that provide federal agencies with services of all kinds, including information technology, engineering, logistics, facilities management, operations and maintenance, consulting, international development, scientific, social, environmental services, and more. Together, the association's members employ hundreds of thousands of Americans in all 50 states.

² P.L. 104-106 Div. E. (codified in 40 U.S.C 1401 et. seq.), available at <http://www.gpo.gov/fdsys/pkg/PLAW-104publ106/pdf/PLAW-104publ106.pdf>

³ "The Balancing Act: Acquisition in An Unabated Crisis," available at http://www.pscouncil.org/i/p/Procurement_Policy_Survey/c/p/ProcurementPolicySurvey/Procurement_Policy_Survey.aspx?hkey=835b11ac-0fe7-4d23-a0e0-b98529210f7e

acquisition of complex information technology is considered a significant workforce weakness by the preponderance of government acquisition leaders and others we interviewed.

Needless to say, technology is advancing at unprecedented rates and government leaders have been wise to recognize that such advances can significantly improve how the government operates. As you know, the vast majority of technology capabilities are resident in the private, not the public, sector. Thus, the government's ability to access technologies and technology skills largely occurs through the federal acquisition process, which should be designed to enable the private sector to deliver cutting-edge, effective, and efficient solutions to meet important government challenges. The ability of the private sector to do so is ultimately dependent on a commitment from the government customer to appropriately incentivize, support and reward successful outcomes, and from the successful offeror to deliver innovation and excellence at a fair price.

It is through this lens of enabling and enhancing true partnerships between the public and private sectors that PSC developed its list of top policy priorities for 2013. These priorities include a focus on re-establishing budget stability; achieving acquisition excellence, in part by preserving streamlined access to commercial items and aligning the government's acquisition regulations and processes to the realities of services acquisition; fostering real world business skills and critical thinking in the federal acquisition workforce; and maximizing competition to drive innovation and efficiency. As we reviewed the FITARA discussion draft we recognized that many of the legislation's themes were closely related to the themes included in our top priorities. Indeed, the draft legislation and our priorities clearly have the same goal: improving the government's operational efficiency and performance. As such, we are largely supportive of the policy objectives of the discussion draft of FITARA and look forward to working with the committee as it is further refined.

Supported Provisions

We support and commend the bill's direction to bolster the role and effectiveness of federal CIOs by providing them with greater budget and personnel authorities. Likewise, we strongly endorse the data center consolidation provisions and the Assisted Acquisition Centers of Excellence (AACEs) directed by the bill—provided that there is flexibility provided to the agencies with regard to the actual nature and structure of individual centers. Given the ubiquitous role IT plays in so many aspects of government, whether the centers are discreet and independent entities charged with the acquisition of IT or embedded within existing organizations is not the most important question. Rather, the key is that the qualities, capabilities and characteristics of a true center of excellence be present and made a hallmark of IT acquisition, be it executed through a new or existing entity. We also recommend that the bill's requirement to compete or reauthorize the AACEs be expanded from every two years to every five years in order to eliminate excessive administrative costs and burdens.

That said, we do have some concerns with some elements of the bill and believe that addressing them clearly will greatly enhance our collective ability to achieve those shared and desired outcomes.

Defining “Commodities”

Information technology solutions are comprised of myriad hardware, software, and services capabilities to meet an array of agency needs. While some solutions may require only insignificant levels of technological development, others can be extremely complex. In other words, some federal information technology requirements involve the acquisition of commodities, or well established, routine, and widely utilized solutions, while others cannot. As such, it is essential to ensure that federal acquisition strategies and policies recognize and support this critical distinction and avoid approaches that require, or appear to require, federal agencies to address vastly different solutions with the same one-size-fits-all acquisition approach or process. It is also imperative that Congress, the administration, the agencies, and the companies providing information technology solutions to the government have a clear, shared understanding of the appropriate characteristics and qualities that define different segments of IT and thus drive differing acquisition strategies and policy. To date, such a characterization does not exist.

For example, the term “commodity IT” is being used by some to describe a subset of IT that could be targeted for strategic sourcing initiatives or purchased based on a preference for the cheapest offer. However, to date, the term “commodity IT” has not been defined consistently or adequately, thus creating a range of concerns over proposals to mandate how such products or services are procured. Only after clear and accurate definitions of different types of information technology products, services, and solutions are developed can there be an effective discussion about how best to procure them.

While FITARA tasks OMB with developing a definition of commodity IT, the definition must be narrowly, clearly, and strategically defined in advance of prescribing procurement strategies to obtaining such solutions. “Common” back office activities, such as financial and human resource systems, may qualify in certain circumstances as “commodity solutions” but in other cases such solutions—while sharing commodity attributes—are anything but due to varying levels of required customization or other considerations that must be accounted for when integrating the items or services into a broader solution. The commercial sector has refrained from categorizing such solutions as commodities because of the frequent customization requirements. In fact, the level of customization is often greater for government clients.

As such, it is risky to attempt to define such broad categories of work as “commodities.” Standard desktops or even shrink-wrapped software licenses may appropriately be categorized as such, but without clear definitions that recognize the many nuances and differences that routinely exist, there is a very real risk that the acquisition system will default to a one-size-fits-all regimen that will disadvantage both the government customer and private sector providers.

For similar reasons, we must also guard against the tendency to equate commodity IT with commercial IT. Whether something is commercial or not has no relationship to whether it is a commodity, yet too many people define them that way. As such, the legislation must make this distinction eminently clear or it will further risk a drift towards that one-size-fits-all approach.

This is also where the issue of buying for value versus buying for price becomes so central. In the case of true commodities, be they in IT or any other arena, a very strong case can be made for acquiring them on a low price, technically acceptable (LPTA) basis; such requirements also naturally lend themselves to using acquisition strategies such as the Federal Strategic Sourcing Initiative (FSSI).

But when the requirements are more complex or involve more developmental requirements and/or risk, then the use of LPTA evaluation strategies is not only inappropriate, it is entirely contrary to the best interests of the government. In those cases, appropriate trade-offs between price and technical proficiency and capability are critical to smart buying. Such trade-offs are also essential to enabling the kinds of ongoing investments in people and technology that drive continued performance improvements and efficiencies. However, our members overwhelmingly report that LPTA acquisition strategies are more dominant in today's market than ever before, even for the government's acquisition of complex capabilities. That concern is also reflected by our government colleagues in our 2012 Acquisition Policy Survey. It is therefore important that the legislation explicitly and clearly address this delineation, particularly given its emphasis on the creation of a single commodity buying center and the authority to create other IT acquisition centers of excellence.

Supporting Competition

Competition is the single most effective means by which federal agencies can drive down their IT costs while also improving performance and efficiency. Any information technology reform must focus on expanding the competitive ecosystem and preserving robust competition where it already exists. Reforms should closely examine unique government-imposed barriers that drive competitors out of the federal market or deter new entrants. Government-unique caps on contractor labor rates, excessive and unnecessary procedural, compliance or reporting requirements, and mandates for complex accounting systems are just some examples of such barriers to cost efficiency, market entry and competition. This problem is also clearly demonstrated by the repeated efforts by the Department of Defense to substantially change the definition of a commercial item or service. Their proposal, which we are grateful has twice been rejected by both houses of Congress, would result in many companies being forced to exit the government market altogether or to limit their offerings in the government market to the most basic of commodities. In so doing, the government would lose access to key commercial sources and suffer the effects of reduced market competition.

Instead of pursuing efforts to pull the government back from or out of the commercial market, or reduce its ability to utilize commercial buying strategies, our collective goal should be on fostering innovative and best value solutions—including those developed by commercial companies and then adapted, as necessary, to fit the needs of government clients. The private sector invests heavily in research and development to offer cutting edge solutions to both the commercial and government marketplaces. Today, unlike 30 or 40 years ago, private sector investment, especially in technology, far outstrips that by the government. As such, our emphasis needs to be on adapting government processes to the dominant best practices of the commercial world, rather than the other way around. We are

grateful that the draft legislation seeks to reflect this philosophy as well. We look forward to working with the committee to enhance and strengthen those provisions.

The benefits of competition are not only evident in and available through the federal marketplace, but also in the federal agencies and their individual, multi-agency contract vehicles. While it may well be true that some of the existing vehicles overlap and that some consolidation may be warranted, we believe it would be a mistake to take consolidation too far, as we believe the legislation might. Today, OMB approves and federal agencies manage a number of government-wide acquisition contracts (GWACs) for information technology solutions. GWACs are available to all federal agencies and provide several options for agencies to turn to for their IT needs. The use of GWACs has led to useful competition among agency GWAC owners who seek to manage their contracts effectively, deliver better solutions for themselves and for other government clients, and reduce administrative and total life-cycle costs associated with managing the acquisition process and delivering solutions.

Conversely, the proliferation of GWACs offering identical or significantly overlapping services results in duplication and inefficiency across the government and drives up contractor bid and proposal and transaction costs. It is crucial to strike an appropriate balance between the over-expansion of similar GWAC offerings and the elimination of valuable competition between them. Strategic sourcing initiatives can and should include the retention of many current GWACs, even though they may offer similar products or services, to preserve competition and provide additional cost savings.

This is the basis for PSC's concern with the FITARA proposal to establish a commodity IT center that has both policymaking authority *and* purchase authority related to commodity IT acquisitions. Allowing the center to establish policy, have broad control over all government commodity IT purchases, and create and utilize its own commodity IT acquisition vehicles likely will lead to the center's default preference for its own vehicles rather than competing with other vehicles that might provide better outcomes for agencies. In our view, this approach would give the commodity center too much power, and associated market dominance, and presents a significant threat to GWACs that deliver valuable services to government agencies today. This could also lead to a significant diminution of competition in the marketplace, as only those companies with a position on the center's acquisition vehicles would have any real hope of securing work.

That said, the concerns that prompted the concept of the commodity center are very relevant and, as a result, we do support the legislation's proposal to direct an objective analysis of the government's demand for commodity and non-commodity IT purchases through spending analyses and to identify avenues for consolidating that demand and ensuring the government is in a position to optimize its buying power. But we strongly believe that there must be clear segmentation between any entity given the government-wide policymaking authority and one accorded controlling purchase authority, to preserve an unbiased approach to guiding federal agencies to the most appropriate contract vehicle.

Maintain Technology Neutrality

PSC believes that the legislation must remain technology neutral and avoid overly prescriptive policies regarding the use of open source strategies. We fully recognize the benefits that may frequently accrue from using open source software but also recognize that, like the determination of a contract type or acquisition strategy, open source requirements must be tied to the specific technology requirements. In other words, here, as with other aspects of acquisition, we need to avoid a one-size-fits-all approach. Instead, our focus should be on providing the relevant workforce with the kinds of information and training that will enable them to make the appropriate decisions on a case by case basis. To be over-reliant in either direction would, we believe, be a mistake.

Workforce Imperatives

Finally, if investments in federal IT solutions are to be successful, the government must adopt a holistic approach to managing its workforce and commit to significant workforce investments to ensure it has the capacity and capability to successfully carry out IT acquisitions and programs. Perhaps more importantly, just as this legislation is designed to address the reasons more progress has not been made since the Clinger-Cohen Act 17 years ago, so too is this an ideal time to step back and assess why we face most of the same, difficult workforce challenges that have vexed the system for more than a decade. As I mentioned earlier, this was a key theme discussed by government officials in our 2012 acquisition policy survey and is highly relevant to the proposed legislation, particularly given its emphasis on developing an IT acquisition cadre, which we generally support.

PSC strongly supports the legislation's inclusion of workforce development as a central goal and its clear emphasis on seeking to incentivize and recognize excellence in the acquisition of IT solutions. But we believe more must be done to bolster the ranks of the acquisition and technology workforces. Excessive workloads are surely contributing to current challenges, but real improvement will require more than resources.

To achieve the objectives of the legislation more must be done than mandating the creation of that cadre and prescribing credentials and certifications. As we have seen in the acquisition community writ large, the existence of such certifications does not, alone, ensure proficiency, currency or excellence. Thus, we would strongly encourage you to consider including provisions that would at least enable, if not mandate, new and innovative approaches to workforce development and training, including (1) cross-functional training, (2) rotational development and assignments, (3) world class training and education offerings of the type capitalized on by the private sector, and (4) other strategies that have the potential to change the current trajectory of employee training and performance.

Consider this: the government has four times as many workers over 50 as under 30 and retirement rates are rising and will perhaps be further accelerated by budget-related early retirements. The data shows that, as more senior workers depart, there is a perilously thin workforce capacity with adequate experience to effectively step in to senior roles. Indeed, acquisition leaders told us, by an overwhelming margin, that their workforce is ill-prepared to acquire and manage complex information technology requirements. At the same time, real concern exists among those same leaders that, just as they are

beginning to rebuild their workforce, budget reductions may inhibit their ability to do so. Place on top of that the well documented challenges the government has in competing with the private sector for top technology talent, and the virtually ignored statistics from the Office of Personnel Management showing that there are seven times as many IT workers in government over 50 as under 30—which is the diametric opposite of the commercial world.

Regrettably, these and other factors together suggest strongly that the federal government has an abject human capital crisis and solving that crisis is as essential to the success of this legislation as anything else. Put in a more positive light, the combination of these human capital demographic realities with the budget crisis of today and for the years ahead presents a singular opportunity to genuinely transform government. We can ill afford to ignore this reality. Long-term success is simply not possible without a well resourced, creatively and effectively developed, and strongly supported federal acquisition and technology workforce. Whatever we have been doing for the last decade or more is clearly not working.

We must be asking what kind of workforce we want for the future, how we can change and transform our workforce development policies and initiatives to ensure we have the kind of empowered, critical thinkers that are so vital, and how we can link the evaluations and expectations of the acquisition workforce to programmatic, rather than process or transactional, outcomes.

Too often, the acquisition process is siloed into distinct segments of program and acquisition office responsibilities. In recent years, government has begun to recognize that the “total” acquisition workforce comprises more than just contracting personnel and that program offices play a critical role in the acquisition process, but the divide remains wide and concerning. We must expand this focus and incentivize, even mandate, increased collaboration between program offices, acquisition personnel and the vendor community so that a unified “team” approach is taken to IT acquisitions.

Training of government personnel must also include at least two elements that are currently missing from curricula or practice: deeper, internal cross-functional knowledge and a far greater understanding of how the private sector approaches investments in innovation and risk. The best way to demonstrate that knowledge is through well-constructed and well-managed contracts. Workforce training should engrain those critical thinking skills and opportunities for cross-functional development that is the norm in the best of the private sector. Regrettably, today’s acquisition training is increasingly centered on the “do’s” and “don’ts” of the Federal Acquisition Regulation (FAR) and related procurement rules. Understanding these rules is important but the FAR purposely and properly offers ample flexibility for acquisition personnel to adopt acquisition approaches based on sound business principles that lead to successful outcomes. But in today’s environment, that aspect of the FAR is dramatically understated and underemphasized and such flexibility is too rarely used, let alone encouraged. This is in large part why we now find ourselves in a world dominated by low price buying, overly constricted margins, and other dynamics that so disadvantage both customer and supplier.

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Developing critical thinking skills, empowering acquisition and technology personnel to collaboratively use their best professional judgments, and freeing them from the mentality that mistakes are unacceptable may be among the most important steps that the government can take on the acquisition reform front.

