

July 18, 2001

MEMORANDUM TO: Chairman Meserve
Commissioner Dicus
Commissioner McGaffigan
Commissioner Merrifield

From: Dennis K. Rathbun, Director /s/ Linda Portner for **/RA/**
Office of Congressional Affairs

SUBJECT: SENATE GOVERNMENTAL AFFAIRS COMMITTEE
HEARING ON S. 803, "E-GOVERNMENT ACT OF 2001,"
JULY 11, 2001

The Senate Committee on Governmental Affairs conducted a hearing on legislation, S. 803, that would create a Federal Chief Information Officer (CIO). Chairman Lieberman (D-CT), who introduced the bill with Senator Burns (R-MT), conducted the hearing. Deputy Director of the Office of Management and Budget (OMB) Sean O'Keefe, citing "philosophical differences," testified against a Federal CIO as outlined in the bill, arguing instead for the organizational structure announced in June when OMB "elevated" information technology (IT) responsibilities within OMB by creating the post of Associate Director for Information Technology and E-Government. Mark Forman was appointed to that post and reports directly to the Deputy Director of OMB. After the hearing Mr. O'Keefe said S. 803 had "the tremendous potential for creating a fiefdom. IT should be the means to accomplish performance goals, and not the end."

Mr. O'Keefe also criticized S. 803 for lack of "sufficient performance standards" connecting technology decisions to such specific performance areas as procurement, personnel, and financial management. "Every time we seek to get information technology or procurement or anything else as a separate element, it gets treated as a stand-alone, stovepipe program rather than a management tool. . . and the practical effect focuses on IT as if it were a program for its own use, rather than a help to decision-making," he told the Committee. OMB committed to working with the Committee on the bill, with both sides pledging to "keep an open mind."

S. 803 would create a Federal CIO, appointed by the President with the advice and consent of the Senate, as an office within OMB to be known as the Office of Information Policy (OIP). The bill seeks to provide central leadership, enhanced government cost-cutting and citizen access to government information and services through Internet-based information technology, improved interagency collaboration to integrate related government services for citizens, and increased interagency collaboration in the use of internal electronic government for greater efficiency.

At the hearing, Sen. Lieberman cited the lack of "concentrated, high-level leadership on information management issues," as the reason for S. 803's appointment of the Federal CIO as

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an office within OMB instead of the structure OMB was proposing. Sen. Lieberman expressed his concerns, shared by the General Accounting Office (GAO) in its written statement to the Committee, that IT needs would not be addressed adequately under OMB's proposal because the Deputy Director of Management's Office is "already too busy." Mr. O'Keefe disagreed, saying IT issues posed "very much administrative and management kind of questions," and "electronic government" is a "key element" in the President's Management and Performance Plan.

Additional OMB criticisms of S. 803 voiced at the hearing included:

*Performance Goals--S. 803 promotes electronic government but doesn't advance the President's Management and Performance Plan because it doesn't require performance standards "to measure the bottom line in terms of agency efficiency and effectiveness," Mr. O'Keefe said, citing the need for performance goals related to technology specifically in procurement, financial management, and personnel areas. For FY 2003, OMB will propose to Congress discontinuing IT investments in areas that are not relevant to agency or multi-agency missions, are behind schedule, over budget or not delivering intended benefits or efficiencies. "The e-government framework must be based on performance," he testified.

*Proliferation of Forums--OMB said it would be too costly and not beneficial to create all the councils, forums, and boards in the proposed bill to study IT issues. OMB suggested instead that forums and boards be created on an "as needed" basis to study IT issues, and that a Federal CIO Council already existed so the statute's creation of one is unnecessary. In contrast, GAO's written statement favored S. 803's statutory basis for the current Federal CIO Council, likening it to the legislatively based Chief Financial Officers' Council and saying that the statutory basis transcends turnover of senior appointees in the Executive Branch. "Moreover, as prime users of performance and financial information, having it statutorily based can help provide the Congress with an effective oversight tool in gauging the progress and impact of the Council on advancing effective involvement of agency CIOs in government-wide IT initiatives," GAO's statement read.

