

GAO

Testimony

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PAPERWORK  
REDUCTION ACT

Opportunity to Strengthen  
Government's Management of  
Information and Technology

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Mr. Chairman and Members of the Committee:

It is a pleasure to be here to discuss issues concerning the Paperwork Reduction Act. At the Committee's request, my testimony today (1) focuses on implementation of the Act, particularly as regards to information resources management, and (2) the Committee staff's proposed reauthorization compromise.

The Paperwork Reduction Act is a vital part of a legislative framework--including the Chief Financial Officers Act and the Government Performance and Results Act--designed to resolve the basic management problems that undermine effective implementation of many government programs. When we appeared before this Committee last January, we made a number of proposals to improve or better implement several key management initiatives.<sup>1</sup> Today, I will amplify on our proposals relating to the information management and technology aspects of the Paperwork Reduction Act. Additionally, I will summarize our past and ongoing work on the government's role in limiting the regulatory and paperwork burden on individual citizens and business entities.

#### Overview and Background

Mr. Chairman, the Paperwork Reduction Act was enacted in 1980 to (1) reduce the information collection burden imposed on citizens by the federal government, and (2) increase the efficiency and effectiveness of federal programs through the use of information technology. While I have observations on both goals, I will focus largely on the opportunities to improve federal operations through effective management of technology.

GAO's work has clearly shown that federal agencies have had great difficulty in effectively managing technology. While the government spends over \$25 billion annually buying, operating, and maintaining technology resources, it simply does not get an adequate return on that investment. The Paperwork Reduction Act was enacted to help provide an important framework for ensuring better information management. However, the act 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. Rapid changes in technology and dramatic improvements in modern management techniques have since greatly increased technology's potential to improve government service and reduce costs, making it critical to now update the act.

We commend the Committee for addressing this problem, and support the Committee staff's draft reauthorization proposal. The staff proposals, if adopted, could encourage improved management

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<sup>1</sup>Improving Government: Actions Needed to Sustain and Enhance Management Reforms (GAO/T-OCG-94-1, Jan. 27, 1994).

practices consistent with the best practices found in the private sector. These practices are highlighted in our report being released at this hearing.<sup>2</sup>

Pervasive Problems Undermine Government's Management and Use of Technology

A stream of reviews by GAO, the Inspector Generals, and others consistently highlight the difficulties the federal government has in effectively managing and using technology. Indeed, the information technology objectives of the act simply have not been met by agency performance. Our transition reports to the Congress in 1988 and 1992 underscored how agencies lack critical information needed to analyze programmatic issues, control costs, and measure results.<sup>3</sup> Information systems projects frequently are developed behind schedule, fail to work as planned or needed, and cost millions more than expected.

After investing over \$200 billion in information management systems in the last decade, the government simply has too little evidence of meaningful results. For instance, the litany of problems jeopardizing the Federal Aviation Administration's \$5.9 billion undertaking to modernize the computer systems used to control nationwide air traffic serve as a painful illustration of failed government approaches. In an environment of shrinking resources and expected service improvement, the government can ill-afford to continue spending such large amounts of money while achieving so few results.

The impact goes far beyond wasting scarce resources, it adds to public frustration over the inability to get quality, timely government services and precludes agencies from managing their affairs in an acceptable, businesslike manner. This includes reducing the public paperwork burden through better information management--a major finding of the 1977 Paperwork Commission. In an age when individuals get 24-hour customer support from their banks and credit card companies and when complex questions on insurance claims can be handled with one phone call, citizens are increasingly demanding the same level of responsiveness from their government.

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

\*Information Management and Technology Issues (GAO/OCG-93-5TR, Dec. 1992), Information Technology Issues (GAO/OCG-89-6TR, Nov. 1988).

In work that spans virtually all critical functions of the federal government, we have reported on repeated problems with the government's ability in harnessing information technology. The following examples highlight a few of those problems; a more detailed listing of our reports can be found in appendix I.