Lastly, credit for success should be shared among the entire program, including acquisition personnel, and should be appropriately recognized and rewarded.

These are not easy challenges and involve a combination of cultural and policy changes. But they cannot be ignored.

Conclusion

Mr. Chairman, Mr. Cummings, and member of the committee, we greatly look forward to additional discussion and dialogue as you further refine the legislation. In addition, we would appreciate the opportunity to share with you the final report of our Commission, which is targeted for release in April, as we believe many of the elements of that report will be highly relevant to the important work you are doing generally on this committee and with regard to this legislation in particular.

I thank you again for the opportunity to share our views and I would be happy to answer any questions you might have.

Chairman ISSA. [Presiding] Mr. Misener.

STATEMENT OF PAUL MISENER

Mr. MISENER. Good morning, Mr. Chairman, Mr. Cummings and Members of the Committee. Thank you very much for inviting me to testify today on behalf of Amazon.com and our customers on the reforms proposed to the draft FITARA legislation.

Amazon opened on the worldwide web in July, 1995 and after a decade of building and running a highly-scalable web application known as Amazon.com, we embarked on a mission of serving a new customer segment, including businesses and Government agencies with a cloud computing business called Amazon Web Services or AWS.

Today, AWS provides a highly-scalable, reliable, secure and low-cost infrastructure platform in the cloud that powers hundreds of thousands of enterprise, Government, education and start-up organizations. Customers include over 300 Government agencies. Notably, Amazon.com, the largest on-line retailer in the world, has itself adopted cloud computing services provided by AWS to enable rapid innovation and growth, to transform how we deliver our services to customers and to lower our IT costs substantially.

One way to think about cloud computing is that, instead of buying, owning and maintaining data centers or servers, Government agencies, business and developers can acquire technology resources such as compute power and storage on an as-needed basis and dispose of it when it no longer is needed.

The benefits of cloud computing to its users are first, users pay only for what IT they actually consume and only when they consume it. Second, expensive are lower than if the user self-provided the IT. Third, users do not need to guess their capacity needs. Fourth, virtually unlimited capacity is available to users within minutes. And fifth, cloud computing allows the users scarce technical talent without focus on its core mission, not on maintaining infrastructure to support it.

Cloud users who enjoy these benefits include Federal Government users. Amazon supports Federal IT acquisition reform. Given the benefits I have just described, Amazon believes the principle aim of Federal IT acquisition reform legislation should be to facilitate Federal Government acquisition of cloud computing services.

Amazon also generally supports the aims of the FITARA draft released last fall. Although we are not experts in several of the areas covered by the FITARA draft, we do know about cloud computing and serving public sector customers. So, here we offer our views on where the draft excels with respect to cloud computing and where we believe it could be improved.

Title I of the FITARA draft would give Federal agency CIOs more authority and budget flexibility. Amazon supports this idea and believes it would lead to the adoption of more efficient solutions including cloud computing by Federal agencies. One area where CIOs should be given more authority and flexibility is with respect to spending models, specifically capital expenditures or CAPEX versus operating expenditures, OPEX.

Title II of the draft already is strong but it should be strengthened to help Federal agencies provide Government services more

efficiently. In Section 203, we recommend including a direct link between the required plan for implementation of the Federal Data Center Optimization Initiative and OMB's Cloud First policy.

In Section 204, FITARA should explicitly clarify that using commercial cloud services is an equally valid is not preferred way to comply with the data center consolidation mandates because commercial service providers can make available more compute power and storage for a fraction of the cost based on what agencies actually use.

Section 214 recognizes as a Sense of Congress the overall importance of cloud to Federal IT acquisition reform. However, without changes to the budget and acquisition process, the benefits of cloud computing may not be fully recognized by the Federal Government as soon as they could be.

We support the development of Assisted Acquisition Centers of Excellence under Section 302. We believe that these centers could be well-positioned to examine and incorporate innovative approaches including pay as you go utility price models to acquire and deploy cloud computing services.

In closing, Mr. Chairman, I would like to thank this Committee for working with the IT industry and other stakeholders as this legislation is developed and formally introduced. Amazon believes that the Federal Government, on behalf of the people it serves, would benefit greatly from expanded use of cloud computing. With FITARA, our Nation has an opportunity to eliminate duplication and waste but also, with the changes we have suggested today, to accelerate the adoption of technologies and practices that transfer how the Government performs its functions.

We look forward to continuing to work with you and your Committee and thank you again for inviting me to testify. I look forward to your questions.

[Prepared statement of Mr. Misener follows:]



Testimony of

Paul Misener, Vice President for Global Public Policy, Amazon.com

At the Hearing

“Time to Reform Information Technology Acquisition:
The Federal IT Acquisition Reform Act”

Before the Committee on Oversight and Government Reform
United States House of Representatives

February 27, 2013

Good morning, Chairman Issa, Ranking Member Cummings, and Members of the Committee, my name is Paul Misener, and I am Amazon.com’s Vice President for Global Public Policy. On behalf of Amazon and our customers, thank you very much for inviting me to testify today on the reforms proposed in the draft Federal Information Technology Acquisition Act (FITARA) legislation.

Amazon Web Services

Amazon.com opened on the World Wide Web in July 1995 and today offers Earth’s Biggest Selection. Amazon seeks to be Earth’s most customer-centric company, where customers can find and discover anything they might want to buy online, and endeavors to offer its customers the lowest possible prices and the best possible services. Technology innovation has always driven Amazon’s growth. As we expanded our offerings for retail customers, we also expanded customer segments.

After over a decade of building and running the highly scalable web application known as Amazon.com, the company realized that it had developed a core competency in operating massive scale technology infrastructure and datacenters, and embarked on a much broader mission of serving a new customer segment – including businesses and government agencies – with a platform of web services through our cloud computing business called Amazon Web Services (AWS).

In 2006, AWS began offering developer customers access to in-the-cloud infrastructure services based on Amazon’s own back-end technology platform. Previously, businesses and government agencies only had the option of either making massive capital investments to build their own infrastructure or of contracting with a vendor for a fixed amount of datacenter capacity that they might or might not use. This choice meant either paying for wasted capacity or worrying about shortages, *i.e.*, that the capacity they forecasted was insufficient to keep pace with their growth. Businesses and government agencies spent a lot of time and money managing their own datacenters and co-location facilities, which meant time not spent on their core organizational missions of providing products and services for their customers and citizens. In large part, these inefficiencies continue today.

AWS is passionately committed to sharing the benefits we can achieve as a global cloud provider, and our economies of scale have resulted in the rapid innovation of public cloud services and the lowering of pricing for our customers. Specifically, we have lowered our cloud service prices more than 25 times.

Today, AWS provides a highly reliable, scalable, secure, and low-cost infrastructure platform in the cloud that powers hundreds of thousands of enterprise, government, education, and startup organizations in 190 countries around the world. Customers include fast-growing companies such as Pinterest, other private organizations including NASDAQ, and over 300 government agencies including the U.S. National Institutes of Health, U.S. Department of Energy, U.S. Department of the Treasury, NASA's Jet Propulsion Laboratory, and the U.S. Army, Navy, Air Force, and Marine Corps. AWS also offers its dedicated GovCloud Region to U.S. government agencies and customers, allowing them to move more sensitive workloads into the cloud by addressing their specific compliance requirements, such as the Federal Information Security and Management Act (FISMA) or International Traffic in Arms Regulations (ITAR).

Notably, Amazon.com, as the largest online retailer in the world, has itself adopted cloud computing services provided by AWS to enable rapid innovation and growth, to transform how we deliver our services to customers, and to lower our IT costs substantially. That is, Amazon's core retail business relies on cloud services provided by AWS. We firmly believe in cloud computing.

Cloud Computing

One way to think about cloud computing is that instead of buying, owning, and maintaining their own datacenters or servers, government agencies, businesses, and developers can acquire technology resources such as compute power and storage on an as-needed basis, and dispose of it when it no longer is needed. Users only pay for what they use – by the hour or gigabyte – and they are not locked into long-term contracts.

This approach to computing allows dynamic growth and shrinkage of resources to match real demand, as opposed to buying more than needed initially (*i.e.*, waste) and then taking the risk of still not having enough capacity for peak loads (*i.e.*, shortage). The cloud provider manages and maintains the technology infrastructure in a more consistently secure environment, while users simply interact with resources they need via the Internet or dedicated connections.

The benefits of cloud computing have been described before to your Committee. Please allow me to summarize briefly those benefits to users, including government agencies:

- First, with cloud, IT users can trade capital expenditures for variable expenses. That is, users can pay only for what IT they actually consume, and only when they consume it.
- Second, with cloud, those variable expenses are lower than they would be if the user self-provided the IT service. With inherent economies of scale, the large-scale commercial cloud is simply more efficient than anything a particular user could build and operate for itself.

- Third, users don't need to guess their capacity needs. Before cloud, users risked the waste of buying too much IT capacity if demand were lower than guessed, or they risked dissatisfaction of their customers or citizens with shortages, if the users bought insufficient IT capacity to meet demand.
- Fourth, the speed and agility of user innovation is dramatically increased with cloud. Instead of waiting many weeks to obtain IT infrastructure, virtually unlimited capacity is available to users within minutes.
- Fifth, cloud computing allows a user's scarce technical talent to focus on its core mission, not on maintaining basic compute and storage infrastructure to support it. With the budget challenges that agencies face today, that focus is valuable now more than ever to government users.

Federal IT Acquisition and FITARA

Cloud users who enjoy these benefits include federal government users. Agencies can pay only for the IT they actually consume, and pay less for what they do. Departments don't need to guess their capacity needs, and can quickly scale up and down as needs arise or abate. And, rather than maintaining data center infrastructure, technical talent can focus on specialized government functions and services that can be offered nationwide or globally in an instant.

Amazon.com supports federal IT acquisition reform. As you and others have pointed out, Mr. Chairman, the way government defines its requirements and acquires IT can be considered antiquated. Given the benefits I have just described, Amazon believes that a principal aim of federal IT acquisition reform legislation should be to facilitate federal government acquisition of cloud computing services.

Amazon also generally supports the aims of the FITARA draft released last fall. The U.S. Federal Chief Information Officer (CIO) Steven VanRoekel told this Committee on January 22, 2013, "[t]hrough the advent of cloud computing, the IT community now has a scalable and transparent way to purchase and provide services, enabling agencies to transform how the organization leverages technology by pivoting away from the old model of buying IT as an asset." We could not agree more, and we believe that FITARA could help the federal government achieve this result.

Although we are not expert in several of the areas covered by the FITARA draft and, thus, have little or no opinion on these areas, we do know about cloud computing and serving public sector customers, so here we offer our views on where the draft excels with respect to cloud computing, and where we believe it could be improved.

Title I

Title I of the FITARA draft would give federal agency CIOs more authority and budget flexibility. Amazon supports this idea and believes it would lead to the adoption of more efficient solutions, including cloud computing, to the challenges faced by federal agencies.

The TechAmerica Cloud Commission reached the same conclusion in 2011, recommending that “[a]gencies should demonstrate flexibility in adapting procurement models to acquire cloud services and solutions. Congress and OMB should demonstrate flexibility in changing budget models to help agencies acquire cloud services and solutions.” (“Cloud First, Cloud Fast: Recommendations for Innovation, Leadership and Job Creation,” TechAmerica Foundation, 2011.) Also, the Software & Information Industry Association (SIIA) specifically recommended in a 2012 White Paper that “OMB [the Office of Management and Budget] and GSA [the General Services Administration] should work together and with industry to review and recommend changes to capital planning and procurement regulations that might hinder the rapid acquisition of innovative technologies by government.” (“Beyond the 25 Point Plan: A Roadmap to Implementing Cloud Computing and Reforming Federal IT,” Software & Information Industry Association, 2012.)

One area where CIOs should be given more authority and flexibility is with respect to spending models, specifically capital expenditures (CAPEX) versus operating expenditures (OPEX). In recent testimony on federal IT acquisition reform before this Committee, former Congressman Tom Davis suggested that it “would be better to break things into smaller chunks and make sure they work before going to other steps.” We agree. But this can only be successful if agencies are empowered to shift from the CAPEX budget model to OPEX when it makes sense based on agency CIO priorities.

Given that much IT hardware and software has only a three-year lifecycle, we believe that agencies should be allowed to place capital funds into a “cloud services fund” that preserves the funding for the agency to pay in two or three years for cloud computing services contracted today. The current “use or lose” approach is a disincentive to saving money. Agencies should shift to paying only for what they use, versus spending to stockpile servers, software, etc., because their budgets expire at the end of a fiscal year. As SIIA stated in its 2012 White Paper: “Cloud computing drives agencies away from purchasing IT in a way that requires capital expenditures and overhead, and toward an ‘on demand’ IT model that purchases IT services as it consumes them. Capital planning guidance must keep pace with this changing dynamic.” We agree and believe that FITARA could accelerate this change.

In addition, to make faster progress now, we encourage this Committee to work with the Appropriations Committee and OMB to establish more flexible budget models for acquiring IT solutions. OMB and GAO previously have highlighted the need for Congress to work this way with OMB, including in the “25 Point Plan” released in late 2010 by the U.S. Federal CIO and in recent GAO testimony before this Committee. (See “25 Point Implementation Plan To Reform Federal Information Technology Management,” U.S. Chief Information Officer, December 9, 2010, and “OMB and Agencies Need to Fully Implement Major Initiatives to Save Billions of Dollars,” Statement of David A. Powner, Director of Information Technology Management Issues, GAO, January 22, 2013.)

Title II

Title II of the draft, regarding “Elimination of Duplication and Waste in Information Technology Acquisition,” is a crucial part of the legislation. This title already is strong, but it should be strengthened to help federal agencies provide government services more efficiently.

In Section 203, we recommend including a direct link between the required plan for implementation of the Federal Data Center Optimization Initiative and OMB’s Cloud First policy. Data center consolidation

is fundamentally about improving efficiency and, thus, should not just be about the reduction of the number of federal data centers. FITARA should explicitly reference the goal of greater efficiency and clarify that using commercial cloud services is an equally valid if not preferred way to comply with the data center consolidation mandates, because commercial service providers can make available more compute power and storage for a fraction of the cost based on what agencies actually use. Put another way, data center consolidation is a good start, but cloud computing fundamentally changes both the process and the output, thereby optimizing how government operates IT.

In Section 204, we support adding "cloud computing services" to the Efficient Information Technology provisions. Clearly, for the reasons described before, inclusion of cloud services is warranted.

And, in Section 214, "Transition to Cloud," Amazon generally supports the provision that notes the "significant potential benefits" offered by cloud computing. That provision recognizes, as a Sense of Congress, the overall importance of cloud to federal IT acquisition reform. However, without further policies in the bill encouraging the use of cloud, *e.g.*, implementation of changes to the budget and acquisition process (and specific deliverables and clear benchmarks to measure progress), the benefits (including cost savings) of cloud computing may not be fully realized by the federal government as soon as they could be. We believe that Section 214 should be strengthened by directing federal agencies to continually assess what workloads and applications can be moved to cloud service providers as well as when they can be moved. In addition, the security control language in Section 214 should be strengthened by adding more emphasis on evolving industry standards and best practices.

