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**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
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**STATEMENT OF STEVEN VANROEKEL
FEDERAL CHIEF INFORMATION OFFICER,
ADMINISTRATOR FOR E-GOVERNMENT AND INFORMATION TECHNOLOGY,
OFFICE OF MANAGEMENT AND BUDGET**

**BEFORE THE APPROPRIATIONS SUBCOMMITTEE ON
FINANCIAL SERVICES AND GENERAL GOVERNMENT
UNITED STATES SENATE**

Chairman Udall, Ranking Member Johanns, and Members of the Subcommittee, thank you for the opportunity to testify on the President's Fiscal Year (FY) 2015 request for the improvement of Federal information technology (IT) investments.

During my 20 years in the private sector, I woke up every day focused on improving and expanding core services and customer value while also cutting costs. I brought this focus with me to the Federal Government. When I joined the Administration in 2009, and the Office of Management and Budget (OMB) in 2011, I found willing partners in this mission and have spent the past 3 years at OMB focused on driving innovation to meet customer needs, maximizing our return on investments in Federal information technology, and establishing a trusted foundation for securing and protecting our information systems.

Before discussing the Administration's FY 2015 request for the Information Technology Oversight and Reform (ITOR) fund and Office of E-Government, I want to raise OMB's overall FY 2015 budget request. The President's FY 2015 Budget for OMB requests \$93.5 million and 480 full-time equivalents to address growing workloads while making targeted investments to enable OMB to more effectively oversee program management and funding across more than 100 agencies and departments throughout the Federal Government. The Budget request would bring OMB back up to a staffing level comparable to 2009, though well below 2010, and support our expanded role in a number of key priority areas for this Subcommittee. This is a critical investment with large returns in the form of improved program management, budgetary savings, and smarter regulations—some of the many critical outcomes that the Administration, Congress, and the American people look to OMB to help ensure.

While OMB has taken on a number of new functions and responsibilities in recent years, our funding and staffing levels have been significantly constrained and have not kept pace with our counterparts at the Congressional Budget Office. Today, OMB is 11 percent smaller than as recent as FY 2010, with an FY 2014 estimated FTE level of 470. As a result of sequestration, OMB employees were required to take eight furlough days last year—the most of any agency in the Federal Government. While the funding restored in FY 2014 appropriations was a step in the right direction, and we thank the Subcommittee for its support, there is still work to be done. The requested funding will allow OMB to continue to play a central role in supporting the

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development and execution of a wide range of crucial programs and policies and managing critical government functions. Today more than ever, OMB has a central role to play in our efforts to move our economy forward by creating jobs, growing the economy, and promoting opportunity for all.

Focus on Efficiency

Constantly improving the state of Federal technology is a priority for this Administration, and is a mission that OMB takes seriously. In these times of fiscal constraint, this means we must drive innovation while controlling spending—by maximizing effectiveness and efficiency in everything we do. The Administration's first term efforts largely focused on establishing mechanisms to stop out of control IT spending, promoting new technologies such as cloud computing and mobile, opening up Federal Government data for private sector use, enhancing cyber capabilities, and deploying Federal technology as a tool to increase efficiency to allow government to do more with less.

In the decade prior to this Administration, the Federal IT Budget increased at the Compound Annual Growth Rate of 7.1 percent. If spending increased at the same rate during this Administration, our current IT budget request would total \$117 billion. However, through PortfolioStat data-driven accountability sessions, and with the help of this Subcommittee, Federal agencies enhanced analytical approaches to more effectively manage Federal IT portfolios and improve IT cost oversight. The Office of E-Government established a rigorous, continuous process for agencies to drive and measure information technology savings through the consolidation of duplicative services and other tactics to fund investment in innovation.

The result is over \$2.5 billion of identified cost savings and \$1.9 billion of realized savings through the PortfolioStat process and a consolidation of commodity IT. During this Administration, we flat-lined Federal IT spending, driving efficiencies and fueling innovation across the Federal technology portfolio, through initiatives like data center consolidation, cloud computing and the Administration's Digital government strategy, all the while working to keep Federal data safe and secure. Through these efforts and others, Federal agencies began to seize upon productivity gains seen in the private sector and apply technology to improve efficiency of our government.

