ENSURING COORDINATION, REDUCING REDUNDANCY: A REVIEW OF OMB'S FREEZE ON IT SPENDING AT HOMELAND SECURITY AGENCIES

HEARING

BEFORE THE

SUBCOMMITTEE ON TECHNOLOGY AND PROCUREMENT POLICY

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

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ENSURING COORDINATION, REDUCING REDUNDANCY: A REVIEW OF OMB'S FREEZE ON IT SPENDING AT HOMELAND SECURITY AGENCIES

TUESDAY, OCTOBER 1, 2002

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TECHNOLOGY AND PROCUREMENT POLICY,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m., in room 2154, Rayburn House Office Building, Hon. Tom Davis of Virginia (chairman of the committee) presiding.

Present: Representatives Tom Davis of Virginia and Turner.

Staff present: Melissa Wojciak, staff director; Victoria Proctor and Teddy Kidd, professional staff members; George Rogers and John Brosnan, counsels; Mark Stephenson, minority professional staff member; and Jean Gosa, minority assistant clerk.

Mr. TOM DAVIS OF VIRGINIA. Good morning.

Before we begin today's hearing, I want to take just a moment to remember our dear friend and colleague, Representative Patsy Mink, who passed away this weekend. Representative Mink faithfully served the 2nd District of Hawaii in the House of Representatives for 26 years, from 1964 to 1976, and from 1990 to 2002. She was an unquestioned leader on women's issues. Congresswoman Mink played a pivotal role in authorizing Title IX, the Federal Education Act of 1972. She wasn't afraid of breaking down barriers and pursuing new career challenges. As the Washington Post noted, "She was known for her achievement of firsts."

She had been a loyal member of the Committee on Government Reform since 1990. Representative Mink was a valued member of the subcommittee and she demonstrated great leadership in the complex issues of Federal sourcing policy and intellectual property. She was a tireless advocate for Federal employees and for ensuring the transparency and accountability of the Federal Government. Her presence in the subcommittee will be missed.

At this difficult time, our thoughts and prayers go out to her family and friends, along with her constituents in the 2nd District.

Mr. Turner.

Mr. TURNER. It is indeed with sadness that we convene this meeting of our subcommittee of which Patsy Mink was a member. Clearly she was a very well respected Member of this House. As the chairman stated, she was a strong advocate for her causes on

behalf of women, on behalf of education, on behalf of those who were in need of many of the services Government provides.

Patsy Mink was a Member of this House for 12 terms. She died at the age of 74. We all will miss her. There was none more active on behalf of the causes she believed in than Patsy Mink. It is indeed with sadness that we begin today in memory of our colleague, Patsy Mink.

Thank you, Mr. Chairman.

Mr. TOM DAVIS OF VIRGINIA. We would like to welcome everyone to today's oversight hearing on the Office of Management and Budget's freeze on information technology spending for the seven agencies going into the new Department of Homeland Security. This freeze is commendable. When it comes to protecting homeland security, we need to make sure we are not simply sending money out the door and spending more money, we need to spend money on what works. Making the new department work will require a careful examination of IT redundancies and system consolidation at individual agencies that are going to be merged into the Department of Homeland Security.

In the past, the subcommittee has been concerned that there has been tremendous push for additional IT spending in homeland security agencies without assuring appropriate management or accountability for these projects. This temporary freeze should allow the Federal Government to ensure spending will yield the necessary return on investment for the taxpayers who are paying the bills.

Systems integration and consolidation among the agencies moving into the newly established Department of Homeland Security is a critical lynchpin for the overall success of the agency. Overcoming cultural and technological barriers to facilitate timely information sharing will help our Nation avoid future terrorist attacks.

While there has been frustration that many of these projects have not gotten underway in a more timely manner immediately following the events of September 11, 2001, it is essential that additional IT spending include sound business planning to ensure effective deployment of homeland security solutions. OMB has taken the first step to ensure that is the case. The subcommittee would like to understand whether this type of review process will continue within the new Department of Homeland Security.

As you know, the House of Representatives passed H.R. 5005, legislation that would establish a new Department of Homeland Security, in July and the Senate is currently considering a similar legislative proposal. In response to the anticipated completion of congressional action to establish a new department, OMB directed applicable Federal agencies to temporarily cease planned information technology infrastructure, financial management, procurement and human services projects over $500,000, pending a review by an investment review group led by OMB and the Office of Homeland Security. To assist this review groups, affected agencies are to submit to OMB information on their planned investments in these areas this month.

Currently, seven agencies are affected by this freeze. They are the Coast Guard, FEMA, the U.S. Customs Service, the Transportation Security Administration, INS, the Secret Service, and the

Animal and Plant Health Inspection Services. OMB has stated that it is reviewing nearly $1.4 billion in proposed spending for those agencies to determine which projects should be halted and which will be allowed to go forward.

Moreover, OMB has suggested that project consolidation has the potential to save the Federal taxpayers a minimum of $100 to $200 million. OMB has established an investment review group that is evaluating spending by impacted agencies and determining when planned investments should go forward. The subcommittee would like to gain a better understanding of how the investment review group is making determinations on proposed IT projects.

I look forward to hearing testimony today from our Government witnesses on the overall impact of the freeze to date and the long-term impact of the freeze, particularly on meeting congressionally mandated deadlines for certain IT project improvements. For instance, the INS Entry/Exit Visa Program is one of the solicitations that is impacted by the freeze. What impact will this delay have on meeting congressional deadlines?

Additionally, TSA is here with us today to share how and why their IT infrastructure project is going forward while they are also planning to be transferred to the new Department.

I am hopeful we will gain a better understanding of the operation of the investment review group and the role of OMB in the Office of Homeland Security. Additionally, I am eager to hear comments from OMB and the agencies on the quality of the business planning documents they are submitting for review.

I am hopeful that the agencies are mindful of moving forward on IT modernizations with the goal of better integration of programs to ensure that we will be successful in winning the war against terrorism.

The subcommittee will hear testimony from Joel Willemssen of GAO; Mark Forman from the Office of Management and Budget; Pat Shambach from the Transportation Security Administration; Sandra Bates from the Federal Technology Service of the GSA; Woody Hall from the Customs Service; and Mr. Renny DiPentima, President of SRA Consulting and Systems Integration Service, testifying on behalf of the Information and Technology Association of America.

I will now yield to Representative Turner for an opening statement.

[The prepared statement of Hon. Tom Davis follows:]

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Opening Statement of Chairman Tom Davis
Oversight Hearing on "Ensuring Coordination, Reducing Redundancy: A Review of OMB's Freeze on IT Spending at Homeland Security Agencies."
Subcommittee on Technology and Procurement Policy
October 1st, 10:00 am
2154 Rayburn House Office Building

Before we begin today's hearing, I would like to take a moment to remember our dear friend and colleague, Representative Patsy Mink who passed away this weekend. Representative Mink faithfully served the Second District of Hawaii in the House of Representatives for twenty-six years from 1964 to 1976 and from 1990 to 2002. She was an unquestioned leader on women's issues. Congresswoman Mink played a pivotal role in authoring Title IX of the federal education act in 1972. She was not afraid of breaking down barriers and pursuing new career challenges. As ***The Washington Post*** noted, "was known for her…achievement of firsts."

She was a loyal member of the Committee on Government Reform since 1990. Representative Mink was a valued member of this Subcommittee and she demonstrated great leadership on the complex issues of federal sourcing policy and intellectual property. She was a tireless advocate for federal employees and for ensuring the transparency and accountability of the federal government. Her presence at the Subcommittee will be missed. At this difficult time, our thoughts and prayers go out to her family and friends along with the constituents of the Second District.

I would like to welcome everyone to today's oversight hearing on the Office and Management and Budget (OMB) freeze on information technology (IT) spending for the seven agencies going into the new Department of Homeland Security. This freeze is commendable. When it comes to protecting homeland security, we need to make sure that we are not simply spending more money; we need to spend money on what works. Making the new department work will require a careful examination of IT redundancies and system consolidation at individual agencies that will be merged into the Department of Homeland Security. In the past, the Subcommittee has been concerned that there has been a tremendous push for additional IT spending at Homeland Security agencies without ensuring appropriate management or accountability for these projects. This

temporary freeze should allow the Federal government to ensure spending will yield the necessary return on investment for taxpayers.

Systems integration and consolidation among the agencies moving into a newly established Department of Homeland Security is a critical lynchpin for the overall success of the agency. Overcoming cultural and technological barriers to facilitate timely information sharing will help our Nation avoid future terrorist attacks. While there has been a frustration that many of these projects have not gotten underway in a more timely manner immediately following the events of September 11, 2001, it is essential that any additional IT spending include sound business planning to ensure effective deployment of Homeland Security solutions. OMB has taken the first step to ensure that is the case. The Subcommittee would like to understand whether this type of review process will continue within the new Department of Homeland Security.

As you know, the House of Representatives passed H.R. 5005, legislation that would establish a new Department of Homeland Security, in July and the Senate is currently considering a similar legislative proposal. In response to the anticipated completion of Congressional action to establish a new Department, OMB directed applicable federal organizations to temporarily cease planned information technology (IT) infrastructure, financial management, procurement, and human resources projects over $500,000, pending a review by an Investment Review Group led by OMB and the Office of Homeland Security. To assist this review group, affected agencies are to submit to OMB information on their planned investments in these areas this month.

Currently, seven agencies are affected by the freeze. They are the Coast Guard, the Federal Emergency Management Agency (FEMA), the U.S. Customs Service, the Transportation Security Administration (TSA), the Immigration and Naturalization Service (INS), the Secret Service, and the Animal and Plant Health Inspection Service (APHIS). OMB has stated that it is reviewing nearly $1.4 billion in proposed spending for those agencies to determine which projects should be halted and which will be allowed to go forward. Moreover, OMB has suggested that project consolidation has the potential to save the federal government a minimum of $100 to 200 million. OMB has established an Investment Review Group that is evaluating spending by impacted agencies and determining when planned investments should go forward. The Subcommittee would like to gain a better understanding of how the Investment Review Group is making determinations on proposed IT projects.

I look forward to hearing testimony today from our government witnesses on the overall impact of the freeze to date and the long-term impact of the freeze particularly on meeting Congressionally mandated deadlines for certain IT project improvements. For instance, the INS entry-exit visa program is one of the solicitations that is impacted by the freeze. What impact will this delay have in meeting Congressional deadlines? Additionally, TSA is here with us today to share how and why their IT infrastructure project is going forward while they are also planning to be transferred to the new Department.

I am hopeful that we will gain a better understanding of the operation of the Investment Review Group, and the role of OMB and of the Office of Homeland Security. Additionally, I am eager to hear comments from OMB and the agencies on the quality of the Business Planning documents they are submitting for review. I am hopeful that the agencies are mindful of moving forward on IT modernizations with the goal of better integration of programs to ensure that we will be successful in winning the war on terrorism.

Mr. TURNER. I look forward to hearing from all our witnesses. On its face a freeze of this nature would seem to be appropriate in light of the creation of the new Department of Homeland Security but, on the other hand, oftentimes actions like this can result in unnecessary delays. Clearly, it is critical to the new Department of Homeland Security to ensure that all of its IT infrastructure is properly planned and coordinated. I would assume that is the major objective in mind with this freeze.

We look forward to hearing from the GAO who has looked at this proposal, as well as from each of our witnesses who will be involved in trying to assure the IT infrastructure is fully molded together in our new Department of Homeland Security.

Thank you, Mr. Chairman.

Mr. TOM DAVIS OF VIRGINIA. We will call our panel of witnesses to testify, Mr. Willemssen, Mr. Forman, Mr. Schambach, Ms. Bates, Mr. Hall, and Mr. DiPentima. As you know, it is the policy of this committee that all witnesses be sworn before they testify. If you could stand and raise your right hand.

[Witnesses sworn.]

Mr. TOM DAVIS OF VIRGINIA. To ensure sufficient time for questioning, try to limit yourselves to no more than 5 minutes. Your total statements will be made a part of the record.

Mr. Willemssen, thank you for being with us this morning.

STATEMENTS OF JOEL WILLEMSSEN, MANAGING DIRECTOR, INFORMATION TECHNOLOGY ISSUES, GAO; MARK FORMAN, E-GOVERNMENT AND INFORMATION TECHNOLOGY ADMINISTRATOR, OMB; PATRICK R. SCHAMBACH, CHIEF INFORMATION OFFICER, TRANSPORTATION SECURITY ADMINISTRATION, USDOT; S.W. "WOODY" HALL, JR., CHIEF INFORMATION OFFICER, U.S. CUSTOMS SERVICE; SANDRA BATES, COMMISSIONER, FEDERAL TECHNOLOGY SERVICE, GSA; RENNY DIPENTIMA, PRESIDENT, SRA CONSULTING AND SYSTEMS INTEGRATION, INFORMATION TECHNOLOGY ASSOCIATION OF AMERICA

Mr. WILLEMSSEN. Thank you for inviting GAO to testify today. As requested, I will briefly summarize our statement.

Overall, integrating the diverse information systems of the many organizations expected to be a part of the proposed Department of Homeland Security would be an enormous undertaking. The information technology challenges would include establishing an effective IT management organization, implementing appropriate security controls, instituting mature systems acquisition development and operational practices, and addressing human capital issues.

