U.S. Department of Education
Office of Inspector General

The Department's Compliance with FITARA Requirements

September 23, 2019
ED-OIG/A19S0002

NOTICE

September 23, 2019

TO: Jason Gray
            Chief Information Officer
            Office of the Chief Information Officer

FROM: Bryon S. Gordon /s/
            Assistant Inspector General for Audit

SUBJECT: Final Audit Report, "The Department's Compliance with FITARA Requirements,"
            Control Number ED-OIG/A19S0002

Attached is the subject final audit report that consolidates the results of our review of the Department's compliance with the Federal Information Technology Acquisition Reform Act (FITARA). We have provided an electronic copy to your audit liaison officer. We received your comments, including corrective actions planned or implemented, in response to each of the recommendations included in our draft report.

U.S. Department of Education policy requires that you develop a final corrective action plan within 30 days of the issuance of this report. The corrective action plan should set forth the specific action items and targeted completion dates necessary to implement final corrective actions on the findings and recommendations contained in this final audit report. Corrective actions that your office proposes and implements will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the audits that remain unresolved after 6 months from the date of issuance.

We appreciate your cooperation during this review. If you have any questions, please contact Michele Weaver-Dugan, Regional Inspector General for Audit, Internal Operations/Philadelphia Audit Team, at (202) 245-6941 or michele.weaver-dugan@ed.gov.

Attachment

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Results in Brief

What We Did

The objective of our audit was to assess the U.S. Department of Education's (Department) compliance with Federal Information Technology Acquisition Reform Act (FITARA) Chief Information Officer (CIO) authority enhancements and other selected requirements. Specifically, we reviewed the Department's compliance with the FITARA CIO authority enhancements as defined by the Common Baseline, transparency and risk management and the reporting of required data under FITARA, and required PortfolioStat Sessions and related action items. Our audit reviewed the Department's compliance with these FITARA requirements from the enactment of FITARA, December 19, 2014, through the end of our audit fieldwork, June 13, 2019.

What We Found

We found improvements are needed in the Department's compliance with CIO authority enhancements. Specifically, we found that the Department has fully implemented and documented in policy only 8 of the 17 CIO authority enhancements (47 percent). The Office of the Chief Information Officer (OCIO) was unable to provide evidence that 6 of the 17 CIO authority enhancements (35 percent) have been fully implemented and the Department's policies and procedures did not fully address 5 of the 17 CIO authority enhancements (29 percent) at the time we began our audit fieldwork, although 3 authority enhancements were later documented in revised guidance. Without implementing and formally documenting the CIO authority enhancements, the Department is hindering its ability to achieve FITARA's goals of better managing and securing IT systems and acquisitions and to ensure that staff are aware of their roles and responsibilities within the process and that requirements are being appropriately implemented.

In addition, we found that improvements are needed in the Department's process for ensuring transparency and risk management of IT resources. Specifically, we found that the Department has not correctly classified all major IT investments, has not consistently adhered to its process for assessing the risk of IT investments, and has not always conducted TechStat sessions of high risk major IT investments as required by FITARA. Consequently, investments are not subjected to additional transparency and risk management requirements, CIO ratings published to the IT Dashboard are outdated, and any critical problems facing an investment may go unidentified longer than they should.

We also found that the Department is not always meeting FITARA PortfolioStat requirements. PortfolioStat is a data-driven tool that agencies use to assess the current maturity of their IT portfolio management processes. We were unable to determine whether the Department has been holding required quarterly PortfolioStat sessions with the Office of Management and Budget (OMB) or to confirm that the required topics of PortfolioStat sessions were discussed. The Department also did not always report on the status of its PortfolioStat action items in its quarterly Integrated Data Collection submission and was unable to provide evidence that the CIO and agency head reviewed and certified the status of PortfolioStat action items and sent the certification to OMB each year. Lastly, we found that while the Department appears to be completing PortfolioStat action items, action items have not always been completed timely. If the Department is not holding required PortfolioStat sessions with OMB, it is missing out on a tool to assess its IT portfolio management process and jeopardizing its ability to realize the PortfolioStat goals of driving value in IT investments, delivering world-class digital services, and protecting IT assets and information. Not reporting on the status of action items each quarter is hindering OMB's ability to track progress and recommend course corrections. Further, by not completing action items timely, the Department is delaying opportunities to optimize its IT portfolio, programs, and resources.

What We Recommend

We made several recommendations to improve the Department's compliance with FITARA CIO authority enhancements and other selected requirements. We recommend that the CIO fully implement and document the CIO authority enhancements as defined in the FITARA Common Baseline and ensure appropriate oversight of implementation.

We also recommend that the CIO update, finalize, and implement policy on classifying major IT investments to ensure that investments that are exempted from policy are clearly documented and the treatment of full-time equivalent costs is consistently applied. In addition, we recommend that the CIO complete CIO risk ratings for all major IT investments regularly to ensure that risk ratings reflect the CIO's assessment of the current level of risk for the major investment's ability to accomplish its goals and calculate all CIO risk ratings of major IT investments in accordance with Department policy. We recommend that the CIO update, finalize, and implement policy to meet FITARA TechStat requirements, including requirements for TechStat sessions to be held for any investments rated as high risk for three consecutive months and specifying timeframes in which required TechStat sessions should be held, and ensuring documentation is maintained in accordance with policy.

Finally, we recommend that the CIO maintain PortfolioStat meeting documentation in accordance with applicable Federal records management regulations and Department policy, including significant correspondence with OMB and other information regarding milestones as they relate to FITARA reporting requirements. Regarding PortfolioStat action items, we recommend that the Department report on the status of these items each quarter, that action items are completed timely, briefings are held for missed deadlines, and an annual review and certification of the action items is performed and sent to OMB.

We provided a draft of this report to OCIO for comment. In its response, OCIO highlighted several improvements and ongoing activities related to improving management and oversight of IT resources. OCIO concurred or partially concurred with 9 of our 12 recommendations. It did not concur with three of our recommendations pertaining to ensuring appropriate oversight of the implementation of the FITARA Common Baseline and the PortfolioStat process and maintaining supporting documentation of TechStat sessions.

OCIO's comments are summarized at the end of each applicable finding. We did not make any substantive changes to the audit findings or the related recommendations as a result of OCIO's comments. The full text of OCIO's response is included at the end of this report.

Introduction

Background

The Federal Information Technology Acquisition Reform Act,[1] enacted December 19, 2014, empowers agency CIOs with specific authorities to enhance their role and responsibility for the management of IT and provides a set of tools and guidelines that allow agencies to better manage and secure IT systems and acquisitions. FITARA requires the head of each covered agency to ensure that the CIO of the agency has a significant role in (i) the decision process for all annual and multiyear planning, programming, budgeting, and execution decisions, related reporting requirements, and reports related to IT; and (ii) the management, governance, and oversight processes related to IT.

FITARA Management and Acquisition Requirements

FITARA's IT management and acquisition requirements include, but are not limited to:

CIO Authority Enhancements

OMB M-15-14, Management and Oversight of Federal Information Technology, dated June 10, 2015, established a "Common Baseline" that provides a framework for implementing the roles, responsibilities, and authorities of agency CIOs and the roles and responsibilities of other applicable Senior Agency Officials in management of IT as required by FITARA.[2] The Common Baseline elements are grouped into the following four areas: (1) budget formulation, (2) budget execution, (3) acquisition, and (4) organization and workforce. During FITARA implementation, agencies are required to complete a self-assessment identifying conformity and gaps with the Common Baseline requirements, including the 17 CIO authority enhancements and 13 other Senior Agency Official requirements,[3] and an implementation plan describing changes to be made to ensure that all Common Baseline requirements are implemented.

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[1] Title VIII, Subtitle D of the National Defense Authorization Act for FY 2015, Pub. L. No. 113-291.

[2] OMB M-15-14 notes that the CIO may designate other agency officials to act as a representative of the CIO in responsibilities outlined in the Common Baseline, except for elements D1: *CIO reviews and approves major IT investment portion of budget request* and M1: *CIO approves bureau CIOs*, which may not be designated to other agency officials.

[3] See Appendix B for Common Baseline requirements.

Enhanced Transparency and Improved Risk Management in IT Investments

Agencies are required to submit data to the Federal IT Dashboard and provide updates of risks, performance metrics, project, and activity data for major IT investments. Agencies are also required to report CIO evaluations for all major IT investments that reflect the CIO's assessment of the current level of risk for any major investment's ability to accomplish its goals. If an investment receives a high risk rating for three consecutive months, agencies are required to hold a TechStat session, which is a face-to-face, evidence-based accountability review of an IT program with agency leadership.

Portfolio Review

Agencies are required to hold PortfolioStat sessions, which are a data-driven tool used to assess the current maturity of the agency's IT portfolio. The sessions are held on a quarterly basis with OMB and the agency and its CIO, where action items are developed to address issues identified.

The Department's IT Governance Structure

The Department's FITARA Implementation Working Group, the Investment Review Board, the Federal Student Aid (FSA) Investment Review Board, and the Planning and Investment Review Working Group support the Department's implementation and management of FITARA requirements.

The FITARA Implementation Working Group is responsible for overseeing FITARA implementation, including (1) ensuring that the Department completed the required tasks on time and resolved any issues with implementing FITARA requirements; and (2) coordinating among the stakeholders to develop necessary agreements and modify the information resource management related processes and procedures that achieve successful implementation of FITARA. The CIO serves as the chair and the Director of Information Technology Program Services serves as the vice chair. Members include the Chief Human Capital Officer, the Budget Director, and the FSA CIO.

The Investment Review Board reviews the Department's IT investments. It advises the Deputy Secretary on information systems and resource matters for the Department and reviews proposals and recommendations from the CIO regarding investments for all information systems, collections, and resources. The Deputy Secretary serves as the chair and the CIO serves as the vice chair.

The FSA Investment Review Board is responsible for reviewing FSA's IT portfolio. It is co-chaired by the FSA CIO and the FSA Chief Financial Officer (CFO) and includes the Department's CIO as a voting member. For FSA IT investments of $10 million or more,

the investment does not proceed in the review process if the Department CIO does not vote to approve.

The Planning and Investment Review Working Group assesses the effectiveness of the Department's IT investment management process. It serves as an advisory board to the CIO and provides recommendations through the CIO to the Investment Review Board for refining and improving the process.

Finding 1. Improvements are Needed in the Department's Compliance with CIO Authority Enhancements

We found that improvements are needed in the Department's compliance with CIO authority enhancements. OMB M-15-14 notes that all covered agencies shall institute policies and procedures that implement the roles, responsibilities, and requirements of Agency CIOs found in the Common Baseline. The memo set a deadline of December 31, 2015, for implementing the Common Baseline responsibilities. We found that while the Department has fully implemented and documented in policy 8 of the 17 CIO authority enhancements (47 percent), the Department has not fully implemented and/or documented in policy the remaining 9 out of 17 CIO authority enhancements (53 percent). The following is a summary of the results of our review.

