FEDERAL INFORMATION SYSTEMS INTEGRATION AND CONSOLIDATION: MAXIMIZING TECHNOLOGY INVESTMENT ACROSS AGENCY BOUNDARIES

HEARING

BEFORE THE

SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY, INTERGOVERNMENTAL RELATIONS AND THE CENSUS

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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FEDERAL INFORMATION SYSTEMS INTEGRATION AND CONSOLIDATION: MAXIMIZING TECHNOLOGY INVESTMENT ACROSS AGENCY BOUNDARIES

TUESDAY, JULY 15, 2003

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY,
INTERGOVERNMENTAL RELATIONS AND THE CENSUS,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10 a.m. in room 2154, Rayburn House Office Building, Hon. Adam Putnam (chairman of the subcommittee) presiding.

Present: Representatives Putnam, Miller, and Clay.

Staff present: Bob Dix, staff director; John Hambel, senior counsel; Scott Klein and Lori Martin, professional staff members; Ursula Wojciechowski, clerk; Suzanne Lightman, fellow; Jamie Harper and Erik Glavich, legislative assistants; Chris Koves and Richard McAdams, interns; David McMillen, minority professional staff member; and Jean Gosa, minority assistant clerk.

Mr. PUTNAM. The Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census will come to order. Good morning, everyone, and welcome to today's hearing on Federal Information Systems Integration and Consolidation: Maximizing Technology Investment Across Agency Boundaries.

This hearing is a continuation of the aggressive oversight by this subcommittee to ensure that the Federal Government is taking full advantage of the efficiencies created through E-Government and improving the way the Federal Government manages its IT investments.

Let me take one moment to reaffirm the purpose of this subcommittee. We don't hold hearings just for the sake of holding hearings. With the help of OMB and the private sector and a number of CIOs and IGs, we are developing quite a body of evidence pointing to efficiencies that can be derived from better use of IT investment, and we will continue to pursue that aggressive oversight and continue to expect results. The recurring theme has been that what we face is not a technology problem, it is a cultural problem, changing the culture of the executive branch as well, frankly, as some aspects of the legislative branch, and we will continue to demand results through further aggressive oversight.

Despite its distinction as the largest buyer of information technology in the world, the Federal Government has a tradition of

purchasing and maintaining tens of thousands of stove-piped systems that operate separately from other agencies and are not interoperable with other systems. Simply getting a handle on what systems exist and agreeing to a unified plan to coordinate this disparate IT environment is a monumental task.

One of the primary ways the Federal Government is improving its productivity and results from IT investments is by improving agency IT reporting mechanisms through the Office of Management and Budget. To secure funding for future IT purchases, agencies must now provide OMB with a business case that links new IT investments to performance improvement. Agency IT budget requests also must synchronize with the so-called Federal Enterprise Architecture, the governmentwide modernization blueprint of the Government's future IT structure.

It is clear that the ongoing development of the Federal enterprise architecture has proven to be a powerful tool for OMB to identify key gaps and redundant efforts, and is being used to determine the most effective investment of IT, not to mention to help address our massive cybersecurity challenge. Agencies also must develop their own agency enterprise architectures describing exactly how that IT spending will transform and modernize around the needs of citizens.

In carrying out those duties and in preparing their budget submissions, agencies utilize an IT planning framework developed by the Federal CIO Council known as the Business Reference Model [BRM]. The BRM describes the Federal Government's lines of business independent of the agencies that actually perform those functions.

By describing the Federal Government around common functional lines of business across Government instead of the traditional stove-piped agency-by-agency viewpoint, the process forces agency collaboration to leverage technology, and technology purchases, across various agencies, by function, in order to eliminate redundant spending. By recognizing opportunities for integration and consolidation, OMB has, in effect, created a process that determines our next wave of cross-agency E-Government initiatives to join the list of 24 projects already being pursued.

The purpose of today's hearing is to examine the progress being made by the Federal Government to modernize agency information technology management around those lines of business that cross agency boundaries. Several common internal lines of business were identified during this year's budget process deserving of immediate attention for potential consolidation. They include integration and consolidation of systems in the following areas: financial management, human resources, monetary benefits, criminal investigations, data and statistics, and public health monitoring.

In addition to reviewing the status of these identified areas, I would also be interested in the recommendations of our witnesses today on how this effort coincides with two other issues: cybersecurity and software procurement.