Among the near term challenges is developing an enterprise architecture. Managed properly, enterprise architectures can clarify and help optimize the interdependencies and interrelationships among operations and the underlying IT infrastructure and applications. Work we published earlier this year showed that agencies' use of enterprise architectures was a work in progress with much left to be accomplished. OMB has recognized the importance of architectures and has reported it is in the process of defining such a framework for creating a national enterprise architecture for homeland security.

Another near term challenge is establishing and enforcing a disciplined IT investment management process for the proposed new department. OMB has also reported that it is working on this particular issue.

As part of tackling the IT challenges facing the proposed department, in July OMB issued the two memos that you mentioned earlier to affected agencies telling them to cease temporarily new IT infrastructure and business system investments above $500,000 pending a review of investment plans and to identify and submit information to OMB on any current or planned spending on these types of initiative. This information is expected to assist in the administration's transition planning for the proposed department.

OMB's memos do not mean that the work is to be stopped on all IT infrastructure and business system projects at affected agencies. First, the memos only pertain to funding for new development and modernization efforts and not to existing systems using operations and maintenance funding. Second, the cessation does not apply to funds pertaining to a development or acquisition contract that have already been obligated. Third, agencies can request an expedited review and approval to proceed if they have an emergency or critical need. As of last week, we are aware of three such emergency requests that have all been approved.

However, at this time, it is not possible to assess the full effect of the memos on selected agencies. OMB officials told us that except for those three emergency requests, the investment groups reviewing agency submissions have not yet taken action on them because neither they nor OMB have completed review of the documents.

In addition, OMB officials told us that OMB is not tracking whether or to what extent agencies have halted spending or altered system plans as a result of the July memos, although they stated that savings from actions would be tracked in the future.

In reviewing the submissions to OMB, we did identify one agency, FEMA, that reported it plans to put on hold all initiatives related to two of its major projects.

In summary, OMB is acting to deal with some of the major IT challenges to be faced in transitioning to the proposed department. We look forward to seeing the results of these actions.

Mr. Chairman, that concludes summary of my statement and I would be pleased to address any questions you may have.

[The prepared statement of Mr. Willemssen follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Technology and Procurement Policy, Committee on Government Reform, House of Representatives

For Release on Delivery
Expected at 10 a.m. EDT
Tuesday
October 1, 2002

HOMELAND SECURITY

OMB's Temporary Cessation of Information Technology Funding for New Investments

Statement of Joel C. Willemssen
Managing Director, Information Technology Issues

GAO-03-186T

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting us to participate in today's hearing on the temporary cessation of funding for new information technology (IT) infrastructure and business system investments related to the proposed Department of Homeland Security. This action was taken by the Office of Management and Budget (OMB) in an attempt to identify redundant investments or achieve more efficiencies in these investments by organizations expected to be part of the proposed department.

Since the events of September 11, the President and the Congress have responded with important actions to protect the nation—creating the Office of Homeland Security, establishing a new agency to improve transportation security, and working in collaboration with federal, state, and local governments and private sector entities to prevent future terrorist acts. In addition, as you know Mr. Chairman, on June 18, the President transmitted draft legislation to the Congress for the creation of a new Department of Homeland Security whose mission would be preventing terrorist attacks within the United States, reducing America's vulnerability to terrorism, and minimizing the damage and recovering from attacks that do occur.[1]

After some brief background describing the Administration's Department of Homeland Security proposal, I will discuss, at your request,

- information management and technology challenges facing the proposed department and
- OMB's policy that selected agencies temporarily cease funding of new IT infrastructure and business system investments.

Results in Brief

Integrating the diverse communication and information systems of the myriad of organizations that would be part of the proposed Department of Homeland Security would be an enormous undertaking. Among the near-term challenges that would have to be addressed to successfully tackle this task is developing an enterprise architecture. Managed properly, enterprise architectures

[1]The House of Representatives has passed (H.R. 5005), and the Senate is considering (S. 2452) legislation to create a Department of Homeland Security. Although the bills are different, they share the goal of establishing a statutory Department of Homeland Security.

can clarify and help optimize the interdependencies and interrelationships among related enterprise operations and the underlying IT infrastructure and applications that support them. Another near-term challenge is establishing and enforcing a disciplined IT investment management process. Well managed IT investments that are carefully selected and focused on meeting mission needs can propel an organization forward, dramatically improving performance while reducing costs.

To help tackle these challenges, in July OMB issued two memoranda to selected agencies telling them to "cease temporarily" and report on new IT infrastructure and business system investments above $500,000, which are to be reviewed by IT investment review groups.[2] Several agencies reported new IT infrastructure and business system investments to OMB, which are currently being evaluated by OMB and the investment review groups. In addition, as of September 26, three agencies had submitted emergency requests for expedited review, which were subsequently approved. However, because the non-emergency agency submissions are still being evaluated, at this time it is too early to assess the effect of OMB's action.

Background

Under the President's proposal,[3] 22 existing major components and about 170,000 people would be integrated into the new department in order to strengthen the country's defenses against terrorism. Table 1 lists the major components the Administration proposes to move to the new department.

[2]Two review groups were established, the (1) Homeland Security IT Investment Review Group, which is to review IT infrastructure investments and (2) Business Systems IT Review Group, which is to review business system investments.

[3]The President's proposal entitled *The Department of Homeland Security*, President George W. Bush, June 2002.

Table 1: Major Components the Administration Proposes to Move to the Department of Homeland Security (by parent department/agency)[a]

Parent department/agency	Components(s) proposed to be moved
Department of Agriculture	Animal and Plant Health Inspection Service Plum Island Animal Disease Center
Department of Commerce	Critical Infrastructure Assurance Office National Institute of Standards and Technology's Computer Security Division
Department of Defense	National Communications System
Department of Energy	Lawrence Livermore National Laboratory National Infrastructure Simulation and Analysis Center Nuclear Incident Response
Federal Emergency Management Agency	All
General Services Administration	Federal Computer Incident Response Center Federal Protective Service
Department of Health and Human Services	Civilian Biodefense Research Program Chemical, Biological, Radiological and Nuclear Response Assets
Department of Justice	Immigration and Naturalization Service National Domestic Preparedness Office National Infrastructure Protection Center Office of Domestic Preparedness
Department of Transportation	Transportation Security Administration Coast Guard
Department of Treasury	Secret Service Customs Service

[a]Other organizations also proposed to be part of a new Department of Homeland Security are the Domestic Emergency Support Team, which is an interagency group currently mobilized by the Attorney General in response to major incidents, and a newly created National Bio-Weapons Defense Analysis Center.

Source: The President's proposal entitled *The Department of Homeland Security*, President George W. Bush, June 2002. The National Institute of Standards and Technology's Computer Security Division was not included in the President's original proposal but was incorporated in the President's draft legislation to the Congress.

As we previously testified, the creation of the Department of Homeland Security will be one of the largest reorganizations ever undertaken.[4] Performing a successful transition of this scale will

[4]U.S. General Accounting Office, *Homeland Security: Critical Design and Implementation Issues*, GAO-02-957T (Washington, D.C.: July 17, 2002).

take considerable time and money and, as a result, thorough planning will be critical to the successful creation of the proposed department. We have previously recommended that careful attention to fundamental public sector management practices and principles, such as strong financial, technology, and human capital management, are critical to the successful implementation of government reorganizations.[5]

Proposed Department Faces Significant IT Management Challenges

As we have previously testified,[6] information management and technology are among the critical success factors that the proposed new department should emphasize in its initial implementation phase.[7] As all of the programs and agencies are brought together in the proposed department, it will be an enormous undertaking to integrate their diverse communication and information systems. Some of the challenges that the proposed department will have to face and overcome include

- establishing an effective IT management organization,
- implementing appropriate security controls,
- instituting mature systems acquisition, development, and operational practices,
- addressing human capital issues,
- constructing and enforcing an enterprise architecture, and
- establishing and enforcing a disciplined IT investment management process.

Let me now turn to the latter two challenges in more detail, given their near-term importance and relationship to OMB's recent actions regarding the proposed department.

[5]U.S. General Accounting Office, *Government Reorganization: Issues and Principles*, GAO/T-GGD/AIMD-95-166 (Washington, D.C.: May 17, 1995).

[6]U.S. General Accounting Office, *Proposal for Cabinet Agency Has Merit, But Implementation Will be Pivotal to Success*, GAO-02-886T (Washington, D.C.: June 25, 2002).

[7]Other critical success factors include strategic planning, organization alignment, communication, building partnerships, performance management, human capital strategy, knowledge management, financial management, acquisition management, and risk management.

Enterprise Architectures: A Hallmark of Successful Organizations

Our experience with federal agencies has shown that attempts to modernize IT environments without blueprints—models simplifying the complexities of how agencies operate today, how they want to operate in the future, and how they will get there—often result in unconstrained investment and systems that are duplicative and ineffective.[8] Enterprise architectures offer such blueprints. Managed properly, architectures can clarify and help optimize the interdependencies and interrelationships among related enterprise operations and the underlying IT infrastructure and applications that support them. The development, implementation, and maintenance of architectures are recognized hallmarks of successful public and private organizations. Further, OMB Circular A-130, which implements the Clinger-Cohen Act of 1996,[9] requires executive branch agencies to use them.

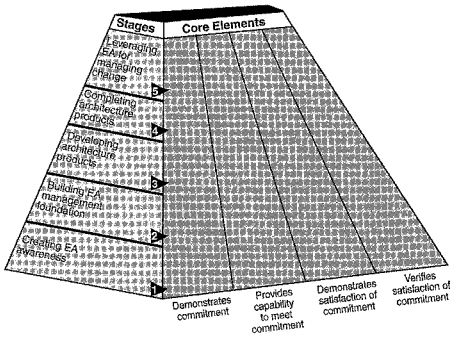
In our February report on the use of enterprise architectures in the federal government, we provided an initial version of an enterprise architecture maturity framework to serve as a standard for measuring the status and progress of agencies' architecture efforts.[10] Figure 1 provides a simplified depiction of this framework.

[8]For example, U.S. General Accounting Office, *Air Traffic Control: Complete and Enforced Architecture Needed for FAA Systems Modernization*, GAO/AIMD-97-30 (Washington, D.C.: Feb. 3, 1997) and *Tax System Modernization: Blueprint Is a Good Start but Not Yet Sufficiently Complete to Build or Acquire Systems*, GAO/AIMD/GGD-98-54 (Washington, D.C.: Feb. 24, 1998).

[9]Clinger-Cohen Act of 1996, P.L. 104-106, section 5125, 110 Stat. 684 (1996).

[10]U.S. General Accounting Office, *Information Technology: Enterprise Architecture Use across the Federal Government Can Be Improved*, GAO-02-6 (Washington, D.C.: Feb. 19, 2002).

Figure 1: GAO's Five Stages of Enterprise Architecture Maturity (version 1.0)



Source: GAO

Our February report found that agencies' use of enterprise architectures was a work in progress, with much to be accomplished. This is demonstrated by table 2, which lists the maturity stage (1 representing the lowest maturity and 5 representing the highest) of the parent organization and, if available, the entity within this organization that is proposed to be moved to a new Department of Homeland Security.

Table 2: Maturity Stage of Parent Organizations and, Where Available, the Entity Proposed to be Moved to a New Department of Homeland Security

Department/agency	Enterprise architecture maturity stage
Department of Agriculture	1
• Animal and Plant Health Inspection Service	1
Department of Commerce	3
Department of Defense	3
Department of Energy	2
Federal Emergency Management Agency	2
General Services Administration	2
Department of Health and Human Services	1
Department of Justice	3
• Immigration and Naturalization Service	1
Department of Transportation	2
• Coast Guard	2
Department of the Treasury	1
• Secret Service	2
• Customs Service	5

Note: Only those component entities for which we have enterprise architecture data are listed.

Source: GAO

To its credit, OMB recognizes the importance of an enterprise architecture and has reported that it is in the process of defining a framework for creating a national enterprise architecture for homeland security.

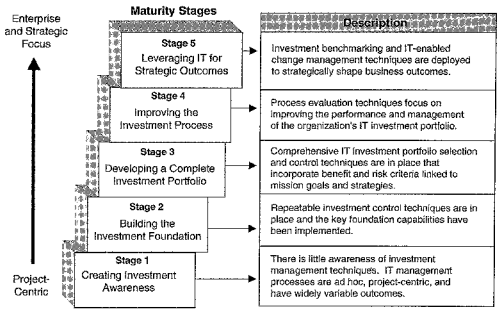
IT Investment Management: A Process to Improve Performance and Reduce Costs

Investments in IT can have a dramatic impact on an organization's performance. Well managed IT investments that are carefully selected and focused on meeting mission needs can propel an organization forward, dramatically improving performance while reducing costs. Likewise, poor investments, those that are inadequately justified or whose costs, risks, and benefits are poorly managed, can hinder and even restrict an organization's performance. Recognizing this, in 1996 the Congress passed the

Clinger-Cohen Act, which requires agencies to implement IT investment and capital planning processes.

In support of the Clinger-Cohen Act, in May 2000, we issued the Information Technology Investment Management (ITIM) maturity framework,[11] which identifies critical processes for successful IT investment management and organizes these processes into an assessment framework comprising five stages of maturity. Each stage builds upon the lower stages and enhances the organization's ability to manage its IT investments. Figure 2 shows the five ITIM stages and provides a brief description of each stage.