Table 1. FITARA CIO Authority Enhancement Assessment

CIO Authority Enhancement	Enhancement is Fully Implemented	Enhancement is Fully Documented in Department Policies and Procedures
Budget Formulation and Planning		
A1. Visibility of IT resource plans/decisions to the CIO.	●	●
B1.CIO role in pre-budget submission for programs that include IT and overall portfolio.	●	●
C1.CIO role in planning program management.	●	●
D1. CIO reviews and approves major IT investment portion of budget request.	○	●
Acquisition and Budget Execution		
E1. Ongoing CIO engagement with program managers.	○	●
F1. Visibility of IT planned expenditure reporting to CIO.	●	●
G1. CIO defines IT processes and policies.	●	○
H1. CIO role on program governance boards.	●	○

CIO Authority Enhancement	Enhancement is Fully Implemented	Enhancement is Fully Documented in Department Policies and Procedures
I1. Shared acquisition and procurement responsibilities.	○	●
J1.CIO role in recommending modification, termination, or pause of IT projects or initiatives.	○	●
K1. CIO review and approval of acquisition strategy and acquisition plan.	○	○
L1. CIO approval of reprogramming.	●	○
Organization and Workforce		
M1. CIO approves bureau CIOs.	●	●
N1. CIO role in ongoing bureau CIOs' evaluations.	●	●
O1. Bureau IT Leadership Directory.	●	●
P1. IT Workforce.	○	○
Q1.CIO reports to agency head (or deputy/Chief Operating Officer).	●	●
● = Requirement Met; ○ = Requirement Not Met		

CIO Authority Enhancements Are Not Fully Implemented

We found the Department has not fully implemented all of the CIO authority enhancements contained in the FITARA Common Baseline. OCIO was unable to provide evidence that 6 of the 17 CIO authority enhancements (35 percent) have been fully implemented. Table 2 shows the CIO authority enhancements that were not fully implemented.

Table 2. CIO Authority Enhancements Not Fully Implemented

CIO Authority Enhancement	FITARA Requirements	Description of Inadequate Implementation
D1. CIO reviews and approves major IT investment portion of budget request	Agency budget justification materials in their initial budget submission to OMB shall include a statement that affirms: – the CIO has reviewed and approves the major IT investments portion of this budget request; – the CFO and CIO jointly affirm that the CIO had a significant role in reviewing planned IT support for major program objectives and significant increases and decreases in IT resources; and – the IT Portfolio includes appropriate estimates of all IT resources included in the budget request.	The Department submitted IT Resource Statements to OMB with affirmations from the CIO in fiscal years (FY) 2016, 2017 and 2018. However, the FY 2017 and FY 2018 IT Resource Statements do not include affirmation that the IT portfolio includes appropriate estimates of all IT resources included in the budget request. Further, all of the Department's IT Resource Statements provide affirmations from the CIO and the Budget Director, but not from the CFO as required.
E1. Ongoing CIO engagement with program managers	The CIO should establish and maintain a process to regularly engage with program managers to evaluate IT resources supporting each agency strategic objective. It should be the CIO and program managers' shared responsibility to ensure that legacy and ongoing IT investments are appropriately delivering customer value and meeting the business objectives of programs.	While the CIO interacts with program managers directly or indirectly through the Planning and Investment Review Working Group, two of the primary ways the CIO is to engage with program managers to evaluate IT resources, as established in Department policy, is through TechStat sessions and the Department's annual program assessment process. As discussed in more detail below in Finding No. 2, the Department conducted program assessments of major IT investments in FYs 2015, 2016, and 2017, but did not conduct them in FY 2018, and has not always conducted TechStat sessions of investments with a high risk rating for three consecutive months as required by FITARA.

CIO Authority Enhancement	FITARA Requirements	Description of Inadequate Implementation
I1. Shared acquisition and procurement responsibilities	The CIO reviews all cost estimates of IT related costs and ensures all acquisition strategies and acquisition plans that include IT apply adequate incremental development principles.	These responsibilities were delegated to the FSA CIO, with regard to acquisitions initiated by FSA,[4] and the Investment and Acquisition Management Team Chief within OCIO for all other Department IT acquisitions. FSA was unable to provide evidence of the review of acquisition strategies and acquisition plans that include IT to ensure they apply adequate incremental development. While the Department provided some evidence that acquisition plans are reviewed as part of the Statement of Work review process, we did not find evidence that the CIO or the Investment and Acquisition Management Team Chief ensures all acquisition strategies and acquisition plans that include IT apply adequate incremental development principles.
J1. CIO role in recommending modifications, termination, or pause of IT projects or initiatives	The CIO shall conduct TechStat sessions or use other applicable performance measurements to evaluate the use of IT resources of the agency. The CIO may recommend to the agency head the modification, pause, or termination of any acquisition, investment, or activity that includes a significant IT component based on the CIO's evaluation, within the terms of the relevant contracts and applicable regulations.	We received evidence that five TechStat sessions have occurred, four in FY 2016 and one in FY 2017. The Department did not hold any TechStat sessions in FY 2018. As noted below in Finding No. 2, FITARA required the Department to hold TechStat sessions for two high risk investments in FY 2018 but TechStat sessions for these investments were not held. The Department also relies on program assessments to evaluate its use of IT resources. Again, as noted below in Finding No. 2, the Department did not conduct program assessments in FY 2018.

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[4]Acquisitions that exceed $10 million over the life of a contract are to be referred to the Department's CIO for review.

CIO Authority Enhancement	FITARA Requirements	Description of Inadequate Implementation
K1. CIO review and approval of acquisition strategy and acquisition plan	Agencies shall not approve an acquisition strategy or acquisition plan or interagency agreement that includes IT without review and approval by the agency CIO. For contract actions that contain IT without an approved acquisition strategy or acquisition plan, the CIO shall review and approve the action itself. The CIO shall primarily consider the following factors when reviewing acquisition strategies and acquisition plans: Appropriateness of contract type; Appropriateness of IT related portions of statement of needs or Statement of Work; Appropriateness of above with respect to the mission and business objectives supported by the IT strategic plan; and Alignment with mission and program objectives in consultation with program leadership.	These responsibilities were delegated to the CIO for FSA, with regard to acquisition strategies and plans developed by FSA, and to the Information Technology Program Services Director within OCIO for all other Department acquisition strategies and plans and for FSA acquisitions over $10 million over the life of the contract. FSA was not able to provide any evidence that the FSA CIO or the Information Technology Program Services Director reviewed acquisition strategies, acquisition plans, interagency agreements, or contract actions that contain IT without an approved acquisition strategy or acquisition plan. While OCIO provided some evidence that acquisition plans, interagency agreements, and contract actions that contain IT without an approved acquisition strategy or acquisition plan are reviewed by OCIO staff as part of the Statement of Work review process, we did not find evidence that the CIO or the Information Technology Program Services Director approved acquisition plans or contract actions that contain IT without an approved acquisition strategy or acquisition plan. Evidence was provided showing that the Information Technology Program Services Director, and in some cases the Investment and Acquisition Management Team Chief, provided approval for some interagency agreements, though not all.
Pl. IT Workforce	The CIO and Chief Human Capital Officer will develop a set of competency requirements for IT staff, including IT leadership positions, and develop and	While the Department provided competency requirements it developed for IT staff, OCIO was unable to provide any evidence that a current workforce planning process was developed. In its May 2018 self-assessment, the

CIO Authority Enhancement	FITARA Requirements	Description of Inadequate Implementation
	maintain a current workforce planning process to ensure the department/agency can (a) anticipate and respond to changing mission requirements, (b) maintain workforce skills in a rapidly developing IT environment, and (c) recruit and retain the IT talent needed to accomplish the mission.	Department updated the status of implementation of this authority enhancement, noting that implementation is in progress after having previously concluded that implementation was complete in prior self-assessments provided to OMB. OCIO noted in the self-assessment that tasks to implement this authority enhancement would be completed no later than July 31, 2019. OCIO confirmed during our audit fieldwork that implementation of this authority enhancement is still in progress.

Policies and Procedures Do Not Fully Address CIO Authority Enhancements

We found the Department's policies and procedures do not fully address all of the CIO authority enhancements contained in the FITARA Common Baseline. While the Department has instituted policies and procedures to comply with most of the CIO authority enhancements, the Department's policies and procedures did not fully address 5 of the 17 CIO authority enhancements (29 percent) at the time we began our audit fieldwork. Specifically, we found that two authority enhancements have not been fully documented in the IT Governance and Investment Management guidance or other Department policy. Three authority enhancements were not documented timely. Table 3 shows the two CIO authority enhancements that have not been fully addressed in the Department's policies and procedures.

Table 3. CIO Authority Enhancements Not Fully Documented

CIO Authority Enhancement	FITARA Requirements	Description of Inadequate Policy
H1. CIO role on program governance boards	The CIO shall be a member of governance boards that include IT resources, including Investment Review Boards. The CIO is required to notify OMB of all governance boards the CIO is a member of and at least annually update this notification.	Policy does not discuss the requirement to notify OMB of all governance boards the CIO is a member of and to update the notification as needed, and at a minimum, annually.
K1. CIO review and approval of acquisition strategy and acquisition plan	Agency CIOs are required to review and approve agency acquisition strategies and acquisition plans that include IT as well as contract actions that contain IT without an approved acquisition strategy or acquisition plan. The CIO shall consider the following factors when reviewing acquisition strategies and acquisition plans: Appropriateness of contract type; Appropriateness of IT related portions of statement of needs or Statement of Work; Appropriateness of above with respect to the mission and business objectives supported by the IT strategic plan; and Alignment with mission and program objectives in consultation with program leadership.	Policy does not address the factors required by this CIO authority enhancement when reviewing and approving acquisition strategies and acquisition plans.

We found that three authority enhancements were ultimately addressed by the Department's IT Governance and Investment Management guidance, issued on December 31, 2018 and revised on April 30, 2019. However, agencies were required to institute policies and procedures that implement the Common Baseline responsibilities by December 31, 2015. We found that the Department had identified these as being fully implemented (to include documented) as of the Department's April 2016 (L1 and

P1) and May 2017 (G1) self-assessments. The Department's FITARA Execution Task Tracking spreadsheet, dated December 16, 2016, also noted that the Department complied with these CIO authority enhancements. Table 4 identifies the CIO authority enhancements that were not documented in a timely manner.

Table 4. CIO Authority Enhancements Not Timely Documented

CIO Authority Enhancement	FITARA Requirements	Policy Not Timely Documented
G1. CIO defines IT processes and policies	The CIO defines the development of processes, milestones, review gates, and the overall policies for all capital planning, enterprise architecture, and project management and reporting for IT resources, and that these processes ensure the CIO certifies that IT resources are adequately implementing incremental development. The policies shall be posted publicly at agency.gov/digitalstrategy, included as a downloadable dataset in the agency's Public Data Listing, and shared with OMB through the Integrated Data Collection.	Prior to the April 30, 2019, revision to the IT Governance and Investment Management guidance, the requirements to post the policies to the Department's website, include the policies as a downloadable dataset in the agency's Public Data Listing, or share the policies with OMB through the Integrated Data Collection were not included in Department policy.
L1. CIO approval of reprogramming	The CIO must approve any movement of funds for IT resources that requires Congressional notification.	Prior to the issuance of the IT Governance and Investment Management guidance on December 31, 2018, the requirement for the CIO's approval of movement of funds for IT resources that requires Congressional notification was not established and instituted in Department policy.
P1. IT Workforce	The CIO, along with the Chief Human Capital Officer will develop a set of competency requirements for IT staff and develop and maintain a current workforce	Prior to the issuance of the IT Governance and Investment Management guidance on December 31, 2018, Department policy did not address the

CIO Authority Enhancement	FITARA Requirements	Policy Not Timely Documented
	planning process to ensure the Department can (a) anticipate and respond to changing mission requirements, (b) maintain workforce skills in a rapidly developing IT environment, and (c) recruit and retain the IT talent needed to accomplish the mission.	requirement for the CIO and Chief Human Capital Officer to establish and maintain a current workforce planning process.

