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PAPERWORK REDUCTION
ACT

Reauthorization Can
Strengthen Government's
Management of Information
and Technology

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Mr. Chairman and Members of the Subcommittee:

It is a pleasure to be here today to discuss the Chairman's draft legislation reauthorizing the Paperwork Reduction Act (PRA). The PRA is a vital component of an overall legislative framework--including the Chief Financial Officers Act, the Government Performance and Results Act, and the Federal Acquisition Streamlining Act--designed to resolve basic management problems that undermine effective implementation of many government programs. We commend the efforts of your Subcommittee and the full Committee to revise the current statute to help strengthen government's management of information and technology.

Last year before the Senate Committee on Governmental Affairs, we outlined several proposals to improve the information management and technology aspects of the PRA.¹ The Comptroller General again supported these proposals before that Committee last week.² Today, I will comment on several of these proposals now included your draft legislation. In addition, I will summarize our work relating to the government's role in limiting the paperwork burden on individuals and businesses.

The Need to Implement Modern Information Management Practices Used by Leading Organizations

The public environment has changed dramatically in the 14 years since initial passage of the PRA. The law was enacted at a time when information management was viewed largely as a support function rather than as an integral part of agency management and operations. Since then, rapid changes in information technology and management techniques have greatly increased the act's potential to help streamline operations and produce higher quality services delivered more effectively, faster, and at lower cost.

These developments make it essential to update the act and place it within the context of the information age of the 1990s and beyond. GAO's work over the last decade highlights how most federal agencies have invested in costly information systems projects that have produced little return in operational improvements or reductions in

¹Improving Government: Actions Needed to Sustain and Enhance Management Reforms (GAO/T-OCG-94-1, Jan. 27, 1994); Paperwork Reduction Act: Opportunity to Strengthen Government's Management of Information and Technology (GAO/T-AIMD/GGD-94-126, May 19, 1994).

²Government Reform: Using Reengineering and Technology to Improve Government Performance (GAO/T-OCG-95-2, Feb. 2, 1995).

costs.³ Agencies also still lack essential information to manage programs, control costs, and measure results. This poor record exists even though federal agencies have invested a quarter of a trillion dollars in information technology since the act was passed in 1980.

We find huge, complex computer modernizations at great risk from two basic management problems: (1) the failure to adequately select, plan, prioritize, and control system and software projects and (2) the failure to use technology to simplify, direct, and reengineer functional processes in ways that reduce costs, increase productivity, and improve service. These problems--involving an annual investment of \$25 billion in public funds--permeate critical government operations in key agencies, such as the Federal Aviation Administration (FAA), the Internal Revenue Service (IRS), Defense, Agriculture, Veterans Affairs, and the Social Security Administration.

There is much to be done to bring our national government into the information age. Improvements to the PRA are an essential element of this process. We know from our research on leading organizations that effective management solutions do exist. In a May 1994 report, we described a set of fundamental practices that were instrumental in these organizations' success.⁴

Executives in the leading organizations we studied actively invest their time to manage risks and maximize the return on information technology projects using the following 11 practices.

³Appendix I lists key GAO reports.

⁴Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology--Learning From Leading Organizations (GAO/AIMD-94-115, May 1994).

Decide to Change	Direct Change	Support Change
<p>1 Recognize and communicate the urgency to change information management practices</p> <p>2 Get line management involved and create ownership</p> <p>3 Take action and maintain momentum</p>	<p>4 Anchor strategic planning in customer needs and mission goals</p> <p>5 Measure the performance of key mission delivery processes</p> <p>6 Focus on process improvement in the context of an architecture</p> <p>7 Manage information systems projects as investments</p> <p>8 Integrate the planning, budgeting, and evaluation processes</p>	<p>9 Establish customer/supplier relationships between line and information management professionals</p> <p>10 Position a Chief Information Officer as a senior management partner</p> <p>11 Upgrade skills and knowledge of line and information management professionals</p>

Essentially, they employ three basic principles: They decide to manage information technology differently, direct technology resources towards high-value uses, and support improvements with the right people and training. In particular, they

- *increase accountability for information technology results* by involving executives and line managers in information technology decisions and creating ownership,
- *establish an outcome-oriented strategic information management framework* by (1) linking technology investments to business needs that are defined in customer terms, (2) managing and controlling information technology as an investment, (3) measuring the results of technology by examining its impact on mission effectiveness and efficiency, and (4) integrating information management into organizationwide planning, budgeting, and financial management, and
- *institute proper support for information management* with the right mix of skills, knowledge, and defined roles and responsibilities for managers and technical specialists.