Figure 2: The five stages of Maturity Within ITIM



Source: GAO

Using this model, our evaluations of selected agencies, including the Coast Guard and the Immigration and Naturalization Service, found that while some processes have been put in place to help them

[11] U.S. General Accounting Office, *Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity*, Exposure Draft, GAO/AIMD-10-1.23 (Washington, D.C.: May 2000).

effectively manage their planned and ongoing IT investments, more work remains.[12]

For the proposed new department, OMB has reported that it is defining a framework for an IT capital planning process, which is an important step in developing strong IT management at the outset. The ITIM framework can provide a useful roadmap for new organizations—like the proposed Department of Homeland Security—for implementing a fundamentally sound IT capital planning and investment management process, because it identifies the key practices for creating and maintaining such a process.

Agencies Told to Temporarily Cease Funding for New IT Infrastructure and Business System Investments, but It is Too Early to Assess Effect

In July, OMB issued two memoranda[13] to selected agencies telling them to (1) cease temporarily new IT infrastructure and business system (i.e., financial management, procurement, and human resources systems) investments above $500,000 pending a review of the investment plans of all proposed Department of Homeland Security component agencies, (2) identify and submit to OMB information on any current or planned spending on these types of initiatives, and (3) participate in applicable IT investment review groups[14] co-chaired by OMB and the Office of Homeland Security. According to OMB, its goal in issuing these memoranda is to seek opportunities for improved effectiveness and economy (including millions in anticipated savings). In addition, according to officials from OMB's Office of Information and Regulatory Affairs, another purpose was to obtain an inventory of current and planned IT infrastructure and business system investments for organizations that would be moved to the proposed Department of Homeland Security. This information is expected to help in the Administration's transition planning for the proposed department.

[12]For example, see U.S. General Accounting Office, *Information Technology: INS Needs to Strengthen Its Investment Management Capability*, GAO-01-146, Dec. 29, 2000) and *Information Technology Management: Coast Guard Practices Can Be Improved*, GAO-01-190 (Washington, D.C.: Dec. 12, 2000).

[13]Office of Management and Budget, *Reducing Redundant IT Infrastructure Related to Homeland Security*, M-02-12 (July 19, 2002) and *Review and Consolidation of Business Management Systems for the Proposed Department of Homeland Security*, M-02-13 (July 30, 2002).

[14]Two review groups were established, the (1) Homeland Security IT Investment Review Group, which is to review IT infrastructure investments, such as local area networks and desktop services and (2) Business Systems IT Review Group, which is to review business system investments, including those related to financial management, human resources, and procurement systems.

Table 3 summarizes the funding for new IT infrastructure and business system investments for fiscal years 2002 and 2003 that the affected agencies submitted to OMB in response to the July memoranda. Table 3 may not include all investments being reviewed by OMB and the investment review groups. In particular, we did not include operations and maintenance funding because OMB reported that its July memoranda did not affect "steady state" spending needed to continue operations.

Table 3: Agencies' Reported Funding for New IT Infrastructure and Business System Investments for fiscal years 2002 and 2003 (in thousands)[a]

Department/agency	IT Infrastructure		Business Systems	
	Fiscal year 2002	Fiscal year 2003	Fiscal year 2002	Fiscal year 2003
Department of Agriculture				
• Animal and Plant Health Inspection Service	3,100	3,200	Not applicable[b]	Not applicable
Department of Commerce	Not applicable	Not applicable	Not applicable	Not applicable
Department of Defense	Not applicable	Not applicable	No submission requested by OMB[c]	No submission requested by OMB
Federal Emergency Management Agency	7,500	4,000	1,700	700
Department of Justice				
• Immigration and Naturalization Service[d]	40,155	83,900	0	0
Department of Transportation				
• Transportation Security Administration	40,300	0	Not applicable	Not applicable
• Coast Guard	No written response submitted to OMB[e]	No written response submitted to OMB	No written response submitted to OMB	No written response submitted to OMB
Department of the Treasury				
• Secret Service[f]	0	0	0	0
• Customs Service[g]	200	4,000	3,790	4,210

[a]OMB sent the July memoranda to those agencies that had the larger organizations that would be part of the proposed Department of Homeland Security and did not send them to the Departments of Energy and Health and Human Services and the General Services Administration, which also have components that would be moved under to the proposed department.
[b]Not applicable means that the agency reported that it did not have any system investments meeting OMB's criteria.
[c]OMB did not request that the Department of Defense provide information on business system investments.
[d]The Immigration and Naturalization Service also reported an additional $2.85 million and $3.05 million in fiscal years 2002 and 2003, respectively for internet and intranet projects, but did not specify whether these funds were new funds or for operations and maintenance.
[e]The Coast Guard stated that it did not provide OMB with a list of system investments, noting that it addressed most of its investment issues with the investment review groups.
[f]The Secret Service reported no new funding for current and planned IT infrastructure and business system investments. However, its submission indicated that it intended to conduct various planned upgrades, such as an upgrade to its Enterprise Financial Management System, and the implementation of a search engine using operations and maintenance funding.
[g]In addition to the new funding for IT infrastructure and business system investments included in the table, the Customs Service's submission stated that it had "planned upgrades for standard growth" for several initiatives in which it planned to use operations and maintenance funding.

Source: Applicable agencies. We did not validate this information.

The July memoranda also stated that, if an agency had a critical need or emergency, it could submit information for an expedited review. As of September 26, agencies had requested three emergency requests for expedited review. Specifically, according to OMB, the following emergency requests have been approved, (1) a Coast Guard request to proceed with a licensing agreement with Microsoft, (2) a Transportation Security Administration request to proceed with a task order for a managed services contract, and (3) a Secret Service request to go forward with a search engine that would conduct database searches across the agency.

Mr. Chairman, you asked us to identify the process being used in reviewing the projects submitted under OMB's memoranda, the criteria being used in determining which projects would go forward, and the length of time that the memoranda are expected to be in effect. First, OMB has not yet finalized its process for reviewing the IT infrastructure and business system investments reported by the agencies. However, officials from OMB's Office of Information and Regulatory Affairs told us that OMB expects to use the same basic process that it used in addressing the emergency requests. Namely, (1) agencies will submit information on their new IT infrastructure or business system investments to OMB, (2) OMB and the applicable IT investment review group will review the agency submission, and (3) the applicable review group will make a recommendation. Once a recommendation is made, according to these officials, the normal budget execution process will be implemented, which may require additional action by OMB or the applicable agency head.

Second, regarding the criteria for evaluating current and planned IT investments of affected agencies, officials from OMB's Office of Information and Regulatory Affairs stated that they will use the principles contained in section 300 of OMB Circular A-11 and section 8(b) of OMB Circular A-130. These circulars instruct agencies to develop, implement, and use capital programming processes that, for example: (1) evaluate and select capital assets investments that will support core mission functions and demonstrate projected returns on investments that are clearly equal to or better than alternative uses of public resources, (2) ensure that improvements to existing information systems and planned information systems do not unnecessarily duplicate IT capabilities within the same agency, and (3) institute performance measures and management processes that monitor and compare actual performance to planned results.

Finally, OMB Office of Information and Regulatory Affairs officials did not know how long the memoranda would remain in effect, stating that they will remain in effect until their goals are met. Specifically, these officials stated that whether and how long the investment review groups established by the memoranda continue to operate will in large part depend on if or when legislation establishing the Department of Homeland Security is enacted.

Impact of OMB's Action Too Early To Assess

Mr. Chairman, you also asked us to address the impact of the OMB memoranda on the affected agencies. Although OMB directed selected agencies to temporarily cease these investments, it does not necessarily mean that work is to be stopped on all IT infrastructure and business system projects at the applicable agencies. First, the memoranda only pertain to funding for new development efforts and not to existing systems in a "steady state" using operations and maintenance funding. Second, the cessation does not apply if funds pertaining to a development or acquisition contract have already been obligated. Third, as I previously noted, agencies can request an expedited review to obtain the approval to proceed if they have an emergency or critical need. The following are examples of how OMB's direction to cease temporarily would apply in certain circumstances.

- If an agency had an existing procurement system in a "steady state" in which no major modifications or modernization efforts were planned, there would be no effect on the funding of this system.
- If an agency had an ongoing contract with available obligations for the development of a financial management system, there would be no effect on this contract, but new obligations for development or modernization efforts would be required to be approved by the Business Systems IT Review Group.
- If an agency wanted to award a contract for a new or modernized IT infrastructure item, such as a local-area-network, over $500,000, it would be required to obtain approval from the Homeland Security IT Investment Review Group before proceeding.

At this time it is not possible to assess the full effect of the July memoranda on the selected agencies. Except for emergency

requests, according to officials from OMB's Office of Information and Regulatory Affairs, the investment review groups have not taken any action on the agencies' submissions in response to the July memoranda because neither they nor OMB have completed their reviews of these documents. In addition, OMB officials stated that OMB is not tracking whether, or to what extent, agencies have halted spending or altered system plans as a result of the July memoranda. Although it may be too early to evaluate the results of the July memoranda at this time, OMB has stated that the investment review groups would track any savings resulting from its actions, which should provide some information to help assess the outcome of the temporary cessation in the future.

At least one agency has put planned initiatives on hold pending the establishment of the Department of Homeland Security. Specifically, in its submission to OMB in response to the July memoranda, the Federal Emergency Management Agency reported that it had put all initiatives related to two projects, including its Personnel Resources Information Systems Mart, on hold pending the creation of the Department of Homeland Security.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions that you or other members of the subcommittee may have at this time.

Contact

If you should have any questions about this testimony, please contact me at (202) 512-6240 or via e-mail at willemssenj@gao.gov.

(310006)

Mr. TOM DAVIS OF VIRGINIA. Thank you very much.

Mr. Forman.

Mr. FORMAN. Thank you for inviting me here today to discuss homeland security IT investments. My remarks will focus on recent administration steps taken to ensure that IT investments support the homeland security mission and are appropriately integrated in order to leverage technology for mission effectiveness while preventing redundant investments and wasted resources.

The national strategy for homeland security emphasizes that effective use of IT must accelerate response time but time to detect and respond to potential threats and second, improve decision-making, making the right decisions at the right time. A modern IT infrastructure is vital to ensuring we successfully meet these and other homeland security goals.

The key principles for unifying an IT infrastructure include the use of effective IT investment management techniques to accelerate deployment, reduce risk and achieve mission goals; reduce redundant and siloed IT investments; and take maximum advantage of economies of scale.

Business as usual will not enable us to meet our homeland security goals. As GAO has noted, we need a comprehensive review of IT investment which is being conducted as described in my written statement. In July OMB issued two memoranda as a first step toward better integration of IT infrastructure by using available funds to deploy the highest quality technologies while providing an opportunity to save taxpayers millions.

The scope of the memoranda include IT infrastructure and business management systems such as financial management, HR and procurement systems. The memoranda do not affect steady State spending needed to maintain operations, nor do they affect mission IT investments such as the entry/exit project you mentioned in your opening statement.

The intent of the memoranda is to ensure that modern investments are successful and prevent redundant investments and wasteful spending. The memoranda identify homeland security IT investment review entities and processes.

First, in response to an emergency request from an agency in accordance with the guidance in the memoranda, OMB and the IT Investment Review Group provide a quick response to the requesting agency after conducting rapid review.

A second type of review focuses on larger IT investment issues. It is this type of review that we expect the group to provide most of the recommendations regarding consultation, integration and elimination of siloed or redundant IT investments.

For example, the Transportation Security Administration to meet its mission has a business need for network infrastructure at airports. However, INS, Customs, FAA and other agencies have already built and deployed telecommunications networks that would likely be redundant with the newly created TSA network. An initial assessment found that existing homeland security component agencies plan to spend $257 million in fiscal year 2003 on IT infrastructure that will support networks at airports. Clearly there are multiple opportunities for homeland security-related agencies to better leverage IT investments so that TSA will not have to build its own

telecommunications network and homeland security workers can easily communicate with each other traditional organizational boundaries.

In taking this action, OMB is fulfilling its responsibilities under Section 5113 of the Clinger-Cohen Act of 1996 to issue clear and concise direction to agencies for ensuring efficient and effective capital planning for IT investments which is to include guidance for undertaking efficiently and effectively interagency and government-wide investments in IT to improve the accomplishment of missions that are common to the Executive agencies.

Consolidating and integrating the planned $900 million IT investments presents significant opportunities for savings, while better leveraging IT investments for our homeland security. This approach is key to ensuring that IT investments accelerate response time and improve decisionmaking. Clearly this approach is neither new nor surprising, simply good management.

To achieve our goals, we must all work to effectievly leverage IT for homeland security. It requires the use of modern management practices and a level of teamwork not always seen. It will also require and is already benefiting from a tremendous amount of leadership among the executive branch, the Congress and the IT industry. Collaborative leadership and support is vital to our performance. I would also like to commend the review groups for the initial progress. I am particularly impressed by the level of team work and cooperation in the groups.

Thank you for your continued leadership, Mr. Chairman, in working toward effective and efficient IT management of the Federal Government's IT resources.

[The prepared statement of Mr. Forman follows:]

STATEMENT OF
MARK A. FORMAN
ASSOCIATE DIRECTOR FOR INFORMATION
TECHNOLOGY AND ELECTRONIC GOVERNMENT
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE
COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON TECHNOLOGY AND PROCUREMENT POLICY
U.S. HOUSE OF REPRESENTATIVES
October 1, 2002

Good morning Mr. Chairman and members of the Committee. Thank you for inviting me here today to discuss homeland security IT investments. My remarks will focus on recent Administration steps taken to ensure that IT investments that support the homeland security mission are appropriately integrated in order to leverage technology for mission effectiveness while preventing redundant investments and wasted resources.