We found that the Department is not fully complying with all of the CIO authority enhancements due to insufficient oversight of implementation, a belief that not all of the CIO authority enhancement requirements needed to be documented in policy, reliance on outdated guidance, and not ensuring that Department policies and procedures were actually being followed.

The Department developed a FITARA Execution Task Tracking spreadsheet, used by the Department's FITARA Implementation Working Group to identify and track tasks necessary to implement FITARA requirements. It identified each task that needed to be completed, categorized each task by the FITARA Common Baseline element it related to, noted whether it was a compliance or maturity task,[5] and noted who was responsible for the completion of the task. The FITARA Implementation Working Group maintained responsibility for ensuring that the Department completed the required tasks on time and for coordinating among stakeholders. However, we found instances where the FITARA Execution Task Tracking spreadsheet noted that the task had been completed even though documentation noted as supporting task completion did not exist.

In other instances, we found that the FITARA Execution Task Tracking spreadsheet noted the task was completed, but the task did not adequately address the CIO authority enhancements. For example, for authority enhancement L1: *CIO approval of reprogramming*, the FITARA Execution Task Tracking spreadsheet notes that the Department's IT Investment Management Process Guide should be amended to include the CIO approval process for reprogramming of IT funds. However, we found that while

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[5] FITARA compliance tasks are those tasks that are the minimum required to meet the requirements of the Common Baseline. FITARA maturity tasks are tasks that will help the Department make new and updated processes more efficient and include newly identified areas for improvement. The FITARA Execution Task Tracking spreadsheet identified 54 compliance tasks and 46 maturity tasks.

the IT Investment Management Process Guide was amended and noted the Department's intent to establish a process to meet the CIO authority enhancement, it did not actually establish the CIO approval process for reprogramming of IT funds nor did we find the approval process documented elsewhere in Department policy.

For CIO authority enhancement K1: *CIO review and approval of acquisition strategy and acquisition plan*, the FITARA Execution Task Tracking spreadsheet identified a task to document, draft, and finalize a process for expanding the CIO's responsibilities for reviewing acquisition plans, to include noting the factors the CIO is supposed to consider when reviewing acquisition plans. However, the referenced supporting documentation does not contain the factors the CIO is to consider.

In addition, we found that the Department's processes did not always produce evidence of whether a CIO enhancement was implemented. For example, with regard to CIO authority enhancements I1: *Shared acquisitions and procurement responsibilities* and K1: *CIO review and approval of acquisition strategy and acquisition plan*, OCIO asserts that acquisition plans, interagency agreements, and contract actions that contain IT are reviewed as part of the Statement of Work review process. We found that as part of the Statement of Work review process various OCIO teams review acquisition plans, interagency agreements, and contract actions that contain IT. However, we found no evidence that the CIO, or the CIO's delegate, reviewed and approved all acquisition plans, interagency agreements, and contract actions that contain IT without an approved acquisition strategy or acquisition plan, or that the CIO/CIO's delegate ensured all acquisition strategies and acquisition plans that include IT apply adequate incremental development principles.

These same responsibilities were delegated to the FSA CIO for FSA investments. FSA officials noted that the FSA CIO reviews acquisition strategies and plans as part of the FSA Investment Review Board meetings where investments are reviewed and approved. One FSA official noted there would likely be no evidence that acquisition strategies and plans were approved. Another FSA official noted that the FSA Investment Review Board Decision Record Memorandums document the review and approval of the acquisition plans and strategies. However, we found that while the FSA Investment Review Board Decision Record Memorandums provide evidence of the review and approval of some contract actions that contain IT, the Decision Record Memorandums do not indicate that acquisition plans and interagency agreements were reviewed and approved.

With regard to CIO authority enhancements not being adequately documented in policies and procedures, the Department disagreed that all required authority enhancements had to be documented. For example, OCIO noted that it believed it was unnecessary to have a policy saying it will follow OMB's policy since OMB policy specifically says compliance is required. However, OMB M-15-14 clearly states that

agencies should institute policies and procedures that implement all requirements found in the Common Baseline.

Further we found that the Department may have relied on outdated or inappropriate guidance when carrying out FITARA CIO authority enhancement responsibilities. For example, for CIO authority enhancement D1: *CIO reviews and approves major IT investment portion of budget request*, we found that the Department's IT Resource Statements have affirmations from the CIO and the Budget Director but not from the CFO, and do not include the required affirmation that the IT Portfolio includes appropriate estimates of all IT resources included in the budget request. OCIO noted that it has complied with the appropriate guidance and referenced several years of OMB's IT Capital Planning and Investment Control guidance, which in FY 2017, noted that the CIO and CFO/Budget Officer should ensure the overall budget justification materials describe the budget formulation process for IT resources. However, we found that the FY 2018, FY 2019, and FY 2020 Capital Planning and Investment Control guidance requires that affirmation of the extent of the CIO's role in reviewing planned IT support for major programs and significant increases and decreases in IT resources reflected in the budget should come from the CFO and CIO. Additionally, while the FY 2017 and FY 2019 Capital Planning and Investment Control guidance does not expressly state that an affirmation that the IT portfolio includes appropriate estimates of all IT resources is included in the budget request, the FY 2018 and FY 2020 Capital Planning and Investment Control guidance does. We also note that OMB M-15-14 and the Department's own policy clearly state which officials should provide the affirmations and what they are to affirm.

Lastly, we found that the Department would have fully implemented two CIO authority enhancements had it adhered to Department policy. As noted above, with regard to authority enhancement D1: *CIO reviews and approves major IT investment portion of budget request*, Department policy notes that affirmation of the budget request should come from the CIO and CFO and includes all required affirmations the IT Resource Statements are to include. CIO authority enhancement E1: *Ongoing CIO engagement with program managers*, would have been fully implemented by the Department had the Department followed its own guidance to conduct program assessments annually, which is one of the key ways the CIO engages with program managers to evaluate IT resources.

Without fully implementing all CIO authority enhancements, the Department is hindering its ability to achieve FITARA's goals of better managing and securing IT systems and acquisitions. The Department is not ensuring IT resources are regularly evaluated by the CIO and that the CIO is involved in the review of acquisition strategies and plans. Consequently, the Department's CIO may not be exercising all of the

authorities and executing the responsibilities that FITARA confers on an Agency CIO. Further, by not formally documenting CIO authority enhancements, the Department cannot ensure that staff are aware of their roles and responsibilities within the process and that requirements are being appropriately implemented.

Recommendations

We recommend that the CIO:

1.1   Fully implement the CIO authority enhancements as defined in the FITARA Common Baseline.

1.2   Update, finalize, and implement policies and procedures related to all CIO authority enhancements found in the FITARA Common Baseline, and ensure that those policies and procedures are followed.

1.3   Ensure sufficient oversight of the implementation of the FITARA Common Baseline and related policies and procedures, to include maintaining documentation that supports completion of tasks related to FITARA requirements and ensuring tasks adequately address FITARA requirements.

1.4   Update established processes to ensure that there are documented outputs of the process that the CIO, or the person to whom the CIO delegates authority, reviews and approves all acquisition plans, acquisition strategies, interagency agreements, and contract actions that contain IT without an approved acquisition strategy or acquisition plan, and that all acquisition strategies and plans that include IT apply adequate incremental development principles.

OCIO Comments

OCIO concurred with Recommendations 1.1, 1.2, and 1.4, and non-concurred with Recommendation 1.3. For Recommendations 1.1 and 1.2, OCIO noted that its concurrence was subject to additional comments on the related finding as follows:

- CIO authority enhancement D1 – OCIO noted that the Budget Director was acting as the CFO prior to and during the time identified in the report. Additionally, OCIO noted that OMB's FITARA Implementation Guidance (OMB M-15-14) indicates that "if an agency has a 'budget officer' separate from the CFO, then references to 'CFO' shall also refer to the budget officer."

- CIO authority enhancement E1 – OCIO noted that an ongoing relationship between Program Managers and OCIO did exist to report or escalate status.

- CIO authority enhancement I1 – OCIO stated that currently 82% of the Department's IT investments are using incremental development.

- CIO authority enhancement H1 – OCIO stated that the Department has consistently outlined and reported CIO membership on governance boards and consistently posted the information publicly for as long as it has been a requirement of the Integrated Data Collection, as required by OMB.

- CIO authority enhancement G1 – OCIO agreed that the requirement was not included in guidance prior to April 30, 2019, but noted the activities did occur, and the information was made available via the digital strategy section of the Department's website.

OCIO did not concur with Recommendation 1.3, explaining that in 2016, OCIO established the FITARA Implementation Working Group consisting of senior agency officials. The FITARA Implementation Working Group was chartered to oversee the implementation of the FITARA common baseline and the associated processes and procedures to support process-improvement initiatives to mature budget planning and execution, acquisition planning, and human capital management of IT resources. In addition to ensuring compliance with the FITARA Common Baseline, the FITARA Implementation Working Group developed dozens of self-identified FITARA maturity tasks to ensure continued progress in maximizing CIO authority over the IT portfolio. OCIO noted that the FITARA Implementation Working Group continues to meet quarterly and, to date, has closed the majority of the Department's compliance and maturity tasks.

Regarding Recommendation 1.4, OCIO noted that it was engaged in updating the policy and processes required to implement the related CIO authority enhancement. It also provided comments elsewhere in its response with regard to improvements and ongoing activities that were related to this recommendation, noting that in February 2019, FSA created and implemented a standard template for documenting acquisition strategies and requiring the FSA CIO to approve those acquisition strategies.

OIG Response

We appreciate the efforts OCIO has taken to comply with FITARA and to improve the Department's management and oversight of IT resources.

Regarding OCIO's comments on Recommendations 1.1 and 1.2, we note the following:

- CIO authority enhancement D1 – We found that the applicable Budget Directors were not also acting as the CFO during the time periods noted in our report. While one Budget Director was eventually delegated to perform the duties of the CFO, the delegation was not in effect until October 2018, which was after the date that the FY 2018 resource statement was signed. Additionally, the language cited by OCIO from OMB's FITARA implementation guidance indicates

that agencies with a budget officer that is separate from the CFO would be required to have both the CFO and the budget officer, rather than only the CFO or the budget officer, provide affirmations. Also, as previously stated in our report, the Department's own policy notes that affirmation of the budget request should include the CFO.

- CIO authority enhancement E1 – Table 2 does note the relationship between the program managers and the CIO. However, as discussed in Findings 1 and 2, two of the primary ways in which the CIO and program managers interact did not always occur.

- CIO authority enhancement I1 – We reviewed whether the Department was documenting and implementing procedures for ensuring that the CIO reviews acquisition strategies and plans that include IT to ensure they apply adequate incremental development principles. We do not call into question the percentage of investments that are using incremental development principles.

- CIO authority enhancements H1 and G1 – As noted in Table 1, we agree that these activities were occurring. However, the requirements for these authority enhancements were not fully documented in Department policies and procedures.

With regard to Recommendation 1.3, we note in our report that OCIO established the FITARA Implementation Working Group to oversee the Department's implementation of the FITARA common baseline, that it developed FITARA compliance and maturity tasks through the FITARA Execution Task Tracker, and that it has closed most of the compliance and maturity tasks. However, we also note that the FITARA Execution Task Tracker identifies tasks as having been completed even though supporting documentation did not always exist, and includes tasks noted as having been completed but the tasks did not adequately address the CIO authority enhancement, indicating that oversight could be improved. We modified our recommendation to focus on those specific areas where oversight can be improved.