Another challenge to cloud service providers and IT transformation is the inconsistency of security requirements and processes among federal agencies. We believe the FedRAMP program is positioned to help address this challenge over the long-term, but only if it can be further streamlined, including the period of time that it takes to accredit applications and services. Section 214's call for the adoption of a "Government-wide program providing for a standardized approach to security assessment, authorization and continuous monitoring for cloud services and products" should help advance that effort and ensure that federal agencies leverage FedRAMP and not add agency-specific requirements or audits on top of FedRAMP certification and controls. Such agency-specific requirements and audits are at odds with the efficiencies and economies of scale provided by utility computing platforms.

Title III

In support of OMB's Cloud First policy, Section 301 should be strengthened by adding language about the Federal Commodity IT Acquisition Center that would require the Center to develop expertise in the acquisition and use of commercial cloud computing services. The Committee may want to consider adding similar language in Section 311.

We support the development of Assisted Acquisition Centers of Excellence under Section 302. We believe that these Centers could be well positioned to examine and incorporate innovative approaches, including those that are being adopted in the private sector. One example of this is how organizations are leveraging pay-as-you-go utility price models to acquire and deploy cloud computing services. This acquisition model is enjoying success by early government agency adopters of cloud, such as NASA's Jet Propulsion Laboratory.

Conclusion

In closing, Mr. Chairman, I would like to thank this Committee for working with the IT industry and other stakeholders as this legislation is developed and formally introduced. Amazon believes that the federal government, on behalf of the people it serves, would benefit greatly from expanded use of cloud computing. With FITARA, our nation has an opportunity to eliminate duplication and waste, but also, with the changes we have suggested today, to accelerate the adoption of technologies and practices that transform how the government performs its functions. We look forward to continuing to work with you and your committee.

Thank you again for inviting me to testify today. I look forward to your questions.

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Chairman ISSA. I hope you do. I will now recognize myself with some short questions.

Mr. SPIRES, how many CIOs are there in the network of CIOs of the Federal Government?

Mr. SPIRES. I think you recognized earlier, you said hundreds of CIOs in the Federal Government.

Chairman ISSA. Well, the reason I did was because when we asked the Office of Management and Budget how many there were, although we have estimates and we have used numbers, OMB said OMB does not have a role in nor does it manage the direct hiring or titling of positions for specific agencies. In other words, you can make as many as you want. It is an agency decision and they can have a lot.

Now, you had a council of people with the CIO title. How many do you have within your council?

Mr. SPIRES. There are 13 of us, sir.

Chairman ISSA. And, as the chief, how do you feel about having 13 titles none of whom have budget authority? Is that really, is that manageable to have to create a council of chiefs and none of you in the room have direct and absolute budget authority?

Mr. SPIRES. It is a true statement that none of us have absolute and direct budget authority. If I could frame what I see as the issue around this, we find ourselves in a position, and it really is a structure of the way Government is funded, right, so that budgets, like at Department of Homeland Security, are appropriated at the component level, like to FEMA and to CBP. And so they control those budgets.

Chairman ISSA. Well, let me stop you for a second.

Mr. SPIRES. Sure.

Chairman ISSA. I completely concur that the dysfunctional way we do things down the hall at Appropriations and have done it, which is a chicken or the egg, Government formed this way, appropriators formed to match Government, Government then continued to conform to a system that had been established. So, as we have gone from two or three secretaries that George Washington had to a plethora of them and more being asked for, and then sub agencies, we have created, everybody gets a little pot of money. That is pretty much from George Washington until now how we got here, right?

The question for you is, should money be allocated to IT and be reprogrammable and spendable in a way that although you anticipate an awful lot, there is accountability to a major block for that money being spent, not spent, converged into a common pool of money to do a job better, or, in fact, request reprogramming to use an appropriator term, but have a single point of accountability that ultimately has plenty of little chiefs but somebody in a major agency can say I have got \$6 billion and I will be darned if I will waste it.

Mr. SPIRES. Well, by the way, that is the way I feel every day when I get up, sir. I have got \$6 billion and I do not want to waste a penny of it.

Now, that being said, I concur with the concept that I need to, as the CIO as Homeland Security, drive real efficiencies. My first thing I talked about as what we need to fix is this issue of stand-

ardizing IT infrastructure through things like cloud computing. We need to do that to drive the efficiencies, okay? So, the model I am espousing, however that is done, all right, does that need to be full budget authority? That is one model and I think you should look at that model. There may be other ways to do it. But I need to be able to drive that set of efficiencies one way or another.

Chairman ISSA. I appreciate that and we will get back to you on that.

Ms. Chaplain, not to take the absolute of my explanation, but if we continue the way we are with pockets of money spread into hundreds or perhaps thousands of little fundings, don't we almost guaranty that the big picture, the big solutions, the big let us converge on the cloud and save money, just simply will not happen?

Ms. CHAPLAIN. Yes, and I think many, many studies point to the issue of diffuse authority, most recently in DOD, and I think if you do not have a single point of accountability, someone who actually can stop projects and has good visibility over the portfolio that can act on that, you do have a problem that is going to remain.

Chairman ISSA. Any other weigh-ins from the other stakeholders here? Let me follow up with another question. I am going to go to Amazon. And thank you for saying you look forward to my questions.

If there are five Federal entities and they decide that they want to all be on a, and let us just assume they are on Microsoft Exchange, and they want to all be together in one cloud and have all the bandwidth necessary or all the DADS and other resources necessary that they had, but be on one convergence, how long does that take at Amazon? Do you have an idea?

Mr. MISENER. Well, thank you, Mr. Chairman, and I do look forward to the questions like this.

Our experience has been that we can move very quickly. That is part of the beauty of cloud. You can ramp up and ramp down as quickly as you need. And so, it can be, we had an experience with a Federal agency who had a mission and knew that they could accomplish it in the cloud about 18 months faster than doing it on their own and yet they were not able to make anything but a capital expenditure.

So, they ended up having to wait over a year, they spent \$1 million on it, when it could have cost them about \$120,000 a year instead.

Chairman ISSA. Well, let me ask two questions that I know the answer to so I can yield time to the other side now. One is, is it not true you sell time essentially and processing by the minute?

Mr. MISENER. Yes.

Chairman ISSA. That you buy everything incrementally so that you buy, you pay for only what you buy?

Ms. MISENER. That is correct.

Chairman ISSA. And is it not true that a typical company, if 10 of us had our own exchanges that we could all be in the cloud in hours at the minimum and days at the longest for a standard off-the-shelf product like Microsoft Exchange?

Mr. MISENER. Well, it is minutes if you are a small enterprise. So, you can get on the cloud very quickly. It really is measured in that. And obviously more complex needs from enterprises or Gov-

ernment agencies, we want to be able to work directly if necessary with those customers to ensure that they get what they want.

But again, certainly it depends on the scale, but we are faster.

Chairman ISSA. Okay. And then I have an exit question, I have got to go to the gentleman from, I think Massachusetts, next. Is it not true that there are many other companies somewhat like Amazon, that we did not bring you here as the only one that could do it but that, in fact, whether it is Rackspace or lots of other companies, there are companies who provide similar services and there are no barriers to entry so you could have 100 bids of people who could do various Government cloud transfers?

Mr. MISENER. Correct. And we are enthusiastic believers in the cloud, both as a provider and as a user of it.

Chairman ISSA. Thank you.

We now go to the gentleman from Massachusetts.

Mr. TIERNEY. Thank you. Let me just pick up from there. Are there any security concerns or risks that we ought to be considering in talking about encouraging people to use the cloud?

Mr. MISENER. Security is enabled by cloud. We are, because of our scale, we are able to dedicate more resources and invest more in policing and getting out ahead of threats in a way that smaller enterprises just cannot. And so, it actually is an enabler of security.

Mr. TIERNEY. So, the Administration is already sort of heading in that direction and encouraging people on that. Do you think that putting incentives into this bill is a positive step or a necessary step?

Mr. MISENER. Well, I think it is more permissions. The CIOs need the permission to be able to get cloud services. They need the permission to be able to go to an operating expense model rather than a capital expenditure model. I cannot tell you how many times we have had circumstances where the CIO wants to do it, but cannot, or believes that he or she cannot. That is a real impediment.

The theme that we see is that the CIOs get it. They understand what is going on. They understand what is needed. They understand that it can be as secure as they want it to be. But they are not allowed, because of procurement policies, to go and get it.

Mr. TIERNEY. Do you think the bill goes far enough?

Mr. MISENER. No.

Mr. TIERNEY. What would you do, in addition?

Mr. MISENER. I would specify in many places that cloud computing is something to be considered as an option, not forced upon CIOs, but at least give them the option to do it and make sure they have the flexibility to spend money as an operating expense, not just as a capital expense.

Mr. TIERNEY. Can you give us an example of something that Amazon utilizes as a best practice that is not captured in this bill but you think it might be beneficial to the Federal Government?

Mr. MISENER. Well, we pride ourselves on doing our very best to serve our customers in whatever their needs are. So, for example, we are happy to work through integrators, large, our partners, to serve Federal Government agencies. We are also happy to work directly with the Federal Government agencies if they so choose.

And so, we try to be as flexible as our customer needs demand. We have helped them get FISMA approvals, for example, when they need it. And these sorts of customer-centric approaches are ones that say that, you tell us what you need, and we will provide it.

Mr. TIERNEY. I have no further questions, Mr. Chairman.

Chairman ISSA. Would the gentleman yield for a second?

Mr. TIERNEY. I will yield. Certainly.

Chairman ISSA. Wouldn't you always also characterize that when you are in the cloud, by definition, if you are doing a hundred different agencies and there is a patch, an upgrade, a security change that typically the integrator of many, many stations is going to be able to do that for all the customers in real time much quicker than you would do at a typical offsite where they would have to learn about it and then they have to, the IT people have to go in and do it on servers locally?

Mr. MISENER. Yes, Mr. Chairman. The countermeasures that we can deploy we can deploy globally in an instant. That is why we are able to keep out in front of the threats just by virtue of scale. It is not because we are more virtuous but the scale that we have allows us to take care of those threats in advance.

Chairman ISSA. Thank you. I thank the gentleman.

Mr. TIERNEY. May I reclaim my time for a second? I just want to yield it to Mr. Connolly who wants to make a statement.

Mr. CONNOLLY. I thank my colleague. Actually, I did not want to make a statement. I wanted to use a little bit of extra time to get some more feedback.

Chairman ISSA. The gentleman is recognized for a total of seven minutes. Let us just get it all done at once.

Mr. CONNOLLY. Thank you, Mr. Chairman. Thank you very much.

Chairman ISSA. Go ahead.

Mr. CONNOLLY. Mr. Gordon, the bill, the draft bill we are talking about addresses open source, open source software, and it requires OMB to issue guidelines on its use and collaborative development. Do you think that would be, would have been a useful provision, if it had been in law when you had your previous position?

Mr. GORDON. Thank you, Mr. Connolly. It is very important for there to be technology neutrality in this area. And I think, I am not an IT expert and my colleagues on this panel may have more to add on this, but my sense is that we need to be very careful to keep competition open and to be technologically neutral. If that is the intent of the bill's language, I am very supportive of it and I think it would be helpful.

Mr. CONNOLLY. Could it save money, Mr. Spires?

Mr. SPIRES. Oh, absolutely, sir. In fact, we are using open source in numerous ways now within DHS and we look to use more of it into the future.

Mr. CONNOLLY. Is there a differentiation of pricing in various contracts within the Federal family on off-the-shelf and open source?

Mr. SPIRES. I mean, back to what Mr. Gordon was referring to. We want flexibility. We want to do what is in the best interests of the taxpayer in this regard. And we will be assessing all solutions

and more and more we are looking at open source solutions to meet our needs.

Mr. CONNOLLY. Do you think that the Government could and should rely more often on open source software when it buys new products?

Mr. SPIRES. I will go back to we need to do that assessment. I am not suggesting that we have an open source first policy. I think we have to look at both open source and standard products and what best meets the need for the Federal Government. But with the maturity of where open source is today, we can use it in mission operations spaces in a secure manner.

Mr. CONNOLLY. Mr. Soloway, industry's point of view about that?

Mr. SOLOWAY. I think we are all in alignment on the basic question of open source and the needed flexibility. If I might just go back to a point that was made a moment ago, the discussion of cloud computing and the role of cloud, I would offer a couple of contextual comments.

Number one, I do not think there is any disagreement about the cloud. I think there is still inconsistency in the agencies as to what they define as the kind of cloud they want to go into, whether it is their own, whether it is a broader commercial offering, and I think that issue is one that has not yet sunk in in the National security environment. There is still a lot of discussion and debate. So, there is a cultural issue that needs to be addressed there.

The second point I would make is, and, Mr. Chairman, you made this comment earlier about the access to the commercial base and commercial best practices, even as we talk about that in this hearing, we are seeing a stark pulling back by many agencies of Government from commercial business practices on the acquisition side.

The Department of Defense has tried for two years in a row to dramatically change the definition of a commercial item or service which, in fact, would have taken Amazon pretty much out of the Federal space because I discussed it with them and others who came in as a result of some of the reforms put in place by Clinger-Cohen and earlier legislation.

So, we need to align the goals of our technology and IT policy with the acquisition policies and practices we expect and demand. One can have tremendous transparency and accountability and still use commercial best practices. But, unfortunately, we see a disconnect there between the acquisition and technology communities that I think we need to overcome.

Mr. CONNOLLY. I guess by implication in terms of what you just said, you do not feel that the language in the draft bill goes far enough in that respect?

Mr. SOLOWAY. No, I do not think, I think the language in the draft bill addresses the basic question. As I said in our testimony, I think there is more definitional context that is needed. I think there are some risks to the term commodity IT because it tends to be overused when it is, something is or is not a commodity. We are seeing buying practices across Government that assume everything is a commodity, which is not the case. So, some more context and definitional support, I think, would be important.

But also going back to Mr. Spires' comment, maybe the most important thing would be substantially enhancing the focus on the workforce that the bill addresses. As I said, our Acquisition Policy Survey was stunning this year in that we had more than four dozen Federal acquisition leaders say to us, things are just not any better than they were a decade ago.

We have a huge, huge problem. We do not support and empower the workforce. And, frankly, I think we could make an argument that we probably do not develop, train and advance them in the proper way. And so perhaps a fundamental rethinking to the point Mr. Spires talked about with the Program Management Center of Excellence gives you an opportunity on the civilian side to do something that has never been done before.

What does program management mean? What kind of workforce of the future do we want and need and how do we best develop them? If you go to best commercial practices, they do not look anything like the way we develop our acquisition community in the Federal Government.

Mr. CONNOLLY. Yes. I think maybe we do need to beef up the people part, the personnel part, of the draft legislation. I take your point very much. I know when I was in the private sector we were always experiencing the good, the bad and the ugly in terms of skill level in managing large, complex IT contracts.

Mr. SOLOWAY. One of the stunning statistics that is relevant to this bill, and it is in the written testimony, is as much as we talk about the graying of the Federal workforce and having four times as many people over 50 as under 30, in the IT workforce in Government it is dramatically worse. According to the Office of Personnel Management, we have seven times as many people over 50 as under 30 in the IT workforce.

Mr. CONNOLLY. Careful about that.

[Laughter.]

Mr. SOLOWAY. Well, I am of that same age, sir.

Mr. CONNOLLY. Those are Renaissance men and women.

[Laughter.]

Mr. SOLOWAY. The point being, of course, that it is the diametric opposite of what you see in the commercial space.