Focus on Effectiveness

With our actions to drive efficiency across IT portfolios firmly underway, the Administration is also increasing its efforts to deliver smarter, more effective applications of technology to improve the delivery of Federal services, information, and benefits. In doing so, we are applying the same rigor and data-driven analytical capabilities we used to drive efficiency across Federal IT to ensure agencies use IT effectively to deliver on their core missions.

To deliver citizens the services they expect from their government, we must shift the focus of Federal Government IT projects from compliance and process to meeting user needs. We must be intensely user-centered and agile, involve top talent from the private sector in

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government IT projects, and ensure agency leadership is actively engaged and accountable to the public for the success of the digital services of their agency. To support this effort, the Administration's Smarter IT Delivery Agenda seeks to improve the value we deliver to citizens through Federal IT, and the speed and cost-effectiveness with which it is delivered.

The work of the Smarter IT Delivery Agenda builds upon the progress of reshaping the delivery of information technology already underway, as well as introduces new approaches and tools to transform the government IT landscape. To do this, we are focused on a three-part Agenda focused on ensuring the Federal Government has: (1) the best talent working inside government; (2) the best companies working with government; and, (3) the best processes in place to make sure everyone involved can do their best work and be held accountable for delivering excellent results for our customers, the American people.

The Smarter IT Delivery Agenda aims to increase customer satisfaction with top government digital services; decrease the percentage of Government IT projects that are delayed or over-budget; and increase the speed with which we hire and deploy qualified talent to work on Government IT projects.

There are several key projects already underway, and we will undertake additional projects in the coming months as the agenda continues to evolve.

Focus Area 1: Get the Right Talent Working Inside Government

IT excellence starts with having the best people executing IT in government. While there are many talented IT professionals across government, it is clear that we need to broaden and deepen this talent pool to meet present and future needs.

We must also work to solve the current challenges facing government when it comes to quickly hiring qualified technical talent. IT is already one of the most competitive job markets in our economy, but government hiring processes make competing for that talent even more challenging. Today, the average hiring cycle for IT specialist in the Federal Government is over 100 days. The norm for leading private sector companies is 7-14 days. Given the competitive markets for technical talent, government is often unable to acquire top candidates given the current hiring process.

The Digital Service

To accelerate the pace of change, we are standing up a Digital Service—a centralized, world-class capability that is part of the Federal CIO Team made up of our country's brightest digital talent, which we will pilot with existing funds in 2014, and scale in 2015 according to the President's FY15 budget. The team will be charged with removing barriers to exceptional government service delivery and remaking the digital experiences that citizens and businesses have with their government.

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Through a modest team of people housed within the E-Government office at OMB, the Digital Service will establish standards to bring the government's digital services in line with the best private sector service experiences, define common platforms for re-use that will provide a consistent user experience, collaborate with agencies to identify gaps in their delivery capacity to design, develop, and deploy excellent citizen-facing services, and provide oversight and accountability to ensure we see results. The Digital Service is a close partnership with the 18F delivery team at U.S. General Services Administration (GSA), and will work side-by-side with agencies to ensure they have the resources and talent needed to deliver great services on time, on spec, on budget, and with optimal user-functionality.

Flexible Hiring Authority Options for IT Talent

Building on the success of the Presidential Innovation Fellows program—a program that is delivering low-cost, innovative solutions like RFP-EZ, advancing open data initiatives at agencies and more—the Administration is pursuing flexible hiring authority options for IT talent, reducing barriers to the hiring of key digital experts in government. The program is being developed in partnership with the Office of Personnel Management, and would be phased in with agencies such as GSA.

Focus Area 2: Get the Best Companies Working with Government

The Administration is also taking steps to reduce barriers and burdens in Federal procurement and increase the ability for innovative and non-traditional companies to work with the Federal Government with FBOpen—a new platform that allows easier access to Federal opportunities. In addition, OMB recently worked with GSA and procurement experts across government on an open dialogue¹ to reduce barriers and burdens in Federal procurement.

Open Dialogue

The open dialogue was a joint effort between the Chief Acquisition Officers Council, OMB, GSA, and the Chief Information Officers Council to engage all stakeholders in the acquisition community to better understand the opportunities and challenges they face when doing business with the Federal Government. The focus of the dialogue was to generate solutions in three areas: streamlining reporting and compliance requirements, identifying industry best practices, and increasing participation by qualified non-traditional government contractors. We anticipate that we will have recommendations for actions emerging from this work, and are eager to work with Congress on developing a whole-of-government approach to improving Federal acquisitions.