Regarding OCIO's comments on Recommendation 1.4 specifically related to FSA's development and implementation of a process to review and approve acquisition strategies, we note that in April 2019, an FSA official stated that FSA used the Investment Review Board Decision Record Memorandum to document the review and approval of acquisition strategies. As noted in Finding 1, we found that the memorandum did not provide evidence that the FSA CIO reviewed and approved acquisition plans. FSA officials did not communicate any other processes that were in development or that had been implemented during our fieldwork.

Finding 2. Improvements are Needed in the Department's Process for Ensuring Transparency and Risk Management of IT Resources

Improvements are needed in the Department's process for ensuring transparency and risk management of IT resources. Under FITARA, agencies are to continue reporting required data to OMB as part of the quarterly Integrated Data Collection. This includes cost savings and cost avoidance achieved as a result of the strategies the agency has decided to adopt. Agencies are also required to continue providing data to the Federal IT Dashboard. Agencies are to provide updates of risks, performance metrics, project, and activity data for major IT investments as soon as the data becomes available or at least once each calendar month. Agencies are also required to report CIO evaluations for all major IT investments that reflect the CIO's assessment of the current level of risk for any major investment's ability to accomplish its goals. If an investment receives a high risk rating for three consecutive months, agencies must hold a TechStat session on that investment. We found that the Department has not correctly classified all of its major IT investments, has not consistently adhered to its process for assessing the risk of IT investments, and has not always conducted TechStat sessions of high risk major IT investments as required by FITARA.

Classification of Major IT Investments

We found that the Department has not always correctly classified its major IT investments. The Department's IT Investment Management Process Guide defines a major IT investment as (1) an IT investment with a 3 consecutive year total cost greater than $10.0 million (not including full-time equivalents); (2) an OMB-designated line-of-business or eGov initiative; (3) a financial system with a 1-year cost of $500 thousand or more (including full-time equivalents); or (4) an IT investment identified as major by the CIO, Investment Review Board or the Secretary of Education.

We identified two non-major investments that should have been classified as major IT investments. We found that these investments each exceeded the established cost threshold of $10 million over 3 years, thereby meeting the definition of a major IT investment. These investments included the following:

- eCampus Based System- costs of $10.09 million over the 3-year period of FYs 2016 through 2018 and therefore should have been classified as major in FY 2018.[6]

- Enterprise Software Licensing- costs of $61.85 million over the 3-year period of FYs 2016 through 2018 and should have been classified as major in FY 2016, FY 2017, and FY 2018.

CIO Evaluation of Investment Risk

We found that the Department has an evaluation process in place to assess the risk of major IT investments. Further, we found that this process complies with FITARA requirements with regard to factors that should be considered in the evaluation process. However, we found that the actual FY 2018 risk rating did not comply with FITARA reporting requirements since the Department did not conduct an annual program assessment. Further, we found that CIO risk ratings were not always accurately calculated based on program assessment results.

OMB M-15-14 notes that

> As required by Capital Planning and Investment Control guidance, the CIO evaluations reported to the Federal IT Dashboard for all major IT investments must reflect the CIO's assessment of the current level of risk for any major investment's ability to accomplish its goals based on factors described in the Capital Planning and Investment Control guidance.

The FY 2018, FY 2019, and FY 2020 Capital Planning and Investment Control guidance notes that

> There is no mandated reporting frequency; however, OMB does expect at a minimum that these evaluations will occur each time a TechStat occurs, a rebaseline is approved by the Agency head, when the Business Cases are submitted to OMB in the agency budget request, and when the Business Cases are prepared for the President's Budget release.[7]

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[6] The eCampus Based System was classified as major in FY 2016 and was downgraded to non-major in FY 2017 because the 3-year funding threshold was revised in June of 2016 from $3.5 million to $10 million and the eCampus Based System did not exceed the threshold at that time.

[7] Per the FY 2017, FY 2018, FY 2019, and FY 2020 Capital Planning and Investment Control guidance, the major IT Investment Business Case submissions are in September and the President's Budget submissions are in January, indicating that CIO evaluations should occur at least biannually, in addition

The Department's IT Investment Management Process Guide further notes that the Department conducts an annual assessment of each of the major IT investments, the results of which are a significant part of the CIO ratings on the IT Dashboard. Specifically, the Department relies on the annual program assessment completed for each major IT investment to support the CIO ratings each investment receives. The score an investment receives from the program assessment makes up 85 percent of the risk rating. Program assessments are used to evaluate and score investments in the areas of risk management (25 percent), requirements management (20 percent), contractor oversight (20 percent), and historical performance (20 percent). Each investment is also scored in the area of Human Capital, which makes up the remaining 15 percent of the risk rating.

While the Department published its investment risk ratings to the IT Dashboard in FY 2018, the published risk ratings were from the FY 2017 risk assessment process as opposed to a new assessment conducted in FY 2018. In addition, we reviewed documentation from 14 program assessments that were completed for 7 judgmentally selected investments and found the following 3 instances (21 percent) where the CIO risk rating was not accurately calculated from the program assessment results:

- For FY 2016, Participation Management's calculated CIO risk rating differed from what should have been calculated by 20 percent, resulting in the investment receiving a score of 3 (medium risk) when the correct risk rating was a 4 (low risk).

- For FY 2016, Common Origination and Disbursement's calculated CIO risk rating differed from what should have been calculated by 9 percent, resulting in the investment receiving a score of 4 (low risk) when the correct risk rating was a 5 (low risk).

- For FY 2017, EDFacts' calculated CIO risk rating differed from what should have been calculated by 2 percent. While a small difference, the difference resulted in the investment receiving a score of 3 (medium risk) when the correct risk rating was a 4 (low risk).

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to when TechStat sessions occur and when a rebaseline is approved by the Agency head. The FY 2020 Capital Planning and Investment Control guidance also notes that agencies should submit CIO evaluation reports at least three times each year, noting that they should be submitted to the IT Dashboard in September, January, and February, and that regular updates should be provided, and the data should be kept updated.

TechStat Sessions

The Department has not followed FITARA guidance regarding requirements related to TechStat sessions. OMB M-15-14 notes that

> If an investment has a high risk rating . . . for three consecutive months beginning July 1, 2015, agencies must hold a TechStat session on that investment. The session must be held within 30 days of the completion of the third month. If this investment remains categorized with a red CIO evaluation one year following the TechStat session then OMB may take appropriate performance and/or budgetary actions until the agency has addressed the root cause and ensured the investment's ability to complete the remaining activities within planned cost and schedule.

The Department's TechStat Process Guide notes that the Investment and Acquisition Management Team is responsible for actively monitoring investments to identify TechStat candidates and prioritize targeted investments for reviews based on need for intervention. It further notes that the Investment and Acquisition Management Team should develop an ongoing list of potential TechStat candidates based on information from the following sources, including but not limited to, the Federal IT Dashboard (CIO rating, cost and schedule rating), business case analyses, rebaseline reviews and other project documentation, annual program assessments, and Government Accountability Office reports, Inspector General reports, and Congressional testimony. The Investment and Acquisition Management Team liaison should also work with the investment or project team to formulate the briefing deck and document the findings and expected actions in the action plan. It further notes that the Investment and Acquisition Management Team liaison gathers the findings, action items and follow-up information that was generated in the TechStat session and creates a follow-up memorandum. The TechStat Process Guide also notes that TechStat session results will be maintained in the Investment and Acquisition Management Team collaborative tool and include the status of action items, investment disposition decisions, and best practices and success stories.

We noted four instances where a TechStat session was required to be held. In two instances, the Department indicated that a TechStat session was held for an investment, although limited to no evidence was provided to support this, and if the sessions were held, we determined they were not held within the required timeframe. For the other two instances, TechStat sessions were not held. Specifically, since July 2015, the following investments received high risk ratings for at least three consecutive months and would have therefore required the Department to conduct a TechStat session:

- The Ombudsman Case Tracking System investment received a score indicating it was high risk on September 17, 2015. The next score the investment received on the IT Dashboard was February 4, 2016, indicating the investment was high risk for three consecutive months as of December 17, 2015, and therefore would have required the Department to hold a TechStat session within 30 days of that date.[8] OCIO reported to OMB through its quarterly Integrated Data Collection submission that a TechStat session was held. It also provided the TechStat briefing deck to us as evidence of the TechStat session but was unable to provide any additional required output documents noted in the Department's TechStat Process Guide, to include follow-up memoranda and corrective action plans. We noted that the Integrated Data Collection submission indicated this TechStat session occurred April 28, 2016, more than 3 months later than when the TechStat session was required to be held.

- The Enterprise Data Warehouse and Analytics investment received a score indicating it was high risk on September 18, 2015. The next score the investment received on the IT Dashboard was February 3, 2016, indicating the investment was still high risk. The Department was unable to provide any documentation indicating that a TechStat session was held, although the Department reported to OMB through its quarterly Integrated Data Collection submission that a TechStat session was held for this investment on April 28, 2016. However, this would have been more than 3 months after the TechStat session was required to be held.

- After receiving scores indicating the investment was low risk for a time, the Enterprise Data Warehouse and Analytics investment again received a score on the IT Dashboard indicating it was high risk on September 12, 2017. The next two scores it received on the IT dashboard, on January 10, 2018, and September 20, 2018, still indicated the investment was high risk. The Department has not held a TechStat session for this investment since it was again rated as high risk.

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[8] OCIO officials noted that OCIO has the opportunity to update ratings published to the IT Dashboard monthly if warranted, though ratings are generally updated annually as part of the program assessment process. Therefore, our analysis related to required TechStat sessions was based on the assumption that an investment maintained the same risk rating in subsequent months until a new risk rating was published to the IT Dashboard for the investment.

- The Participation Management investment received a score indicating it was high risk on September 12, 2017. The next two scores Participation Management received on the IT dashboard, on January 10, 2018, and September 20, 2018, still indicated the investment was high risk. The Department has not held a TechStat session for this investment.

We noted that the Department reported to OMB in its Integrated Data Collection submissions that two additional investments had TechStat sessions in April of 2016, while another had a TechStat session in March of 2017.[9] These investments were not rated as high risk and not required to have a TechStat session conducted. OCIO noted that TechStat candidates are most often identified by the Investment and Acquisition Management Team liaison's evaluations of an investment's cost, schedule, risk and performance, but noted that TechStat candidates can be recommended by the Investment and Acquisition Management Team, Planning and Investment Review Working Group, the Information Technology Program Services Director, the CIO, or OMB. OCIO was unable to provide any supporting documentation to verify that the sessions noted in the Integrated Data Collection submissions were held.

OCIO has not always properly classified investments due to breakdowns in the Department's process for ensuring transparency and risk management of IT resources, including error and misapplication of criteria. With regard to the eCampus Based System, OCIO noted that the investment first met the $10 million threshold for a major investment in 2018. The Department noted that it was waiting to see if the spending trend continued before reclassifying it as a major IT investment. However, OCIO later acknowledged that its portfolio analysis should have identified the eCampus Based System as major in FY 2018.