Mr. CONNOLLY. Yes. In my last one minute and 28 seconds, Mr. Gordon, Mr. Spires talked about, and the Chairman laid out, sort of the multiplicity of CIOs and respective areas of responsibility. It is so diffuse as to mean there is no really one locus of responsibility.

Do you think the bill as currently drafted adequately addresses that and gives the proper authority to a person, a point person, in each Federal agency and if not, how can we improve on it?

Mr. GORDON. I think the bill is commendable in trying to focus on having a person on the CIO side of the house. The only points of caution I would add for consideration as you go forward, and this may be more report language than statutory language, is that you do not want the CIO to be a bottleneck. You want a high level person to make high level decisions. You do not want every small IT decision to be sitting on her or his desk to get decided. That is one thing.

And a second thing, something that I have been worrying a lot about over the last 10 years, there is a risk of imbalance between the contracting workforce and the IT workforce. If you give too much power to the IT workforce and exclude the contracting workforce, you are going to lose the advocates for small businesses, the advocates for competition, following the FAR. That is why I have always been in favor of integrated teams with clear leadership. Thank you.

Mr. CONNOLLY. Mr. Chairman, my time is up. Would you indulge Mr. Spires to be able to answer that question?

Chairman ISSA. Absolutely.

Mr. CONNOLLY. I thank the Chair.

Chairman ISSA. Thank you, sir.

Mr. SPIRES. A couple of points regarding this. Under the structure that I think would be best for larger departments and agencies, the central CIO, the individual in my role, does have that high level view but is also driving those enterprise capabilities that are leverageable then by all. And we talked a lot about cloud computing. I am a huge believer in it. We have 11 cloud-based services. I serve on the JAB at FedRAMP. That, I think, can be transformational to deal with some of the security issues that were raised.

So, the notion then is once we have that infrastructure layer at an enterprise level standardized and modern, then the individuals within my components, like FEMA, they can focus on that value add, what is the functionality, how do we help the mission deliver more effectively. What we have right now is too many people out on the edge worried about infrastructure, worried about things they should not be worrying about. I yield.

Chairman ISSA. Thank you. And now we go to the very young but prematurely gentleman from Michigan, Mr. Walberg.

Mr. WALBERG. That is probably the most unusual introduction I have had.

[Laughter.]

Chairman ISSA. And I want you to live up to that youth, young, you now, you are not over 50 yet, so it is a lie on your birth certificate.

Mr. WALBERG. Just keep feeding me good chocolates and nuts. That will work fine.

Mr. Spires, I hesitate in a sense talking about a congressional budget cycle because I am not sure if one of the Houses understands there is a budget cycle.

[Laughter.]

Mr. WALBERG. But in any case, what impact does the Congressional budget cycle have on IT redundancies and wasteful spending?

Mr. SPIRES. Well, it certainly makes it difficult at a program level, this notion, and Mr. Gordon alluded to it, of having one year funding, it really does make it very difficult to do good planning. And then when you get into things like continuing resolutions, and we are jammed up trying to actually issue procurements and complete procurements in a very short time frame near the end of a fiscal year, those things are just not best practice management or IT best practice. So I would look for more flexibility.

Mr. WALBERG. What are those flexibilities?

Mr. SPIRES. Well, I mean, multi-year funding helps us and we do have some of that in certain instances so that we can, I mean, even though we move to more agile programs and we are getting releases out in four to six months on many of our programs, that does not mean we are going to complete the whole thing within one year. I mean, many of these are complex systems that take multiple releases. And so we need the kind of time frame to do the right kind of planning.

And I also think more portfolio types of budgeting so that we have more flexibility. If we are in a cloud-based environment like we have development and test as a service and we can turn out product sometimes, I am saying simpler applications, within a matter of a couple of months, that does not fit with any Government budget cycle. But we need to have that kind of flexibility.

So, if you will, funding us by a portfolio, an area. And then on the flip side what we owe you back is real transparency. What are we doing, how are we oversighting that, how is the progression going, what decisions did we make and how we made those decisions to allocate those funds, we owe you that transparency.

Mr. WALBERG. And an end zone that you ultimately get to as well.

Mr. SPIRES. That is true, sir. I agree. What is our objective, why do we need that portfolio money and what are we trying to achieve with it? That is fair. Very fair.

Mr. WALBERG. Let me follow up. Our legislation provides CIOs with both a broader budget authority as well as more flexible use of revolving and capital working funds. Is that the right approach?

Mr. SPIRES. I think it goes back to the Chairman's discussion around the budget authorities. One way to do this is through those types of revolving funds, working capital funds. We have such a fund within DHS that we use to fund enterprise IT. I will say it is somewhat cumbersome but it does work. And so, if you are not going to, it is way at least to get the funds together.

Although I will tell you, even in that kind of model, one of the problems that I have in trying to drive enterprise services is that it might be good for all of DHS, but if it is not good for a particular component, they are not going to play ball with you well. They are not going to want to do that. And this is a discussion I have many times with the CIO. I am talking to the CFO of that component. I am even talking to the head of that component because I am trying to optimize and provide, if you will, enterprise capabilities across the enterprise. So, that is an issue that we deal with by not having that consolidated funding for IT.

Mr. WALBERG. Thank you. Mr. Gordon, in your testimony, you raised the concerns that there are limits to what legislation can accomplish. What are those limits?

Mr. GORDON. Thank you, sir. I would, it may be worth thinking of IT acquisition as divided into two different types, very big projects and then purchases of small things, hardware, software, software licenses. The very big projects in many ways are more like DOD's major weapons systems. The challenges we face are acquisition planning, very tough to legislate acquisition planning, contract management, a tough area to legislate. The idea of a CIO and

strengthening the CIO does go to large projects and may be helpful. But much of what I see as positive in the bill is actually relevant to those smaller purchases, the strategic sourcing and the other areas.

Mr. WALBERG. Does our bill run afoul of those concerns?

Mr. GORDON. No, not at all, sir. It is just that the bill does not, and it does not need to, distinguish between big projects and the small purchases or relatively small purchases. They are just different issues and the bill actually includes some positive things with respect to both. I do not see problems with respect to either one on a large scale in any event.

Mr. WALBERG. Okay. You mentioned in your testimony that Government can learn from industries best practices but cannot copy them. Can you elaborate on that in five seconds?

[Laughter.]

Mr. WALBERG. Take a little time.

Mr. GORDON. Sure. There are all sorts of things that industry can do that we cannot do in the Federal Government. You have heard about the appropriations problem, the competition issue. I will say, though, that I think that the Government has more flexibility in its procurement system today. In fact, I did not quite understand Mr. Misener's reference to procurement policy getting in the way of shifting to the cloud. I think we already have a lot of flexibility under our procurement system.

We do have to worry about things like small business participation, like transparency, that the private sector does not need to worry about. But overall, I think our procurement system can succeed and this bill is pushing us, I think, in a helpful direction.

Mr. WALBERG. Thank you. And thank you, Mr. Chairman.

Chairman ISSA. Thank you. As I go to the Ranking Member, Mr. Gordon, if I could summarize what you said? We cannot legislate out stupidity.

[Laughter.]

Mr. GORDON. I do not think I actually used those words.

[Laughter.]

Mr. GORDON. But good management, as you know from your experience before you came to Congress, sir, good management is something that you just cannot do by legislation.

Chairman ISSA. And as we go to the Ranking Member, that is the point and the reason that we have to invest in our Federal workforce every single day.

I recognize the Ranking Member.

Mr. CUMMINGS. Mr. Soloway, you said in your written testimony, and I quote, long-term success is simply not possible without a well-resourced, creatively and effectively developed and strongly supported Federal acquisition and technology workforce.

Do you believe that making investments in the acquisition workforce now will pay off with cost savings in the long term?

Mr. SOLOWAY. Absolutely, if the investments are properly targeted and made. I think we have spent, over the last decade or more, a tremendous amount of money trying to develop the acquisition workforce. When I was in the Defense Department in the 1990s, the Defense Acquisition University was part of my portfolio. I had a \$100 million budget for acquisition training.

The question I think that needs to be asked is similar to the question the Chairman has asked with regard to the foundation for this bill. It has been 17 years since Clinger-Cohen. Why are things not better? It has been 20 years since the Federal Acquisition Reform Act. Why is our acquisition workforce still so beat down, under resourced and, frankly, under empowered. What we see on the acquisition side, this may be the dichotomy between what Mr. Gordon and Mr. Misener are seeing, it is not a matter of policy, it is workforce that is not incentivized to use critical thinking skills, to take some reasonable element of risk to know that their leadership will support them if they make a mistake or things go south which they inevitably do for reasons having nothing to do with what they did.

Mr. CUMMINGS. Wait, wait, wait. So it is not about being properly trained? Is that what you are saying?

Mr. SOLOWAY. No, I think that we have not necessarily done the right kind of training. I think there are gaps in the training. I think there are gaps in the degree to which we empower that workforce and support them.

Mr. CUMMINGS. Yes, I tell the story that when I was Chairman of the Coast Guard Subcommittee of the Transportation Committee, we saw where because the acquisition people were not properly trained, I mean we literally, literally, were buying boats that did not float. I mean, we lost hundreds of millions of dollars under this Deepwater Program. And they just testified yesterday in Transportation that, because of the changes we made, they now are on sound footing.

But they literally had to bring in a force, they had to work with the Navy, to upgrade their people, to teach their people how to do acquisition. And I do not think a lot of people realize how important acquisition personnel can be.

Mr. SOLOWAY. If I could just share with you? First of all, Deepwater is a great example.

Mr. CUMMINGS. You are familiar with it?

Mr. SOLOWAY. Very much so. And when I was in the Defense Department, I got a call from the GAO wanting to know what we thought of Deepwater and my response was it depends on the nature and quality and skills of the people that are there to manage it. It is not necessarily the strategy that was wrong or correct, it is a people issue.

But I think that it is worth rethinking how we develop our workforce, not just how much money, but what we are trying to train them to. We are talking here about commercial best practices. We are talking about asking them to make tough, complex business decisions. Yet, if you really look at the training that we do, there is a stark lack of business training involved in it. It is more about the rules of the Federal Acquisition Regulation, which are important, but that does not necessarily translate into then really thinking in a critical sense how do I apply those rules in different circumstances to come up with smart business decisions.

Mr. CUMMINGS. And I guess that goes to your point a little bit earlier, when you talked about, I cannot remember your exact words, but you said something about, sometimes folks are looking at best price but not necessarily looking at quality. And sometimes

the price is nice but, in the long run, you are not really saving because you are not purchasing wisely and looking at the long run. Would that be part of the kind of training you are talking about?

Mr. SOLOWAY. Absolutely. And part of what the workforce is encouraged to do, and this is where I differ a little bit with Mr. Gordon, I think that where the bill can help that issue is in the definitions of commodities versus more complex solutions because the way you approach the business relationship is very different. I am not sure there is enough explicit distinction there. But we are seeing that trend, Mr. Cummings, across the Government. Very complex requirements.

And there is in the acquisition requirements a term called low price technically acceptable and what that says is anybody who is minimally acceptable submits a bid and the lowest price automatically has to win. That does not give you any flexibility to say well, if I spent 3 percent more over here, I got a little bit better performance or a better history or what have you.

So, a low price approach to complex solutions does not make sense. But, unfortunately, that is now what the workforce sort of thinks that they are expected to do. And that all comes back to training and, in a big way, comes back to leadership.

Mr. CUMMINGS. Mr. Spires, these upcoming furloughs, does that affect you? Are you concerned about that? I have heard the Secretary talk about the Department overall.

Mr. SPIRES. I do not want to talk for the Secretary. But of course we are concerned about that, sir.

Mr. CUMMINGS. I am talking with regard to this particular issue.

Mr. SPIRES. For ourselves, here, and we are in a position to keep our mission critical systems operational.

Can I go back and just comment, please, on this whole issue of acquisition workforce and the like?

I would rather use the term for large, complex development programs or IT programs, I use the term program management because one, I come from the private sector and that is what we used, but two, I want to make that distinction. I have reviewed hundreds of programs in the Federal Government over my eight years of service in this Government, and many in the private sector, and I have always found that it is the competency of those that are running the program and how they are doing it is the determining factor for success.

And so, I will take exception a little bit to Mr. Gordon that focus on contract is important, but you have got to be able to run a program and a contract vehicle or contract vehicles is a part of the program. And if you focus on the program, what is important there first, that is where you have got to start. That is how, when I evaluate programs I am always talking about that first. Do we have the right skill sets to be able to effectively run this program?

Mr. CUMMINGS. Thank you, Mr. Chairman.

Chairman ISSA. Thank you.

We now go to the gentleman from Florida, Mr. Mica.

Mr. MICA. Thank you. An interesting discussion. A couple of comments.

Mr. Cummings was talking about the Coast Guard and Deepwater and, having followed that pretty closely, some of the, I guess

the issues that we have to deal with is do we have the authority and part of this bill is trying to make certain that we have the authority. Some of you have said we do have the authority. Then the next thing would be the skill sets or the management, the administration of the program.

I noticed, just to reminisce a second on Deepwater, I looked at that, and the Coast Guard is a relatively small agency and they got into building these they call them National Security-sized Cutters which they did not have the in-house expertise to do. There was a whole host of issues there, I found. They could not first retain the personnel to do that, they pay so low. The Coast Guard are paid just a fraction of what some of the Federal bureaucrats are.

And then, did you want to create an agency which was going to build a half a dozen of these ships with this massive thing that they, that the United States Navy was having difficulty acquiring the skills sets and personnel.

So, do you all think there is enough authority in the bill as revised? You had some good, well, you gave some specifics. Rarely do we have any anybody who actually comes up with specific legislative remedies. So, we have yours. Does anyone else have any specifics?

Mr. SOLOWAY. Mr. Mica, I would like to suggest, and this has occurred to me as we have listened to the testimony this morning, that Mr. Spires' comment around program management, I, along with some Federal CIOs and others several years ago looked at this issue, three or four years ago. And I am wondering if the bill, if Mr. Spires' objectives, which I think are correct in terms of the program management function and capability, could not be strengthened in terms of identifying and defining a true program management career field on the civilian side.

We have people in the civilian agencies who have some program management skills but it is a very roughly defined, and not clearly defined.

Mr. MICA. Well, yes. Are you talking about for CIOs and other officials?

Mr. SOLOWAY. I am talking, I am sorry, sir, I did not mean to interrupt. If you look at the Defense Department, not that all the Defense Department programs are successful, but they do have a very clearly defined program management skill workforce with very clear training and development requirements. That it still relatively nascent in the civilian sector and I think to Mr. Spires point, perhaps one of the things in the bill is to help define that and advance that objective. Because that is where it all comes together at the end of the day, is through program management and the leadership of the team.

Mr. SPIRES. Picking up on that, sir, I recommended this idea of the Center of Excellence. We are never going to be able to go out and hire all of the talent we need into the Government to really use commercial best practices for running our programs. But we have real pockets of excellence. We have excellent people. If we can leverage those people in a way that can be leveraged across agencies, I think we would do ourselves good. So, I gave some, in my written testimony, some ideas on how to do that.

Mr. MICA. Okay. Well, the first thing, again, is authority, then the skill sets and the personnel are important. It is interesting, the aging workforce is a fascinating factor because, you know, if I want anything IT done in my office I have the geriatric ward, having been here 20 years that I employ, but I do not go to any of them, I go to sort of the new kids on the block and they are wired, they know how to do it and get it done. But it looks like we are headed in the wrong direction.