Leading organizations implement these practices as an integrated set to strategically manage for short- and long-term performance improvements. Used in this manner, the practices can serve as a vital starting point for lasting solutions to the problems and

challenges we face in improving federal operations. We did not find any federal case study agency using all these practices as mutually reinforcing activities.

Changes Needed to Bolster Information Management Provisions in the PRA

We are pleased that several changes contained in your proposed legislation to reauthorize the PRA are based on the best practices followed by leading organizations. Despite the urgency to change, little meaningful progress towards improving government productivity, mission performance results, and service delivery can be achieved unless federal agencies adopt these sound strategic information management approaches. The improvements to the PRA can help construct a useful framework to bring modern technology management approaches to the federal government. Let me illustrate by focusing on changes made by several key provisions contained in the proposed legislation.

Increasing Accountability for Information Technology Results

Current provisions in the PRA place the responsibility for effective information management and technology on designated senior officials for information resources management (IRM) and their respective organizational units. Executives and senior program managers, the initiators and benefactors of mission improvement efforts, are excluded from accountability for achieving results from information system investments. In contrast, leading organizations make business or line managers accountable for technology decisions and results. Under this arrangement, technology investments are initiated and evaluated in terms of proposed and achieved benefit to the business.

In many government agencies, however, information issues are often viewed as an administrative function that is delegated to technical staff. Designated senior IRM officials are often burdened with a number of additional administrative responsibilities, such as payroll, human resources management, contracting, and space management, that keep them from giving adequate attention and review to information management issues. Consequently, information and technology initiatives are often not treated as integral parts of an overall strategic approach to mission improvement, but rather as separate improvement efforts in and of themselves.

For example, IRS' Tax System Modernization has been underway for 6 years and has spent \$2.5 billion without the necessary technical and management foundation in place.⁵ At the Department of Agriculture, we recommended that officials halt a multibillion project to improve service to farmers called Info Share because senior management was not directly involved in managing the project and essential reengineering was not taking place before major investments were to be made.⁶ At the Department of Defense lack of program management involvement and support is one of several key reasons why the Department's Corporate Information Management initiative has not approached its projected potential to save billions of dollars.⁷

Section 3506 of the proposed legislation strengthens the accountability of the agency head and program managers for information resources supporting their programs. Working with the designated senior IRM official and the Chief Financial Officer, they are to define program information needs and develop strategies to meet those needs. As our case study research demonstrates, increasing program managers' accountability and involvement works because it focuses information management decision-making and systems development activities on measurable mission outcomes of strategic importance.

Establishing an Outcome-Oriented Focus

The current law also does not emphasize mechanisms for selecting, controlling, or evaluating information systems projects in ways that maximize value or effectively manage risks. The legislation assumes that requiring agencies to prepare plans for meeting the agency's information technology needs would translate into real results. Instead, leading organizations use well-defined processes to direct scarce technology resources towards high-value uses. They use technology to assist in reengineering critical functions, and then they carefully control and evaluate the results of information systems spending through specific performance and cost measures, which are monitored throughout the project.

⁵Tax System Modernization: Status of Planning and Technical Foundation (GAO/T-AIMD/GGD-94-104, Mar. 2, 1994).

⁶USDA Restructuring: Refocus Info Share Program on Business Processes Rather Than Technology (GAO/AIMD-94-156, Aug. 5, 1994).

⁷Defense Management Initiatives: Limited Progress in Implementing Management Improvement Initiatives (GAO/T-AIMD-94-105, Apr. 14, 1994).

Investment decision processes are in place to help executives prioritize among competing projects, concentrate on choosing the right mix of technology projects to meet critical mission needs, and evaluate projected versus realized payoffs. In this way, unexpected problems are surfaced quickly and resolved with focused management attention. This helps reduce delays, cost escalations, and failure to meet business and customer needs.

By contrast, government agencies often buy computer hardware before they evaluate their current business functions, lack discipline and accountability for their investments, and fail to rigorously monitor systems projects for real results. Time and again, we have found agencies using technology to simply automate existing inefficient and ineffective processes rather than focusing on how it can be used to achieve better results and improve mission performance.