Regarding Enterprise Software Licensing, OCIO noted the investment has been classified as non-major since its inception due to its makeup of multiple licenses from various Principal Office Components and added that it is unlike traditional investments in that it does not have projects and activities which are the basis of current IT investment reporting. We did not verify how similar or dissimilar Enterprise Software Licensing is to

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[9] The Department's Contract and Purchasing Support System and FSA Security Program had TechStat sessions April 27, 2016 and April 28, 2016, respectively, and National Student Loan Data System had a TechStat session on March 29, 2017.

other investments, but we found that the Department's policy does not describe any exceptions in applying the criteria for determining major and non-major IT investments.[10]

We also noted inconsistencies in Department policy with regard to how to apply full-time equivalent costs when classifying IT investments for FITARA reporting purposes. The Department's IT Investment Management Process Guide, dated November 2016, and the IT Investment Management Directive, dated January 26, 2017, state that these costs are not considered when applying the cost threshold of $10 million over 3 years. However, the IT Governance and Investment Management guidance, initially released in December 2018 and revised in April 2019, notes that full-time equivalent costs are included when calculating the major IT investment cost threshold. Although the classifications noted in this report occurred prior to the issuance of the IT Governance and Investment Management guidance, OCIO noted that it does include full-time equivalent costs in determining investment classification. OCIO has informed us that the IT Investment Management Process Guide will be revised to be aligned with the IT Governance and Investment Management guidance.

Regarding program assessments, OCIO noted that the program assessments were not completed in FY 2018 because the contract they had for completion of the program assessments lapsed at a time when the contractor would have been in the midst of conducting the program assessments. OCIO explained that new contractor staff would not be familiar enough with the investments to come in at that point and conduct the program assessments immediately. Investment and Acquisition Management Team staff do not complete the program assessments because they work with the investments on a day-to-day basis and OCIO believes those conducting the program assessments should be independent. The former Investment and Acquisition Management Team Chief noted that the Department would have a contractor complete the program assessments in FY 2019. The current Investment and Acquisition Management Team Chief, however, explained that they are looking to pull various elements into an overall investment

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[10] OCIO noted that going forward, Enterprise Software Licensing will be classified as a Standard IT Infrastructure investment in accordance with OMB guidance. Investments classified as Standard IT Infrastructure are not classified as major. Standard IT Infrastructure investments are not required to report CIO ratings, among other differences. We reviewed OMB's Capital Planning and Investment Control guidance for classifying investments to verify that classifying Enterprise Software Licensing as a Standard IT Infrastructure investment is appropriate and found that it did seem to meet the definition of a Standard IT Infrastructure investment.

review process to have full oversight of the IT investment portfolio. OCIO officials explained that OCIO is assessing the feasibility of conducting a third-party program assessment for FY 2019.

OCIO was unable to identify why some CIO risk ratings were not accurately calculated based on the program assessment results. An OCIO official pointed out that there were multiple people involved in the program assessments and CIO risk rating calculations; however, most have left the Department, so they were unable to determine the causes for these differences. One OCIO official that was involved in the process and is still with the Department said that the established methodology was faithfully followed and was surprised we identified any variances. He noted that the differences were relatively small and could have been due to math errors. We noted that in the case of Participation Management, whose calculated CIO risk rating differed by the greatest amount from what should have been calculated, the risk rating was calculated based on the original program assessment that was done, not the reassessment, which accounted for the variance that was found. OCIO officials were not aware of why the original program assessment may have been used instead of the reassessment. An OCIO official noted that reassessments are significant so if an investment's score changed because of a reassessment they would be aware of it and use the reassessed score. The OCIO official also pointed out that the CIO does not have to adhere to the CIO risk ratings calculated using the program assessments and can choose a different score to assign an investment.

TechStat sessions are not occurring as required and in a timely manner because Department guidance does not reflect the requirements for automatic TechStat sessions that are outlined in Federal guidance. While the Department's TechStat process guide indicates that an investment's CIO rating should be one factor when considering TechStat candidates, it does not require an automatic TechStat session for investments that receive a CIO rating indicating high risk for three or more consecutive months, nor does it provide any timeframe in which these TechStat sessions should occur.

Investments that are not properly classified, regularly evaluated for risk, and are not appropriately managed through TechStat sessions hinder FITARA's goal of increased transparency and risk management of IT investments. Major IT investments require special management attention and are subject to additional transparency and risk management requirements under FITARA. Investments that are misclassified as non-major are not subject to these additional transparency and risk management requirements.

Because the CIO risk evaluation process was not completely followed in FY 2018, the Department has not evaluated its major IT investments current level of risk and may lack understanding of the investment's ability to accomplish established goals. The ratings published to the IT Dashboard in FY 2018 were outdated, as they were based on program assessments conducted a whole year prior.

Since CIO risk ratings were not properly calculated in some cases, some investments' level of risk were not appropriately reflected on the IT Dashboard. While none of the instances we identified resulted in an investment receiving a lower risk rating than it otherwise should have received, incorrect calculations of CIO risk ratings could result in investments being assessed as medium or low risk when they should have been assessed as high risk and subject to additional transparency and risk management requirements.

TechStat sessions are intended to be used to get ahead of critical problems in an investment, turn around underperforming investments, or terminate investments if appropriate. When conducting TechStat sessions several months late or not conducting them at all, any critical problems facing the investment go unidentified for longer than they should, the opportunity to turn the investment around is delayed, and the investment may continue to struggle to accomplish its objectives within planned cost and schedule.

Recommendations

We recommend that the CIO:

2.1   Update, finalize, and implement policy on classifying major IT investments to ensure that investments that are exempted from policy are clearly documented and the treatment of full-time equivalent costs is consistently applied.

2.2   Complete CIO risk ratings for all major IT investments regularly, as required by Capital Planning and Investment Control guidance, to ensure that risk ratings reflect the CIO's assessment of the current level of risk for the major investment's ability to accomplish its goals.

2.3   Calculate all CIO risk ratings of major IT investments in accordance with Department policy to ensure the correct level of risk is assigned.

2.4   Update, finalize, and implement policy to meet FITARA TechStat requirements, including requirements for TechStat sessions to be held for any investments rated as high risk for three consecutive months and specifying timeframes in which required TechStat sessions should be held, and ensuring documentation is maintained in accordance with Department policy.

2.5   Maintain applicable supporting documentation of TechStat sessions as noted in current Department TechStat guidance.

OCIO Comments

OCIO concurred with Recommendations 2.2 and 2.3, partially concurred with Recommendations 2.1 and 2.4, and non-concurred with Recommendation 2.5.

Regarding Recommendation 2.1, OCIO noted that in December 2018, it updated its policies and procedure for classifying major IT investments, to include a change in the treatment of full-time equivalent costs. OCIO further mentioned that prior classifications of major IT investments were consistent with the guidance that was current at the time and it will make sure that, in the future, investments are classified in accordance with current guidance and that those investments exempted from policy are clearly documented.

In discussing Recommendations 2.2 and 2.3, OCIO noted that it recently revised its methodology for determining CIO risk ratings and has established a consistent and repeatable process for assessing the CIO risk ratings on a monthly basis. The methodology and process were implemented in July 2019, and will be documented in the IT Investment Management Process Guide that will be released by the end of FY 2019.

In its response to Recommendation 2.4, OCIO noted that it included policy related to TechStats in its IT Governance and Investment Management Guidance released on April 30, 2019. OCIO further noted that the consistent and repeatable process for assessing CIO risk ratings on a monthly basis that was implemented in practice in July 2019, will be the mechanism for ensuring that investments rated as high risk for three consecutive months undergo a TechStat. OCIO noted that it will document process steps around TechStat requirements and the associated documentation in the IT Investment Management Process Guide that will be released by the end of FY 2019.

OCIO noted it did not concur with Recommendation 2.5 because the issues described in Recommendation 2.5 are addressed by its response to Recommendation 2.4.

OIG Response

With regard to OCIO's comments on Recommendation 2.1, we found that prior classifications of major IT investments, as noted in Finding 2, were not always consistent with the guidance that was current at the time.

With regard to OCIO's comments on Recommendation 2.4 and its nonconcurrence to Recommendation 2.5, the Department policy regarding TechStat sessions that already exists, including the April 30, 2019, revision of the IT Governance and Investment Management Guidance referenced by OCIO, does not include these requirements, as noted in the finding. It is important that OCIO updates its policy to ensure that all Techstat requirements are addressed, to include associated documentation requirements, and it is also important, as addressed in Recommendation 2.5, that appropriate supporting documentation is actually maintained for TechStat sessions held.

Finding 3. The Department is Not Always Meeting FITARA PortfolioStat Requirements

We found that the Department is not always meeting FITARA PortfolioStat requirements. FITARA notes that the Director of OMB, in consultation with the CIOs of appropriate agencies, shall implement a process to assist covered agencies in reviewing their portfolio of IT investments.

OMB M-15-14 requires covered agencies to hold PortfolioStat sessions on a quarterly basis with OMB, the agency CIO, and other attendees. We were unable to determine whether the Department has been holding all required quarterly PortfolioStat sessions with OMB, nor confirm that the required topics of PortfolioStat sessions were discussed. We also noted that the Department has not always reported on the status of PortfolioStat action items in its quarterly Integrated Data Collection submissions. Additionally, while the Department appears to be completing PortfolioStat action items, we noted that action items were not always completed timely.

PortfolioStat Sessions

We are unable to determine whether the Department has been holding required quarterly PortfolioStat sessions with OMB or confirm that the required topics of PortfolioStat sessions were discussed because of a lack of available supporting documentation. OMB M-15-14, Attachment D notes that following each quarterly agency Integrated Data Collection submission, OMB analyzes the latest data, considers trends in performance metrics over time, and reviews past PortfolioStat topics and PortfolioStat action items to identify topics for the upcoming PortfolioStat session's discussion. OMB will send these topics, analysis, and proposed agenda for each agency to the agency's PortfolioStat lead. Agency PortfolioStat leads will work with OMB to schedule a PortfolioStat session to be held within 8 weeks following the relevant Integrated Data Collection quarter's submission deadline. In the session, OMB and the agency CIO will review updates to the agency's Strategic Information Resource Management Plan and Enterprise Roadmap, trending data from the agency's Integrated Data Collection and IT Dashboard submissions, discuss preceding quarterly PortfolioStat action items, status of investments included in High Impact Program(s), and select performance metrics. Based on the discussion, OMB and the agency will identify and agree on PortfolioStat action items (with specific deadlines) which OMB will send to the agency within 2 weeks of the completed session. Upon receipt of PortfolioStat action items, agency PortfolioStat leads shall work with OMB to include updates on the status of these items in the next quarterly PortfolioStat.

We reviewed all PortfolioStat documentation that OCIO was able to provide, from FITARA enactment through the end of 2018. We determined that at least 16 PortfolioStat sessions should have occurred during this timeframe, and that the Director of Information Technology Program Services, the CIO, Deputy CIO, and Chief Information Security Officer attend all PortfolioStat meetings. OCIO was only able to provide limited evidence that 6[11] of the required 16 PortfolioStat sessions (38 percent) were held during this timeframe.

For 4 of the 6 sessions (66 percent), OCIO provided the agendas that OMB sent to the Department prior to the meeting. For the other two sessions, OCIO provided email communications, to include a meeting invite, an email noting action items discussed, and an email that included a report that was to be discussed at an upcoming meeting as evidence that sessions were held.

Government Accountability Office Standards for Internal Control in the Federal Government, dated September 2014, requires that management clearly document significant events in a manner that allows the documentation to be readily available for examination.

According to Title 36, Code of Federal Regulations, § 1222.22, Federal agencies must prescribe the creation and maintenance of records that document the persons, places, things, or matters dealt with by the agency and document the formulation and execution of basic policies and decisions and the taking of necessary actions, including all substantive decisions and commitments reached orally or electronically, and document important board, committee, or staff meetings.