First, it seems clear that integrating and consolidating our IT around these business lines could concurrently provide an opportunity to better secure our IT systems in a far less expensive manner than patching up old systems and processes. Second, I am en-

couraged by the additional cost savings we might derive by connecting today's topic to the large discounts I believe we can secure through economies of scale, such as through the recently announced SmartBuy software licensing initiative.

It is becoming more evident everyday that these various pieces of IT spending must be considered as a package. Sticking to an architecture and eliminating redundancies by looking across boundary lines is a process that addresses our cybersecurity challenges and fosters savings opportunities. Conversely, an IT framework based on unique solutions only further exacerbates our cybersecurity challenges and increases software costs.

The subcommittee particularly looks forward to hearing advice from some of our Nation's leading software and integrator companies on making the Federal Government operate its common cross-agency systems more efficiently, lessons learned from their previous clients pursuing enterprise-wide IT integration, and how to best derive taxpayer savings by more productively managing these major cross-agency investments.

As always, today's hearing can be viewed live through WebCast by going to reform.house.gov and clicking on the link under Live Committee Broadcast.

It is always a pleasure to be joined by the ranking member of this subcommittee, the distinguished gentleman from Missouri, Mr. Clay, and I recognize him at this time for his opening remarks.

[The prepared statement of Hon. Adam H. Putnam follows:]

COMMITTEE ON GOVERNMENT REFORM

SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY, INTERGOVERNMENTAL RELATIONS AND THE CENSUS

CONGRESSMAN ADAM PUTNAM, CHAIRMAN

OVERSIGHT HEARING
STATEMENT BY ADAM PUTNAM, CHAIRMAN

Hearing topic: *"Federal Information Systems Integration and Consolidation: Maximizing Technology Investment Across Agency Boundaries."*

Tuesday, July 15, 2003
10:00 a.m.
Room 2154 Rayburn House Office Building

OPENING STATEMENT

Good morning and welcome to today's hearing on federal information systems integration and consolidation across agency boundaries.

This hearing is a continuation of the aggressive oversight by this Subcommittee to ensure that the federal government is taking full advantage of the efficiencies created through E-Government and improving the way the federal government manages its IT investments.

Let me just pause and makes this point affirmatively. We are not just conducting oversight hearings for the sake of holding hearings. We expect results and will continue this work with that outcome as our mission!

Despite its distinction as the largest buyer of information technology in the world, the federal government has a tradition of purchasing and maintaining thousands of "stovepiped" systems that operate separately from other agencies and are not interoperable with other systems. Simply getting a handle on what systems exist and agreeing to a unified plan to coordinate this disparate IT environment is a monumental task.

One of the primary ways the federal government is improving its productivity and results from IT investments is by improving agency IT reporting mechanisms through the Office of Management and Budget. To secure funding for future IT purchases, agencies must now provide OMB with a "business case" that links new IT investment to performance improvement. Agency IT budget requests also must synchronize with the so-called Federal Enterprise Architecture (FEA) – the government-wide modernization "blueprint" of the government's future IT structure.

It is clear that the ongoing development of the federal enterprise architecture has proven to be a powerful tool for OMB to identify key gaps and redundant efforts, and is being used to determine the most effective investment of IT – not to mention help address our massive cybersecurity challenge. Agencies also must develop their own agency enterprise architectures describing exactly how that IT spending will transform and modernize around the needs of citizens.

In carrying out those duties and in preparing their budget submissions, agencies utilize an IT planning framework developed by the Federal CIO Council known as the "Business Reference Model" or "BRM". The BRM describes the federal government's "lines of business" independent of the agencies that actually perform those functions.

By describing the federal government around common functional "lines of business" across government instead of the traditional "stove-piped", agency-by-agency viewpoint, the process forces agency collaboration to leverage technology (and technology purchases) across various agencies -- by function -- in order to eliminate redundant spending. By recognizing opportunities for integration and consolidation, OMB has -- in effect -- created a process that determines our next wave of cross-agency E-Government initiatives to join the list of 24 projects already being pursued.

The purpose of our hearing today is to examine the progress being made by the federal government to modernize agency information technology management around these so-called common "lines of business" that cross agency boundaries. Several common internal "lines of business" were identified during this year's budget process deserving of immediate attention for potential consolidation.

They include integration and consolidation of systems in the following areas: financial management; human resources; monetary benefits; criminal investigations; data and statistics; and, public health monitoring.