The National Strategy for Homeland Security highlights the key role of IT in achieving results. Effective use of IT is essential to provide for homeland security and allow the different component agencies to share information. An IT infrastructure must support collaboration among the workers in the Federal, state, and local homeland security related agencies.

As identified in the National Strategy for Homeland Security, we have two primary results for measuring effective use of IT: (1) improving response time - the time to detect and respond to potential threats; and (2) improving decision-making - making the right decisions at the right time. A modern IT infrastructure is vital to ensuring we successfully meet these and other homeland security goals.

While the challenges are great, the management principles and tools to address them are known and have been championed by the Chairman and members of this Subcommittee. The key principles for unifying an IT infrastructure include:

- Effective IT investment management to accelerate deployment, reduce risk, and achieve mission goals.

- Identify and reduce redundant and siloed IT investments.

- Take advantage of economies of scale.

Business as usual will not enable us to meet our homeland security goals. We need a comprehensive review of IT investments. Prior decisions made on the basis of planning, processes, and considerations that predated the President's National Strategy for Homeland Security are being re-examined and in some instances changed to address new priorities. This review is being conducted according to the key elements of an effective IT management process outlined below.

- Creating a capital planning and investment control process.
- Developing an enterprise architecture that links IT to mission performance and defines a modernization blueprint.
- Identifying an inventory of investments.
- Identifying existing redundancies and opportunities for consolidation, integration, and elimination.
- Identifying savings resulting from consolidation, integration, and elimination.
- Identifying strategic, program, and mission performance needs that will be addressed by modernization investments.

These elements provide a decision-making process, require involvement by the appropriate stakeholders, and provide the criteria needed to make decisions. The criteria will help to ensure that IT investments are being made through the use of good management principles, and that consolidation and integration of current and planned IT investments occur in an efficient and cost-effective manner.

Homeland Security IT Investment and Business Systems Review Groups

The establishment of a well-functioning capital planning process has been initiated through the creation of the Homeland Security IT Investment Review Group in OMB Memorandum 02-12, "Reducing Redundant IT Infrastructure Related to Homeland Security." The Business Systems IT Review Group, created in OMB Memorandum 02-13, "Review and Consolidation of Business Management Systems for the Proposed Department of Homeland Security," is another part of that process.

The OMB memoranda directed these Review Groups to begin the effort to identify the IT requirements of the proposed Department of Homeland Security (DHS) and opportunities for consolidation and integration of IT investments. The Homeland Security IT Investment Review Group is charged with making recommendations to reduce redundant investments and maximize opportunities for effective information sharing across the proposed DHS components. This Group consists primarily of Chief Information Officers (CIOs) from the major entities that would likely be part of the proposed DHS and is chaired by OHS and OMB. There are two types of reviews conducted by the Group.

First, in response to an emergency request from an agency in accordance with the guidance in the memoranda, OMB and the Group provide a quick response to the requesting agency after conducting a rapid review to identify any related investments, requirements or opportunities for other component agencies to leverage.

The second type of review focuses more on larger consolidation issues involving day one and first year issues such as identifying email capabilities for the proposed Department. It is from this type of review that we expect the Group to provide most of their recommendations regarding consolidation, integration, and elimination of IT investments. The larger issues are closely related to the work that the Office of Homeland Security (OHS) is leading in consultation with OMB's Federal Enterprise Architecture effort as well as with affected agencies on developing a homeland security enterprise architecture. The enterprise architecture will cover three broad areas: infrastructure, business systems, and mission systems in support of the National Strategy for Homeland Security.

The Business Systems Review Group consists primarily of the Chief Financial Officers (CFOs), Human Resource (HR) and Procurement Executives of the proposed DHS component agencies. This group's charge is identical to the Homeland Security IT Investment Review Group. To ensure coordination between the groups each has a liaison and the groups collaborate on issues where appropriate.

OMB Homeland Security IT Memoranda

In July, OMB issued two memoranda as a first step toward better integration of IT infrastructure by using available funds to deploy the highest quality technologies, while providing an opportunity to save taxpayers millions. These memoranda direct proposed DHS component agencies to temporarily cease funding for new development or modernization efforts above $500,000, pending a review by the Executive Branch. The scope of the memoranda include IT infrastructure and business management systems, such as financial management, HR, and procurement systems. The memoranda do not affect steady state spending needed to maintain operations nor do they affect mission IT investments. The intent of the memoranda is to ensure modern investments and prevent redundant investments and wasteful spending. Additionally, it is important to note that FY03 IT investment decisions were made prior to the President's announcement proposing the creation of the new Department, and must be reconsidered in light of the proposed reorganization.

For example, the Transportation Security Administration (TSA), to meet its mission, has a business requirement need for network infrastructure at airports. However, INS, Customs, FAA and other agencies have already built and deployed telecommunications networks that would likely be redundant with a new TSA network. An initial assessment found that the existing component agencies of the proposed Department plan to spend $257M in FY03 on IT infrastructure that will support networks at airports. Clearly, there are multiple opportunities for homeland security related agencies to better leverage IT investments so that TSA will not have to build its own telecommunications network.

To ensure appropriate leveraging of technologies, such as the above example, one of the first tasks of the Homeland Security IT Investment Review Group is to review

all task orders under TSA's Information Technology Managed Services Contract. Prior to issuing task orders TSA will first review similar investments at other agencies for leveraging opportunities, before renting new capabilities under the managed services contract. This approach will enable TSA to more rapidly obtain IT services and significantly reduce planned spending.

Each of the memoranda also contains a provision for emergency approval of an IT investment. Some of the requests present opportunities for other proposed DHS component agencies to leverage, and are brought to the attention of appropriate groups for review and discussion.

The Federal government must ensure that IT investments are made in an efficient and cost-effective manner. This includes the appropriate migration of Federal homeland security IT investments - the result of bringing together currently separate component agencies. Planned spending by DHS component agencies for IT infrastructure and business management systems will total at least $900M in FY03. An integrated IT system would provide the best support for homeland security - including earlier detection and faster response to potential threats. Consolidating and integrating IT investments presents significant opportunities for savings while providing the best investments for our homeland security mission.

Clearly this approach is neither new nor surprising - it is simply good management. These memoranda recognize the Federal government's responsibility to ensure wise IT investments are made and that IT investments will not be wasted through the acquisition or retention of systems that are redundant, not interoperable, or otherwise not well-designed to enable an agency to carry out its mission in a cost-effective manner. In fact, recent General Accounting Office (GAO) reports and testimony have stressed the need for the Federal government to improve management of IT investments. See GAO-02-6, "Information Technology: Enterprise Architecture Use Across the Federal Government Can Be Improved" (February 19, 2002).

In March of this year, GAO testified before this subcommittee at a hearing on electronic government. In this testimony, (GAO-02-389T, "Information Technology: OMB Leadership Critical to Making Needed Enterprise Architecture and E-government Progress"), GAO called

attention to the E-government initiatives contained in the President's Fiscal Year 2003 Budget - "most involving multiple agencies" - that seek the "elimination of redundant, nonintegrated business operations and systems." The testimony also recognized that elimination of redundancies could result in billions of dollars in savings, and improved efficiencies and service delivery to customers.

OMB is fulfilling this role through the use of our responsibilities under Section 5113 of the 1996 Clinger-Cohen Act (40 USC 1413), to issue "clear and concise direction" to agencies for ensuring "efficient and effective capital planning" for IT investments, which is to include "guidance for undertaking efficiently and effectively inter-agency and Government-wide investments in information technology to improve the accomplishment of missions that are common to the executive agencies." The actions taken in the homeland security IT memoranda are the right steps in good IT management and would improve mission performance under any circumstances regarding the proposed Department.

Next Steps and Conclusion

Most of the work of these Review Groups' is just beginning. I anticipate that as the Groups' continue to identify more opportunities to leverage technologies, we will be able to better define the optimal IT investments for the proposed Department. This includes the migration strategies needed to reach that decision and an identification of the resulting savings.

The homeland security IT memoranda are a clear demonstration of OMB working with OHS and the agencies to prevent new redundancies and address existing redundant investments. They are a step that GAO and others agree will improve the Federal government's use of IT resources to architecture savings, and gains in efficiency and productivity. OMB and OHS will continue to look for additional ways to better leverage federal IT spending for Homeland Security. As this Committee highlighted two weeks ago, there are several key opportunities for applying E-Government to Homeland Security -- including three of the Administration's E-Government initiatives on wireless communications, geospatial information, and disaster management.

To achieve our goals we must all effectively leverage IT for homeland security. It requires the use of modern management practices and a level of teamwork not always seen. It will also require - and is already benefiting from -- a tremendous amount of leadership among the Executive Branch, the Congress, and the IT industry. Collaborative leadership and support is vital to our performance. I would also like to commend the Review Groups' for their initial progress. I am particularly impressed with the level of teamwork and cooperation of the Groups.

Thank you for your continued leadership, Mr. Chairman, in working toward effective and efficient IT management of the Federal government's IT resources.

Mr. TOM DAVIS OF VIRGINIA. Thank you very much.

Mr. Schambach, thanks for being with us.

Mr. SCHAMBACH. Thank you.

Before I begin my statement today, I would like to take just a moment to convey to the subcommittee Secretary Mineta's profound sorrow at the passing of his former colleague and dear friend, Congresswoman Mink. The two had built a close friendship during the years they shared together in the House. Congresswoman Mink was a strong advocate for woman and a highly respected member of the Asian-American community. She will be sorely missed by her family and friends across the country, by you, her subcommittee colleagues, by her constituents in Hawaii's 2nd District and by the Secretary of Transportation.

This is my second time testifying before your subcommittee in the short 8 months since I have been the CIO of TSA. We are building a world class agency from scratch, assuming new Federal functions and completing milestones under stringent deadlines and under the glare of the public spotlight. Our mission is to protect the Nation's transportation systems to ensure freedom of movement for people and commerce. Our stated vision is to accomplish this through our people, our processes and technologies. I am proud that technology is appropriately a part of that vision.

One of our greatest challenges is creating an organizational culture of information sharing. We have a wonderful chance to get it right with a blank sheet of paper in front of us and whether Congress ultimately approves the President's proposal for a Department of Homeland Security, we recognize that we must engage with our agency partners in a way that agencies have not always undertaken. My staff has been working long and hard to craft a secure information technology-enabled organization that has access to information at the right time and the right place.

Undoubtedly you have heard or read about TSA's new information technology managed services approach to providing our basic technology needs. We call it ITMS. We took a bold approach by describing our basic needs in a statement of objectives, the first step in a performance-based contracting effort.

We described our basic needs in terms of employee and organizational capabilities like the ability to schedule a large number of screener employees at an airport and asked our offerors to propose not only the technical solutions but also how to tie their deployment success to the success of the mission and goals of TSA.

The winning offeror, Unisys Corp., proposed that they receive both incentives and penalties based on whether TSA achieves or does not achieve our agency goals. When you take into account that we have such basic needs like access to computers, telephones and radios that connect us to the broader organization, you can readily recognize that success has a very basic definition at this stage in our history.

Our contract contains two initial work orders. The first provides for basic infrastructure and the second provides for deployment of computer and communications capabilities to our estimated 800 TSA locations with a target of December 31, 2002.

About the time of contract award, which occurred in an amazing 3½ months from requirements to award, OMB created the Home-

land Security Investment Review Group. This temporarily suspended the TSA IT Provisioning Initiative until the business case was made and reviewed by the Investment Review Group.

In view of the President's proposal to create a Department of Homeland Security that will include TSA as an important element, I agree that a reasoned approach to IT provisioning should help avoid costly duplication of products and services and allows TSA to leverage our significant buying power even further in a combined view.

TSA quickly arrived at an approach allowing us to move forward with our basic needs. We identified an investment evaluation model and developed factors on which our basic deployment needs would be decided. This was successful and within a short time, the Investment Review Group approved our basic strategy for deployment. We now have a very basic decision model that is being used to determine sharing opportunities where we have common presence with both the U.S. Customs Service and the Immigration and Naturalization Service.

Many have asked if the TSA managed services approach is the model for future government IT needs of this type. I can only say that given our unique circumstances, I see this as the only way to get our agency established in the timeframe that we have to operate. At the same time, the IT community seems to appreciate our flexible approach. We told them what we needed to accomplish but did not insist on a specific technical approach to carry out our goals.

Our approach also complies with the President's management agenda. We believe we are prudently using the public's money; we are relying on strategic outsourcing and are making reasoned investments in our IT future.

That concludes my statement. I would be pleased to answer any questions.

[The prepared statement of Mr. Schambach follows:]

STATEMENT OF ASSOCIATE UNDER SECRETARY AND CHIEF INFORMATION OFFICER PATRICK R. SCHAMBACH, TRANSPORTATION SECURITY ADMINISTRATION, BEFORE A HEARING OF THE HOUSE COMMITTEE ON GOVERNMENT REFORM, SUBCOMMITTEE ON TECHNOLOGY AND PROCUREMENT POLICY OCTOBER 1, 2002

Thank you, Mr. Chairman and members of the Subcommittee for this opportunity to testify before this Subcommittee this morning.