Departmental Directive: 6-103, Records and Information Management Program, dated April 14, 2017, p. 21, states official records shall be created that are sufficient to ensure adequate and proper documentation of all of the Department's functions, policies, decisions, procedures, and essential transactions.

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[11] We obtained evidence that OMB and the Department held PortfolioStat sessions for the first and second quarters of FY 2015, the second quarter of FY 2016, the first and fourth quarters of FY 2017, and the second quarter of FY 2018.

Reporting of PortfolioStat Action Items

The Department did not always report on the status of its PortfolioStat action items in its quarterly Integrated Data Collection submissions as required by FITARA. OMB M-15-14 requires agencies to report the status of PortfolioStat action items in the Integrated Data Collection at least quarterly. It also requires agency heads to annually review and certify the status of PortfolioStat action items with the agency CIO and send to OMB.

Since FITARA's enactment, starting with the submission for the second quarter of FY 2015 through the submission for the first quarter of FY 2019, we found that the Department did not report on its PortfolioStat action items for 3 out of 16 quarters (19 percent), including the third and fourth quarters of FY 2016 and the first quarter of FY 2017. We noted that the Department's Integrated Data Collection submission for the second quarter of FY 2017 reported 6 action items it had not previously reported, three of which were noted as already completed.

Lastly, OCIO was unable to provide evidence that the CIO and agency head reviewed and certified the status of each PortfolioStat action item and sent the certification to OMB each year, as required.

Progress of PortfolioStat Action Items

The Department appears to be completing PortfolioStat action items. However, many action items have not been completed timely. In its quarterly Integrated Data Collection submissions to OMB, the Department identified 11 PortfolioStat action items that it has been working on since the enactment of FITARA. The Department noted that all action items have been completed with the exception of one, which was noted as being deferred and was not reported on in any Integrated Data Collection submission thereafter. As noted in Table 5 below, we found that 7 of the 11 action items had specific due dates listed, although one due date for an action item was later revised to ongoing. Of the remaining 6 action items, all 6 were completed after the indicated due date. Three were completed roughly 7 and a half months after the indicated due date, and the other 3 were completed roughly 11 months after the due date.

Table 5. PortfolioStat Action Items Since FITARA Enactment

Action Item Description	Total Number	Percent
Number of Action Items	**11**	
Action Items Completed	10	91%
Action Items Deferred	1	9%
Action Items with Due Dates	7	64%
Action Items with Due Date Revised to Ongoing	1	14%
Action Items Completed by Due Date	0	0%
Action Items Completed After Due Date	6	86%

OMB M-15-14 requires agencies that do not meet a deadline identified in a PortfolioStat action item to brief the Federal CIO and the agency head at least once per quarter until the action item is complete. We noted that the Department did not brief the Federal CIO and agency head regarding any PortfolioStat action items with missed deadlines, as required.

We found that the Department is not always meeting PortfolioStat requirements due to insufficient oversight of the PortfolioStat process, staff turnover, and inadequate records management practices.

OCIO noted that it tried to gather all of the information it could regarding PortfolioStat sessions but noted that there have been multiple CIOs and Information Technology Program Services Directors in recent years. However, while there may have been turnover in these positions, the current CIO and Information Technology Program

Services Director have been in their positions for the last 2 years[12] or longer but OCIO was still only able to provide evidence of one PortfolioStat meeting in FY 2018 and two in FY 2017. Due to the difficulties in finding PortfolioStat documentation, OCIO acknowledged that they should store PortfolioStat documentation on a shared site in the future.

The Director of Information Technology Program Services noted that OMB initiates PortfolioStat sessions and they are an OMB-driven process, adding that the Department does not dictate when they are held. PortfolioStat guidance supports this position, indicating that the first step of a PortfolioStat is for OMB to analyze agency-submitted Integrated Data Collection data each quarter and develop and send an agenda with topics to be discussed at the meeting. At this point, agencies are instructed to work with OMB to schedule the PortfolioStat session. OCIO noted that from January 2017 through September 2017, the Department did not have an assigned OMB desk officer, which impacted the scheduling of PortfolioStat meetings during 2017.

OCIO was unable to explain why it did not report on the status of Portfolio action items in its Integrated Data Collection submissions for the third and fourth quarters of FY 2016 and the first quarter of FY 2017. Additionally, OCIO was unable to explain why the Department did not brief the Federal CIO and agency head regarding PortfolioStat action items with missed deadlines or why the CIO and agency head did not review each PortfolioStat action item, certify its accuracy, and send the certification to OMB. OCIO was also unable to provide concrete reasons for why some PortfolioStat action items were not completed timely.

By not reporting on its PortfolioStat action items each quarter, the Department is not providing OMB with updates on actions that OMB and the Department previously identified that could strengthen the Department's IT portfolio and is hindering OMB's ability to track progress and recommend course corrections. Further, by not completing action items timely, the Department is delaying opportunities to optimize its IT portfolio, programs, and resources.

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[12] The CIO has been in this position since May 2016. The Director of Information Technology Program Services noted being in this position for approximately 2 years. Based on documentation OCIO provided of Planning and Investment Review Working Group meetings, it appears the Director of Information Technology Program Services assumed the position in early 2017.

Recommendations

We recommend that the CIO:

3.1   Maintain PortfolioStat meeting documentation in accordance with Government Accountability Office Standards for Internal Control, Federal records management regulations, and Department policy for correspondence with OMB and other information regarding milestones as they relate to FITARA reporting requirements.

3.2   Ensure appropriate oversight of the PortfolioStat process, to include quarterly reporting of action item status, annual review and certification of action items, and timely completion of action items.

3.3   Hold briefings with the Federal CIO and agency head regarding any PortfolioStat action items with missed deadlines as required by OMB M-15-14.

OCIO Comments

OCIO partially concurred with Recommendations 3.1 and 3.3 and non-concurred with Recommendation 3.2. Regarding Recommendation 3.1, OCIO noted that oversight of the PortfolioStat process resides with OMB but that OCIO will work with OMB to document and maintain PortfolioStat meetings in accordance with applicable criteria.

For Recommendation 3.2, OCIO reiterated that oversight of the PortfolioStat process resides with OMB. OCIO further noted that it does review PortfolioStat action items to ensure timely completion and it reports quarterly through the Integrated Data Collection. For Recommendation 3.3, OCIO noted that the CIO is briefed quarterly on the status of PortfolioStat action items, including any missed deadlines, as part of the quarterly Integrated Data Collection process. OCIO noted that the briefings will be expanded to ensure the inclusion of the Federal CIO and agency head.

OIG Response

Regarding Recommendation 3.1, we acknowledge that OMB holds ultimate responsibility for convening PortfolioStat sessions with the Department. Nevertheless, our recommendation addresses OCIO's responsibility for maintaining documentation of PortfolioStat meetings it participates in, in accordance with the cited requirements.

Regarding the Department's non-concurrence with Recommendation 3.2, we disagree with OCIO's comment that OCIO reviews PortfolioStat action items to ensure timely completion and that it reports quarterly through the Integrated Data Collection. As noted in Finding 3, we found that 86 percent of the PortfolioStat action items were completed more than 7 months after the associated due dates and OCIO was unable to

provide concrete reasons for why they were not completed timely. Further, we found that OCIO was unable to provide evidence that the CIO and agency head reviewed and certified the status of each PortfolioStat action item and sent the certification to OMB each year, as required, and that OCIO did not report on PortfolioStat action item status for 3 of the 16 quarters reviewed.

We made minor revisions to Recommendation 3.3 and applicable sections in Finding 3 to make it clear that we are referring to the Federal CIO rather than the agency CIO when discussing the required briefings of PortfolioStat action items with missed deadlines.

Appendix A. Scope and Methodology

To accomplish our objective, we gained an understanding of processes implemented by the Department to ensure compliance with FITARA requirements. We reviewed applicable laws and OMB guidance, including Capital Planning and Investment Control guidance and OMB M-15-14. We reviewed Department policies and procedures over FITARA implementation and reporting requirements. We conducted interviews with the Department officials responsible for ensuring compliance with FITARA requirements. We also reviewed prior Office of Inspector General and Government Accountability Office audit reports relevant to our audit objective.

CIO Authority Enhancements

We selected all 17 CIO authority enhancement requirements identified in the Common Baseline in OMB M-15-14. We reviewed the policies and procedures identified in the Department's May 2018 FITARA self-assessment for each CIO authority enhancement and compared them to the requirements in the FITARA Common Baseline. We also reviewed supporting documentation to determine whether the Department was implementing processes that met the Common Baseline requirements.

Risk and Transparency

With regard to FITARA's requirement to enhance transparency and improve risk management in IT investment, we 1) assessed whether the Department was appropriately classifying IT investments, 2) reviewed the Department's process for assigning risk ratings to IT investments, and 3) reviewed the Department's process for conducting TechStat sessions and related supporting documentation.

Specifically, we met with Department officials to identify the Department's process for classifying IT investments. For all investments identified in FY 2018, we assessed whether the investments were properly classified based upon the Department's established guidelines. To determine whether the Department was meeting FITARA requirements related to risk and transparency, we reviewed the Department's process for developing CIO risk ratings for IT investments. We held discussions with Department officials to identify the process used to assess risk, determine cost savings/overruns, and schedule delays for the IT projects associated with the major IT investment. We compared this process to the OMB Capital Planning and Investment Control guidance from FY 2017 to 2020 to ensure the Department was considering required factors in assessing risks of IT investments. We judgmentally selected a sample of 7 out of 25 investments that had a CIO rating on the IT Dashboard as of July 31, 2018. Our selection of investments was based upon (1) the investments' FITARA CIO risk rating as reported on the IT Dashboard, (2) the funding level of the investment as reported on the IT

Dashboard, and (3) professional judgment. Specifically, we selected 2 high risk investments, 2 FSA and 2 non-FSA investments with the highest total funding for FY 2018,[13] and 1 new IT investment that could be potentially significant to Department operations.[14] For these investments we reviewed available supporting documentation, including annual program assessments, used to evaluate the investments' performance and associated risk. Because there is no assurance that the judgmental sample used in this audit is representative of the respective universe, the results should not be projected over the unsampled IT investments.

Lastly, to determine whether the Department was conducting TechStat sessions, we reviewed the Department's process for identifying whether a TechStat session was required. For those investments for which we identified a TechStat session should have been held, we reviewed supporting documentation to ensure the sessions were being held, being held timely, and according to FITARA requirements and the Department's policies and procedures.

PortfolioStat Sessions

We requested and reviewed documentation related to the Department's quarterly PortfolioStat meetings. For the 6 PortfolioStat sessions for which documentation was provided by the Department, we assessed whether the meetings discussed the required topics as per OMB M-15-14. We identified action items resulting from the PortfolioStat meetings. For these meetings we obtained documentation supporting that the Department was providing quarterly status updates of PortfolioStat action items as part of its Integrated Data Collection reporting.

We conducted fieldwork at Department offices in Washington, D.C., during the period July 2018 through June 2019. We provided our audit results to Department officials during an exit conference conducted on June 13, 2019.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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[13] FY 2018 funding for these 4 transactions totaled $287.33 million.

[14] A listing of the investments selected for review is included as Appendix C.

Appendix B. FITARA Common Baseline and the CIO Authority Enhancements

Below is the full listing of FITARA Common Baseline elements presented in OMB M-15-14, categorized by CIO authority enhancements and other Senior Agency Official requirements.