- In 1990, we reported that inadequate procedures to check for the accuracy of data in its loan database resulted in the Department of Education giving millions of dollars in Stafford Student Loans to students who had either defaulted or exceeded their legal loan limits.<sup>4</sup>
- In 1991, Medicare mistakenly paid out over \$1 billion for services already covered by other insurers, in part because of inadequate data.<sup>5</sup>
- IRS' \$23 billion Tax Systems Modernization program, designed to support faster, more accurate, and less costly tax processing, is being undertaken without adequately defined business requirements and technical or management standards, thereby greatly increasing the risk of failure.<sup>6</sup>
- Our reviews of the Department of Defense's Corporate Information Management (CIM) strategic program--designed to improve Defense operations and administrative support by streamlining business processes, upgrading information systems, and improving data administration--show that the Department's attempt to save billions of dollars could be jeopardized because Defense does not have a well-defined management strategy and plan with well defined roles and authorities. In particular, we have recommended that such a strategy have the mutual commitment and support of the leadership of all the military services and that a Chief Information Officer be established to ensure the effective implementation and integration of improved business processes and systems.<sup>7</sup>

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\*Stafford Student Loans: Millions of Dollars in Loans Awarded to Ineligible Borrowers (GAO/IMTEC-91-7, Dec. 12, 1990).

\*Information Management and Technology Issues (GAO/OCG-93-5TR, Dec. 1992).

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

\*Defense Management: Stronger Support Needed for Corporate Information Management Initiative To Succeed (GAO/AIMD/NSIAD-94-101, Apr. 12, 1994).

- In 1990, because of computer security weaknesses, we found that the Department of Justice could not ensure the security of highly sensitive information, such as the names of defendants, witnesses, informants, and undercover law enforcement officials.<sup>8</sup>

Mr. Chairman, this list goes on. Individually these problems place individual programs at serious risk; collectively, they undermine the efficiency of the government and hamstring our ability to give citizens full value for their tax dollars.

### Learning from Leading Organizations

There are methods to achieve real improvements in managing technology. Much of GAO's information technology work has been focused on agency problems. While you can learn from failure, you can learn more from focusing on success. Our report being issued today identifies the practices followed by organizations who have successfully managed information technology and, as a result, have become more competitive, reduced costs, or have dramatically improved customer services. The management techniques and processes followed by these organizations--both private enterprise and state governments--can be successfully adopted by the federal government.

Our report identifies 11 fundamental management practices that we believe are critical to building a modern information management infrastructure. These practices--listed in appendix II and described in more detail in the report--fall into three basic categories:

- Deciding to work differently
- Directing resources toward high-value uses
- Supporting improvements with the right skills, roles, and responsibilities

Essentially, the organizations we studied decided to manage information technology as an integral part of their business strategy, not as an add-on. Technology then became an investment, not an expense. As an investment technology was measured and controlled. A chief information officer (CIO) was established and made a member of the top management team to ensure that the technology strategy was integrated into achieving business goals and that standards were established and followed. Most importantly, in all these organizations, information

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<sup>8</sup>Justice Automation: Tighter Computer Security Needed  
(GAO/IMTEC-90-69, Jul. 30, 1990).

management became an integral responsibility of the top executives and line management, not viewed as a secondary administrative function. Information technology was seen as a critical resource necessary to the successful operation of the organization and, as such, worthy of top management attention and support.

Strengthening the Paperwork Reduction Act  
Offers an Opportunity for Promoting Change

This Committee's consideration of reauthorization of the Paperwork Reduction Act offers an important opportunity to include many, if not all, of the best practices followed by leading organizations. While these practices will not guarantee success, they can provide a management framework necessary to reduce the risk of failure and increase the opportunity for maximizing the government's \$25 billion annual investment.

More specifically, we recommend that the act be amended to

- Clarify that line managers--both senior executives and program managers--are responsible for effectively managing information and accountable for achieving meaningful results from technology investments. As our best practices work shows, increasing line executives' accountability and involvement works because it immediately focuses information management decision-making and systems development activities on measurable mission outcomes of strategic importance.
- Require agencies to implement practices to ensure that information technology investments effectively support agency missions. Information technology investments must be driven by business plans and effective controls over these investments need to be in place. A key condition that separates best practice organizations from others is that a well-defined process is used by senior management to propose, select, control, and evaluate all major information systems initiatives.
- Encourage agencies to redesign business practices and supporting systems before making major investments in upgrading or replacing existing systems. Our reviews show that, more often than not, agencies' attempts to use information systems to improve operations have only marginal impact because they are focused on automating existing inefficient processes. By contrast, best practice organizations use business process improvements to drive their information system initiatives, often resulting in increased productivity, cost savings, and customer satisfaction.