¹ <http://www.gpo.gov/fdsys/pkg/FR-2014-04-23/pdf/2014-09129.pdf>

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Focus Area 3: Put the Right Processes and Practices in Place to Drive Outcomes and Accountability

Complicated Federal IT projects often face similar challenges: (1) they lack visibility and real-time communication among the technical or IT staff, the mission or business owner, and the executive team; (2) they use the outdated waterfall approach to technology development, which includes long lead requirements setting rather than the agile approaches—where products are developed in rapid, iterative cycles—that have made the consumer Internet so successful; and (3) there is responsibility and accountability regarding compliance issues, but not enough end-to-end responsibility for the project actually working for its intended users at targeted investment levels. Taken together, these qualities can result in sub-optimal outcomes and high costs.

To address these issues, the Administration will focus its efforts on driving accountability for customer service, mission results and cost; sharing best practices; and guiding agencies and contractors in delivering great digital services.

“Tech FAR” Guide

The Administration will develop a compilation of the 21st Century, agile aspects of the Federal Acquisition Regulation (FAR) that will guide agencies in soliciting services in new ways—ways that more closely match techniques used by the private sector—such as using challenges and crowdsourcing approaches to involve citizens, writing requirements that allow for more flexible execution, or a pay-for-service model. In particular, the guide will include FAR-allowed processes used by agencies that have successfully implemented IT projects, many of which are currently underutilized.

“Digital Service Playbook”

The Administration will develop a “Digital Service Playbook” to share best practices for effective IT service delivery in government. This playbook will build on successes both within and outside government and will guide both technical and business owners within agencies. It will include best practices for building modern solutions across the implementation of the technology, how to measure customer input and manage customer expectations, and how to share solutions across government.

PortfolioStat 2014

This spring, the Administration is implementing PortfolioStat 2014, the third year of this successful program. PortfolioStat 2014 will not only continue the rigorous data-driven focus on finding efficiencies in agencies that has resulted in \$1.9 billion in savings since 2012, but also adds a new focus on accountability around service delivery to ensure agencies are accountable for delivering on their highest impact IT investments. As I have testified previously, the PortfolioStat process brings together technology experts with the agency’s senior accountable officials and Deputy Secretary to evaluate agency performance against measured outcomes and increase accountability and responsibility within agencies.

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The Information Technology Oversight and Reform Fund & Enhanced Cyber Security

To support this work, the FY 2015 Budget requests \$20 million for the Information Technology Oversight and Reform (ITOR) fund. This fund, previously known as the Integrated, Efficient, and Effective Uses of Information Technology (IEEUIT), will use data, analytics and digital services to improve the efficiency, effectiveness and security of government operations and programs.

With the funding requested for FY 2015, OMB would continue the work of PortfolioStat and enhance cybersecurity capabilities that will ensure we can protect our country's national digital assets. The additional funding represented in ITOR will enable OMB to better leverage analytics and industry expertise to conduct targeted, risk-based oversight reviews of agencies' cybersecurity activities. The result of these efforts will inform future Federal information security policies, metrics, and Cross Agency Priority (CAP) goals, and will ensure successful implementation of important policy work underway with continuous diagnostics, anti-phishing, and identity management initiatives. The FY 2015 ITOR request represents a modest investment in comparison to the total Federal IT spending of approximately \$80 billion annually. Through the ITOR fund and the help of the Subcommittee, we have delivered tangible results in government technology efficiency. We look forward to delivering the same return on investment from these funds as we apply them to effectiveness of technology in FY 2015.

Conclusion

In conclusion, it is apparent that in today's world we can no longer separate the effectiveness of our Federal programs from the smart use of IT. By increasing emphasis on customer needs and making it faster and easier for individuals and businesses to complete transactions with the government—online or offline—we can deliver the world-class services that citizens expect. To do this it is imperative that we get the best talent working inside government, the best companies working with government, and the best processes in place to deliver results for our customers, the American people.

Mr. Chairman and Members of the Subcommittee, thank you for holding this hearing and inviting me to speak today. I appreciate this Subcommittee's interest and ongoing support and I am excited to continue working with the Subcommittee on our shared goal of improving the efficiency and effectiveness of our government. I would be pleased to answer any questions you may have at this time.