CIO Authority Enhancement Requirements

Budget Formulation

A1. Visibility of IT resource plans/decisions to CIO. The CFO and CIO jointly shall define the level of detail with which IT resource levels are described distinctly from other resources throughout the planning, programming, and budgeting stages. This should serve as the primary input into the IT capital planning and investment control documents submitted with the budget.

B1. CIO role in pre-budget submission for programs that include IT and overall portfolio. The agency head shall ensure the agency-wide budget development process includes the CFO, Chief Acquisition Officer, and CIO in the planning, programming, and budgeting stages for programs that include IT resources (not just programs that are primarily IT oriented). The agency head, in consultation with the CFO, CIO, and program leadership, shall define the processes by that program leadership works with the CIO to plan an overall portfolio of IT resources that achieve program and business objectives and to develop sound estimates of the necessary IT resources for accomplishing those objectives.

C1. CIO role in planning program management. The CIO shall be included in the internal planning processes for how the agency uses IT resources to achieve its objectives. The CIO shall approve the IT components of any plans, through a process defined by the agency head that balances IT investments with other uses of agency funding. This includes CIO involvement with planning for IT resources at all points in their lifecycle, including operations and disposition or migration.

D1. CIO reviews and approves major IT investment portion of budget request. Agency budget justification materials in their initial budget submission to OMB shall include a statement that affirms:

   • the CIO has reviewed and approves the major IT investments portion of this budget request;

• the CFO and CIO jointly affirm that the CIO had a significant role in reviewing planned IT support for major program objectives and significant increases and decreases in IT resources; and

• the IT Portfolio includes appropriate estimates of all IT resources included in the budget request.

Budget Execution

E1. Ongoing CIO engagement with program managers. The CIO should establish and maintain a process to regularly engage with program managers to evaluate IT resources supporting each agency strategic objective. It should be the CIO and program managers' shared responsibility to ensure that legacy and on-going IT investments are appropriately delivering customer value and meeting the business objectives of programs.

F1. Visibility of IT planned expenditure reporting to CIO. The CFO, Chief Acquisition Officer and CIO should define agency-wide policy for the level of detail of planned expenditure reporting for all transactions that include IT resources.

G1. CIO defines IT processes and policies. The CIO defines the development processes, milestones, review gates, and the overall policies for all capital planning, enterprise architecture, and project management and reporting for IT resources. At a minimum, these processes shall ensure that the CIO certifies that IT resources are adequately implementing incremental development (as defined in the below definitions). The CIO should ensure that such processes and policies address each category of IT resources appropriately—for example, it may not be appropriate to apply the same process or policy to highly customized mission-specific applications and back office enterprise IT systems depending on the agency environment. These policies shall be posted publicly at agency.gov/digitalstrategy, included as a downloadable dataset in the agency's Public Data Listing, and shared with OMB through the Integrated Data Collection. For more information, see OMB Circular A-130: Management of Information Resources.

H1. CIO role on program governance boards. In order to ensure early matching of appropriate IT with program objectives, the CIO shall be a member of governance boards that include IT resources (including "shadow IT" or "hidden IT"—see definitions), including bureau Investment Review Boards. The CIO shall notify OMB of all governance boards the CIO is a member of and at least annually update this notification.

J1. CIO role in recommending modification, termination, or pause of IT projects or initiatives. The CIO shall conduct TechStat sessions or use other applicable performance measurements to evaluate the use of the IT resources of the agency. The CIO may recommend to the agency head the modification, pause, or termination of any

acquisition, investment, or activity that includes a significant IT component based on the CIO's evaluation, within the terms of the relevant contracts and applicable regulations.

L1. CIO approval of reprogramming. The CIO must approve any movement of funds for IT resources that requires Congressional notification.

Acquisition

I1. Shared acquisition and procurement responsibilities. The CIO reviews all cost estimates of IT related costs and ensures all acquisition strategies and acquisition plans that include IT apply adequate incremental development principles (see definitions).

K1. CIO review and approval of acquisition strategy and acquisition plan. Agencies shall not approve an acquisition strategy or acquisition plan (as described in Federal Acquisition Regulation Part 724) or interagency agreement (such as those used to support purchases through another agency) that includes IT without review and approval by the agency CIO. For contract actions that contain IT without an approved acquisition strategy or acquisition plan, the CIO shall review and approve the action itself. The CIO shall primarily consider the following factors when reviewing acquisition strategies and acquisition plans:

> • Appropriateness of contract type;

> • Appropriateness of IT related portions of statement of needs or Statement of Work;

> • Appropriateness of above with respect to the mission and business objectives supported by the IT strategic plan; and

> • Alignment with mission and program objectives in consultation with program leadership.

Organization and Workforce

M1. CIO approves bureau CIOs. The CIO shall be involved in the recruitment and shall approve the selection of any new bureau CIO (includes bureau leadership with CIO duties but not title-see definitions). The title and responsibilities of current bureau CIOs may be designated or transferred to other agency personnel by the agency head or his or her designee as appropriate, and such decisions may take into consideration recommendations from the agency CIO.

N1. CIO role in ongoing bureau CIOs' evaluations. The Chief Human Capital Officer and CIO shall jointly establish an agency-wide critical element (or elements) included in all bureau CIOs' performance evaluations. In cases where the bureau CIO is a member of the Senior Executive Service and the agency uses the Basic Senior Executive Service

Appraisal System, this critical element(s) is an "agency-specific performance requirement" in· the Executive Performance Plan. Each such agency may determine that critical element(s) (Executive Core Qualifications) contain these requirements. For agencies that do not use the Basic Senior Executive Service Appraisal System or for bureau CIOs who are not members of the Senior Executive Service, then these shall be critical elements in their evaluations.

The [agency] CIO must identity "key bureau CIOs" and provide input to the rating official for this critical element(s) for at least all "key bureau CIOs" at the time of the initial summary rating and for any required progress reviews. The rating official will consider the input from the [agency] CIO when determining the initial summary rating and discusses it with the bureau CIO during progress reviews.

O1. Bureau IT Leadership Directory. CIO and Chief Human Capital Officer will conduct a survey of all bureau CIOs and CIO and Chief Human Capital Officer will jointly publish a dataset identifying all bureau officials with title of CIO or duties of a CIO. This shall be posted as a public dataset based on instructions in the Integrated Data Collection by August 15, 2015 and kept up to date thereafter. The report will identify for each:

   • Employment type (e.g. GS, SES, SL, ST, etc.)

   • Type of appointment (e.g. career, appointed, etc.)

   • Other responsibilities (e.g. full-time CIO or combination CIO/CFO). Evaluation "rating official" (e.g. bureau head, other official)

   • Evaluation "reviewing official" (if used)

   • Whether [agency] CIO identifies this bureau CIO as a "key bureau CIO" and thus requires the [agency] CIO to provide the rating official input into the agency-wide critical element(s) described in N1.

P1. IT Workforce. The CIO and Chief Human Capital Officer will develop a set of competency requirements for IT staff, including IT leadership positions, and develop and maintain a current workforce planning process to ensure the department/agency can (a) anticipate and respond to changing mission requirements, (b) maintain workforce skills in a rapidly developing IT environment, and (c) recruit and retain the IT talent needed to accomplish the mission.

Q1. CIO reports to agency head (or deputy/Chief Operating Officer). As required by the Clinger Cohen Act and left in place by FITARA, the CIO "shall report directly to such agency head to carry out the responsibilities of the agency under this subchapter." This provision remains unchanged, though certain agencies have since implemented

legislation under which the CIO and other management officials report to a Chief Operating Officer, Undersecretary for Management , Assistant Secretary for Administration , or similar management executive; in these cases, to remain consistent with the Clinger Cohen requirement as left unchanged by FITARA, the CIO shall have direct access to the agency head (i.e., the Secretary, or Deputy Secretary serving on the Secretary's behalf) regarding programs that include IT.

Other Senior Agency Official Requirements

Budget Formulation

A2. Visibility of IT resource plans/decisions in budget materials. The CFO and CIO jointly shall define the level of detail with which IT resource levels are described as detailed in A1.

B2. CIO role in pre-budget submission for programs that include IT and overall portfolio. The agency head shall ensure the agency-wide budget development process includes the CFO, Chief Acquisition Officer, and CIO as described in B2 and that CIO guidelines are applied to the planning of all IT resources during budget formulation. The CFO and program leadership shall work jointly with the CIO to establish the processes and definitions described in B1.

C2. CIO role in program management. CIO, CFO, and program leadership shall define an agency-wide process by that the CIO shall advise on all planning described in C1.

D2. CIO and CFO Certify IT Portfolio. The CFO shall work with the CIO to establish the affirmations in Dl.

Budget Execution

E2. Ongoing CIO engagement with program managers. Program managers shall work with the CIO to define IT performance metrics and strategies to support fulfillment of agency strategic objectives defined in the agency's strategic plan.

F2. Visibility of IT planned expenditure reporting to CIO. The CFO, Chief Acquisition Officer and CIO shall define agency-wide policy for the level of detail of planned expenditure reporting for all transactions that include IT resources.

H2. Participate with CIO on governance boards as appropriate.

L2. CIO approval of reprogramming. The CFO shall ensure any notifications under L1 are approved by the CIO prior to submission to OMB.

Acquisition

I2. Shared acquisition and procurement responsibilities. The Chief Acquisition Officer, in consultation with the CIO and-where appropriate-CFO, shall ensure there is an agency-wide process to ensure all acquisitions that include any IT:

> • are led by personnel with appropriate federal acquisition certifications, including specialized IT certifications as appropriate;

> • are reviewed for opportunities to leverage acquisition initiatives such as shared services, category management, strategic sourcing, and incremental or modular contracting and use such approaches as appropriate;

> • are supported by cost estimates that have been reviewed by the CIO; and

> • adequately implement incremental development.

K2. Chief Acquisition Officer is responsible for ensuring contract actions that contain IT are consistent with CIO approved acquisition strategies and plans. The Chief Acquisition Officer shall indicate to the CIO when planned acquisition strategies and acquisition plans include IT. The Chief Acquisition Officer shall ensure the agency shall initiate no contract actions or interagency agreements that include IT unless they are reviewed and approved by the CIO or are consistent with the acquisition strategy and acquisition plan previously approved by the CIO. Similar process for contract modifications. Chief Acquisition Officer shall also ensure that no modifications that make substantial changes to the scope of a significant contract are approved that are inconsistent with the acquisition strategy and acquisition plan previously approved by the CIO unless the modification is reviewed and approved by the CIO.

Organization and Workforce

N2. CIO role in ongoing bureau CIOs' evaluations. The Chief Human Capital Officer and CIO shall jointly establish an agency-wide critical element (or elements) for the evaluation of bureau CIOs as described in N1.

O2. Bureau IT Leadership Directory. Chief Human Capital Officer will work with CIO to develop the Bureau IT Leadership Directory as described in O1.

P2. IT Workforce. CIO and Chief Human Capital Officer-and Chief Acquisition Officer where relevant-shall develop a set of competency requirements for IT staff, including IT leadership positions, and develop and maintain a current workforce planning process to ensure the department/agency can (a) anticipate and respond to changing mission requirements, (b) maintain workforce skills in a rapidly developing IT environment, and (c) recruit and retain the IT talent needed to accomplish the mission.

Appendix C. Selected Investments

Investment Title	CIO Risk Rating[15]	FY 2018 Funding (in millions)	Notes
Enterprise Data Warehouse and Analytics	2	$8.08	
Participation Management	2	$2.81	
Common Origination and Disbursement	3	$125.82	
Debt Management and Collections System	3	$90.89	
Portfolio of Integrated Value Oriented Technologies	3	$56.19	
EDFacts	3	$14.43	
Next Generation Data Center	3	$0.00	This was a new investment in FY 2017 with funding of $39.33 million

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[15] CIO risk ratings are scored on a five-point scale with "5" being low risk and "1" being high risk.