In addition to reviewing the status of these identified areas, I would also be interested in the recommendations of our witnesses today on how this effort coincides with two other issues – cybersecurity and software procurement.

First, it seems clear that integrating and consolidating our IT around these business lines could concurrently provide an opportunity to better secure our IT systems in a far less expensive manner than patching up old systems and processes. Second, I am encouraged by the additional cost savings we might derive by connecting today's topic to the large discounts I believe we can secure through economies of scale, such as through the recently-announced "SmartBuy" software licensing initiative.

It is becoming more evident every day that these various pieces of IT spending must be considered as a package. Sticking to an architecture and eliminating redundancies by looking across boundary lines is a process that concurrently addresses our cybersecurity challenges and fosters cost savings opportunities. Conversely, an IT framework based on unique solutions only further exacerbates our cybersecurity challenges and increases software costs.

The Subcommittee especially looks forward to hearing advice from some of our country's leading software and integrator companies on making the federal government operate its common cross-agency systems more efficiently; lessons learned from their past clients pursuing enterprise-wide IT integration; and how to best derive taxpayer savings by more productively managing these major cross-agency investments.

Today's hearing can be viewed live via WebCast by going to **http://reform.house.gov** and then clicking on link under "Live Committee Broadcast".

Mr. CLAY. Thank you, Mr. Chairman, and I thank the witnesses for taking their time to be with us today. I look forward to this discussion today.

The use of technology in the Federal Government has a checkered past. The Federal Government was well ahead of both businesses and State and local government in embracing technology. The census began using punch cards in the 1890 census, and housed one of the first computers ever built. Indeed, it was research and human capital from the Federal budget that seeded many of today's information technology giants like IBM.

The Federal Government invested heavily in computers for science and data management. At the same time, businesses and universities were beginning to understand that the computer revolution was about more than the data processing division that kept the books and cut the checks, and computer companies began to realize that they were selling more than just hardware. Those organizations learned 20 years ago what the Federal Government is still struggling to grasp: the revolution is about information, not technology.

As a result, many of the system modernization projects undertaken by the Federal Government flopped badly. GAO can line a room with reports of programs like Tax System Modernization and similar projects at the FAA, the Weather Service, and the Medicare system. Many of those reports documented expenditures of tens or hundreds of millions of dollars in systems that did not work. One of the refrains that echoed throughout those reports was that no system modernization will work unless the agency fundamentally rethinks its business processes.

I am pleased to see that OMB has taken up that charge and is not linking technology funding with agency business processes. That is exactly the kind of leadership Congress had in mind when it assigned the responsibility for the information management to OMB in the Paperwork Reduction Act of 1980.

I look forward to the discussion of how this is going to be done through the budget process. I would ask, however, that our witnesses do so without the reliance on jargon and acronyms. If we have a discussion of how the BRM is a foundation of the FEA to describe the LOBs, then I am going to get lost, and I suspect most of the room will be lost.

Mr. PUTNAM. Thank you, Mr. Clay.

At this time I will recognize the vice chairman of the subcommittee, the gentlelady from Michigan, Ms. Miller.

Ms. MILLER. Thank you, Mr. Chairman, very much. I certainly appreciate your holding this hearing today, and learning all these acronyms as a freshman Member of Congress has been part of the whole living experience, I will tell you.

Improving the efficiency and the effectiveness of the Federal Government's technology investment certainly is an important topic, and I am certainly looking forward to the testimony of all the witnesses today. Throughout my career as a public servant, I have always placed a very high value on customer service, and we who serve the people must realize that the money that we spend is not our own money, it is the money of the American people who have worked very hard to earn it; therefore, every step must be taken

to ensure that this money is spent in the most effective way possible.

Too often, unfortunately, the Government does not do enough in this regard. Government waste is viewed as common practice, and this, of course, is unacceptable. The focus of today's hearing is to examine the measures taken by Federal agencies to reduce waste associated with Government IT investments, and with all the criticisms made about Government's IT initiatives, I am very pleased to say that OMB is an exception to this rule. OMB has been very proactive in implementing an interagency technology integration plan that shows an awful lot of promise, and I am very hopeful that these successes can be a model for other agencies still not in compliance with Federal standards.