Poor information systems management has plagued efforts to improve some of the government's most critical activities. For example, after more than 12 years and costs exceeding \$2.5 billion, the FAA has chosen to cancel or extensively restructure elements of its problem-plagued Advanced Automation System. We attributed major schedule delays and cost escalations to a host of managerial and technical factors, including FAA's failure to (1) accurately estimate the technical complexity and resource requirements of the effort, (2) stabilize system requirements, and (3) adequately oversee contractor activities.⁸

In another case, we found that the Veterans Benefits Administration (VBA) procurement of \$680 million in computers, communications equipment, and associated commercial software products was proceeding before old processes had been redesigned or new performance goals set. In 1992, we determined that without any business process reengineering, this substantial technology investment would potentially eliminate only 6 to 12 days from the average of 151 days it took VBA to process an original compensation claim.⁹

Provisions in the proposed legislation also call for strengthening processes that agencies use to decide their information technology expenditures and to set goals for measuring progress in using information technology to increase productivity and accomplish outcome-oriented results. Most importantly, Section 3506 requires

⁸Advanced Automation System: Implications of Problems and Recent Changes (GAO/T-RCED-94-188, Apr. 13, 1994).

⁹Veterans Benefits: Acquisition of Information Resources for Modernization Is Premature (GAO/IMTEC-93-6, Nov. 4, 1992).

agencies to assess and manage their information technology initiatives with defined processes for selecting, controlling, and evaluating the initiatives based on anticipated benefits compared to actual results. Additionally, Sections 3504 and 3505 help better manage risks by requiring the Director of the Office of Management and Budget (OMB) to take steps to infuse more discipline and accountability into the government's technology expenditures.

Instituting Proper Skills and Roles

The current act does not emphasize the necessary technical skills or the clear delineation of management roles and responsibilities, both of which are needed to manage information technology as part of an overall business strategy. Leading organizations work to anticipate and define key skills needed, starting at the top of the organization with a qualified Chief Information Officer (CIO). The CIO, as a senior management partner, helps to focus executive decision-making on high-value technology issues, decisions, and investments. Leading organizations also delineate the responsibilities of program managers--who assert control over information system project funding and direction--and information management professionals--who concentrate on applying the best technological solution to a business problem.

Conversely, government agencies are all too often held back by an antiquated skill base and confused roles and responsibilities that consistently inhibit the effectiveness of major system development and modernization efforts. Our work at FAA and IRS, in particular, have highlighted the consequences of failing to accurately estimate the technical complexity and resource requirements of large system modernizations. Although the PRA establishes designated senior officials for information resources management for all departments and agencies, it does not preclude responsibilities from being largely delegated to lower management levels, is silent on essential qualifications for the position, and does not limit responsibilities exclusively to information resources management.

To help address this issue, Sections 3504 and 3506 of the proposed legislation require that training be developed to educate program officials about information technology. Section 3506 also requires joint participation of program and IRM officials in the development of systems and capabilities to meet program needs.

In addition, we are pleased to see that the senior IRM official for the agency retains a direct reporting relationship to the head of the agency and is to be selected with special attention to the professional qualifications essential for effectively supporting top management and program officials in defining information needs and strategies. Because of the magnitude of information management problems facing most federal

agencies, ideally it would be preferable for this official to have only assigned responsibilities directly related to information management.

Minimizing Burden

Another primary goal of the PRA is to minimize the federal paperwork burden imposed on individuals and businesses. Care must be taken, however, in interpreting measures of paperwork burden. For example, we reported in 1993 that while the paperwork burden OMB reported rose from over 1.8 billion hours in 1987 to nearly 6.6 billion hours in 1992, most of this increase was due to a redefinition and reevaluation of burden hours by the Department of the Treasury, not because of new burdens imposed on the public.¹⁰

The difficulty in precisely quantifying burden lies, in part, with methodological approaches that involve complex interpretations and questionable data, making empirical assessments of burden reduction suspect. Section 3502 of the proposed legislation expands the current definition of "burden" to include acquiring, installing, and utilizing technology and systems as part of the provision of information to the federal government. While this redefinition may further complicate the task of measuring paperwork burden, it may also provide a more complete picture of the actual burden imposed on individuals and businesses.