And it is not that we do not pay people enough or there is instability in the Federal Government, Mr. Gordon, it is probably one of the most stable employers. I was Chairman of Civil Service. Nobody gets fired in the Federal Government, period. And we do pay above scale. The question is, who we are paying and how much and getting those skills.

When I was chairman of a subcommittee here, we did IRS and one of the things we found is we were not paying people to pay these systems the wages they could get on the outside. We had to change that. We may have to do that. And also a campaign to attract the young talent.

You have to have people who really know how to, and not me, but GAO said that in most cases IT investments are underperforming, overall lack of skills experience of Government-led management teams. So, authority and then somebody who knows what the hell they are doing and how the hell to do it.

[Laughter.]

Mr. MICA. So, again, as we craft the bill, the Chairman has done a great job in putting this together, you want something that gives us the tools and then the personnel to do it. So, I only have 11, well, I am already over time, so yield back my over time.

Chairman ISSA. Okay, that is 18 seconds of negative yield back.

[Laughter.]

Chairman ISSA. Thank you.

We now go to the gentleman from Illinois, Mr. Davis.

Mr. DAVIS. Thank you very much, Mr. Chairman. And let me thank you for calling this hearing.

I was thinking that the people in my district would really appreciate listening to this discussion, especially given the fact that we are talking about how do we get the most mileage, or the most effective results, from the monies that we spend, the money that we allocate, the resources that we use, and how do we create the systems and the workforce that will give us results.

OMB estimates that consolidating Federal data centers could save us between \$3 and \$5 billion. So, I am thinking about that and I guess my first question to the panel is do you believe that the consolidation of data centers is actually helping to modernize the Federal Government's IT investments and do we save from this process?

Mr. Spires, why don't I begin with you?

Mr. SPIRES. Sure, because we are in the middle of this, sir, and I think the proper consolidation of data centers. So, as you consolidate you need to not just set up the same servers that you had in your old data center in a new data center, but you need to look at virtualization technologies and now cloud technologies and leverage those appropriately.

I am very heartened by what we are doing around the Data Center Consolidation Initiative, together with the cloud first policy, because it is, I believe, the right formula to move us forward. And we are seeing very significant savings. We at DHS, we are looking at a 10 percent cut in an overall infrastructure budget.

So, I am pushing very, very hard to get this done because we can realize that level of savings by doing these things with the Data Center Consolidation and the cloud first.

Mr. DAVIS. Mr. Gordon, let me just ask you, the workforce, we have had some discussion, the kind of training that people receive, can we create, or do we create, training modules that will produce the kind of results that you talked about, perhaps, and how do we do that?

Mr. GORDON. Thank you, Congressman Davis. It is very important that we have enough people and that we give them good training. And I can tell you that there are efforts both at DOD through the Defense Acquisition University and the civilian agency SOD through the Federal Acquisition Institute to get good training, including online training which is an area we are working on.

I am honored to be a Director of the Procurement Roundtable which has had sessions devoted to training of the acquisition workforce. We actually have a couple of sessions with junior people in the acquisition workforce tomorrow at GW Law School.

What we often hear is that the acquisition workforce is simply traumatized. They are traumatized by continuing resolutions, by disrespect that they get. When they go to low price technically acceptable, Mr. Soloway pointed out, it is not because they think it is the best path but they are scared, they are scared of getting in trouble for picking something that costs more even though it is higher quality. They are worried about, perhaps, being dragged in front of this Committee. They are worried about IT reports.

Chairman ISSA. I want to state that we welcome people, we invite them. They have never actually been dragged in here.

[Laughter.]

Mr. GORDON. And I am honored to be here, Mr. Chairman.

We need to change from an atmosphere of fear, a poisoned atmosphere where people don't feel appreciated, don't feel empowered, to one where they believe that they can be trusted. There is cognitive dissonance when we say on the one hand, oh sure, we are going to support the acquisition workforce but on the other hand we bash them all the time.

You cannot expect to get positive results when you do not show respect and support for your workforce.

Mr. DAVIS. Thank you. Mr. Chairman, I know that my time is about to expire, but could we allow Mr. Soloway to respond to that? And Mr. Misener?

Mr. SOLOWAY. Very briefly, I agree with almost everything that Mr. Gordon said. I just offer a couple of observations.

We do a biennial survey of Federal acquisition leaders. It is the Government talking to us about what is on their plate, what is bothering them. I think the findings this year, as I mentioned earlier, were very stunning and that they clearly concluded that things are not getting any better for many of the reasons that Mr. Gordon cited.

But two other things that jumped out of this. By a margin of almost seven to one, they said they do not feel that their workforce has adequate skills to acquire complex IT. And by a margin of nine to one, they felt that their workforce did not have adequate negotiating skills.

What that led them and us to conclude is that while we are investing in and constantly trying to reevaluate the training and development, we do not have it right yet. And perhaps it is time to break out of the mold, to really open the aperture to much more, and I will use the term loosely, commercial training and commercial development tools.

We do not take our workforce and rotate them throughout the organization as the best companies do when they hire new people so that, as they move up the chain, they have experience and knowledge of very different aspects of company operations, for example.

And as I said earlier, there are, I think, some huge gaps in just basic business training and how that aligns or doesn't with the specific and unique policies of Federal acquisition.

Mr. DAVIS. Mr. Misener, if you have anything, briefly.

Mr. MISENER. Thank you, thank you both, Mr. Davis. A lot of discussion has been around the nature of the procurement workforce and our experience has been that they are extremely talented and they know what they are doing. But they also feel inhibited by vague or counterproductive rules from above. They know what they need to buy. They know the best solutions. But they just are not empowered to choose those solutions.

And so I think the FITARA could go a long way to giving them that confidence they have to choose the correct solution for the Government and the taxpayer.

Mr. DAVIS. Thank you, Mr. Chairman.

Chairman ISSA. Of course.

We now go to a man who is a young entrepreneur in the IT area, Mr. Farenthold.

Mr. FARENTHOLD. Thank you, Mr. Chairman, and I am happy that you guys all chose to testify. I think there is a whole lot of savings to be had and I appreciate your input.

When I was back in the computer consulting business in the ancient history in computer days, one of the things that I liked to tell my clients was that you need to change your mindset about IT. Admittedly, I was primarily dealing with small businesses, but with the technological cycles you almost need to look at IT as an expense more than a capital item, specifically with respect to the day-to-day stuff, the desk top PCs and some of the things you go there. I know Mr. Misener and Amazon whose name appears way too often on my credit card bill, puts that as a, software, as a service.

[Laughter.]

Ms. FARENTHOLD. But I wanted to visit with you, Mr. Spires. Obviously, the big massive technology projects do need to be handled in a different fashion. But how do we get to, or can we get to, or is it appropriate to get to, technology more as a day-to-day technology as an expense rather than a capital item?

Mr. SPIRES. That is a great point. In fact, we are trying to get there. I mentioned 11 cloud-based services we are moving to. As an example, we have got 110,000 of our employees on our emails as

a service offering now. And that is an expensed item. We are buying it as a cloud-based service, there was very little in the way of capital outlay, we had some migration costs to get to it, but not large, and we pay on a monthly basis.

And by the way, I really want to move, as you say, our day-to-day IT operations to that model.

Mr. FARENTHOLD. You have got a four-year lifespan, four to eight year lifespan on a PC depending on how techie you are.

Mr. SPIRES. Well, we struggle, we have old gear because we do not have the capital to replace it. So, I want to move out of that model into a consumption-based model where it is then in the service agreement to replace that and keep that gear current where we are paying on a monthly basis.

Mr. FARENTHOLD. All right, and Ms. Chaplain, you talked about strategic sourcing. I see two issues there as we do these types of contracts. Do we not keep up enough with technology and do we cut out vendors. I mean, do we get, you know, Dell, HP or Apple, those are your choices, and do we cut out other folks?

Ms. CHAPLAIN. In the Strategic Sourcing Initiatives that have been done to date, we found that we can include small businesses and a wide variety of companies, not just the Dells and people like that. They had one on office supplies where 13 of the 15, or a good majority of the contracts, went to small businesses.

Mr. FARENTHOLD. Okay, let me go back to Mr. Spires. I'm sorry I'm bouncing all over. I have a lot of questions.

We talked about, I want to talk a second about open standards in API. I think one of our big problems is one Government computer does not talk to another Government computer. And we are seeing in the VA, even though they are doing a massive technology project right now, getting information from DOD and people coming out into the VA is resulting in year-long delays at times getting benefits.

Do you think there is an opportunity there? It seems like, to me, like the internet, which was actually kind of developed at our expense through RFC open source, not so much open source but open standards, is that something we can replicate throughout the Government?

Mr. SPIRES. We are in a number of ways. I mean, under the digital government strategy being driven by OMB, I mean, there is a whole area there about how do you build APIs to be able to access data. Another example of this is the National Information Exchange Model which is used for exchanging data for law enforcement, for first responders, for many other uses, between ourselves as a Federal Government and the State and local governments.

Mr. FARENTHOLD. Do you think it is reasonably doable to come up with some API standards for Federal Government websites so advocacy organizations can, and the public, can aggregate data? Do you think that is doable?

Mr. SPIRES. That is part of the initiative under the digital Government strategy.

Mr. FARENTHOLD. All right. And let me go, you talk about bailing out of failed projects and I hate to pick on Homeland Security but we look no further than the back scanners that TSA has and TWIC

cards. How do we encourage folks to fix those problems before we keep throwing good money after bad?

Mr. SPIRES. Well, I come back, sir, to this whole notion of increasing the capability of our program management workforce, part of the acquisition workforce. We need to do that and we need to give programs help. One of the things we have done at DHS, I will just be quick, is we have instituted a more aggressive oversight model so that the right stakeholders are meeting with the program management team on a monthly, or every other month, basis to make sure that things are being dealt with.

Mr. FARENTHOLD. All right, great. My last comment is to Mr. Misener. Would you do me a favor and talk to GSA and see if you can use some of the Amazon technology to update their website. I try to buy stuff for my office off the GSA website and I finally just given up. You could certainly save the Government a lot of money. We would appreciate your helping them out.

Mr. MISENER. I would be happy to. Can they spend OPEX?

[Laughter.]

Mr. FARENTHOLD. Yeah, right. Thank you very much. And I yield back.

Chairman ISSA. I believe Mr. Horsford is next for our side.

Mr. HORSFORD. Thank you, Mr. Chairman, and having just visited Switch and Cobalt in Southern Nevada last week, this is a very opportune panel focusing on issues that really are important to streamlining our IT functions.

I do find it interesting, though, that technology continues to change rapidly and no provision in any one bill is going to be able to keep up with those changes. And I think we all have to be cognizant and aware of that.

My other committee, Mr. Chairman, is the Committee on Homeland Security so I do want to ask a question of Mr. Spires.

Because Homeland Security is the third largest Federal agency in the Federal Government, the IT budget is also one of the largest. In Fiscal Year 2012, the Department of Homeland Security's IT budget was approximately \$5.6 billion. You are responsible for over 360 IT programs, 83 of which have life cycles, cost estimates of over \$50 million or more.

So, obviously the size and complexity of what you are responsible for provides us, I think, a great opportunity to support a well planned governing structure that allows you to carry out those functions.

Now, we received the GAO high risk report recently. We had a hearing on that in this Committee. And in that report it indicated that in July of 2012 that the governance structure currently covers less than 20 percent, 16 out of 80 of the departments major IT investment, and 3 of its 13 portfolios within the department had not yet finalized the policies and procedures that are necessary.

So, I just wanted Mr. Spires, if you could, to comment on that, since that is an area that this Committee is specifically charged with from an oversight role.

Mr. SPIRES. Yes, sir. And in fact this is near and dear to my heart to get this better. When I came on three and one half years ago it was one of the areas where I felt like the governance of our IT was very weak. And so, we have taken it on in two major ways.

One, to your point, we are now up to 88 major IT programs from the 83 that you had cited and I, as I said, as I just was reflecting, we need a more active governance model, a better oversight model, on many of these.

Now, to scale the 88 programs, many of which, by the way, are in operations and maintenance and we do not need perhaps that level of scrutiny on all programs at the same level, but those 16 programs you alluded to are the ones that I viewed as the highest risk programs in the department, the IT programs, and that is where we have added this additional layer of governance. So, these are Executive Steering Committees where the right executive stakeholders meet on a very regular basis with the program team to address issues, to set direction for them, to give them help. And it has made a meaningful difference in many of these 16 programs.

On the portfolio level, we have 13 separate portfolios within the department that are functions. They are not components, they are the functions, they are screening, they are incident response, they are finance, the mission and business of DHS. And we are working feverishly to get, if you will, the right portfolio look and governance around each of those so we can eliminate duplication, and we can streamline processes and we can get the synergies of each of the components across those functional views. So that is what we are working on, sir.

Mr. HORSFORD. And to that point, I would just encourage the department to just continue your effort in working with local and State stakeholders in that regard. I just met with our sheriff in Clark County and, you know, he indicated that in some respects it is very good, in other respects they are not at the table and there are some best practices happening at the local and State level that we should be adopting, not necessarily having a top down approach from the Federal Government.

Where are you in the final development or your policies and procedures?

Mr. SPIRES. Those will be finalized within the next month. There is a couple of documents that we still have to sign off that I am reviewing right now, sir. I could be happy to report back to this Committee on that when those are completed.

Mr. HORSFORD. That would be great. Thank you very much for being here. Thank you to all the witnesses.

Mr. DUNCAN. [Presiding] Well, thank you very much.

A few weeks ago, at the earlier hearing on this subject, we got into this and our Committee memorandum says at that hearing it was established that despite spending more than \$600 billion over the past decade, too often Federal IT budgets run over budget, behind schedule, never deliver on the promised solution or functionality.

Now, it was mentioned at that hearing, and I was at that hearing, that we spent \$81 billion over the last Fiscal Year and it is going to be a little bit more this Fiscal Year which, interestingly enough, is about identical to the amount of the sequester.

I have read and heard that the computers and off shoot products are obsolete as soon as they are taken out of the box. Now, that may be an exaggeration, but apparently our technology is moving so fast that things become obsolete very fast.

Now, my wife and I have three cars, two of them have well over 100,000 miles on them, the third one has, I think, 98,000 miles on it, but they are still doing real well. And Mayor Rendell, former Governor of Pennsylvania now, but when he was mayor of Philadelphia, he testified in front of a Congressional Committee and said that one of the main problems in Government is there is no incentive to save money so much of it is squandered. Those were his words.

And I noticed, Mr. Soloway that you said what to me, I think, is the key word when you said we have go incentivize people because it seems to all the IT people, since the Federal Government purchases, the money is not coming out of their pocket like it is when I have to buy a new car. They want the latest bells and whistles. They want the most advanced. They want the newest thing.

How can we incentivize people to get more use out of the technology that they have and hold onto it and use it one year longer or two years longer, or not only incentivize individuals but incentivize departments and agencies? Because it seems to me that if we do not come up with a way to do that, the spending is going to continue to spiral out of control because I am sure they thought that they were taking care of this problem when they passed the Clinger-Cohen Bill that is mentioned here 16 years ago. Sixteen years from now, is another Congressional committee going to be here facing the same problem except just multiplied many times over?