Before I begin my statement today, I would like to take just a moment to convey to the Subcommittee Secretary Mineta's profound sorrow at the passing of his former colleague and dear friend, Congresswoman Patsy Mink. The two had built a close friendship during the years they shared together in the House. Congresswoman Mink was a strong advocate for women and a highly respected member of the Asian-American community. She will be sorely missed by her family and friends across the country; by you, her Subcommittee colleagues; by her constituents in Hawaii's Second District; and by the Secretary of Transportation.

This is my second time testifying before your Subcommittee in the short eight months since I have been the Chief Information Officer (CIO) of the Transportation Security Administration, and I am pleased to be here. We are building a world-class agency from scratch, assuming new federal functions, and completing milestones under stringent deadlines and under the glare of the public spotlight. Our mission is to protect the Nation's transportation systems to ensure freedom of movement for people and commerce. Our stated vision is to accomplish this mission through our people, processes and technologies. I am very proud that "technology" is appropriately part of that vision statement.

One of the TSA's greatest challenges is creating an organizational culture of information sharing. My staff has been working long and hard to craft a secure information technology-enabled organization that has access to information at the right time and at the right place.

We have a wonderful chance to "get it right" with the blank sheet of paper in front of us, and we want to ensure that we employ our IT resources effectively so that we may realize savings, efficiency and productivity. And whether Congress ultimately approves the President's proposal for a Department of Homeland Security, we recognize that in the post-9/11 world, we must engage with our agency partners in a way that the agencies have not always undertaken.

Undoubtedly you have heard or read about TSA's new Information Technology Managed Services (ITMS) approach to providing the agency's basic information technology needs.

A critical aspect of "ITMS" is a performance-based contracting effort like the one TSA recently completed for IT infrastructure.

TSA's request for proposals described our basic IT needs in terms of employee and organizational "capabilities" that we desire -- like the ability to schedule a large number of screener employees at an airport – and asked our ITMS offerors to propose not only the technical solutions, but also how to tie their deployment success to the success of the mission and goals of TSA. The winning offeror, Unisys Corporation, proposed that they receive both incentives and penalties based on whether TSA achieves or does not achieve our agency goals. When you take into account that we have such basic needs, like access to computers, phones and radios that connect us to the broader organization, you can readily recognize that "success" is a very basic requirement at this stage in our organization's history.

Our contract contains two initial work orders. The first provides basic infrastructure operations and centralized IT management services and the second provides deployment of computer and communications capabilities to our estimated 800 TSA locations nationwide, with a target of December 31, 2002 for completion.

About the time of contract award, which occurred in an amazing three and a half months from requirements to award, OMB released Memorandum 02-12 announcing the Homeland Security IT Investment Review Group. This temporarily suspended the TSA IT provisioning initiative until the business case was made and reviewed by OMB's Investment Review Group. In view of the President's proposal to create a Department of Homeland Security that will include TSA as an important element, I agree that a reasoned approach to IT provisioning should help avoid costly duplication of products and services, and allows TSA to leverage our significant buying power even further in a combined view. In quickly arriving at an approach to allow TSA to move forward with our basic needs, we identified an investment evaluation model and developed factors on which our basic deployment needs would be decided. This approach was successful and within a short amount of time the Investment Review Group approved our basic strategy for the TSA IT deployment.

We now have a very basic decision model that is being used to determine sharing opportunities in locations where we have common presence with both the U.S. Customs Service and the Immigration and Naturalization Service, and provides a framework for decision by the Investment Review Group to proceed with our basic deployment needs. Our analysis of alternatives will be presented shortly to the Investment Review Group and we expect to continue to stand-up our agency just as quickly as possible.

Many have asked if TSA's managed services approach is the model for future government IT needs of this type. I can only say that, given our unique circumstances, I see this as the only way to get our agency established in the timeframe that we have to operate. At the same time, the IT community seems to appreciate being told what we need to accomplish, without being told exactly how to go about doing it.

Our approach complies with the President's management agenda; we are employing modern management practices and collaborating closely with other agencies. I strongly believe that the President's approach prudently uses the public's money and allows us to make a reasoned investment in our IT future.

This concludes my statement. I will be pleased to answer any questions that the Subcommittee may have.

Mr. TOM DAVIS OF VIRGINIA. Thank you very much.

Mr. Hall. Thanks for being with us.

Mr. HALL. Thank you for this opportunity to testify today.

Since September 11th, the highest priority at the U.S. Customs Service has been to keep terrorists and terrorist weapons from entering the United States and to protect and secure our country's land borders, seaports and airports.

Customs has an operational presence at every port where people and goods enter the United States. Therefore, we are well positioned to continue providing leadership and border security. Customs works in partnership with many Federal agencies, including those potentially impacted by a new Department of Homeland Security to manage and control the tremendous volume of goods and people entering and exiting the United States.

In addition, Customs currently develops and shares enforcement-related intelligence with more than 25 Federal and State law enforcement agencies. This shared intelligence includes data on nearly 98 percent of all imported cargo and nearly 100 percent of international air passenger arrivals. License plate numbers of vehicles entering the United States are also queried against Federal, State and local indices.

As you are aware, a principal mission of the administration's Homeland Security Initiative is to coordinate border security activities among multiple Federal agencies. This coordination will require improved collaboration in examining cargo conveyances and passengers and in sharing critical data. The Federal Government will need to tear down unwarranted information stovepipes and build a central information sharing clearinghouse and compatible data bases. Toward this end, Customs co-chairs the Border Security Interagency Working Group with the Immigration and Naturalization Service and we are working with the Office of Homeland Security and OMB and other agencies on the development of an enterprise architecture for the homeland security.

I also personally meet with the CIOs from a number of Federal agencies including the U.S. Coast Guard, INS, Transportation Security Agency, Department of State, FEMA, Office of Management and Budget and the Office of Homeland Security. These meetings are intended to foster dialog on how best to leverage current technologies with a focus on improving information flow between the agencies and to streamline information technology costs and services.

Customs is also working with the Department of Transportation, the Department of Agriculture, Health and Human Services and INS to incorporate their requirements into the automated commercial environment via shared interface with the trade known as the International Trade Data System.

The Customs modernization program through ACE has already begun to develop a single interoperable information technology platform that can be used to strengthen our Nation's borders. ACE, among other things, is designed to enhance and integrate analytical tools, to provide better targeting and analysis of entry and passenger data, improve advanced information systems to provide a more proactive approach to detect and interdict terrorists and other

illegal activities. Examples are the Customs Trade Partnership Against Terrorism, CTPAT, and the Container Security Initiative.

Under the leadership of the Office of Homeland Security and OMB, options to better address border security challenges are being reviewed. The flexible information technology platform of the Customs modernization program which reflects the partnership of trade and border agencies provides the best opportunity to accelerate deployment of an integrated border security solution in support of the critical homeland security mission.

Customs understands the rationale behind the OMB directive and supports the efforts of the Homeland Security IT Investment Review Group of which I am a member. We see this initiative as critically important and a necessary first step to ensure effective information sharing, careful analysis of current systems and eventual integration of systems for agencies moving under the proposed Department of Homeland Security.

Based on guidance Customs has received from the Department of Treasury and OMB, this directive does not affect Customs' initial modernization project, ACE. ACE is primarily a mission critical Customs system to enable the processing of imports and exports to ensure safe and efficient trade. Consequently, work on ACE has not stopped or even slowed. In fact, the first fielding of ACE capabilities is fast approaching. Over the next 5 months we will introduce an Internet-based common user interface to selected Customs users, certify the infrastructure to ensure that ACE meets its functional security and performance requirements and in February, we will roll out ACE's first capabilities to the trade community.

Although ACE is not affected by the OMB memoranda at this time, Customs in keeping with the intent of the OMB directive to eliminated duplication and ensure effective integration of agency systems will submit our current ACE expenditure plan to the Homeland Security IT Investment Review Group for formal approval before proceeding with the design and build phase of the second major block of work on ACE.

Rather than an impediment, Customs believes the recent OMB directive will help ensure that ACE is a truly coordinated effort of all border security agencies. ACE could help accomplish the objectives of the Homeland Security IT Investment Review Group by potentially serving as an information technology platform for border security that could be leveraged by other agencies in the border enforcement arena.

I firmly believe the Customs Service has the expertise, the experience, the tools and the personnel necessary to protect the borders of our country and to serve as a critical deterrent to terrorists who target America.

Thank you again for the opportunity to testify. I look forward to answering any questions you may have.

[The prepared statement of Mr. Hall follows:]

STATEMENT OF THE ASSISTANT COMMISSIONER S.W. HALL, JR.
HEARING OF THE HOUSE COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON TECHNOLOGY AND PROCUREMENT POLICY
OCTOBER 1, 2002

Thank you, Mr. Chairman and members of the Subcommittee for this opportunity to testify.

Since September 11th, the highest priority at the U.S. Customs Service has been to keep terrorists and terrorist weapons from entering the United States and to protect and secure our country's land borders, seaports and airports.

Customs has an operational presence at every port where people and goods enter the United States. Therefore, we are well positioned to continue providing leadership in border security. Customs works in partnership with many Federal agencies, including those potentially impacted by a new Department of Homeland Security (DHS), to manage and control the tremendous volume of goods and people entering and exiting the United States. In addition Customs currently develops and shares enforcement related intelligence with more than 25 Federal and state law enforcement agencies. This shared intelligence includes data on nearly 98 percent of all imported cargo and nearly 100 percent of international air passenger arrivals. License plate numbers of vehicles entering the U.S. are also queried against Federal, state and local indices.

The Border Security Challenge

As you are aware, a principle mission of the Administration's Homeland Security Initiative is to coordinate border security activities among multiple Federal agencies. This coordination will require improved collaboration in examining cargo, conveyances and passengers and in sharing critical data. The

Federal government will need to tear down unwarranted information stovepipes and build a central information sharing clearinghouse and compatible databases.

Toward this end, Customs co-chairs the Border Security Inter-Agency Working Group with the Immigration and Naturalization Service (INS) and we are working with OHS, OMB and other agencies on the development of an enterprise architecture for Homeland Security.

I also personally meet with the CIOs from a number of Federal agencies including the U.S. Coast Guard, INS, Transportation Security Agency (TSA), Department of State, the Federal Emergency Management Agency, Office of Management and Budget (OMB) and the Office of Homeland Security (OHS). These meetings are intended to foster a dialog on how best to leverage current technologies with a focus on improving information flow between the agencies, and to streamline IT costs and services.

Customs is also working with the Department of Transportation, USDA, Health and Human Services and INS to incorporate their requirements into the Automated Commercial Environment (ACE).

The Customs Modernization Program through ACE has already begun to develop a single, interoperable information technology platform that can be used to strengthen our nation's borders. ACE is designed to:

- Enhance and integrate analytical tools to provide better targeting and analysis of entry and passenger data.

- Improve advanced information systems to provide a more proactive approach to detect and interdict terrorists and other illegal activities. Examples are the Customs Trade Partnership Against Terrorism (C-TPAT) and the Container Security Initiative (CSI).

Customs stands ready to provide leadership and assistance.

Under the leadership of the OHS and OMB, options to better address border security challenges are being reviewed. The flexible information technology platform of the Customs Modernization Program – which reflects the partnership of trade and border agencies – provides the best opportunity to accelerate deployment of an integrated border security solution in support of the critical homeland security mission.

Customs understands the rationale behind the OMB directive and supports the efforts of the Homeland Security IT Investment Review Group of which I am a member. We see this initiative as critically important and a necessary first step to ensure effective information sharing, careful analysis of current systems, and eventual integration of systems, for agencies moving under the proposed Department of Homeland Security.

Based on guidance Customs has received from the Department of the Treasury and OMB, the "temporary seize" directive does not affect Customs initial modernization project, ACE. ACE is primarily a mission-critical Customs system to enable the processing of imports and exports to ensure safe and efficient trade. Consequently, work on ACE has not stopped or even slowed. In fact, the first fielding of ACE capabilities is fast approaching. Over the next five months we will introduce an Intranet-based common user interface to selected Customs users, certify the infrastructure to ensure that ACE meets its functional, security, and performance requirements, and in February we will roll out ACE's first capabilities to the trade community.

Although ACE is not affected by the OMB memoranda, Customs in keeping with the intent of the OMB directive to eliminate duplication and ensure effective integration of agency systems, will submit our current ACE Expenditure

Plan to the Homeland Security IT Investment Review Group for formal approval before proceeding with the design and build phase of the second major block of work on ACE.

Rather than an impediment, Customs believes the recent OMB directive will help ensure that ACE is a truly coordinated effort of all border security agencies. ACE could help accomplish the objectives of the Homeland Security IT Investment Review Group by potentially serving as **the** information technology platform for border security that could be leveraged by other agencies in the border enforcement arena.

Conclusion

Mr. Chairman, I firmly believe that the U.S. Customs Service has the expertise, the experience, the tools, and the personnel necessary to protect the borders of our country and to serve as a critical deterrent to terrorists who target America.

Thank you again, Mr. Chairman and members of the Subcommittee, for this opportunity to testify. I look forward to answering any questions you may have.

Mr. TOM DAVIS OF VIRGINIA. Thank you very much.

Ms. Bates.

