

Opening Statement: Chairman Tom Coburn
“IT Projects At Risk: Is It Too Late To Save \$12 Billion?”
September 12, 2006

Not very long ago, it would have been possible to find offices in which employees did not rely much on computers – today, it would be unthinkable. Information technology has come to occupy so central a position in our work that we can barely remember what we did before we all had cell phones, blackberries, laptops and email.

The Federal Government is no exception: one of the fastest growing IT markets is within federal agencies. IT projects of all kinds can speed communications, secure critical records, squeeze out inefficiencies and save time. Americans are now able to interact with their government in ways never before dreamed of because of the huge strides we’ve made in IT.

None of this, though, has come without a huge cost. Our government has invested hundreds of billions of dollars in IT throughout all Federal agencies. In fiscal year 2007 alone, the Administration has requested \$64 billion to fund more than 850 IT projects. Money will be spent on everything from defense weapons systems to electronic payroll and everything in between. But, with this huge investment, the government also carries a huge risk. IT projects are complex and especially prone to schedule delays, cost overruns and, sometimes, they are obsolete before they are even operational. In other words, IT projects are highly susceptible to waste if we are not vigilant in oversight.

Providing some of that needed oversight is why we’re here today. I want to thank my colleague Senator Carper for suggesting the need for this hearing. GAO has identified upwards of \$12 billion in Federal IT projects with significant potential for waste if the right measures are not taken. As a percentage of a \$64 billion IT budget, \$12 billion at risk is an extremely large percentage. It means that nearly one in five federal dollars that the federal government will spend on IT in the coming year may result in failure and waste. This potentially wasteful spending is an enormous problem, and one which the federal government cannot afford, especially now, but not ever.

To put \$12 billion in perspective:

- It is about twice as much as the entire budget of the Department of Commerce.
- With an average income of \$43,000 in this country, it also represents the salary of nearly 280,000 working Americans.
- \$12 billion is the collective amount of money that more 5,700 Americans with college degrees will earn in a LIFETIME.
- Finally, to waste \$12 billion would be tantamount to taking the taxes sent in by 1.5 million people and flushing it down the toilet.

We must do anything and everything to steward this money so that doesn’t happen.

The responsibility of overseeing all federal IT spending falls to the Office of Management and Budget. OMB reviews all IT projects on a regular basis to ensure that agencies are not spending money on wasteful projects, and keeps a close eye on the projects with problems. To this end, I want to congratulate the Office of Management and Budget for taking certain positive steps to keep track of the projects that pose the greatest risk of failure. It has developed two separate

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lists, each with a slightly different function: the High Risk List and the Management Watch List. The High Risk List is primarily to keep track of projects with potential *performance* problems, while the Management Watch List tracks projects *planning* problems. Essentially, one list for those projects planned well, but prone to failure in execution, and another list for those not even planned well from the start.

Placing a project on either one of these lists is a very serious matter. A project is only placed on either list if it is unusually risky. The disturbing reality is that, of the 857 federal IT projects to be funded in 2007, 452 are currently on one or both of these lists. That means a staggering 53% of all IT projects are at serious risk. The \$12 billion total is obtained from adding the value of all projects on the Management Watch List – \$9.9 billion – to the value of High Risk List projects with known “performance shortfalls” – \$2.2 billion. Numbers like this serve as a wake up call that something must be done to ensure federal IT projects are being well managed and given proper oversight.

Twelve billion is bad enough. But I suspect that the real number is even higher. In June, this Subcommittee held a hearing on the Census Bureau, and discovered that the Bureau currently has a \$1.8 billion contract for its technology needs in the 2010 Census. That contract, the Decennial Response Integration System, or DRIS, is experiencing so many problems at the moment that the Census Bureau is threatening to scrap it and go back to a pen and paper census, adding a billion dollars or more to its costs. So imagine our surprise, to find that this contract does not appear on either of OMB’s two lists, the High Risk List or the Management Watch List. Adding this project alone to the list would increase the amount of IT projects at risk of waste from \$12 billion to more than \$13 billion.

Similarly, GAO has uncovered other projects worth billions of dollars that meet the criteria for placement on one of these two lists that do not show up either. This means that \$12 billion may be a floor, rather than a ceiling.

Further leading me to believe that the total dollar figure at risk is higher than currently known has to do with the business cases, or exhibit 300s, submitted by agencies. Exhibit 300s are planning documents that agencies fill out and send to OMB to explain their plans for costs, schedule and other important items before a project ever gets funding. I am concerned that contractors responsible for carrying out the work may actually be the ones filling out exhibit 300s on behalf of the agencies they work for. If so, this would present an enormous conflict-of-interest, whereby contractors could be responsible for not only setting agency priorities, but also benefiting financially from them.

Finally, my last concern gets at an issue very near to the heart of what this Subcommittee has tried to promote: transparency and sunshine. Transparency means allowing Congress and the public to know how their hard-earned money is spent. At the very least, the information should be given to Congress, which is asked to make decisions about spending taxpayer dollars. This is especially true for the government’s most at-risk IT projects. But, as of today, OMB has kept the Management Watch List internally and used it for its own planning purposes.

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The Management Watch List consists of 263 projects and represents \$9.9 billion of the government's total \$64 billion in IT spending for 2007. Each of the projects on this list is there because it has serious planning weaknesses. I believe that Congress has a right to know not only what these projects are, but also why we are funding projects that have been poorly planned. I look forward to working with OMB to find a way forward by which Congress can know more fully what problem projects it is funding while enabling OMB to do its job as well.

It is my hope that this hearing will provide a needed spark to try and get a better grasp on federal IT spending. We cannot sit idly by and watch billions of dollars be put at risk year-by-year, with American citizens paying the price. Our goal should be to minimize that risk to the greatest degree possible and do everything in our power to protect the precious financial resources entrusted to us by Americans each year.

I want to thank the witnesses for being here today to discuss this important issue.