Mr. SOLOWAY. It is a large issue and a large question, Mr. Duncan. Let me take it from the beginning and go back to the beginning of your comments.

I think one of the things we have not talked a lot about here is the requirements generation process being so critical to ultimately what the Government buys. And so a lot of that, and I think the governance model that Mr. Spires is talking about will directly and aggressively deal with are the requirements the right requirements, are we structuring them in the right way, are there areas in which we do not need to be on the leading edge or even the bleeding edge.

We can continue to operate, I mean, we have some systems in Government that are still COBOL-based that might be worth taking a look at. But there is going to be a variety of need and, as you said, it is not automatic that I need to go for every bell and whistle.

That said, I think again that it gets back to the development of the workforce and of the program management structure and teams. What is celebrated? We do not celebrate acquisition success. We hammer people for failure, we do not celebrate success. I think that there are a lot of things you could do to balance this out. But again, I think it ultimately comes back to how we develop and prepare our workforces and empower them because I think they are generally highly responsive and responsible and are not looking to spend money they do not have to.

Mr. DUNCAN. All right. Anybody else want to say anything? Yes, madam.

Ms. CHAPLAIN. The bill does talk about having to have a business case to justify some of the larger purchases and that is a good place

where you could be asking those questions, do we need to move to something new, what is the cost and benefit of that versus staying with the legacy.

Mr. DUNCAN. Well, it seems to me the Chairman is trying to move in the right direction, trying to do something about this problem in his bill and giving the CIOs more flexibility or more power and along with that would hopefully have to come more accountability. So, maybe we can make some progress.

Mr. Pocan?

Mr. POCAN. Thank you, Mr. Chairman. I would like to yield my time to Mr. Connolly please.

Mr. CONNOLLY. I thank my colleague. I have two more questions, if I might, of first Mr. Gordon. There have been concerns raised by some of the industry groups with respect to the draft legislation on the provision calling for the transparency of blanket purchase agreements. Specifically, the concern is that the final negotiated price for a purchase agreement is often proprietary and exposing it would weaken a company's bargaining power. Your take on that?

Mr. GORDON. Sir, I was raised to understand that public contracts were public documents and I find it baffling that a company would claim that the price it is charging a Federal agency for a good or service for that matter would be proprietary. In any event, we need transparency across BPAs. Again and again, when I worked at OMB, I discovered that one agency, when it was negotiating a blanket purchase agreement which is typically under the GSA Federal Supply Schedule, had no idea that another agency had already negotiated with the same vendor for the same product but, of course, at a different price.

The vendors know how much they are charging different agencies. I do not understand why the Federal Government is not sharing that information. Today, it should be readily available for Federal purchasers. I think it is an excellent idea in this bill.

Mr. CONNOLLY. Mr. Soloway or Mr. Misener, any industry reaction to that?

Mr. SOLOWAY. I think the caution I would offer here is that there is a difference between price and cost and I think it is one thing to have public disclosure of a public contract, what the Government is paying, but the underlying elements and cost elements are highly proprietary and I think that that is an area where we would have to protect against the inappropriate sharing of information.

The second piece is, if you are dealing with a commercial contract and it is fixed price, the only thing that matters is the ultimate price that you pay. You say I am paying X dollars for this per minute or per hour and I am done the hours. But divulging my labor rates, specifically how I characterize them, or my other costs I think would cross the line.

Mr. CONNOLLY. Okay. Final question. We have been talking about workforce development. And it has always bothered me as well that in addition to the reasons you gave rather passionately, Mr. Gordon, and I could not agree with you more, disparaging the workforce does not get you skilled workers, especially when we look to the next generation of skilled workers let alone retaining them.

But what about training? I note a huge imbalance in terms of the resources, for example, put into the Defense Acquisition University

and the resources put into the Federal Acquisition Institute. I mean, it is night and day. And I wonder if you would comment on that. Could the Federal Acquisition Institute, with some beefing up, help us? Because right now a lot of those are in fact online courses but they are refresher courses. They do not solve the underlying problem of do we have the requisite skill set to manage large systems integration contracts.

And it seems to me the Pentagon is doing a much better job of that because it puts serious resources into it. Maybe, Mr. Spires, you could begin commenting on that because you are on the civilian side.

Mr. SPIRES. Sure, I am. Yes, I would agree that we need to beef up our training capabilities. But we also need to marry that with something that Mr. Soloway mentioned. We need to have a career track for these kinds of professionals on the program management side. And that is more than just training. That is mentoring, that it bringing them along on smaller programs and then building until they are taking on these large programs. Because there is nothing that beats experience in actually delivering these kinds of large complex IT programs.

Mr. CONNOLLY. Mr. Soloway.

Mr. SOLOWAY. Yes, I would caution, I think your point it well taken. I would caution the linear connection. In the Defense Department, the acquisition workforce is much more broadly defined than it is in the civilian space. I had that responsibility when I was in the Pentagon.

There are far more career categories and fields that are considered a part of the acquisition workforce. So, it is a much larger entity. It is about 175,000 or so people. Maybe 150,000. In the civilian agency traditionally the acquisition community has been contracting officers and contracting officers' technical representatives and limited to that. So, you may only have one-quarter or maybe even one-fifth or even less numerically so that the numbers are not a linear connection.

That said, to Mr. Spires' point, one is beefing up the definition and the skill sets around Acquisition with a capital A which involves all of the program management skills and so forth, marrying that with the technology requirements and really defining career categories and training and development opportunities that are contemporary and reflect the need of the Government in terms of what it is buying, not the need of the Government as to what it used to buy.

Mr. CONNOLLY. And if the Chair would just allow Mr. Gordon, who is seeking recognition, and I thank the Chair for its indulgence.

Mr. GORDON. Thank you. Very briefly, I very much agree. As you know, Congressman Connolly, there has been strengthening on the civilian side at the Federal Acquisition Institute. There is more work to be done.

One quick point may be worth mentioning. It is a nice example. One of the problems that we often see is poor requirements put in the solicitation initially which causes problems the whole length of the contract. When I used to ask contracting officers, what is caus-

ing this, the answer I often got was oh, well we were afraid to talk to industry when we were writing the solicitation initially.

One of the things I always push for, and I am glad the Administration is continuing to push, is what we call the Myth Busters Campaign, to improve communication between industry and Government, it reinforces Government people's understanding that it is okay to talk to industry early on a solicitation. If there were a way to get that into the bill, it might actually be a helpful message.

Chairman ISSA. Excellent. And I would like to do a quick second round because I have heard a lot of things that were particularly of interest to me.

Mr. Soloway, when you were asked about essentially making public costs/price, you made a good point which was that there is only so much information that is helpful and at some point it becomes proprietary. I am assuming you were only answering as the to the public that in a reform, if anybody who is part of us, the Federal Government, wants to know what us, the Federal Government is paying for something, they should have a level of transparency to get that, either online or through a briefing structure.

In other words, you would not support any closure of Mr. Spires and six other counterparts in other agencies having full access so they could be the smartest buyer. In other words, if you bid higher at the next, or Mr. Misener's bids higher at the next contract bid, that would be known to Government that somehow your price had risen rather than fallen.

Is that a fair statement?

Mr. SOLOWAY. I think that it is the top line price that I am buying. My contract with Amazon is for X dollars, that is going to be public, I do not have any problem with that.

Chairman ISSA. No, actually what I am saying more specifically, and I am going to go to Mr. Spires in a second and Mr. Misener, this bill envisions that the Federal Government is a single entity. We do not buy that way now. We buy as though we are different companies and we pay different prices and actually we redundantly end up buying excess licenses, which is another factor that we know is low-hanging fruit to save money, at least if the price of a pro license does not change.

My question to you is, do you agree with one of the premises of the IT reform which is that the Federal Government is a single entity, therefore any piece of information, let us just call it the explanation of how a price was reached on a contract, should be available to that entity in any and all parts internally looking, the Federal Government has a right to know. Mr. Spires should never go out for a bid with a company and not know what they charge for a similar product at a previous quote.

Mr. SOLOWAY. With your permission, I would like to take part of that under advisement and come back with a written response for the record because I think there are several elements to this that I think we need to think through.

Chairman ISSA. Okay, because this is a value of the IT reform that we have had over 20 major entities, including yours, make comments on. I do not want it to be a secret that my view is some of the savings is by the Government considering itself a single entity for the first time.

Mr. SOLOWAY. Right, and I think to a significant extent we would agree with you. But I think there are going to be limitations that we would like to think through and how to define them best so I do not misstate anything here.

I would make one comment, though, at this point on that question. We hear this question a lot with the issue of strategic sourcing. A lot of discussion about well, I brought this solution but I am paying x dollars an hour for this kind of engineer from a company but why for that same engineer in another contract and I think this is part and parcel of really defining the whole concept of what strategic sourcing is and what its objective is.

In some cases, it strictly is an effort to use bulk buying to get costs down. In other cases, it is truly to be strategic in how I source things but recognizing the driving price is not the only issue. If I am dealing with cloud services, the kind of work that Amazon does, it is a little bit cleaner and clearer than if I am dealing with a complex integrated solution. So, if you do not mind, I would like to take that question over the record.

Chairman ISSA. And Mr. Gordon, you are, as Mr. Connolly noticed, is eager to answer also.

Mr. GORDON. Yes, sir. Thank you, Mr. Chairman. I enthusiastically endorse the view that you are setting out. Let me give you a couple of points along those lines.

The fact is, when the Government buys, if it is a big agency like the Department of Homeland Security, it is really important to do, to make those decisions across the entire department and, as much as possible, we should be making our decisions across the entire Federal Government. That is why I so much support the idea of BPA transparency.

I want to point out that my former and wonderful colleagues at GAO, in the high risk report that came before this Committee recently, they did something very unusual. They took something off the high risk list and it is really relevant to this bill. They took interagency contracting management off the high risk list because the Executive Branch had worked to improve it and frankly leaving it on the high risk sent a message to agencies, oh, interagency contracting is bad. In my opinion, interagency contracting, when managed properly, is a very good thing, fully consistent with your draft bill.

Chairman ISSA. Ms. Chaplain, this goes right squarely into what you look at every day, that much of the savings is through interagency activities and finding the most qualified prime and then being able to tag onto that.

Ms. CHAPLAIN. Yes, and I completely agree with the notion that the Government should be acting, where possible, as a single buyer. Also, with regard to strategic sourcing, you cannot put everything in one bucket. Not everything is a commodity. There are more complex requirements and there are scenarios where there are fewer suppliers and you have a very specialized thing you are after.

But in those cases, the best practice companies we have studied tailor their tactics, too. They look at cost drivers, they develop new suppliers, they prioritize with suppliers. So, there are different

things you can do beyond just the basic strategic sourcing when you get to these more complex types of products.

Chairman ISSA. We are going to get to Mr. Misener, but Mr. Spires, I am going to give you a tangential question to what we have already been talking about. You are a sophisticated manager of these kinds of things and DHS, I am presuming routinely in your council, deals with, hey, we are buying something similar to just like, and therefore you begin to say why can we not buy just like for the same price. And you go out, in a sense, with that concept often, don't you?

Mr. SPIRES. Yes, we do. And we have had a very aggressive strategic sourcing internal effort, working with our Chief Procurement Office. And I agree, we need to do more of this across the Federal Government in IT. There are many things that do not lend themselves to strategic sourcing. But there are many things that we buy that do, billions of dollars worth, within DHS alone that I think would be, we would offer up as to try to be a part of strategic sourcing for the whole Federal Government.

Chairman ISSA. Mr. Misener, I said I would get back to you.

Mr. MISENER. Thank you, Mr. Chairman. Just to add that we would greatly appreciate the clarity Government-wide that your bill would bring. And so, we focused on cloud computing, that is what we are expert in. I will note that we have dropped our prices two dozen times since we began in 2006.

Chairman ISSA. I might note that I am familiar somewhat with Amazon in the private sector. You dropped prices, for some reasons, even while you are under contract with somebody for a two-year period. That has befuddled people who have observed it. I do not believe that happens in a Government contract at this time, but if it does, I am pleased.

Mr. MISENER. Well, we have, and will continue to, drive our prices down, greater efficiencies and economy of skills. I think one thing that would be helpful, if I may, is to recognize that our cloud computing business, we report in our finances as part of a category we call other and that obviously includes other things.

Chairman ISSA. I was on the board of a public company. I understand why you throw things into other rather than letting people see what is growing and not growing if you can help it. There are a couple of CFOs behind you laughing right now.

Mr. MISENER. That other category had revenues of about \$2.5 billion.

Chairman ISSA. So it was peanuts really.

Mr. MISENER. Well, it was out of \$60 billion for the whole company.

Chairman ISSA. I always wanted to say that about \$2.5 billion. [Laughter.]

Mr. MISENER. In a sense, if my math is right, that is less than 5 percent. Now, obviously we are very happy with the business and how it is going and how we are able to serve as customers, both private and in Government side, but something important to recognize is that \$2.5 billion is an interesting calibration within our company.

But the most important point that I want to make on that is that the other \$57.5 billion is supported by the cloud. We have en-

trusted that business to the cloud. We have put our legacy and our core retail business on cloud because we really believe in it. So we are enthusiastic supporters, unabashedly so, but not just as providers of the service, we are also users of the service.

Chairman ISSA. Okay, I have one final question, with the ranking member's indulgence.

GAO reports in 2011 the Government had funded 622 separate human resource systems and 580 financial management systems, and 777, lucky triple 7, supply chain management systems. Now, I have dollar figures and all that.

But let me just ask a fundamental question and some of it will go to GAO but some of it maybe goes to Mr. Soloway and so on, when you have this many systems, even if you bought every one of them right, and even if every one of them did their job perfectly, you go to big picture because they were separate, what we use to call WYSIWYG, you know what you see is what you get kind of a term, if you go to train, if you go to have somebody go from Department of Homeland Security to Department of Defense, they are inherently going to a different system they have to learn over again.

Is it not one of the goals that we should have in IT reform to make the portability of the employee, the expertise transferable to the broadest extent possible whether it is in payroll, in purchasing, or in fact, in any other system, so that the training cycle goes way down because more and more people can have on their resume I know how to use the Federal procurement system and it is one system even if the parts they are looking at are different for a different part.

Is that not one of the biggest goals that IT should have, is to drive down the training costs by driving up the common interface, user interface, that people train? And I will start with Ms. Chaplain.

Ms. CHAPLAIN. Generally, the more that you can standardize your requirements and make things more alike, you are driving down the costs just by its nature. And then if you get to a point where they can be sort of in the same category or just the same, that is where you can bring in more strategic sourcing techniques. So, it should be done, not just from a workforce side but a cost side, too.

Chairman ISSA. Mr. Soloway.

Mr. SOLOWAY. Yes, I think that is absolutely true. That is clearly a goal of technology, it is an initiative that has, fits and starts if you will, across Government over the years, the lines of business initiatives and shared services initiatives and other work that is being done, but there is no question that should be an objective, to harmonize these systems to the maximum extent possible. We see this in other non-technology way with security clearances where they are different for every agency and I have a clearance at Justice but it is not even usable in the FBI. I mean, you see all kinds of disconnects, but I think you are absolutely correct.

Chairman ISSA. And Mr. Connolly, do you have any closing remarks?

Mr. CONNOLLY. No, Mr. Chairman, I just want to thank you for the hearing. I think this has been very, very thoughtful. I really appreciate all of the testimony and I think it is going to help us

in the drafting of our bill. And again, I thank the Chair for reaching out and I want to commend his staff who have been wonderful to work with. We really appreciate the collaboration.