Paperwork burden can be caused by the complicated nature of underlying statutes. For example, in a recent study of tax system burden we found that businesses' tax compliance burden was primarily a function of the complexity of the tax code and frequent changes to the code.¹¹ Paperwork burden can also be caused by the way rules are enforced. A study we completed last year of workplace regulations found that the employers and union representatives we spoke with generally supported the need for these kinds of rules, but were concerned about the operation of the regulatory process and paperwork requirements.¹² The business and union leaders called for a more service-oriented approach to regulation in which agencies would provide more information and permit more input to agency standards-setting and enforcement.

¹⁰Paperwork Reduction: Reported Burden Hour Increases Reflect New Estimates, Not Actual Changes (GAO/PEMD-94-3, Dec. 6, 1993).

¹¹Tax System Burden: Tax Compliance Burden Faced by Business Taxpayers (GAO/T-GGD-95-42, Dec. 9, 1994).

¹²Workplace Regulation: Information on Selected Employer and Union Experiences (GAO/HEHS-94-138, June 30, 1994).

Therefore, some of the problems associated with paperwork burden may not be resolved until underlying legislative and implementation issues are addressed.

Some of the continuing regulatory problems may also be due to the paperwork clearance process pursuant to the PRA. Section 3507 of the proposed legislation makes certain changes in that process, including shortening the amount of time OMB has to review proposed rules. Section 3506 (c) of the proposed legislation also explicitly requires federal agencies to establish a forms clearance process to approve proposed collections of information prior to sending them to OMB for approval. Section 3507 describes the clearance process at both OMB and the agencies in some detail. In doing so, the proposed legislation may alleviate some of the problems we have found. In 1994, we reported that disagreements between the Environmental Protection Agency (EPA) and OMB about the clearance process contributed to the lapse of EPA's information collection approvals and the loss of \$2 million in enforcement penalties.¹³

Section 3506 (c) (3) requires agencies to certify that they have reduced, to the extent practicable, the information collection burden they impose on the public. This includes establishing different compliance and reporting requirements for small entities, which is consistent with principles in the Regulatory Flexibility Act of 1980. However, we reported last year that federal agencies frequently fail to comply with this act because of a lack of enforcement provisions and processes.¹⁴ We recommended several changes to improve the act's enforcement, some of which have already been implemented. For example, OMB and the Small Business Administration have agreed to work together more closely to ensure that agencies' regulatory flexibility analyses are complete. While the Chairman's proposed draft legislation does not strengthen the act's enforcement provisions, it does emphasize that agencies should consider the resources and capabilities of those who have to respond to the information collection requirements.

The proposed legislation also clarifies an important implementation issue that has been the subject of litigation. In a 1993 report, we examined the effects of two court cases on federal agencies--Dole v. United Steelworkers of America and Action Alliance of

¹³Environmental Regulation: Differences Remain Between EPA and OMB Over Paperwork Requirements (GAO/RCED-94-254, Aug. 23, 1994).

¹⁴Regulatory Flexibility Act: Status of Agencies' Compliance (GAO/GGD-94-105, Apr. 27, 1994).

Senior Citizens v. Sullivan.¹⁵ We found that neither OMB nor the three agencies we examined had developed any formal guidance on how to implement the decisions, and that there were clear differences of interpretation between the agencies regarding what information collections were subject to clearance by OMB. Therefore, we recommended that, in the absence of a legislative change, the Director of OMB issue guidance to clarify when agencies are required to submit information requests for review under the PRA. Section 3502 of the proposed legislation redefines the term collection of information, and thus addresses our recommendation of establishing a common understanding of the information collections that are subject to OMB review.

Conclusions

Mr. Chairman, there is much work to be done in getting the federal government to engage seriously in the difficult task of modernizing its operations. Improvement goals must be set, accountability for results reinforced, the skills of the federal workforce modernized, and targets of opportunity for eliminating, consolidating, privatizing, or reengineering government functions identified. Achieving these objectives can be greatly facilitated by a solid legislative foundation that emphasizes the use of modern management practices in guiding the crucial decisions ahead. In this regard, we believe that your proposed legislation takes positive steps for improving governmentwide management of information technology at a time when momentous decisions are being made on actions to reduce or consolidate hundreds of federal programs.

Looking ahead, this Subcommittee can also play a leadership role in focusing on the importance of using technology to minimize the burden of federal information collection requirements. This can be done by exploring how information technology can help better reduce the need for paperwork and facilitate information sharing between agencies.

In addition, while we should remain attentive to the difficulties of measuring burden, I firmly believe that the government should continue to minimize the impact of federal information needs on individuals and businesses. The changes embodied in the proposed legislation are steps in that direction.