- Require agencies to establish performance measures to evaluate the effectiveness of technology and information management in supporting agency missions. These measures should be developed consistent with the requirements of the Government Performance and Results Act. Our work indicates that once a decision has been made to fund a systems project, agencies often fail to monitor and evaluate actual results.
- Require agencies to integrate information management and technology operations and decisions into organizationwide planning, budgeting, financial management, human resources management, and program decisions. IRM decisions should not be separate activities, but rather should be integrated into an agency's overall planning and decision-making structure.
- Require agencies to establish a Chief Information Officer who would share responsibility with other top managers, program officials, and the Chief Financial Officer for ensuring that information technology effectively supports agency operations and mission objectives. Ideally, the CIO should report to the chief operating officer and have only assigned responsibilities directly related to information management.

While these changes offer no guarantee, billions of dollars will continue to be wasted and customer service will continue to suffer until modern management practices become the norm. Further, the public will continue to suffer under the burden of ineffective and inefficient information activities.

I am pleased that the Committee staff's proposal incorporates most of our suggested legislative changes. We support all the proposed changes. However, we also would recommend that a CIO provision be added to the staff proposal. Currently, the act requires that each agency establish a Designated Senior Official reporting to the agency head and assume responsibility for carrying out the agency information management activities. At most agencies, this official has numerous management responsibilities and frequently has little time to focus on information resources management. Actual information management activities are typically delegated to a lower level staff official. Without a CIO, it will be difficult for agencies to achieve the progress anticipated by proposed revisions to the act.

#### Addressing the Reduction in Regulatory Paperwork Burden

Regulatory burden is not a new problem, as evidenced by the enactment more than a decade ago of the Paperwork Reduction Act



and other legislative and administrative remedies. However, some of these remedies clearly have not worked as intended. For example, the Regulatory Flexibility Act of 1980 was intended to lessen the regulatory burden on small businesses and small governments. In a recent report addressed to you, Mr. Chairman, we noted that federal agencies often fail to comply with the Regulatory Flexibility Act as interpreted by the Small Business Administration (SBA).<sup>9</sup>

One reason for this lack of compliance is that the act does not expressly authorize or require any agency to enforce its provisions or to provide guidance on how to comply with its requirements. Furthermore, OMB and SBA were not working together to ensure compliance with the act. We recommended several steps to improve enforcement of the act and, therefore, lessen the regulatory burden on small entities.

We have looked at many other aspects of the regulatory process, as well, in the past few years. For example, in 1989 we studied the paperwork clearance process pursuant to the Paperwork Reduction Act.<sup>10</sup> We found that OMB's review process was well articulated and that most reviews were completed within the legal time limits. However, OMB's policies were inconsistently applied by staff, reviews were slower than in earlier years, and some requests OMB approved were technically flawed. In some cases agencies could have used a more accurate, yet less burdensome, data gathering approach. In other cases, agencies did not exclusively ask for information that was really needed and would be used. Some agencies had persistent problems in obtaining OMB's approval due to the quality of their submissions. Clearly, improvements in agencies' information collection approaches are needed. Section 3506 of the staff proposal goes a long way toward strengthening agencies' capabilities and responsibilities in this area.

In addition, because some agencies had developed systematic procedures for reviewing data requests, we recommended that the Director of OMB delegate primary review responsibility to senior officials within those agencies. We also recommended that the Director develop an ongoing training program for agency

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<sup>9</sup>Regulatory Flexibility Act: Status of Agencies' Compliance (GAO/GGD-94-105, Apr. 27, 1994).

<sup>10</sup>Paperwork Reduction: Mixed Effects on Agency Decision Processes and Data Availability (GAO/PEMD-89-20, Sept. 7, 1989) and Paperwork Clearance: It's Time For a Change (GAO/T-PEMD-90-6, Oct. 12, 1989).

paperwork review staff to ensure that both technical and nontechnical criteria are appropriately and consistently applied to submissions.

We have also pointed out the difficulty in doing regulatory analyses. For example, in a 1992 report we reviewed OMB's suspension of its review of a rule proposed by the Occupational Safety and Health Administration.<sup>11</sup> We found that application of the technique to OSHA's proposed rule was flawed in several respects and was inconsistent with a Supreme Court decision holding that the use of cost-benefit analyses was not appropriate in setting health standards. Thus, techniques such as "risk-risk analysis" and "cost-benefit analysis," while appealing in many respects, can be fraught with unforeseen difficulties.