Chairman ISSA. Thank you. And with that, I would like to announce that our goal on the Committee is to bring to a published bill by the time we leave for the spring recess which is later in March. So, less than about three weeks until we expect to turn it into a published bill from which we will begin the process of further proposing mark-ups. And I do that because I would like both people on the outside and, quite frankly, all of staff and members to be aware that we think we have gone far enough that we should be able to put it into a bill that will not be perfect but at least will be modestly amendable with some help.

I want to thank all of you for comments. I am going to leave this hearing's notes open for all of you for five business days, giving you an opportunity to come back, Mr. Soloway and others, with the ideas and answers that may not have been able to be done live here today.

And with that, we stand adjourned.

[Whereupon, at 11:40 a.m., the committee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

DARRLE E. ISSA, CALIFORNIA
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House of Representatives

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Opening Statement

Rep. Elijah E. Cummings, Ranking Member

Hearing on "Time to Reform IT Acquisition: The Federal IT Acquisition Reform Act"

February 27, 2013

Thank you, Mr. Chairman, for holding today's hearing on the need to reform the government's information technology acquisition policy. I commend you on your bipartisan approach to developing the legislation we are considering today, the Federal IT Acquisition Reform Act, and I appreciate that you made a draft of the bill publicly available for comment.

I also want to recognize Representative Gerry Connolly, the Ranking Member of the Government Operations Subcommittee, for his critical work on these technology issues. A significant portion of the Federal IT Acquisition Reform Act is based on Ranking Member Connolly's legislation on consolidating federal data centers.

I agree with both Chairman Issa and Ranking Member Connolly that reforms are needed to ensure that the federal government is making wise and efficient investments in information technology. Every full Committee hearing so far this Congress has focused on wasteful spending, including in some IT investments.

Two weeks ago, the Government Accountability Office issued its newest High Risk report which includes several IT investments. For example, the Department of Defense has contracts for a number of Enterprise Resource Planning Systems to modernize the management of logistics, finances, and business operations. GAO and the Pentagon's Inspector General have found that many of these contracts are behind schedule and significantly over budget. For instance, a contract to streamline the Army's inventory of weapons systems is 12 and a half years behind schedule and almost \$4 billion over budget.

Effective oversight is one of the best weapons against this kind of wasteful spending. Congress has a duty to conduct oversight, as well as an obligation to give agencies the tools they need to conduct their own oversight. Agencies need more well-trained acquisition personnel to effectively oversee complex systems and to ensure that the government is a smart and diligent consumer. The Federal IT Acquisition Reform Act recognizes this need.

Congress must also ensure that agencies have the resources to hire and retain acquisition professionals. Almost every witness we hear from today will testify that the acquisition workforce is critical to ensuring that the government is spending its money wisely. However, just two weeks ago, the House voted to extend the freeze on federal employee pay for a third consecutive year. And even worse, at the end of this week, hundreds of thousands of employees—including critical acquisition workforce personnel across every agency—will face furloughs as a result of the indiscriminate across-the-board cuts to agency budgets imposed by the sequester.

We need these employees. Instead of repeatedly attacking these key federal workers, Congress should be pursuing ways to retain their expertise, train them in the most cutting-edge techniques, and support their critical work.

I want to thank each of the witnesses for testifying today. I look forward to hearing your thoughts on how Congress can most effectively modernize the way the government does business and save taxpayers money.

Contact: Jennifer Hoffinan, Press Secretary, (202) 226-5181.

Statement of Congressman Gerald E. Connolly (VA-11)
Committee on Oversight and Government Reform
Time to Reform IT Acquisition: The Federal IT Acquisition Reform Act
February 27, 2013

Chairman Issa and Ranking Member Cummings, thank you for holding today's hearing to examine how the Federal Government can strengthen and streamline how it acquires information technology (IT), from commercial off-the-shelf IT products to major, mission-critical custom IT programs.

Today, Federal IT acquisition is a cumbersome, bureaucratic, and wasteful exercise. In recent decades, taxpayers have watched their tax dollars evaporate into massive IT program failures that pair staggeringly high costs with astonishingly poor performance.

The Air Force invested six years in a modernization effort that cost more than \$1 billion, but failed to deliver a usable product – prompting the Assistant Secretary of the Air Force to state, “I am personally appalled at the limited capabilities that program has produced relative to that amount of investment.”

The bottom line is that we all should be appalled.

Massive IT program failures have real consequences for the safety, security, and financial health of our Nation. From Census handheld computers that jeopardized a critical constitutional responsibility, to a promised electronic fence that never materialized; costly IT failures cripple an agency's ability to implement long-term strategic plans.

For instance, the Office of Personnel Management (OPM) dramatically reduced its claims processing staff in anticipation of completing its Retirement Systems Modernization program, which promised enhanced automated capabilities. When OPM was finally forced to kill this disastrous IT program, the agency was left flatfooted without the resources or manpower to process retirement claims, forcing thousands of Federal retirees to experience outrageously long waits to receive benefits.

Nearly 17 years after enactment of the seminal Clinger-Cohen Act, it is clear that agency chief information officers often lack the necessary authorities and resources to effectively analyze, track, and evaluate the risks and results of major IT programs. The U.S. Government Accountability Office (GAO) has found that many agencies struggle to maintain accurate cost and schedule data for Federal IT investments – undermining transparency and accountability – while rating a questionably low percentage of IT programs as “high or moderately high risk.”

For example, the Department of Defense (DoD) actually does not rate a single DoD IT investment as either high or moderately high risk! Meanwhile, independent research conducted by the non-profit Institute for Defense Analyses found that DoD has struggled to manage major IT modernization programs for nearly 15 years, with the vast majority incurring significant cost-overruns and schedule delays.

(OVER)

Meanwhile, with respect to commercial off-the-shelf IT products – I’m talking about e-mail and other commercial business systems software that could purchase on Amazon.com – far too many agencies expend precious dollars and time in creating duplicative, wasteful contracts for products and licenses that the Department already owns.

This status quo is clearly unacceptable and unsustainable.

That is why I have been working with Chairman Issa to develop the “Federal Information Technology Acquisition Reform Act,” which would enhance IT procurement policy to empower agencies to achieve major cost savings, avoid major program disasters, while strengthening the Federal acquisition and specialized IT workforces.

Addressing Federal IT acquisition policy in a bipartisan manner is precisely the type of important, substantive work this Committee should be conducting, and I appreciate the Chairman’s willingness to work with me in refining this legislative proposal, and including my Data Center Optimization Act. Although the bill remains in development as we continue to incorporate stakeholder feedback, I am optimistic that we will be able to finalize a comprehensive measure reforms IT procurement policy to better serve agencies, industry, and ultimately, the American taxpayer.

Of course, everything is not doom and gloom. I believe congressional oversight actually becomes counterproductive when it solely focuses on horror stories, and ignores promising and innovative best practices proven to actually improve government efficiency and effectiveness. Congress should emulate top-performing organizations by recognizing and rewarding those Federal employees and contractors who serve our country with excellence and dedication. And it is on that note that I want to publicly commend the strong leadership of one of the witnesses testifying before the Committee this morning.

As the Administrator of the Office of Federal Procurement Policy, Dan Gordon took on a daunting challenge of removing interagency contracting from GAO’s High-Risk List – a feat that many in the acquisition community were skeptical could even be achieved by this year. However, Mr. Gordon proved the skeptics wrong by successfully leading efforts to remove “Management of Interagency Contracting” from GAO’s 2013 High-Risk List.

In closing, I am pleased that nearly two decades after the enactment of the landmark Clinger-Cohen Act, a bipartisan consensus is finally forming around the urgent need to streamline Federal IT acquisitions, and strengthen the authorities and accountability of Federal Chief Information Officers and the Federal acquisition workforce.

-END-



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IT Acquisition Advisory Council (IT-AAC)

"enabling sustainable IT Acquisition Reform"

RE: IT-AAC Assessment of Draft Federal IT Acquisition Reform Act (FITARA)

Chairman Issa,

Sir, we applaud your committee's willingness to tackle IT Acquisition Reform and establish policies that strongly encourage agencies to embrace commercial IT innovations and emerging IT Acquisition standards of practice that are critical to meeting long sought efficiency goals. However successful, we are confident the IT Acquisition Advisory Council (IT-AAC), a not-for-profit think tank created in 2008, can be an important partner in advancing the goals of your Federal IT Acquisition Reform Act objectives. Having spent four years with your staff and agency leadership, we would like to offer our humble perspective.

Under the leadership of Honorable Mike Wynne, and with the support of over a dozen public service institutes, we have pin-pointed root causes of IT program failures and cost overruns that unresolved, will continue waste billions each year and threaten our timely delivery of national security programs. The threat of sequestration, real or not, demands alternative thinking and agile acquisition methods for critical IT systems. We have also established a robust public/private partnership that can enable significant economies of scale with unfettered access to commercial innovations and emerging acquisition best practice not available from traditional government contracting resources.

IT-AAC is prepared to present case studies and evidence that a repeatable, measurable and sustainable approach can be established to assure success of FITARA's stated goals and provide predictable outcomes for high risk programs;

- **22% Reduction in Over Specified Requirements** by maximizing COTS and Open Source Solutions
- **80% reduction in acquisition lifecycle costs:** resulting from clear stake holder value, reuse and Agile Acquisition Frameworks.
- **Reduced Barriers to Innovation** through creation of a virtual IT Commodities Council
- **Increased IT Acquisition Workforce Efficiency,** through better decision analytics, just-in-time expertise and streamlined acquisition tools. Recent study suggests a 30% improvement in effectiveness.

Dozens of reports document the 15 year struggle with attempted IT acquisition reforms as noted in the April 2009 DSB Report to congress; *"U.S. Government policies, practices, and processes do not facilitate the development, deployment, and support of the innovative, affordable, and rapidly acquired weapons, systems, and services needed for the 21st century forces."*

Please find below a draft set of recommendations for improving agency execution of FITARA, and why congress should consider leverage the significant investments of the IT-AAC 15 public services partners. Together with our emerging agency partners, we will usher in long sought Agile Acquisition Standards, a virtual Innovation Research Lab, and elastic just-in-time SMEs needed to break down legacy stove pipes to interoperable, secure and open systems at a fraction of the cost and time of traditional resources. We look forward to discussing how IT-AAC can be THE critical success factor in achieving FITARA goals.

vr

Ted F Bowlds, LtGen USAF (ret)
Chairman

John Weiler
Vice Chairman

signed

signed





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THE PERENIAL IT ACQUISITION CHALLENGE
 IT-AAC Review of Federal IT Acquisition Reform Act (FITARA)

At a time of fiscal austerity and tight budgets, it has never been more important for the federal government to drive efficiencies and cost-savings through its acquisition and deployment of information technology (IT).

In order to achieve cost savings, government IT should be acquired in such a way as to maximize return on investment, reduce operational risk and provide responsive services to citizens.

But because of the antiquated way the government defines and acquires its IT needs, we are wasting billions each year in failed IT programs. OMB estimates that the federal government spends about \$81 billion each year based on OMB200 submissions, not including an additional DOD and Intel community spending of \$100 billion for ISR, C2 and other mission critical programs. Chairman Issa has determined that federal government's use and deployment of IT is full of waste and failure.

Sixteen years following the signing of the seminal Clinger Cohen legislation that laid the foundation for the federal government's acquisition and management of IT, and ten years after the E-Government Act was passed establishing a Federal Chief Information Officer, program failure rates and cost overruns still plague between 72% and 80% of large government IT programs. Some estimate the cost to the taxpayer as \$40 billion in avoidable waste each year.

Past IT reforms have yet to overcome cultural resistance to change (CCA, NDAA Section 804, and 25 Point Plan). IT-AAC's four year root cause analysis has been the most comprehensive review of Federal IT Program failures yet, including 42 leadership workshops, 200+ interviews, and compilation of over 40 major studies augmented by failure pattern analysis of over 30 major IT programs. The following patterns of failure must be avoided if FITARA is going to have any impact;

- Upside-down incentives for acquisition corps and contractors who were measured for compliance and process vs. outcomes. Worse those who deviated to accelerate delivery of IT capabilities were often chastised and should have been rewarded.
- Failure of CCA and other legislative directives aimed at IT Reform demonstrates that committees cannot make decisions and often result in the lowest common denominator. It would be better if the GAO were commissioned to research and validate IT acquisition best practices and agile standards.
- Competition based on lowest cost does not assure best value if the process is broken and government acquisition corps is ill equipped to measure value. With some 80% of all major IT programs failing to deliver on time or on budget, we found 100% met the letter of the law and were based on lowest initial price. All resulted in engineering change mods that exceeded the original value of the award.
- FFRDCs were not chartered to take over IT acquisitions and program management, yet 100% of the failures were managed by an FFRDC. The 1997 Defense Science Board Report, IATF study on FFRDCs forewarned of dire consequences if FFRDCs were mis-





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used in this fast paced market due to inability to capture best practice and disconnected incentives to drive an 80% solution.

- Congressional efforts to establish a Technology Clearinghouse and COTS/OSS Council have failed due to FAR restrictions on government ability to access commercial providers outside a formal acquisition action. Trade Associations cannot support this function due to their lobby agenda and inability to hold government contracts. This is a role for Public/Private Partnership like the Interoperability Clearinghouse, Financial Services Technology Consortia and Underwriters Lab.

Key IT-AAC Recommendations for Improving FITARA

- The Federal IT Acquisition Reform Act (FITARA) squarely addresses this dismal record. The purpose of FITARA is to enhance the best value to the taxpayer by adapting the cumbersome federal acquisition process to major trends currently occurring in the IT industry.
- FITARA begins by increasing the responsibility, accountability and authority of the Chief Information Officer for each of the major federal agencies by providing them with budget authority over IT programs. In the past, most CIO's lacked the ability to manage their agency IT deployments because they lacked any control over the manner in which IT budgets were spent.
- FITARA reinvigorates the responsibilities of the CIO, and Chief Information Officer Council within OMB by requiring it to define common standards and practices for commodity IT resources in partnership with appropriate non-profits and SDOs (IT-AAC). This is critical for Infrastructure Consolidation, Cloud Adoption and Commodity buys. HOWEVER, mission application like ISR, C2 and Intelligence must continue to give control and oversight to mission operators to ensure timely delivery of national security systems.
- FITARA goes to the heart of waste and duplication by transforming the methods and resources in which the government acquires IT resources by driving real world best practices and standards. It does so by (i) establishing a *Federal Commodity IT Center* to serve as a focal point for coordinated acquisition practices and the creation and management of an optimal mix of government-wide IT contracts; and (ii) designating Assisted Acquisition Centers of Excellence (AACEs) to design low cost acquisition practices for specialty or complex IT requirements. AACE would be the "go to" center for federal agencies by offering uniform practices and streamlined contracts. They would also serve to aggregate government demand so as to obtain the best deal for the taxpayer. Congress must also address the common failure patterns that have stymied two decades of failed IT Acquisition Reforms. IT-AAC's four year collaborative review of over 40 major studies (GAO, IG, Congress, Industry), 30 major IT Acquisitions, 200 interviews and over 46 Leadership Roundtables point to four major impediments that must be addressed;
 - Continued mis-application of weapon systems acquisition processes that extend for 91 months, and benefit FFRDC and cottage industry of SETA contractors that OMB's CIO called an "IT Cartel".