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

¹⁵Paperwork Reduction: Agency Responses to Recent Court Decisions (GAO/PEMD-93-5, Feb. 3, 1993).

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Government Reform: Using Reengineering and Technology to Improve Government Performance (GAO/T-OCG-95-2, Feb. 2, 1995).

Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology--Learning From Leading Organizations (GAO/AIMD-94-115, May 1994).

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Patent And Trademark Office: Key Processes for Managing Automated Patent System Development Are Weak (GAO/AIMD-93-15, Sept. 30, 1993).

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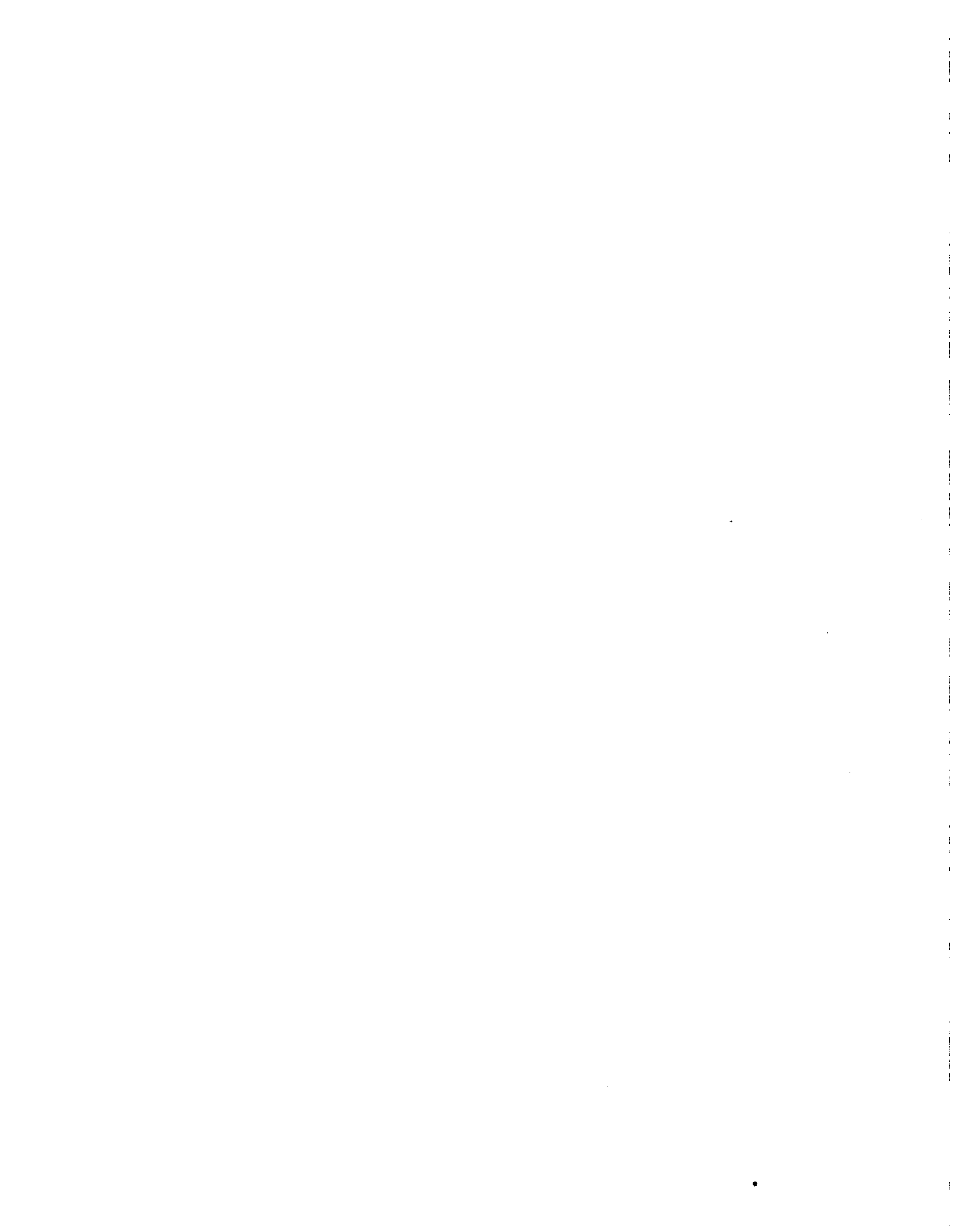
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