I have always felt that customer service should not be a novel concept for government, any level of government. Governmental officials, from elected officials at any level, to career government workers, to all of those that participate in the everyday functions of government should always search for better and more efficient ways of doing things. Improving the functions of Government is a team effort, and everyone on the team has to play a very active role in ensuring that not any of the hard-earned money of this Nation's citizens is wasted.

Actually, after my election to Congress, I was very honored to be named as a vice chair of this subcommittee because I believe that active measures must be taken to improve the Government's return on investment in technology spending. The development of the Federal enterprise architecture and OMB's focus to integrate like processes as an interagency level I think, again, are very promising. With cross-agency cooperation, the Federal Government could save taxpayers about $3 billion. This saving actually equates to about 5 percent of all the Federal Government's IT estimated expenditures for fiscal year 2004. These are certainly substantial savings by any measure. These savings, though, can only be realized if everyone in Government is dedicated to improving the efficiency.

The Federal enterprise architecture has identified six areas in need of improvement, and we are certainly not going to stop our efforts on this subcommittee until everyone in the Government, from CIOs on down, work wholeheartedly with OMB. These six areas of concern are identified as business lines for a reason: they are vital to the everyday business functions of the Government and do not need to be done separately by each agency. By integrating these business lines across agencies, billions of dollars can be saved. I certainly support reducing the funding of any program that has its own unique system and encourages the outdated stovepipe model that has been referred to by the chairman as well.

As Members of Congress, we need to support Mr. Forman in the attempts by OMB to improve IT investments. Each program must fit the plan of the Federal Government, or else its funding should be restricted. The integration and consolidation plan of the OMB shows tremendous potential, and I am certainly hopeful that this subcommittee can learn where our Government is in its implemen-

tation and what the future will bring.

Again, I am looking forward to all the testimony of the witnesses today. Thank you all for coming.

And thank you, Mr. Chairman.

[The prepared statement of Hon. Candice S. Miller follows:]

Congresswoman Candice S. Miller
Opening Statement
Committee on Government Reform
Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census
July 15, 2003

OPENING STATEMENT

Thank you, Mr. Chairman. I appreciate you holding this hearing today. Improving the efficiency and effectiveness of the Federal government's technology investments is an important topic, and I look forward to the testimony of the witnesses.

Throughout my career as a public servant, I have always placed a high value on customer service. We who serve the people must realize that the money that we spend is not our own – it is the money of American people, and they have worked hard to earn it. Therefore, every step must be taken to ensure that this money is spent in the most effective way possible.

Too often, unfortunately, the government does not do enough in this regard. Government waste is viewed as common practice. This is unacceptable.

The focus of today's hearing is to examine the measures taken by Federal agencies to reduce waste associated with government IT investments. With all of the criticisms made about the government's IT

initiatives, I am happy to say that the Office of Management & Budget is an exception to the rule. OMB has been pro-active in implementing an inter-agency technology integration plan that shows much promise, and I am hopeful that these successes can be a model for other agencies still not in compliance with federal standards.

I have always felt that customer service should not be a novel idea for government. Government officials—from high profile elected officials to career government workers to all those that participate in the everyday functions of government—should always search for better, more efficient ways of doing things. Improving the functions of government is a team effort, and everyone on the team must play an active role in ensuring that not one penny of the hard-earned money of this nation's citizens is wasted.

After my election to Congress, I was honored to be named to named as vice-chair of this subcommittee because I believe that active measures must be taken to improve the government's return on investment (ROI) in technology spending. The development of the Federal Enterprise Architecture and OMB's focus to integrate like processes at an inter-agency level are very promising. With cross-agency cooperation, the Federal government could save taxpayers about 3 billion dollars. This saving equates to 5 percent of all of the Federal governments IT

estimated expenditures for fiscal year 2004. These are substantial savings.

These savings can only be realized if all those in government are dedicated to improving efficiency. The Federal Enterprise Architecture has identified 6 areas in need of improvement, and we will not stop our efforts on the Subcommittee until everyone in government—from Chief Information Officers on down—work wholeheartedly with OMB. These 6 areas of concern are identified as business lines for a reason. They are vital to the everyday business functions of the government and do not need to be done separately by each agency. By integrating these business lines across agency, billions of dollars can be saved.

I support reducing the funding any program that is its unique system and encourages the outdated stove-pipe model. As Members of Congress, we need to support Mr. Forman and the attempts by OMB to improve IT investments. Each program must fit the plan of the federal government or else its funding should be restricted. I share the view of the Administration and of Mr. Forman that the Federal government should not continue to flush taxpayer money down the toilet.