Ms. BATES. Thank you for this opportunity to appear before you this morning. Let me extend my compliments to you, members of the subcommittee and your staff on your efforts to assure a managed approach to the information technology and telecommunications investments of the proposed Department of Homeland Security.

In my statement before the subcommittee, I will discuss two main topics. First, I will address the impact of the July 19 OMB memoranda regarding system development and modernization for the homeland security components on FTS business. Second, I will review the capabilities of GSA's Federal Technology Service to support this new mission of securing the American homeland.

The Federal Technology Service is a channel to the market connecting government with private sector IT and telecommunications providers. FTS works with Federal agencies, our customers to help them choose the best solution, acquire it, implement it and manage the financing for it. We have fulfilled this role for many years and have developed important business relationships with nearly all Federal agencies.

The agencies and departments currently designated for the new homeland security organization are no exception. Of the 22 organizations designated for the new department, FTS currently provides services and support to at least 20 of them. In fiscal year 2001, we provided more than $150 million in technology services in support directly to homeland security components and we expect to exceed that amount in fiscal year 2002.

The range of FTS support is broad and varied. For example, domestic homeland security locations that receive telecommunications services through the FTS 2001 contracts touch every State across the country. GSA is also involved in an extensive project with the newly formed Transportation Security Administration to meet space, furniture, supplies as well technology needs at 422 airports, 150 Federal security director offices and 21 air marshall offices by November 19.

Mr. Chairman, in preparation for this hearing, we have evaluated the FTS business impact of OMB's memo. What we found is that much of the business we do with Federal agencies falls outside the parameters of OMB's direction to the designated homeland security agencies. One reason for this is that the largest segment of our customer base, particularly in the area of complex, national systems integration projects over $500,000 is done with the Department of Defense.

Another factor affecting the impact of OMB's memo on FTS business is that two-thirds of our IT solutions business is done through our regional IT solutions organizations. The average dollar amount of a task order in our regions is under $500,000 and the work is generally performed at the regional field office level.

FTS offers a wide array of technical and acquisition expertise and access to contract vehicles that are designed to support any Federal agency. I can report that we have initiated contacts with the Office of Homeland Security to open general discussions about FTS' capabilities to support the technology infrastructure needs for

the new department. Last month, I met with Mr. Steven Cooper, Special Assistant to the President and Director of Information Integration for the Office of Homeland Security. We reviewed overall support FTS is currently providing to homeland security components. In addition, we discussed some of the challenges they will face in combining and consolidating the operations, infrastructures and missions of 22 separate components under the proposed department.

I believe very strongly that FTS can apply its expertise effectively to help them as they move forward to architect their future. I also believe that the excellent pricing available through our contracts can contribute to the savings goals that OMB has identified.

One area of particular significance to the homeland security organization will be security. FTS is a recognized leader in this area. From our Smartcard Program to our digital signature initiatives to our current role leading the e-authentication initiative for OMB, FTS continues to seek and make available the best enabling technologies and services for e-government. I am proud to say that the collective expertise and capabilities of the Federal Technology Service and our many business partners stands ready to support the critical mission of homeland security.

I look forward to building on our already existing trusted intergovernmental relationships to help homeland security acquire and deploy the 21st Century technology infrastructure they need to meet the challenges of their very serious but essential mission.

Thank you again for inviting me to this hearing. I will be pleased to respond to any questions you or the committee members may have.

[The prepared statement of Ms. Bates follows:]

Statement of Sandra Bates

Commissioner, Federal Technology Service, GSA

Before the Subcommittee on Technology and Procurement Policy

October 1, 2002 at 10:00 am

Chairman Davis, Representative Turner, thank you for this opportunity to appear before you this morning. Let me extend my compliments to you, Members of the Subcommittee and your staff on your efforts to assure a managed approach to the information technology and telecommunications investments of the proposed Department of Homeland Security. In my brief statement before the Subcommittee, I will discuss two main topics. First, I will address the impact of the July 19, 2002, Office of Management and Budget's (OMB) memorandum regarding system development and modernization for Homeland Security components on FTS business. Second, I will briefly review the capabilities of GSA's Federal Technology Service to support this new mission of securing the American Homeland.

Impact of OMB's July 19, 2002 Memorandum on FTS

Mr. Chairman, as you know, the Federal Technology Service is a channel to the market, connecting government with private sector IT and telecommunications providers. FTS works with Federal agencies, our customers, to help them choose the best solution, acquire it, implement it and manage the financing for it. We have fulfilled this role for many years and have developed important business

relationships with nearly all Federal agencies in supporting their needs for identifying, acquiring and implementing technology. The agencies and departments currently designated for the new Homeland Security organization are no exception. Mr. Chairman, of the 22 organizations designated for the new Department, FTS currently provides services and support to at least 20 of them, either directly, or through their parent agency or department.

In FY 2001, we provided more than $150 million in technology services and support directly to Homeland Security components and we expect to exceed that amount for FY2002.

The range of support FTS provides is broad and varied. For example, Figure 1 depicts selected domestic Homeland Security locations that receive telecommunications services through the FTS2001 contracts. As you can see, Mr. Chairman, FTS support for Homeland Security touches literally every state across the country.

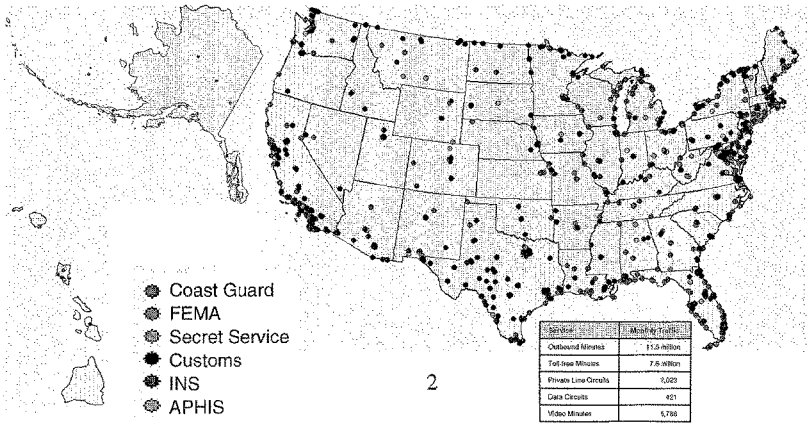


Figure 1. Homeland Security Locations on FTS2001

You may know that GSA is involved in an extensive project with the newly formed Transportation Security Administration (TSA) to meet space, furniture, supplies, as well as technology needs at 422 airports, 150 Federal security director offices and 21 air marshal offices by November 19, 2002

Mr. Chairman, in preparation for this hearing, we have evaluated the FTS business impact of OMB's memo. What we found is that much of the business we do with Federal agencies falls outside the parameters of OMB's direction to the designated Homeland Security agencies. One reason for this is that the largest segment of our customer base, particularly in the area of complex national system integration projects over $500K, is with the Department of Defense and its component Services and subcommands. These customers are not among the agencies proposed for the new Homeland Security organization. Another factor affecting the impact of OMB's memo on FTS business is that two-thirds of our IT Solutions business is done through our Regional IT Solutions organizations. The average dollar amount of task orders in our Regions is $250K, and the work is generally performed for regional, field office, or other customer agency subcomponents.

FTS Capabilities

The Federal Technology Service offers a wide array of technical and acquisition expertise and access to contract vehicles that are designed to support any Federal agency.

I can report to you, Mr. Chairman, that we have initiated contacts with the Office of Homeland Security to open general discussions about FTS capabilities to support the technology infrastructure needs for the new Department. Last month I met with Mr. Steven Cooper, Special Assistant to the President and Director of Information Integration for the Office of Homeland Security. We reviewed overall support FTS was already providing to Homeland Security components. In addition, we discussed some of the potential technology management challenges they will face in combining and consolidating the operations, infrastructures, and missions of 22 separate components under the proposed Department of Homeland Security structure.

As you know Mr. Chairman, FTS provides technical, acquisition, project management and financial expertise, to meet government needs for telecommunications and information technology solutions. For Homeland Security, I believe very strongly that FTS can apply this expertise effectively to

help them acquire solutions that will offer the variety of choices and flexibility of design they want and need, as they move forward to architect their future. I also believe that the excellent pricing available through our contracts can contribute to the savings goals that OMB has identified.

One area of particular significance to the Homeland Security organization clearly will be security. FTS is a recognized leader in defining, developing, and implementing secure solutions for enterprise architecture. From our Smart Card program, to our digital signature initiatives, to our current role leading the e-Authentication initiative for OMB, FTS has pioneered and continues to seek and make available the best enabling technologies and services for e-government.

Mr. Chairman, I am proud to say that the collective expertise and capabilities of the Federal Technology Service and our dozens of business partners stand ready to support the critical mission of Homeland Security. I look forward to building on our already existing trusted intra-governmental relationships to help Homeland Security acquire and deploy the 21st century technology infrastructure they need to meet the challenges of their very serious, but essential, mission.

Thank you again for inviting me to this hearing, Mr. Chairman. I will be pleased to respond to any questions you or the Committee members may have at this time.

Mr. TOM DAVIS OF VIRGINIA. Thank you.

Mr. DiPentima, thanks for being with us.

Mr. DIPENTIMA. I am speaking today on behalf of the Information Technology Association of America.

Let me say right from the start that ITAA, its member companies and I personally voice support for OMB's effort to coordinate IT spending for the new Department of Homeland Security. We think it is a prudent step to ensure wise IT investment decisions and I think it is consistent with the goals and tenets of Clinger-Cohen.

Having said that, I would also like to offer some remarks and some cautions both from an industry perspective, from myself and my colleagues, as well as personally from the many years I spent as the Deputy Commissioner of Social Security and the CIO of Social Security, having witnessed some of these investment coordination activities in the past.

First of all, I think there must be an overall enterprise architecture for the new department and for the agencies below that department. From an industry perspective, this is very similar to acquiring somewhere between 7 and 22 different companies and trying to merge them into a single company. We have a lot of experience with that and know what works and what doesn't.

I think the administration is off to a good start, OMB and the people working in homeland security, in laying out enterprise architectures and for both the department as well as the agencies below them.

I think there needs to be some triaging of these projects—not all of these projects are of equal importance. Some are mission critical and must be addressed quickly and with some sense of urgency. Some, in my opinion, make just good common sense. For example, I would think the new department would want to consider a common e-mail system rather than having homeland security communicate to any large extent over the Internet.

Third, the task itself is daunting when some situations, investments particularly in mission critical systems, might have to continue even if they are not precisely in coordination with other activities. They shouldn't be redundant, as Mr. Forman points out, and they shouldn't move in a direction contrary to the architecture but they might have to, for mission critical purposes, be allowed to continue for a period.

I also believe that most of the coordination for this new committee, most of these investments, will wrap around the ability to share data. After all, the department is being brought together mainly for the purpose of having like organizations communicate. A great deal of attention will have to be given and I believe it is to how to share this data among the many systems. Many of these agencies, if not all of them, are not integrated within these agencies today, let alone having to integrate them across the new Homeland Security Department.

With that, I will conclude my remarks and be happy to address nay questions you might have.

[The prepared statement of Mr. DiPentima follows:]

DISCUSSION DRAFT: 9/25/2002

STATEMENT OF DR. RENNY DiPENTIMA
President, SRA Consulting and Systems Integration
On behalf of the
INFORMATION TECHNOLOGY ASSOCIATION OF AMERICA

Before the Subcommittee on Technology and Procurement Policy

October 1, 2002

My name is Renny DiPentima, President of SRA Consulting and Systems Integration based in Fairfax, VA, and I am here today on behalf of the Information Technology Association of America (commonly referred to as "ITAA"). ITAA is a leading association of information technology companies. We provide global public policy, business networking, and national leadership to promote the continued rapid growth of the IT industry. The ITAA consists of over 500 corporate members throughout the U.S., and a global network of 47 countries' IT associations. Its member firms represent the complete spectrum from the smallest to the largest IT firms. The Association plays the leading role in issues of IT industry concern including information security, taxes and finance policy, digital intellectual property protection, telecommunications competition, workforce and education, immigration, online privacy and consumer protection, government IT procurement, human resources, and e-commerce policy. ITAA members range from the smallest IT start-ups to industry leaders in the Internet, software, IT services, ASP, digital content, systems integration, telecommunications, and enterprise solution fields. Our website, located at www.ITAA.org, provides further information on the ITAA and its activities.

The ITAA would like to voice its support of the Office of Management and Budget's efforts to coordinate IT spending on projects that are greater than $500,000 for the agencies that will be encompassed by the new Department of Homeland Security. We believe that OMB's initiative is a prudent step to ensuring wise IT investment decisions.

One important consideration for making wise investment decisions entails whether to seek cost savings by eliminating redundant systems. This point is specifically addressed in OMB's memoranda of July 19, 2002 and July 30, 2002. The ITAA would like to stress, however, that considerations other than cost savings also need to be addressed when considering whether investment proposals should be consolidated. Indeed, such considerations may far outweigh any benefit derived from savings achieved through consolidation. This is especially true where the systems at issue are critical to public health and safety. To that end, the ITAA recommends that the process of reviewing IT investments for consolidation opportunities take into account the following considerations.