We have also found that, while it is fashionable to use various dollar or time-based "measures" of regulatory burden to emphasize the importance of this topic, the use of such measures is also subject to misuse and misinterpretation. For example, we reported in 1993 that estimates of regulatory compliance costs reported in studies by financial institutions were not reliable due to methodological problems.<sup>12</sup> We also 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.<sup>13</sup> Therefore, I urge this Committee to use caution and closely examine any such "measure" of regulatory burden before using it as a basis of policy making.

There are also legal considerations that must be taken into account as agencies collect information pursuant to the Paperwork Reduction Act. 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 Senior Citizens v. Sullivan.<sup>14</sup> 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

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"Risk-Risk Analysis: OMB's Review of a Proposed OSHA Rule (GAO/PEMD-92-33, July 2, 1992).

"Regulatory Burden: Recent Studies, Industry Issues, and Agency Initiatives (GAO/GGD-94-28, Dec. 13, 1993).

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

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

the agencies. Therefore, we recommended that the Director of OMB issue guidance to clarify when agencies are required to submit information collection requests for review under the Paperwork Reduction Act.

Mr. Chairman, GAO shares your commitment to develop more effective, yet less onerous, regulatory processes. Therefore, we are working with your staff and other members' staffs to continue to examine other issues related to regulatory burden. For example, in one study we are examining business and labor unions' views regarding federal workplace regulations. Another study just getting started will try to identify the "pain points" in tax regulations and will analyze ways to measure tax regulation burden. Another study just beginning will look at the cumulative burden of all types of federal regulation on businesses, including such areas as environmental protection, taxation, health and safety issues, and EEO issues. Finally, we are tracking the implementation of the recommendations in the National Performance Review related to improving regulatory systems. These recommendations include the establishment of an interagency regulatory coordinating group, training and incentives for regulators, and the development of more innovative approaches to regulation.

#### Concluding Remarks

It is imperative that we use information technology to achieve high-quality program results. The government must improve its management processes in order for these results to be achieved. Proposed revisions to the Paperwork Reduction Act can help those processes be established. However, changing the act is not enough. Agencies must aggressively pursue the opportunity to make meaningful change. Implementation of the management processes must be real and not simply a paper exercise. Successful implementation will also require vigorous, continuous support by both OMB and the Congress.

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This concludes my remarks. I will be happy to answer any questions that you or other members of the Committee may have.

**Related GAO Products on Information Management and Technology**

Defense Management: Stronger Support Needed for Corporate Information Management Initiative to Succeed (GAO/AIMD/NSIAD-94-101, Apr. 12, 1994).

Weather Forecasting: Systems Architecture Needed for National Weather Service Modernization (GAO/AIMD-94-28, Mar. 11, 1994).

Defense IRM: Business Strategy Needed for Electronic Data Interchange Program (GAO/AIMD-94-17, Dec. 9, 1993).

Information Resources: USDA Lacks Data on Major Computer Systems (GAO/AIMD-94-31, Oct. 21, 1993).

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

IRS Information Systems: Weaknesses Increase Risk of Fraud and Impair Reliability of Management Information (GAO/AIMD-93-34, Sept. 22, 1993).

Environmental Protection: EPA's Plans to Improve Longstanding Information Resources Management Problems (GAO/AIMD-93-8, Sept. 16, 1993).

Financial Management: IRS Lacks Accountability Over Its ADP Resources (GAO/AIMD-93-24, Aug. 5, 1993).

Federal Health Care: Increased Information System Sharing Could Improve Service, Reduce Costs (GAO/IMTEC-93-33BR, June 29, 1993).

DOD Computer Contracting: Inadequate Management Wasted Millions of Dollars (GAO/IMTEC-93-31, June 25, 1993).

Software Reuse: Major Issues Need to Be Resolved Before Benefits Can Be Achieved (GAO/IMTEC-93-16, Jan. 28, 1993).

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

ADP Procurement: Prompt Navy Action Can Reduce Risks to SNAP III Implementation (GAO/IMTEC-92-69, Sept. 29, 1992).

Tax Systems Modernization: Concerns Over Security and Privacy Elements of the Systems Architecture (GAO/IMTEC-92-63, Sept. 21, 1992).