The integration and consolidation plan of the OMB shows tremendous potential, and I hope that the Subcommittee can learn where the government is in its implementation and what the future brings.

Again, I look forward to the testimony of all the witnesses today. Thank you for coming.

Thank you, Mr. Chairman.

Mr. PUTNAM. Thank you, Ms. Miller.

At this time we will proceed to our first panel. As is the custom with the committee, we swear in our witnesses. So, Mr. Forman, if you would please rise and raise your right hand.

[Witness sworn.]

Mr. PUTNAM. Note for the record the witness responded in the affirmative.

At this time I would like to introduce Mr. Forman. Mark Forman was appointed by President Bush to be Administrator for the Office of E-Government and Information Technology in April of this year. He is effectively our Nation's Chief Information Officer, charged with managing more than $58 billion in Federal IT investments, and is the chief architect of the President's E-Gov Initiative. Mr. Forman also oversees executive branch CIOs and directs the activities of the Federal CIO Council.

It is always a pleasure to have you at our subcommittees. You are a most frequent guest, and you are recognized for your opening statement.

STATEMENT OF MARK A. FORMAN, ADMINISTRATOR OF E-GOVERNMENT AND INFORMATION TECHNOLOGY, OFFICE OF MANAGEMENT AND BUDGET

Mr. FORMAN. Thank you, Mr. Chairman, members of the committee. Thank you for the very generous comments, as well, and your support. We are managing through a big change in the Federal Government, and your leadership here is critical to the success of modernizing the Federal Government, so I appreciate the supportive comments very much.

On March 13th of this year, I testified that there were six longstanding IT management problems, and a lot of that resulted in duplicative IT investments for the Federal Government. Our policy is very clear here: we support shared use of information technology to stop redundant IT purchases, and we also believe the best practices in private industry create several opportunities for saving. I want to talk a little bit more off the cuff about these opportunities.

These are opportunities to perform mission-critical operations more effectively. At the heart of this is how effectively can we move people to where they are needed, money to where they are needed, better alignment and responsiveness of the information, exactly as Mr. Clay said, and the question comes down to how fast can the Federal Government move. So the opportunity is there, the technology makes it possible, but in order to do this, the traditional silo-based model that Government has had for decades has to change.

There are also opportunities to more effectively, more rapidly deploy these major IT systems. There are operational cost reductions in the billions and there are IT investment cost reduction in the billions. The numbers that you see in my testimony and that we have been working on in the reports are the billions of savings that are potentially possible through just the IT side. There are many more billions also on the operational side that are possible to be saved.

Now, we are living through a time of convergence. There are convergences between business processes and operations that are

made possible by today's technology. It means the organization structure has to change; it means the business processes have to change. But there is no question this is largely driven by the new technologies that are available.

I want to make clear our approach here is not centralization. The approach is all about the ability of organizations to more effectively use information, make a decision, allocate people, monetary resources where needed. So we should look for ways to make Government work faster. We should measure improvements of cycle time, as well as reduction of cost. We should measure improvement and results as well as reduction of cost. And it takes an enterprised view to do that. That is why the architecture is so important.

So I will try not to use terms like the business reference model and the Federal enterprise architecture, but when I was working the staff in the Senate, one of the chairman of the committee I worked on lambasted me and a colleague on the issue of business process re-engineering. He said, I don't know why they call it re-engineering; it was never engineered in the first place. And that is the scenario we are operating in: it was never architected in the first place. But if we are going to move to a faster, more responsive Government, we need the architecture, we need to understand what are the business processes, what are the organizations, what are those technologies, and how does it all relate together to drive better results.

We chose to focus on about six lines of business or functions of the Federal Government. We know from our analysis last year about a third of the lines of business of the Federal Government have a lot of IT redundancy. We know that, last year's view, 10 of the agencies out of the 25 cabinet-level agencies and departments do the same line of business, same function. It doesn't mean they have to do it in their own silo, it means they can operate together in today's technical environment. But that requires a change in organization structure and approach and business processes, so we decided to pick six.