First and foremost, the Department of Homeland Security's future IT infrastructure must incorporate the highest quality technologies. The review group's investment decisions should focus on ensuring that the integration of IT systems is designed to maximize homeland security by using available funds to deploy the highest quality technologies. In other words, any consolidation activities should result in the acquisition of the most effective and innovative technologies. These technologies must be secure, and must improve the Government's ability to collect, analyze, and disseminate information. Because the Department's IT infrastructure will play a critical role in protecting American people, it is imperative that the technologies used as part of the infrastructure be the best in the world.

Second, the consolidation review process should place great weight on ensuring that proposed spending on IT infrastructure, financial management, procurement, and human resources projects are for systems that successfully communicate with new and existing components of the Department's infrastructure. For certain IT systems, it is also necessary to consider whether the proposed system will be required to interoperate with systems employed by other Federal agencies and State and local governments, and whether the proposed system is compatible with such systems. Data cannot be successfully shared among stakeholders if their respective IT systems are not compatible.

Third, the consolidation process should obviously compare the potential returns on investment offered by competing investment alternatives. In the commercial sector, shareholders demand that corporations obtain a sufficient return on IT investment spending. The American taxpayer demands no less from its Government. Due largely to the requirements of the Clinger-Cohen Act and the efforts of OMB, return on investment is now an emphasis in the Federal Government. With respect to the Department of Homeland Security, the ITAA believes that OMB's creation of the Homeland Security IT Investment Review Group and Business Systems IT Review Group to track investment performance is an important step in the right direction.

To improve return on investment, the ITAA suggests that OMB prioritize its review of proposed IT investments by expediting the review of those systems that are proposed to replace costly legacy systems. Avoidable costs will continue to be incurred concerning such systems until they are replaced or modernized. In effect, the Department's return on investment is diminished the longer these legacy systems remain in place. To the maximum extent possible, the review process should not stand in the way of modernization projects that will result in significant savings.

Fourth, while the ITAA recognizes the important role that OMB's review process serves in avoiding the acquisition of redundant systems, we strongly suggest that the process be carefully implemented to avoid the risk of vulnerabilities in critical homeland security systems. In other words, the personnel performing the investment reviews need to be mindful that public health and safety cannot be compromised for the sake of cost savings alone.

Similarly, it is important that the review process and any resulting decisions do not result in delays in implementing critical systems, especially those critical systems that are already in development or near completion. The Department of Homeland Security must be able to hit the ground running with the best technology that is available in order to protect the American public. We strongly believe that this technology is available

from companies of all sizes—from the smallest to the largest. In this regard, the ITAA commends OMB for its commitment to review proposals for critical IT systems within 24 hours of OMB's receipt. We hope OMB will maintain this policy as the Department gets up and running and starts identifying new IT requirements to plug the gaps or address existing weaknesses in the Department's IT systems.

Finally, although not technically part of the investment review process, we urge that investment decisions be communicated expeditiously to the IT companies that are affected by the decisions. The IT community stands ready to assist the Department of Homeland Security in fielding the best technologies to meet the Department's critical mission needs. The current freeze on spending, however, complicates company efforts to develop plans concerning their allocation of resources. It is important that IT companies be notified as soon as practicable as decisions are made so that they may allocate or reallocate personnel and other resources as necessary to best serve the needs of the Department.

In sum, the ITAA believes that OMB has taken the prudent step of seeking cost savings through the consolidation of redundant IT investments. We ask that those performing the reviews of proposed investments be ever mindful that while it is important that IT redundancies be eliminated, it is unacceptable to delay necessary improvements to critical systems or take other action that would create risks related to public health and safety.

Thank you for this opportunity to present the ITAA's views on this important subject.

I will be glad to answer any questions you might have.

Mr. TOM DAVIS OF VIRGINIA. Thank you very much and thank all of you.

Let me start the questions. Mr. Forman, let me start with you.

OMB has said it is developing a homeland security national enterprise architecture. What is the estimated completion date of this architecture, how is it going to relate to the Federal Government enterprise architecture and what risks are we running making investment decisions for the Department of Homeland Security in the absence of an enterprise architecture?

Mr. FORMAN. As you noted, the Federal Government is working on a Federal enterprise architecture. It is a component-based architecture and works through several layers, starting with the business layer. It is actually the Office of Homeland Security that is leading development with OMB and affected agencies of the homeland security national enterprise architecture which will fit within and define those appropriate components of the Federal architecture, the inventory if you will, of what is already out there. There are opportunity assessments and GAFF analyses that have to occur and decisions priorities set to define the vision of the architecture and logical physical elements that need to be deployed.

In answer to your second question, the architecture will be a national homeland security enterprise architecture so we also are working with State and local organizations to ensure their input. Given that it is component-based, business-driven, as recommended by GAO, with the rapid rate of technologies many of which are relevant to the homeland security mission, this has to be an iterative approach.

So we anticipate going through different levels of business architecture, the data and information architectures and the applications architecture, leveraging components in and out and they are defined.

The final variable is the funding approval. We had requested some money in a supplemental that was not approved for some of this work and given current funding and depending on fluctuation on that, we expect the first iteration by late spring or next summer.

The last element of your question, how does it relate to the Federal enterprise architecture and the issue of risk, I think I have addressed the relationship. These are essentially the homeland security elements, things like disaster management and response, the entry/exit, etc.

Not all Federal agencies currently have an enterprise architecture as GAO has made clear. Generally, the best practices research in GAO's reports show that the risks are that we make overinvestment and redundant buys, interoperability problems as a result of lack of agreement on standards, lack of business process improvements so we buy technology but we don't really achieve the performance gains and that there are additional systems integration costs associated with the lack of standards. Those are all the risks and hence we move forward on the other part of the puzzle to make this work, the IT Investment Review Group, having a capital planning process which I am very comfortable we have made good progress on leveraging that architectural work that Steve Cooper, the Office of Homeland Security and us have been working on.

Mr. TOM DAVIS OF VIRGINIA. Thus far, OMB's freeze policy only applies to infrastructure items and business systems. Are you considering a similar policy for the affected agencies' mission systems?

Mr. FORMAN. The approach we have taken on the mission side is much more varied. There are a number of joint initiatives going back to the e-government strategy and the President's budget decision. For example, as I mentioned in the hearing a couple of weeks ago, geospatial one stop, disaster management, e-government initiative and Project SAFECOM are three mission related e-government and homeland security initiatives that we are proceeding with joint IT investments via the budget process and existing capital planning process. We expect to add several others this year in the capital planning process.

We are applying the tenets of the Clinger-Cohen Act, although that doesn't necessarily mean we issue a Clinger-Cohen letter. We do it within the normal budget processes.

Mr. TOM DAVIS OF VIRGINIA. Other than the programs we already know are on this list, are there any mission-critical homeland security initiatives that have been delayed by this or any similar review? Specifically, the Enhanced Border Security and Visa Entry Reform Act of 2002 requires the administration to put in place a fully integrated entry/exit system by October 26, 2003. Do you know the status of that and do you expect the administration to release an RFP, which agency or department will be responsible for the program and as far as you know, as you look at this, how does that October 26, 2003 date look?

Mr. FORMAN. The first part of your question, the memoranda did not affect mission-related IT investments, so no mission-related programs were affected.

The entry/exit system is a joint initiative and we have asked the agencies to come together and submit a joint 300 which has been done, a joint business case. So we recently received that and we are reviewing the joint business case.

It is an integrated project team lead by INS and consists of members from Departments of Transportation, State and Treasury. We are not aware of any issues that would prevent the INS and the Integrated Project Team from meeting the statutory deadline.

One point of departure, our data indicate that the actual mandated point is December 2003 for the entry/exit system to be in place at air and sea ports and the 50 top land ports by December 2004. So the team is working to meet those deadlines. We don't have a timeframe when the RFP will actually be released but it is our understanding that everything is on schedule for meeting those deadlines.

Mr. TOM DAVIS OF VIRGINIA. Thank you very much.

Mr. Turner.

Mr. TURNER. Mr. Willemssen, I was looking at your report and in conclusion, you say, "The impact of OMB's action is to early to assess." You noted several things that this OMB memorandum does not stop, several investments in information technology.

When you listed those, I guess what I was wondering is whether you are suggesting that the freeze was not broad enough, perhaps it wasn't dealing with the full range of IT infrastructure issues or

whether those were just exceptions you deemed to be appropriate from the freeze?

Mr. WILLEMSSEN. The primary purpose of listing those was to clarify exactly what the so-called freeze entailed. I think when many heard that OMB was putting a freeze on IT spending at affected agencies, many observers hearing that said, oh, a freeze, everything is going to be on hold. Well, that is not what it is. There are a number of exceptions.

We think OMB's initial approach of focusing on infrastructure and business systems is an appropriate one. We think the mission side will also have to be assessed but I think picking infrastructure and business systems first is an appropriate choice.

The apparent redundancies that may be there will be easier to identify than it would be in the mission case. So I think the overall approach is sound.

We look forward to further results on implementation and how this is actually carried out. So we are generally in agreement conceptually with the plan but we are anxious to see the implementation and what actually occurs on these infrastructure and business system projects.

Mr. TURNER. In the area of the exceptions, the mission side and these other things you mentioned, are there areas there that need to be looked at and it just so happened they were a bit more difficult to deal with or there are other impediments, contracts already in place and those kinds of things?

Mr. WILLEMSSEN. What we would like to see is OMB and the entities involved in looking at the variety of systems is to continue to aggressively pursue the development of the enterprise architecture. As Mr. Forman mentioned, not only what is currently out there with the plethora of systems at many different agencies but in what direction do they want to go, where do they want to eventually be and to get from that as is to B point, they will need to put together a transition strategy. Then you will map that transition strategy against proposed investments and in many cases, I think you are going to see things drop out also in the mission area.

Ideally and conceptually, you would like to have those architectural documents in hand so you know what to map to. Otherwise it is very difficult to know where you are going and what the end game is.

Mr. TURNER. Mr. Forman, what would you estimate the percentage of IT spending the freeze affects as opposed to the total range of things that Mr. Willemssen is referring to?

Mr. FORMAN. The total range, of course we don't have the full data on the mission side but on the infrastructure and business systems side, it is somewhere in the $1.5 to $2 billion. What it affects obviously relates to what is already in the procurement cycle versus what is underway, operations and maintenance and simple modifications.

The approach here is not to consider this because of the way we do IT in general in industry and in government as kind of light switch on, light switch off, that most of the infrastructure investments, even today, are incremental except for the TSA issue which is pretty much from the bottom up. I think that is essentially the approach we have adopted there and is where we are going to see

the greatest payoff, looking at what is already deployed, what they can leverage, and rather than putting in a new separate infrastructure that ultimately people won't be able to communicate across but building onto the existing infrastructure, in TSA's case is probably where we will see the greatest payoff. There is a percentage of the total budget and I would be totally guessing there.

Mr. TURNER. Mr. Schambach, when we look at your agency being created from ground up, now contemplating being a part of this larger Homeland Security Agency, how does that impact the work you have been involved in and how difficult is it and does it set you back in accomplishing what you understand to be your mission to be going through this process of having been authorized and then moved into this larger agency? I would like a little perspective on that from you?

Mr. SCHAMBACH. Certainly standing up TSA when we were just looking at our own organization was a daunting enough challenge; bringing the whole homeland security picture into place makes it a lot more complex as you mentioned.

Selfishly I would say that had we been able to move ahead independently, we would be a bit further along than we are today. On the other hand, looking at it from a more global government perspective, I see the need, as I said in my testimony, of going through the process that OMB has stipulated, trying to bring together investments where that is possible.

I have had to insist on very quick decisionmaking in the Investment Review Group because we have such a schedule that we have to stick to and thankfully the decisions have been quick. I hope it stays that way as we go forward.

Mr. TURNER. Thank you.

Mr. TOM DAVIS OF VIRGINIA. Mr. Schambach, in your view, what do you believe allowed the contract award to move ahead for the ITSM contract at TSA and what steps are you taking to ensure that this major infrastructure project can be integrated into the overall IT architecture at the new Department?

Mr. SCHAMBACH. I think two things allowed us to move forward quickly. One is a recognition on the part of the Investment Review Group of just what we were facing in standing up TSA's as an organization without any infrastructure on the ground whatsoever. With 31,000-plus employees on board right now, they are literally using payphones in the airports to communicate. That is the difficulty we are having.

The second issue was we did arrive at a set of factors of how investment decisions would be made in the case of TSA, focusing primarily on where we have a common presence with Customs and INS. That alternative analysis is being evaluated right now and those decisions on the top 100 airports where we share presence, those are the issues where decisions will be made in the coming I hope week.

Mr. FORMAN. If I may, I would like to applaud the efforts by Pat and his team. This is groundbreaking work for the Federal Government to have a scenario where one bureau essentially can work together with two other bureaus is cutting across the hierarchy instead of up and down the hierarchy and literally make a cost bene-

fit assessment as a partnership I don't believe has ever been done before.

This model, this cost benefit assessment tool, was put together basically by some people working long and hard over a weekend. So it did work fast but it is extraordinary work for the Federal Government.

Mr. SCHAMBACH. In answer to the second half of your question, on how do we ensure integration, we are very active members with the enterprise architecture team at homeland security with the common directory for e-mail with the Security Infrastructure Group, so I think we are laying plans that ensure we integrate with the rest of homeland security.

Mr. TOM DAVIS OF VIRGINIA. Mr. Hall, let me ask you, has the Customs Service altered any of its systems plans as a result of the new Department?