Defense ADP: Corporate Information Management Must Overcome Major Problems (GAO/IMTEC-92-77, Sept. 14, 1992).

Perceived Barriers to Effective Information Resources Management: Results of GAO Panel Discussions (GAO/IMTEC-92-67, Sept. 1992).

FBI: Advanced Communications Technologies Pose Wiretapping Challenges (GAO/IMTEC-92-68BR, July 17, 1992).

Practitioner Data Bank: Information on Small Medical Malpractice Payments (GAO/IMTEC-92-56, July 7, 1992).

Space Station: Delays in Dealing With Space Debris May Reduce Safety and Increase Costs (GAO/IMTEC-92-50, June 2, 1992).

Strategic Information Planning: Framework for Designing and Developing System Architectures (GAO/IMTEC-92-51, June 1992).

Tax Systems Modernization: Update on Critical Issues Facing IRS (GAO/T-IMTEC-92-18, May 13, 1992).

Department of Education: Management Commitment Needed to Improve Information Resources Management (GAO/IMTEC-92-17, Apr. 20, 1992).

Environmental Enforcement: EPA Needs a Better Strategy to Manage Its Cross-Media Information (GAO/IMTEC-92-14, Apr. 2, 1992).

Embedded Computer Systems: F-14D Aircraft Software Is Not Reliable (GAO/IMTEC-92-21, Apr. 2, 1992).

Medicare: Shared Systems Policy Inadequately Planned and Implemented (GAO/IMTEC-92-41, Mar. 18, 1992).

Resolution Trust Corporation: Corporate Strategy Needed to Improve Information Management (GAO/IMTEC-92-38, Mar. 5, 1992).

Earth Observing System: NASA's EOSDIS Development Approach Is Risky (GAO/IMTEC-92-24, Feb. 25, 1992).

Strategic Defense Initiative: Changing Design and Technological Uncertainties Create Significant Risk (GAO/IMTEC-92-18, Feb. 19, 1992).

Computer Security: DEA Is Not Adequately Protecting National Security Information (GAO/IMTEC-92-31, Feb. 19, 1992).

Office of Thrift Supervision: Stronger System Controls Needed to Prevent Call Report Delays (GAO/IMTEC-92-22, Feb. 14, 1992).

Appendix I

Appendix I

Information Resources: Summary of Federal Agencies' Information Resources Management Problems (GAO/IMTEC-92-13FS, Feb. 13, 1992).

Patriot Missile Defense: Software Problem Led to System Failure at Dhahran, Saudi Arabia (GAO/IMTEC-92-26, Feb. 4, 1992).

Stock Markets: Information Vendors Need SEC Oversight to Control Automation Risks (GAO/IMTEC-92-16, Jan. 29, 1992).

Major NIH Computer System: Poor Management Resulted in Unmet Scientists' Needs and Wasted Missions (GAO/IMTEC-92-5, Nov. 4, 1991).

ADP Modernization: Half-Billion Dollar FmHA Effort Lacks Adequate Planning and Oversight (GAO/IMTEC-92-9, Oct. 29, 1991).

Interstate Child Support Enforcement: Computer Network Contract Not Ready To Be Awarded (GAO/IMTEC-92-8, Oct. 23, 1991).

SSA Computers: Long-Range Vision Needed to Guide Future Systems Modernization Efforts (GAO/IMTEC-91-44, Sept. 24, 1991).

FAA Information Resources: Agency Needs to Correct Widespread Deficiencies (GAO/IMTEC-91-43, June 18, 1991).

Medical ADP Systems: Automated Medical Records Hold Promise to Improve Patient Care (GAO/IMTEC-91-5, Jan. 22, 1991).

Meeting the Government's Technology Challenge: Results of a GAO Symposium (GAO/IMTEC-90-23, Feb. 1990).

Information Technology Issues (GAO/OCG-89-6TR, Nov. 1988).