And some of these are the back office or administrative function: human resources, management, financial management. Some are very much at the forefront of a couple areas that are very important for homeland security: case management for criminal justice purposes and law enforcement, and public health monitoring systems. And then a couple are some common lines of business that have been chronic problems for many years: how we manage monetary benefits, because that is such a large portion of the operations of the Federal Government; and how we manage data and statistics, because we have known for decades that we have somewhere around 70 statistical agencies. They share their work, they operate as a competency. They are often different processes that could be brought to bear. So we picked the six.

What we found out through the study is that leadership emerged in a couple areas: public health, architect, is probably one of the most important ones. We knew, after the anthrax scares in late 2001, that we simply didn't have the public health information systems that would allow the Federal Government to understand the elements of the health organizations out in the field, at the county level, the hospitals, and how they would let somebody in Washing-

ton know. And what happened is the 18 different agencies all sent their own information structures out to the field. But there is only one person at the end of those information systems in that county health department or in that hospital, and we run the risk not architecting this well, not organizing this well, that we would have 18 different systems with 18 different single looks at an event, and no comprehensive view that in fact this was tied together as an event that ought to be dealt with either for counter-terrorism purposes or disaster response or public health purposes. It has to get tied together; otherwise, I can promise you, 5 years from now somebody will have the additional information system needed just to pull that all together.

So it needs to be architected well from the beginning. There probably need to be only a couple, not 18 or 20, different systems. And that is the point of this architecture work. Having leadership means that we can pool those organizations together without each having their own information system into an architecture. It requires a lot of different type of work and Government issues. That is a case study.

In financial management and human resources information system, the leadership so far has not quite yet emerged in the agency level. The traditional buying behavior is such that we can't take a corporate approach, and we haven't been able to, and we are just striving to that now. I believe it will emerge. And here, too, many times it is so easy for the agencies to say Congress expects us each to have our own financial system or our own human resources information system, and we can't do that real enterprise financial management or human capital management. That is why it is so important that Congress and the executive branch work together here.

The last two areas we hit the limits to change, and so I don't think we are going to be able to get as far as I would like this year. There are some opportunities that are laid out, and those are valid, and significant cost-savings opportunities will emerge from those. But in terms of where we would put our eggs, we know there are essentially three buckets: ones where they are critically important to us and agency leadership has emerged; ones where there are huge cost savings and enterprise opportunities, and we need to foster that understanding and movement; and ones where the movement to change is probably worth more than the benefit we will get out of it, and we look for other cost savings and efficiencies.

With that, I will conclude. Thank you.

[The prepared statement of Mr. Forman follows:]

STATEMENT OF
THE HONORABLE MARK A. FORMAN
ADMINISTRATOR, OFFICE OF ELECTRONIC GOVERNMENT AND
AND INFORMATION TECHNOLOGY
OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE
COMMITTEE ON GOVERNMENT REFORM
SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY,
INTERGOVERNMENTAL RELATIONS, AND THE CENSUS
U.S. HOUSE OF REPRESENTATIVES

Mr. Chairman and Members of the Subcommittee,

Thank you for the opportunity to appear before the Subcommittee to discuss efforts by the Federal government to maximize our return from technology investments, nearing $60 billion, across agency boundaries. Because IT investments are so critical to the missions of government, I welcome the opportunity to inform you of the Administration's efforts on this very important issue.

On March 13th of this year, I testified that one of six long-standing major IT management problems for the federal government is investing in duplicative IT initiatives. I stated that the Administration's policy calls for agencies to make maximum use of shared IT solutions and to stop redundant IT purchases, and that Best Practices in private industry create several opportunities for savings. Furthermore, in keeping with the market-based approach of the President's Management Agenda, I noted that three practices in the private sector also are applicable to the federal government, involving consolidation and integration of IT:

- around the customer,
- within a line of business or function, and
- around IT infrastructure.

So, my testimony today updates the Committee on the Administration's efforts to consolidate and integrate IT investments within a line of business or function.

The Administration's Electronic Government Strategy

Delivering better results for the citizen is at the heart of the Administration's Electronic Government vision. As I have previously testified before this committee, Expanding Electronic Government, or "E-Government," is one of the five key elements of the President's Management Agenda. This effort is designed to make better use of information technology (IT) investments to eliminate billions of dollars of wasteful federal spending, reduce the government's paperwork burden on citizens and businesses, and improve government responsiveness to citizens.

