

**INVESTIGATIVE REPORT OF
SENATOR FRED THOMPSON
ON
FEDERAL AGENCY COMPLIANCE WITH
THE CLINGER-COHEN ACT**

EXECUTIVE SUMMARY

Senator Fred Thompson (R-TN), chairman of the Senate Governmental Affairs Committee, recently completed a comprehensive investigation of agencies and departments subject to the Clinger-Cohen Act of 1996 (CCA)¹. The review was initiated as part of the Committee's oversight agenda and is the result of a series of questions posed to agencies to ascertain the status of their efforts to comply with the 1996 law.

The rapid pace of technological change and innovation has offered unprecedented opportunities for the Federal government to use information technology (IT) to improve operational performance, reduce costs, and enhance service responsiveness to the public. Because of the Federal government's increased reliance on information technology, in 1994 Congress increased its attention and oversight on agencies' acquisition, management and use of information technology. Congress' investigation of agency information technology use raised a range of thorny issues surrounding managing and integrating complex information management processes; computer hardware and software; telecommunications networks; and, most importantly, aligning information technology with business needs. Consequently, Congress found that Federal agencies must have effective leadership and must enforce management controls over the government's \$38 billion in annual spending on information management and technology.

In response to concerns about how the Federal government was managing and acquiring information technology, Congress passed the Clinger-Cohen Act (CCA) in 1996. The CCA mandates, among other things, that executive agencies design and implement capital planning and investment controls, implement specified information technology-related actions to enhance performance and results-based management, and establish Chief Information Officers (CIOs) with certain defined duties and responsibilities. In addition, the CCA requires agencies to identify information technology acquisition programs that have significantly deviated from cost, performance, or schedule goals.

The Senate Committee on Governmental Affairs played a large role in the passage of the CCA and maintains a high level of interest in compliance with its provisions. As a part of the Committee's oversight agenda, Chairman Thompson, along

¹Public Law 104-106 (Division D & Division E).

with the Committee's ranking minority member, Senator Joseph I. Lieberman (D-CT), developed a series of questions to better understand the status of CCA compliance in the agencies and departments subject to its mandates.

MAJOR FINDINGS

Information Technology Management: Chief Information Officer Turnover High

The CCA established CIOs in 24 agencies in order to ensure that sound IT investment decisions are made and that cost-effective return-on-investment – focus on results and contributions to mission effectiveness – is achieved. The CCA vested the CIO with specific responsibilities to help him or her accomplish their goals.

While all of the 24 agencies have CIOs, the Federal government has been experiencing relatively high turnover. While this should be expected in CIO positions because similar turnover rates are not uncommon in the private sector, it presents a management challenge to agencies that are trying to maintain sustained focus in and momentum for ongoing IT projects. In addition, various levels of CIOs within an agency do not always coordinate with one central CIO thus causing reporting and policy inconsistencies within a single agency.

Agencies Aren't Complying with Capital Investment and Planning and Performance Measures

One of the most important aspects of the CCA is the requirement that agencies make sound information technology investment decisions based upon the business needs of an executive agency or department. Under the CCA, each agency is required to design and develop a process for assessing and managing the risk of its information technology purchases in order to ensure effective program performance results.

However, the findings reveal that 17 of the 24 agencies covered by the CCA are not implementing fully the CCA's IT capital planning and investment control requirements. For example, the Small Business Administration responded that because of its work on the Year 2000 computer problem, it did not have time to develop formal information technology capital planning procedures.

And while 21 agencies reported that their capital investment and planning work processes were being improved or reengineered, half of the agencies reported requiring process reengineering or mission-related processes before making significant investments in IT in support of those missions.

In order to make sound business decisions, agencies need reliable information upon which to base those decisions. However, the quality of the data for the assessments of major IT investments needed for decision making and for measuring progress is questionable at most agencies. For example, the Department of Agriculture noted that, while it has improved the quality of the data used for decision making, it is unclear whether the data it uses to measure program performance is accurate, reliable or even current.

While it is important to have clear and accurate data before making investment decisions, it is equally important for agencies to link IT performance to agency program performance. In fact, agencies are required to incorporate these performance goals in annual agency reports required under the Government Performance and Results Act (GPRA)². Unfortunately, the findings revealed that most agency links to these reports were often too broad to provide sufficiently robust measures of the impact information technology makes on an agency's overall performance. Additionally, Chairman Thompson found that 16 agencies neither developed nor submitted IT management reports that included accomplishments, progress, and identification of areas requiring attention. And, finally, one fourth of agencies reported significant deviations of projects from cost or schedule goals. Because agencies are not using sound business procedures before investing in information technology, they are unable to improve program performance and meet their mission goals.

Agencies Aren't Applying Modular Contracting For Major IT Investments

In 1994, Congress found that Federal regulations governing information technology acquisitions were outdated, focused on paperwork and process rather than results, and prevented the government from taking timely advantage of rapid advances taking place in the competitive and fast changing global information technology marketplace. The CCA authorizes agencies to purchase IT on an incremental or modular basis to prevent the mismanagement of IT spending. This authority still hasn't been applied consistently in major IT investments governmentwide. In fact, the findings revealed that eight agencies reported still being in the process of implementing modular contracting.

²Public Law 103-62.

RECOMMENDATIONS

The report includes a dozen recommendations for executive departments and agencies to implement in order to fully comply with the CCA. The recommendations provide that departments and agencies should:

- review the mechanisms in place for assuring that they are fully implementing the CCA through their policies, procedures, and practices;
- articulate the roles, reporting relationships and boundaries of authority among all CIOs within an agency in ways that enhance the effective implementation of the CCA;
- provide the appropriate authority to the CIO to ensure the CIO's control over IT capital planning and investment processes;
- increase quality control of their capital planning and investment control practices, including ensuring that any cost/benefit data used in investment decision making is accurate and complete;
- provide clear procedures on how CIOs and program managers communicate to senior management the status and progress of major IT projects;
- develop and incorporate the use of decision milestones in IT project management;
- develop an effective means of identifying IT projects that deviate significantly from cost, schedule and performance expectations;
- increase project management and capital planning skills within their IT workforce;
- provide better data on how IT investments will benefit Federal programs;
- develop IT management plans that include accomplishments, progress, and the identification of areas requiring attention;
- clarify the requirements for process re-engineering in their overall capital planning and investment control procedures; and
- increase their use of modular contracting for building and acquiring information systems.