Mr. HALL. The short answer is no with the exception of our e-mail system. We were in the midst of rolling out a new e-mail system for U.S. Customs. Because of an inventory that was done with the other potential components of the new department, we learned that we were odd man out and the other departments were using one product and we were using a different one, and we are in the process of replanning that effort. Rather than go forward with our system, we are going to align with the rest of the department.

There has been no real delay or effect on our mission critical systems or our ongoing projects.

Mr. TOM DAVIS OF VIRGINIA. Is the Customs Service a member of the Investment Review Group established at OMB?

Mr. HALL. Yes, sir.

Mr. TOM DAVIS OF VIRGINIA. What degree of input do you have into the projects of other agencies that will be in the new Department going forward?

Mr. HALL. Actually there is very active discussion that comes on the projects that come before this board for review. I think the principal benefits of the process we have put in place is, at least in my career, it has been extraordinary visibility over what other bureaus are doing, other agencies are doing and also an opportunity to make sure our projects are aligned as we go forward and that we avoid any unnecessary incompatibilities that might be built into the initial plans. So the benefit to date has been one of coordination and being able to share across some of these projects.

Mr. TOM DAVIS OF VIRGINIA. Ms. Bates, presumably the components of the proposed Department use FTS or FSS contracts for some of their IT needs. To what extent does OMB's freeze policy jeopardize these existing contracts? I take it not much from your comments.

Ms. BATES. There is no jeopardy to the contracts. As you know, the contracts are non-mandatory and they are also open to all of the government, so there is no jeopardy there.

Mr. TOM DAVIS OF VIRGINIA. Did their policy contradict any of the clauses in the contracts?

Ms. BATES. No, not at all.

Mr. TOM DAVIS OF VIRGINIA. You mentioned GSA's involvement with TSA to meet space, furniture, supplies and technology needs at airports, security director offices, and air marshall offices. How

is FTS involved in this project and how does the OMB freeze affect this, the ability to equip offices?

Ms. BATES. The FTS piece of that very important project is providing the local telecommunications services at all of those locations as well as some direct broadcast satellite services for news and the like. The project has been in total coordination with Mr. Schambach's office and it is understood that this could be viewed as interim with a deadline of November 19 to be later replaced as the overall architecture is developed.

Mr. TOM DAVIS OF VIRGINIA. Mr. DiPentima, thanks for mentioning that the OMB freeze has complicated companies' efforts to develop plans concerning their allocation of resources. In my district, we have a number of companies that, in some cases, have had to let people go because they thought they had won something and all of a sudden it is pulled back. They had hired people in anticipation of moving ahead and now they are not sure when they will get the word or if the contract is even going to continue. That is a concern. I think it is outweighed by the overall Government concern that this money be spent right and be well coordinated but it is a concern and that is why we are trying to push and find out what the dates are from Mr. Forman and others that everything will start moving again.

Given the examples of this from companies, have there been other effects on the private sector as a result of the freeze policy and if you don't have any right at your fingertips, we would be happy to keep open the record and you could document them; but we would like to have them in the record.

Mr. DIPENTIMA. So far, I think the way OMB is approaching this is the right way. We did have concern on the TSA contract because that is a very important area. I mentioned before mission critical. There is a very delicate and not clear line between infrastructure and mission critical systems. Certainly all the things that Pat Schambach has to do to get his new agency in place infrastructurewise, his entire mission depends upon him getting that in place.

I don't have any clear examples to share with you here today but I certainly would like to keep the record open and allow ITAA to come back and respond to you in writing on that, Mr. Chairman.

Mr. TOM DAVIS OF VIRGINIA. Thank you.

Assuming that a Department of Homeland Security is enacted and the Senate can finish their act and we can get together with them and get this enacted in short order, what do you think are the most immediate systems issues that the Department should tackle?

Mr. DIPENTIMA. I think it is probably, as I mentioned in my comments, not unlike what would happen if we were to acquire a dozen new companies at once. You would have to go after the infrastructure the way OMB is doing. In our case, we would move quickly to common e-mail systems, common recordkeeping, time and attendance, common telephone and other communications systems because you are not going to carry out your mission if you do not have the proper infrastructure in place to do that.

I think the way OMB is coming at this is the right way, not unlike we would do it if we were bringing together acquired compa-

nies. I hate to think that we would try to bring together this many acquired companies at once. So the challenge is, as I said before, daunting but we would do very much what OMB is doing.

Mr. TOM DAVIS OF VIRGINIA. Thank you very much.

Mr. Willemssen, in your testimony you note that OMB is using Section 8(b) of the OMB Circular A130 to determine what IT projects should go forward at the homeland security agencies. What is your view of this criteria? Are these the appropriate planning questions to ask as OMB reviews spending decisions by agencies?

Mr. WILLEMSSEN. Those criteria would be consistent with our views. In fact, we assisted in commenting on A130 when the last version was put together. It appropriately focuses on an IT capital planning process, enterprise architecture, having needed security controls in place and focusing on process redesign before going out with major acquisitions.

For particular investments, it has that focus on select control and evaluates those investments from the standpoint of cost benefit, risk and schedule. That is consistent with the guidance and methodologies we have previously published. So we would be supportive of that.

Mr. TOM DAVIS OF VIRGINIA. In your testimony, you note that you have not had an opportunity to assess the impact on agencies. At this time, can you comment on the impact this freeze has on facilitating timely information sharing among the agencies? You note that a data base project was approved in a timely manner for the Secret Service. Do you think OMB is handling the expedited review process appropriately?

Mr. WILLEMSSEN. The three projects we are aware of that went through the emergency request process, we didn't see any delays there that had any adverse impact on the affected agencies, so I think that has worked fairly well to OMB and the agencies credit.

In addition, in terms of your question on facilitating timely information sharing among agencies, I think eventually that will be an outcome of this process. Again, consistent with my testimony, it has been too early to tell because we haven't seen the actual decisions from the groups formed to look at infrastructure and business systems, so I think that is a very likely outcome if the implementation activities are consistent with the broad framework that OMB has set out.

Mr. TOM DAVIS OF VIRGINIA. What is unique at the Customs Service that it is already at Stage 5 of the GAO's enterprise architecture while other agencies are lagging behind? What can other agencies learn from this?

Mr. WILLEMSSEN. Mr. Hall may want to add to this but I think we have been working with Customs for quite some time on their enterprise architecture and as part of our mandated reviews of their A system, so I think a large part of the credit goes to Mr. Hall and his leadership and dedication to making the enterprise architecture a reality. I think executive leadership really is a key factor.

In line with that, a recognition of the importance of architectures and what I have heard from the witnesses today I think it has been fairly consistent that there is a recognition of the importance of that, especially with the proposed Department of Homeland Security.

Mr. TOM DAVIS OF VIRGINIA. Do you want to comment on that?

Mr. HALL. I think there are two major things that have allowed us to succeed with our enterprise architecture effort. One is you basically have to understand what it is and how you build one and I think of it as an engineering discipline, and I believe we have that at the U.S. Customs Service.

Perhaps the most important is management support at the very top. I think what makes it work at Customs is that the senior leadership supports the process, allows us to require projects to comply with and that it is an integral part of how we decide what gets funded and what doesn't.

When you have that environment, it makes it fairly straightforward to implement an enterprise approach.

Mr. TOM DAVIS OF VIRGINIA. Thank you.

I am going to take a moment to thank everyone for attending this hearing. I want to thank the witnesses, I want to thank Congressman Turner, as always, for participating and thank the staff for organizing it. I think it has been very productive.

We are going to enter into the record the briefing memo distributed to subcommittee members and we will hold open the record for 2 weeks from this date for those who may want to forward submissions for possible inclusion. Mr. DiPentima, in particular, if you have any specifics to add from your organization's perspective, it is important to understand what the effect is on companies out there, their hiring practices and the employees.

Mr. DIPENTIMA. We will, Mr. Chairman.

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OVERSIGHT HEARING ON "Ensuring Coordination, Reducing Redundancy: A Review of OMB's Freeze on IT Spending at Homeland Security Agencies."

Briefing Memorandum
October 1, 2002
10:00 a.m.
Room 2154 Rayburn House Office Building

On Tuesday, October 1st, 2002, at 10:00 A.M., in Room 2154 of the Rayburn House Office Building, the Subcommittee on Technology and Procurement Policy will conduct an oversight hearing on the recently announced Office of Management and Budget (OMB) freeze on information technology (IT) spending for projects over $500,000 for agencies that will be a part of the new Department of Homeland Security.

As you know, the House of Representatives passed H.R. 5005, legislation that would establish a new Department of Homeland Security, in July and the Senate is currently considering a similar legislative proposal. In response to the anticipated completion of Congressional action to establish a new Department, OMB directed applicable federal organizations to temporarily cease planned information technology (IT) infrastructure, financial management, procurement, and human resources projects over $500,000, pending a review by investment review groups led by OMB and the Office of Homeland Security. To assist these review groups, affected agencies are to submit to OMB information on their planned investments in these areas this month.

In response to that announcement, the Subcommittee requested that the General Accounting Office (GAO) conduct a review of the freeze to determine the impact on existing IT projects and to ensure that this delay would result in more coordinated spending among the agencies to be transferred to the Department of Homeland Security. When it comes to protecting homeland security, we need to make sure that we are not simply spending more money; we need to spend money on what works. Making the new department work will require a careful examination of IT redundancies and system consolidation at individual agencies that will be merged into Homeland Security. In the past, the Subcommittee has been concerned that there has been a tremendous push for

additional IT spending at Homeland Security agencies without ensuring appropriate management or accountability for these projects. This temporary freeze should allow the Federal government to ensure spending will yield the necessary return on investment for taxpayers.

The Subcommittee has asked GAO to: (1) review and summarize the information agencies provide to OMB on their IT infrastructure, financial management, procurement, and human resources projects that are subject to the spending freeze, (2) identify whether OMB has made any exceptions to the freeze, and (3) identify OMB's approach in implementing the spending freeze, particularly the process it is using in reviewing the projects subject to the freeze, the criteria that are being used to determine which of the projects should go forward, and the length of time that that freeze is expected to be in effect. The Subcommittee is interested in hearing additional testimony on how the freeze is impacting existing projects, agency budgeting for FY2004, and how agencies are reevaluating their IT needs in response to the freeze.

The Subcommittee will hear testimony from the following witnesses who can address these issues:

Panel One:

Mr. Joel Willemssen, Managing Director of Information Technology Issues, United States General Accounting Office

Mr. Mark Forman, E- Government Administrator, Office of Management and Budget

Ms. Sandra Bates, Commissioner, Federal Technology Service, General Services Administration

Mr. Patrick Schambach, Chief Information Officer, Transportation Security Administration, United States Department of Transportation

Mr. S.W. "Woody" Hall, Jr., Chief Information Officer, United States Customs Service

Mr. Renny DiPentima, President, SRA Consulting and Systems Integration testifying on behalf of the Information Technology Association of America

Currently, seven agencies are affected by the freeze. They are the Coast Guard, the Federal Emergency Management Agency (FEMA), the U.S. Customs Service, the Transportation Security Administration (TSA), the Immigration and Naturalization Service (INS), the Secret Service, and the Animal and Plant Health Inspection Service (APHIS). OMB has stated that it is reviewing nearly $1.4 billion in proposed spending for those agencies to determine which projects should be halted and which will be allowed to go forward. Moreover, OMB has suggested that project consolidation has the potential to save the federal government a minimum of $100 to 200 million. OMB has established an Investment Review Group that is evaluating spending by impacted

agencies and determining when planned investments should go forward. The Subcommittee would like to gain a better understanding of how the Investment Review Group is making determinations on proposed IT projects.

Additionally, it is the understanding of the Subcommittee that some projects have already received approval to go forward including the newly awarded TSA Information Technology Management Services (ITMS) contract for building its' IT infrastructure. This contract has a potential value of $1 billion and it was awarded to Unisys in August of this year. The Subcommittee would like to know if the entire project is moving forward or are separate task orders being reviewed on a case-by-case basis to determine which portions of ITMS should go forward. The Subcommittee is also interested in understanding how ongoing programs such as the Automated Customs Environment (ACE) are impacted by the freeze. While the OMB directive states that it does not apply to ongoing work, is the Investment Review Group tasked with reviewing particular additions as they are prepared to be brought online to this multi-year project to determine if there are redundancies?

The Subcommittee also understands that the Investment Review Group has frozen any further work on a solicitation being prepared by the INS for an entry-exit contract to implement the Enhanced Border Security and Visa Reform Act of 2002 to ensure that it is coordinated with Customs and the Office of Homeland Security. The Subcommittee would like to know how OMB is making a timely determination of how and when this work should go forward to better protect our Nation's borders.

Systems integration and consolidation among the agencies moving into a newly established Department of Homeland Security is a critical lynchpin for the overall success of the agency. Overcoming cultural and technological barriers to facilitate timely information sharing will help our Nation avoid future terrorist attacks. While there has been a frustration that many of these projects have not gotten underway in a more timely manner immediately following the events of September 11, 2001, it is essential that any additional IT spending include sound business planning to ensure effective deployment of Homeland Security solutions. OMB has taken the first step to ensure that is the case. The Subcommittee would like to understand whether this type of review process will continue within the new Department of Homeland Security.

Mr. TOM DAVIS OF VIRGINIA. There being nothing else, these proceedings are closed. Thank you very much.

[Whereupon, at 11:07 a.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

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