*Reports - OMB said the numerous reporting requirements for OMB and the agencies would be onerous and proposed instead "more efficiently utilizing the extant information."

The GAO statement from David L. McClure, Director of Information Technology Management Issues at GAO, criticized OMB's proposed organizational structure. OMB's announcement in June outlined the new Associate Director's of Information Technology and E-Government responsibilities to include the Federal government taking maximum advantage of digital technology and best practices, leading Federal IT policy development and implementation, and directing activities of the already established CIO Council. However, the Associate Director's role in administering or approving agency requests for monies from the E-government fund he would be responsible for (see funding discussed below) remained unclear, GAO said. Also unclear is what the Associate Director's relationship would be with the Administrator of the Office of Information and Regulatory Affairs (OIRA), which, under the Paperwork Reduction Act, has information resources management and information technology responsibilities within OMB.

GAO's statement approved placement of the Federal CIO within OMB to leverage OMB's budget-review role in IT planning and acquisition. "A strong linkage with the budget formulation process is often a key factor in gaining serious attention for management initiatives throughout government, and reinforces the priorities of federal agencies' management goals," the GAO

said, but noted that prior legislative proposals had the Federal CIO reporting directly to the President at the Cabinet level. "The importance of such high-level visibility should not be underestimated. Our studies of leading public and private-sector organizations have found that successful CIOs commonly are full members of executive management teams," the statement read. GAO's statement also noted that a Federal CIO would be useful for resolving potential conflicts within Executive branch agencies.

Sen. Carnahan (D-MO) urged OMB to remember that electronic government has to factor in that many people still do not have computers or computer access and that people won't use computerized access to government programs they don't understand. Mr. O'Keefe responded that OMB's emphasis now is on the interoperability of various government online systems. Earlier he testified that President Bush's budget includes a \$100 million "E-government" fund, with \$20 million proposed for FY2002 to help leverage interagency projects that are too expensive for one agency to cover. "Our ultimate goal is to rationalize and interrelate the \$45 billion currently budgeted for IT. This government-wide fund must tie to IT capital planning and performance standards that are linked to strategic goals and outcomes." Mr. O'Keefe said OMB's goal is that each Federal agency be no more than two to three generations of technology behind state-of-the art technology.

The Department of Education testified that currently 5 million of the 10 million applications for Federal student loans are now filed online, with the numbers expected to grow. Sen. Thompson (R-TN), noting that the student loan program has been on a government watch list for at least 10 years, said it was difficult to "celebrate a website for a program that is a basket case of fraud, waste and abuse of Federal dollars."

The witness list is attached; testimony is available in OCA.

Attachment: As stated

cc: SECY
OGC
OGC/Cyr
EDO
NRR
NMSS
RES
OIP
OCAA
OPA
OIG
CFO
CIO

HEARING
on
S. 803, the "E-Government Act of 2001"
Wednesday, July 11, 2001

WITNESS LIST

Panel I

THE HONORABLE CONRAD BURNS

Panel II

THE HONORABLE SEAN O'KEEFE
Deputy Director
Office of Management & Budget

Panel III

ANNE K. ALTMAN, Managing Director
U.S. Federal International Business Machines

DR. COSTIS TOREGAS, President
Public Technology, Inc.

ALDONA VALICENTI, President
National Association of State Chief Information Officers

GREG WOODS, Chief Operating Officer
Student Financial Assistance Programs
United States Department of Education

Panel IV

SHARON HOGAN, University Librarian
University of Illinois at Chicago
on behalf of the American Library Association, the
American Association
of Research Libraries and the American Association of
Law Libraries

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BARRY INGRAM
Vice President & Chief Technology Officer, EDS
Government Global Industry Group
on behalf of the Information Technology Association of
America

PATRICIA McGINNIS
President & Chief Executive Officer
Council for Excellence in Government

THE HONORABLE JOSEPH R. WRIGHT, JR.
former Director and Deputy Director, Office of
Management & Budget
Vice Chairman, Terremark Worldwide, Inc.