Appendix D. Acronyms and Abbreviations

CFO	Chief Financial Officer
CIO	Chief Information Officer
Department	U.S. Department of Education
FITARA	Federal Information Technology Acquisition Reform Act
FSA	Federal Student Aid
FY	Fiscal Year
IT	Information Technology
OCIO	Office of the Chief Information Officer
OMB	Office of Management and Budget

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE CHIEF INFORMATION OFFICER

August 23, 2019

MEMORANDUM

TO: Byron S. Gordon
                Assistant Inspector General for Audit
                Office of Inspector General
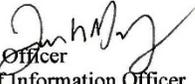
FROM: Jason K. Gray
                Chief Information Officer
                Office of the Chief Information Officer

SUBJECT: Response to Draft Audit Report
                The Department's Compliance with Federal Information Technology Acquisition Reform
                Act (FITARA) Requirements
                Control Number ED-OIG/A19S0002

Thank you for the opportunity to review and comment on the Draft Office of Inspector General's (OIG) Report, Audit of *The Department's Compliance with FITARA Requirements*, Control Number ED-OIG/ A19S0002. The Office of the Chief Information Officer (OCIO) values the review of the Department's FITARA implementation practices and processes.

Before providing our comments, OCIO would like to note the following improvements or ongoing activities that were not captured in the draft report:

- In February 2019, Federal Student Aid (FSA) created and implemented a standard template for documenting of acquisition strategies and requiring the FSA Chief Information Officer (FSA CIO) to approve those acquisition strategies.
- FSA has actively included representatives from OCIO in the development of requirements and approval of the Next Gen Digital and Customer Care (DCC) acquisition as it exceeds the $10M approval threshold of the FSA CIO.
- OCIO has recently revamped its methodology for determining CIO risk ratings for major investments and has also established a consistent and repeatable process for assessing the CIO risk ratings on a monthly basis. This process will provide greater oversight of the Department's Major IT investments and help identify IT projects in need of TechStats.
- Beginning in Fiscal Year (FY) 2019 the Department aligned its governance processes for Investment Review Board (IRB) reviews and approvals to a quarterly cycle. This more frequent and consistent review schedule establishes a foundation for more informed decision making and greater oversight of the IT portfolio.

The following responses address each recommendation:

Finding 1. Improvements are Needed in the Department's Compliance with CIO Authority Enhancements

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Our mission is to ensure equal access to education and to promote educational excellence throughout the nation.

The OIG recommends that the CIO:

OIG Recommendation 1.1: Fully implement the CIO authority enhancements as defined in the FITARA Common Baseline.

Management Response: Subject to our comments set forth below on statements made in Table 2 of the Draft Report, the Department concurs with this recommendation.

- CIO Authority Enhancement D1 – As discussed with the OIG, the Budget Director was acting as the Chief Financial Officer (CFO) prior to and during the time identified in this section. Additionally, as was also discussed with the OIG, OMB, through its FITARA Implementation Guidance, indicates that "if an agency has a "budget officer" separate from the CFO, then references to "CFO" shall also refer to the budget officer."[1]
- CIO Authority Enhancement E1 – The Department notes that an ongoing relationship between Program Managers and OCIO did exist to report or escalate status.
- CIO Authority Enhancement I1 – The Department notes that currently 82% of the Department's IT investments are using incremental development.

The Department will continue to work on maturing the implementation of the CIO authority enhancements through the oversight of the FITARA Implementation Working Group (FIWG). FIWG members consist of the CIO, the Chief Human Capital Officer (CHCO), the Assistant Secretary for Management, the Director of Information Technology Program Services (ITPS), the Budget Director, the Director of Budget Execution and Formulation, the Senior Procurement Executive, the CFO of FSA, and the CIO of FSA.

OIG Recommendation 1.2: Update, finalize, and implement policies and procedures related to all CIO authority enhancements found in the FITARA Common Baseline and ensure that those policies and procedures are followed.

Management Response: Subject to our comments set forth below on statements made in Tables 3 and 4 of the Draft Report, the Department concurs with this recommendation.

- CIO Authority Enhancement H1 – The Department has consistently outlined and reported CIO membership on governance boards and consistently posted the information publicly for as long as it has been a requirement of the Integrated Data Collection (IDC), as required by OMB. (https://www2.ed.gov/digitalstrategy/governanceboards.html)
- CIO Authority Enhancement G1 – The Department notes that while the requirement was not included in guidance prior to April 30, 2019, the activities did occur, and as evidence provided to the OIG states, the information was made available via the digital strategy section of the Department's website.

The Department will continue to update, finalize and implement policies and procedures related to all CIO authority enhancements found in the FITARA Common Baseline through the oversight of the FIWG. FIWG members consist of the CIO, the CHCO, the Assistant Secretary for Management, the Director of ITPS, the Budget Director, the Director of Budget Execution and Formulation, the Senior Procurement Executive, the CFO of FSA, and the CIO of FSA.

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[1] https://management.cio.gov/implementation/

OIG Recommendation 1.3: Ensure appropriate oversight of the implementation of the FITARA Common Baseline and related policies and procedures.

Management Response: The Department non-concurs with this recommendation. In 2016, OCIO established the FIWG consisting of senior agency officials. The FIWG was chartered to oversee the implementation of the FITARA common baseline and the associated processes and procedures to support process-improvement initiatives to mature budget planning and execution, acquisition planning, and human capital management of IT resources. In addition to ensuring compliance with the FITARA Common Baseline, the FIWG developed dozens of self-identified FITARA maturity tasks to ensure continued progress in maximizing CIO authority over the IT portfolio. The FIWG continues to meet quarterly and, to date, has closed the majority of the Department's compliance and maturity tasks.

OIG Recommendation 1.4: Update established processes to ensure that there are documented outputs of the process that the CIO, or the person to whom the CIO delegates authority, reviews and approves all acquisition plans, acquisition strategies, interagency agreements, and contract actions that contain IT without an approved acquisition strategy or acquisition plan, and that all acquisition strategies and plans that include IT apply adequate incremental development principles.

Management Response: The Department concurs with this recommendation. OCIO and the Office of Acquisition Management are engaged in updating the policy and processes required to implement this CIO authority enhancement. Multiple IT investment management practices will be updated to ensure the CIO or designee reviews and approves all acquisitions plans, acquisition strategies, or other contract actions that contain IT.

Finding 2. Improvements are Needed in the Department's Process for Ensuring Transparency and Risk Management of IT Resources

The OIG recommends that the CIO:

OIG Recommendation 2.1: Update, finalize, and implement policy on classifying major IT investments to ensure that investments that are exempted from policy are clearly documented and the treatment of full-time equivalent costs is consistently applied.

Management Response: The Department partially concurs with this recommendation. In December 2018, OCIO updated its policies and procedure for classifying major IT investments, to include a change in the treatment of full-time equivalent costs. (This documented change is also reflected in the April 2019 version of the guidance.) Prior classifications of major IT investments were consistent with the guidance that was current at the time. In the future, OCIO will ensure that investments are classified in accordance with current guidance and that those investments exempted from current policy are clearly documented.

OIG Recommendation 2.2: Complete CIO risk ratings for all major IT investments regularly, as required by Capital Planning and Investment Control guidance, to ensure that risk ratings reflect the CIO's assessment of the current level of risk for the major investment's ability to accomplish its goals.

Management Response: The Department concurs with this recommendation. OCIO has recently revised the methodology for determining CIO risk ratings and OCIO has also established a consistent and repeatable process for assessing the CIO risk ratings on a monthly basis. The methodology and process were implemented in July 2019 and it will be documented in the IT Investment Management Process Guide that will be released by the end of FY 2019.

OIG Recommendation 2.3: Calculate all CIO risk ratings of major IT investments in accordance with Department policy to ensure the correct level of risk is assigned.

Management Response: The Department concurs with this recommendation. OCIO has recently revised the methodology for determining CIO risk ratings and OCIO has also established a consistent and repeatable process for assessing the CIO risk ratings on a monthly basis. The methodology and process were implemented in July 2019 and will be documented in the IT Investment Management Process Guide that will be released by the end of FY 2019.

OIG Recommendation 2.4: Update, finalize, and implement policy to meet FITARA TechStat requirements, including requirements for TechStat sessions to be held for any investments rated as high risk for three consecutive months and specifying timeframes in which required TechStat sessions should be held, and ensuring documentation is maintained in accordance with Department policy.

Management Response: The Department partially concurs with this recommendation. OCIO included policy related to TechStats in its IT Governance and Investment Management Guidance released on April 30th, 2019. The consistent and repeatable process for assessing CIO risk ratings on a monthly basis that was implemented in practice July 2019 will be the mechanism for ensuring that investments rated as high risk for three consecutive months undergo a TechStat. OCIO will document process steps around TechStat requirements and the associated documentation in the IT Investment Management Process Guide that will be released by the end of FY 2019.

OIG Recommendation 2.5: Maintain applicable supporting documentation of TechStat sessions as noted in current Department TechStat guidance.

Management Response: The Department non-concurs with this recommendation. The issues described in Recommendation 2.5 are addressed in our response to Recommendation 2.4.

Finding 3. The Department is Not Always Meeting FITARA PortfolioStat Requirements

The OIG recommends that the CIO:

OIG Recommendation 3.1: Maintain PortfolioStat meeting documentation in accordance with Government Accountability Office Standards for Internal Control, Federal records management regulations, and Department policy for correspondence with OMB and other information regarding milestones as they relate to FITARA reporting requirements.

Management Response: The Department partially concurs with this recommendation. Oversight of the PortfolioStat process resides with OMB. OCIO will work with OMB to document and maintain PortfolioStat meetings in accordance with Government Accountability Office Standards for Internal Control, Federal records management regulations, and Department policy for correspondence with OMB and other information regarding milestones as they relate to FITARA reporting requirements.

OIG Recommendation 3.2: Ensure appropriate oversight of the PortfolioStat process, to include quarterly reporting of action item status, annual review and certification of action items, and timely completion of action items.

Management Response: The Department non-concurs with this recommendation. Oversight of the PortfolioStat process resides with OMB. OCIO does review PortfolioStat actions items to ensure timely completion and also reports quarterly through the IDC. As of the date of this response, all PortfolioStat action items are closed.

OIG Recommendation 3.3: Hold briefings with the CIO and agency head regarding any PortfolioStat action items with missed deadlines as required by OMB M-15-14.

Management Response: The Department partially concurs with this recommendation. The CIO is briefed quarterly on the status of PortfolioStat action items, including any missed deadlines. These briefings are done as part of the quarterly IDC process. These briefings will be expanded to ensure the inclusion of the Federal CIO and agency head.

Thank you for the opportunity to comment on this draft report and for your continued support of the Department and its critical mission. If you have any questions regarding this matter, please contact the Director of Information Technology Program Services, Walter McDonald at 202-245-6794.

cc:
Ann Kim, Deputy Chief Information Officer, Office of the Chief Information Officer
Denise Carter, Assistant Secretary for Management and Acting Chief Financial Officer
Wanda Davis, Acting Chief Human Capital Officer, Office of Finance and Operations
Larry Kean, Budget Director and Acting Deputy Chief Financial Officer, Acting Principal Deputy
    Assistant Secretary, Office of Finance and Operations
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