**Fundamental Practices for Strategic Information Management**

<b>Decide to Change:</b>	<b>Initiate, mandate, and facilitate major changes in information management to improve performance</b>
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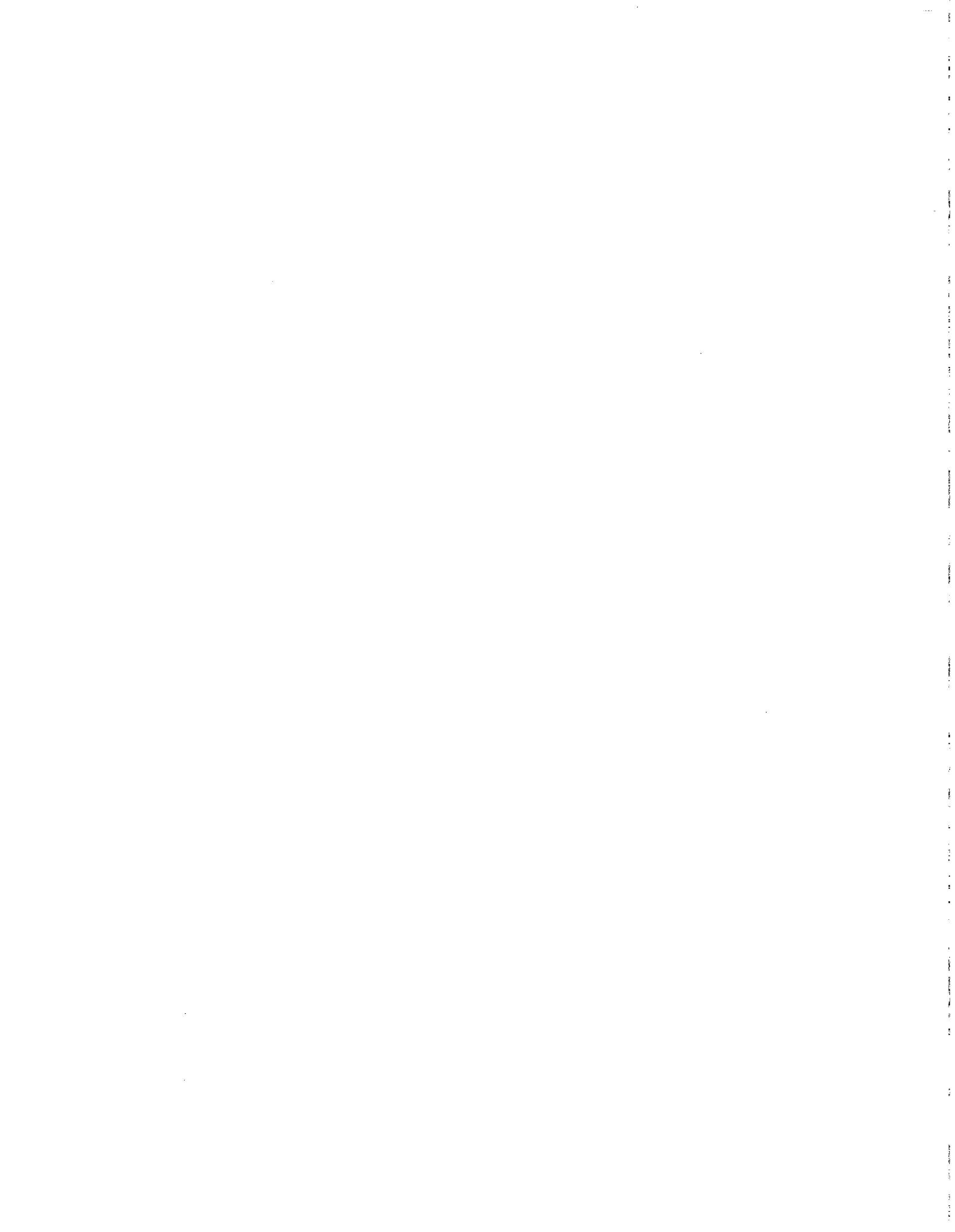
- 1 Recognize and communicate the urgency to change information management practices
- 2 Get line management involved and create ownership
- 3 Take action and maintain momentum

<b>Direct Change:</b>	<b>Establish an outcome-oriented, integrated strategic information management process</b>
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- 4 Anchor strategic planning in customer needs and mission goals
- 5 Measure the performance of key mission delivery processes
- 6 Focus on process improvement in the context of an architecture
- 7 Manage information systems projects as investments
- 8 Integrate the planning, budgeting, and evaluation processes

<b>Support Change:</b>	<b>Build organizationwide information management capabilities to address mission needs</b>
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- 9 Establish customer/supplier relationships between line and information management professionals
- 10 Position a Chief Information Officer as a senior management partner
- 11 Upgrade skills and knowledge of line and information management professionals





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