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- Failure to adopt benchmarked IT Acquisition Best Practices already certified by GSA. The IT-AAC has already sourced and piloted a half dozen processes that have proven to cope with the fast paced IT Market. This is due to controlling interests of our largest FFRDC and major Defense Contractors who use these processes to maintain a monopoly.
- Revolving Door and Unenforced Conflicts of Interests with contractors reward government executives who allow excessive engineering change proposals (ECP)s, and provide positive past performance reviews for programs that do not deliver on time or on budget.
- Upside down Incentives of Acquisition Core that lead to focus of risk avoidance instead of risk taking and mission driven outcomes. Legal council often becomes decision makers vs advisors, who contribute to this problem within DOD and DHS specifically.
- Acquisition Workforce that is immature and lacking real world expertise. Significant criticism has been levied against FAI and DAU for their failures to teach case studies and Agile Acquisition processes required to reduce IT Acquisition Cycle times by 50%. DAU and IT-AAC established a partnership in 2009 to fill this gap but lack leadership support of any alternative IT Acquisition Process.
- To ensure these entities remain effective, FITARA should require GAO to asses existing public/private partnerships that would support these IT Acquisition Centers of Excellence. 20 years of seeking this outcome on a competitive basis has given advantage to well established intuitions that avoid accountability and game a flawed systems. Congress could avoid this failure pattern by leveraging smaller and more agile not-for-profits already working in the public interests like the IT Acquisition Advisory Council. Establish several AACE that would support unique government communities of practice would be less disruptive and avoid some cultural impediments. Suggested AACE that could enable existing synergies could include;
 - Defense AACE, with OSD ATL Rapid Acquisition Office coordinating
 - Intelligence AACE, with DNI and OUSD I coordinating
 - Civilian AACE, with GSA and Homeland Security coordinating
 - Transportation AACE, with NASA and DOT coordinating

The IT-AAC has already established a wide range of partnerships with leading standards bodies, universities, and commercial industry communities of practice through established not-for-profits. The IT-AA and Interoperability Clearinghouse (ICH) would enable significant economies of scale relating to innovation research and benchmarked standards of practice. ICH was commissioned by the DOD CIO following a two year review of its ability to implement best practices and common standards for the acquisition of commodity IT products and services across the federal government. It also would serve to mitigate the critical shortage of qualified government IT acquisition staff by centralizing the knowledge of specialists within one Center.





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- If effectively implemented with needed changes, FITARA could:
 - Aggregate demand among the federal agencies to get the best price for various commodity IT products and services;
 - Develop IT acquisition subject-matter experts to serve other agencies in buying cheaper, faster, and smarter;
 - Eliminate unnecessary duplication of IT contracts that burden industry;
 - Promote transparency in existing IT assets and allow better planning, acquisition, and management of software licenses and IT resources;
 - Allow a meaningful “spend analysis” of IT resources by identifying what the government is currently buying and how best to lower costs;
 - Drive transparency in the publication of government data and eliminate duplication of government web sites;
 - Accelerate data center optimization by further supporting the OMB data center consolidation initiative;
 - Support broader transition to the cloud solutions for federal IT resources;
 - Embrace the use of open source software.

FITARA Section by Section Comments:

Upon review of SIIA’s recommendations, IT-AAC is in full concurrence with these observations and recommendations.

Here are some specific suggestions;

Sec 101. Increase both “Accountability” and authority, recognizing one without the other will lead to abuses and unfettered influence peddling. An estimated 80% of all major IT programs fail to deliver on time or on budget, yet everyone continued to get promotions and contractors gain strong past performance. We must weed out the bad actors.

Sec 102, Congress must support the role of the Chief Acquisition Officer in the acquisition process, and force the CIO and CAO to work in partnership in delivering measured value to the mission owner. VA has given its CIO full control of IT budgets and only to see most programs still failing and wide abuses of these authorities (see VA OIG and GAO reports). CIO control must also be limited to IT infrastructure, Cloud and Commodities,... items typically showing up in OMB 300s, which accounts for only 40% of all IT spends. The former DOD CIO, Honorable John Grimes, estimated actual IT spending in the Department of Defense to be over \$100 Billion per year when adding Health IT, ISR and C2 Programs. This does not include imbedded programs of weapon systems.

Sec 102 subsection (d) the Council must do a better job of collaborating with non-traditional IT communities of practice including Standard Bodies, Universities and Fortune 500 IT





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Communities of Practice that drive the \$3.9 Trillion IT market. As government only represents less than 2%, and mired in bureaucracy and influence peddling, they have no best practices to share. The IT-AAC partnership has already established benchmarked best practices with GSA Certifying these capabilities as a best value and in the public interests. This section should also align with existing legislating seeking similar outcomes, including the 2010 NDAA Section 804 which directed DOD to abandon its Weapon Systems Acquisition Processes in favor of an Open and Agile set of Acquisition Frameworks tuned for the fast paced IT market. This was based on an nationally recognized Defense Science Board study on Defense IT Acquisition published in 2009. Some 30 studies of followed to support these still unmet recommendations.

Sec 203 Requiring agencies to buy new equipment serves no purpose but to further commercial interests. The advent of Virtualization and Cloud Computing allows agencies to integrate a wide range of legacy hardware and software to create one virtual computing resource. Equipment should only be replaced when its useful life has ended, or unable to support state of the market software. Software is the key, including virtualizing of Networking/Routers using Open Flow technologies.

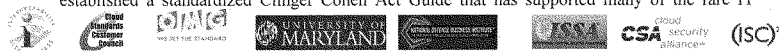
Sec 204 (b) This section should be modified to put emphasis on modernizing vs replacing equipment using Cloud and Virtualizing technologies. The big problem is that agencies have failed to maintain any configuration or portfolio management centrally that would allow agencies to identify software and hardware that is not being fully utilized. Creating an IT Asset Dashboard would help if it followed benchmarked best practice of fortune 500 non-suppliers representing telecom, finance, manufacturing and transportation. This section could be enhance by also adding "utilization of performance metrics and service level agreements that manage the business value of IT"

SubTitle B.

Sec 211, this is huge and commend the committee staff for bringing much need light to agency failure to managing their IT assets effectively. NASA is one of the most advanced agencies, thanks to the significant efforts going back to Space Station and its Technical Management of Information Systems project (TMIS). Creating an inventory alone without some measure of mission effectiveness would not be very useful.

The cost of creating such an inventory process may end up creating another cottage industry, and would suggest that congress consider the work of the Interoperability Clearinghouse that established reusable documentation templates and assessment results relating to interoperability, business fit, securability and openness.

Sec 211(3) Could be supported through improvement and enhancement of the OMB 300 process that would tie back to industry benchmarked best practices. Unfortunately, nearly every agency and support contractor claims to be using best practices without any supporting evidence. The IT-AAC recommends adding "Evidence Based" or Fact Based research to support claims of best practice utilization. It is also recommended that Congress point to the work of some 15 Standards Bodies and Universities who have collectively invested over decade to establish alternative Agile Acquisition Process framework called the Acquisition Assurance Method (AAM). Managed like SEI's Capability Maturity Model (CMMi) standard, AAM has already proven to be a superior acquisition methodology certified by GSA and advocated in a joint GAO/OMB Report following multiple successful ERP implementations. IT-AAC has also established a standardized Clinger Cohen Act Guide that has supported many of the rare IT





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program implementations. AAM is managed by the Interoperability Clearinghouse (ICH) a standards based not-for-profit established on 9/11/2000.

Efforts by dozens of standards bodies and other public service instituted to drive IT acquisition best practices has been stymied by the notorious "IT Cartel", a close knit community of major Defense Contractors and FFRDCs who control some 95% of all major IT Acquisitions, yet deliver only 16% of the time. Mitre, a Federally Funded Research and Development Corporation (FFRDC) funded by congress is prohibited by law from competing with industry standards groups, commercial industry or performing a commercial service, but to date has yet been held accountable for the hundreds of Billions in IT program failures they have guided since 2000. An 1997 Defense Science Board study commissioned by Senator Cohen warned for dire consequences if FFRDCs were allowed to interfere in governments embrace of commercial IT. Today, that fear is a reality.

Sec 212 Here again, congress must direct agencies to conform to OMB A119 which requires support of standards setting bodies vs trade associations. Industry standards consortia like the IT-AAC and ICH have already begun work in this area, and suggest that this be handed over to a public/private partnership by name, following a GAO review of the market.

Sec 215 goal of reducing duplication of contracts could actually strengthen existing monopolies of the Defense Industrial Base. President Eisenhower's famous speech of 1961 warned of dire consequence of government dependency on the Military Industrial Complex we now call the IT Cartel or Defense Industrial Base. FFRDCs have been allowed to infuse themselves into the DIB trade associations, think tanks and standards bodies, thereby compromising their objectivity and creating a defector monopoly in Federal IT Acquisition. Congress should encourage diversity of contract vehicles that GSA has already established. Agencies must make a business case for not using existing GSA schedules, and be required to report to congress before investing in new contract vehicles that compete with GSA. AF NETCENTS is an example of extreme waste, which Mitre has managed for over 7 years at an estimate cost of 1/2 a billion dollars. The real cost are the hundreds of contractors being force to complete redundant contract paperwork, harming many small business who cannot afford to wait 7 years just to compete for a task order that may never get awarded.

Sec 215 (2) (b) DoD has a long history of directing procurements to contract vehicles that limit competition to a few large defense contractors. Small businesses who partner with large companies rarely are given promised work shares, and often find exiting business poached by their large company "partner". The revolving door has made this problem more extreme, allowing contracting abuses and influence peddling that small businesses cannot compete with. IT-AAC recommends language that prohibits a company from hiring any program official if a program does not deliver on time or on budget, disallowing rebaselining as a way of subversion of accountability. Congress should look into the FBI's Virtual Case File that wasted an estimate \$1Billion on two separate contracts to SAIC and Lockheed Martin. Mitre oversaw and approved hundreds of millions in Engineering Change Proposals and unnecessary customization that was authorized by the FBI CIO, Chad Fulcrum. In spite of the billions wasted, LMCO went on to hire Mr. Fulcrum as a reward for allowing hundreds of billions to be wasted.

TITLE III STREAMLINING AND STRENGTHING IT ACQUISITIONS

Sec 301





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This is the most impressive portion of FITARA, and would like to commend the supporting staff and leadership for bringing to light our countries Achilles' heal and greatest threat to our national security if not successfully resolved. IT-AAC's comprehensive review of existing Acquisition Centers of Excellence (ACE) at DHS, VA, NGA, AF and Army reveal ineffective and bureaucratic processes, incompetent contractors and a failure to delivery business value to mission operators. As each of these were resourced through a competitive process, as are 100% of all major IT program failures, we have learned competition alone does not assure value or success. IT-AAC's four year study suggests some changes can be made to avert past failure patterns of these existing ACE's;

- Direct GAO and/or Congressional Research Service, who are both free of influences, to conduct an assessment of existing public service resources, not-profits and acquisition processes and report on their respective effectiveness. This will help congress invest in what works and remove bad actors from the systems who have profited from failure.
- Enforce FAR OCI Rules that disallow any company supporting the acquisition strategy from being in a position to gain an unfair advantage as applied by NRO. Chinese firewalls cannot be policed, as evidenced by recent threats of disbarment with SAIC, BAH and Mitre who frequently game the IT Acquisition system. Threats of OCI enforcement have force some large integrators to shed their SETA business, (Mitre shed Mitretek, LMCO shed SI Org, NGC shed TASC, SAIC is splitting into two).
- Enforce and monitor all FFRDC task orders associated with IT acquisition and software development. A recent report by GAO and the Professional Services Council suggest that the largest FFRDCs are operating outside the law and with little accountability to any authority. 100% of all major IT program failures identified in GAO's high risk programs were driving by Mitre, using weapon systems acquisition models, and giving contracts to the top 10 defense contractors whom they partner with in nearly every major trade association.
- Leverage the establishment of benchmarked IT Acquisition Best Practices frameworks established by the IT-AAC partnership over the past four years. This represents a 50 man year investment than should not be overlooked, but still struggling to overcome entrenched IT Cartel members who stifle innovation and drive up IT program costs.

Sec 301 (e) We recommend a minor change to this important section, to "Criteria for both Certifying and Decertifying Lead Agencies and Supporting Public/Private Partnerships"

Since government lacks the mechanisms by which it can partner directly with Fortune 500 companies needed to capture real world best practices, the alternative recommended by numerous study groups like IT-AAC, INSA, IAC/ACT is to embrace Public/Private Partnerships that are well situated with existing IT standards bodies. As there are natural synergies between federal agencies with a shared mission, FITARA should establish multiple AACEs that can serve the diverse needs of these public sector communities of practice; Defense, Intelligence, Homeland Security, Transportation, Civil Government. Agencies would be able to use any one of these which would create some interagency competition, forcing internal efficiencies. Same is true of public/private partnership. Best value deliver will result in greater business attraction. GAO should be a key resource in the establishment of both section criteria and source selection.





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Sec 301 (C) Maximizing Adoption of Commercial Standards and Industry Best Practices has already been accomplished by the IT-AAC partnership and validated by multiple independent sources. Congress would save government from the repeated failure patterns and influence of the IT Cartel by embracing the selfless investments of the IT-AAC Public/Private Partnership. Funding could come from repurposing of funding sources going to bad actors in the FFRDC ranks. IT-AAC would return 50% of every dollar re-allocated and guarantee successful delivery of every IT program managed. This would enable an estimated savings of \$10Billion every year in failure/cost overrun prevention, while cutting acquisition lifecycle costs by 50%, reducing annual FFRDC bills by \$3 Billion per year additionally.

Sec (301) Examination of Methods, this work would be best performance by GAO, who already has access to a large body of knowledge and already performed this review in 2004 with OMB. This review called for a broad adoption of ICH's Agile Acquisition Framework called AAM, but lacks adoption due to cultural impediments to change and unrestricted influences of those who benefit most from analysis/paralysis and customization.

(3) Cloud Service: IT-AAC would like to draw to your attention to the widely lauded Cloud Acquisition Roadmap developed by IT-AAC in partnership with NIST, Cloud Security Alliance, Cloud Standards Customer Council and multiple federal agencies. To duplicate this effort would create unnecessary risk and expense in these lean times. It is recommended that congress encourage the licensing of COTS and Open Source solution, as required by the Clinger Cohen Act. It has been determined by the DOD CIO that Open Source is a sub-set of COTS, and that government should not take advantage by downloading a free version of any software for the purposes of competing with industry, a violation of the economy act.

Sec 302 (2) Assisted Acquisition Centers of Excellence (see above sections), ACE should develop standardized requirements documents using existing industry nomenclature, performance metrics, service level management guides and other work products developed in cooperation with Fortune 500 communities of practice. Leverage what works and avoid duplicating what already exists in terms of Acquisition Processes, Tech Clearinghouse, and other short changed capabilities that have been overlooked by the powerful IT Cartels and FFRDCs. Left to its own devised, government has been unable to implement any of the dozen IT Acquisition Reforms already legislated since 1996. How will FITARA be different???

If GSA has already certified any of the IT Acquisition Standards of a non-commercial entity, then congress should apply existing rules of law including OMB A119 and NTTAA.