As I have discussed in previous hearings, the President's Expanding E-Government initiative focuses on both individual agency and cross agency efforts. There are 24 cross agency E-Government initiatives that are grouped into 4 citizen centered portfolios: Government to Citizen, Government to Business, Government to Government, and Internal Efficiency and Effectiveness. These 24 projects consolidate redundant initiatives around citizen needs.

The President's 2004 budget has identified significant additional opportunities for consolidating redundant IT investments in office automation and infrastructure and the lines of business (LOB) of the federal government. Specifically, it is clear from our work on the Federal Enterprise Architecture (FEA) and the Business Reference Model (BRM) that significant opportunities exist to streamline, integrate, and consolidate IT investments to support performance of LoB's that are conducted in multiple agencies. As stated in the President's 2004 Budget, the consolidation of IT efforts around LoB's is one of the primary targets for FY04 improvements in IT management, yielding increased efficiency and effectiveness of agencies in performing their primary missions. It is essential that the FEA work which identified 39 lines of Business in government, move forward to identify cross-agency opportunities to streamline process and deliver higher service at lower costs.

The purpose of our work in this area is twofold: first, to identify cross-government opportunities for efficiencies and effectiveness; and second, to reduce cost and accelerate deployment of high value IT projects by leveraging cross agency approaches. Consequently, OMB initiated assessments of how to improve IT program performance within LoB's and identified sponsors for business case development efforts. The analysis of the potential in LoB's was completed at the end of June. Phase 2 of the project, creating the business cases for the LoB initiatives is targeted to be completed prior to the start of FY04.

Maximizing Technology Investments Across Agency Boundaries – Phase 1

In 2002, OMB developed the BRM which is the foundation of the FEA. Last month, OMB released the second version of the Business Reference Model . It describes the federal government's LoB's, including operations and services to the citizen, independent of the Agencies, bureaus, and offices that perform them. The outcome of using the FEA for IT decision-making will be a more citizen-centered, customer-focused government that maximizes technology investments to better achieve mission outcomes. As the FY04 Budget indicated, "The policy of the Administration is that IT transformation will be based on consolidation along LoB's and citizen needs: agencies will have to make the business case for developing a unique solution."

As a result of deployment and use of the FEA BRM in evaluating 2004 agency IT budgets requests, an initial six LoB's were identified for potential consolidation and integration opportunities: Public Health Information, Criminal Investigations, Financial Management, Human Resources, Monetary Benefits, and Data and Statistics. The scope of this assessment was federal government-wide and focused on opportunities to better use IT while improving results across agencies in each LOB.

Line Of Business Opportunity Analysis for Maximizing Technology Investments Across Boundaries

The President's Management Council E-Government Committee had been introduced to the notion of cross-agency LoB initiatives at the January 2003 meeting and requested more information. Subsequently an Opportunity Assessment was launched as Phase 1 of the Administration's LOB consolidation efforts. To go forward on this initiative, $500,000 was requested and received from the E-Government Fund in FY03. This money was used for the following tasks:

- Establish a framework that guided the LoB teams during the opportunity assessment
- Assessment of the current state to identify overlaps, redundancies, integrations, consolidation points
- Conceptual Definition of solution vision/opportunities
- Compile data and prepare a report on the problem/opportunity, range of alternatives identified, recommendations, and next steps to OMB

The external study, which included agency specific participation, focused on nearly $4 billion in investments, with potential for significant savings and performance improvement opportunities during the FY04-08 timeframe. Overall, the assessment identified $25 billion for FY04 through FY08 in 364 planned or ongoing major IT investments across the six LoB's. In addition, over 100 of the business cases did not include cost estimates beyond FY04, so the planned spending will exceed $25 billion. The Table below displays the study findings on planned spending for the six LOBs during FY04-FY08. It should be noted that these numbers are low because several business cases lacked outyear cost estimates.

		(In $Millions)	
Line of Business	**Number of Project Requests**	**Spend FY04**	**Spend FY05-08**
Criminal Investigations	74	$ 1,445	$ 7,258
Public Health Monitoring	15	$ 84	$ 404
Financial Management	120	$ 449	$ 1,749
Human Resources	72	$ 921	$ 3,009
Data & Statistics	55	$ 1,049	$ 6,502
Monetary Benefits	28	$ 109	$ 1,769
Total Business Cases	364 *	$ 4,057	$ 20,701
		$ 24,748**	

* Estimate refined from E-Gov PMC January 2003 briefing of 339 business cases of $6.8B for FY03 and FY04.
** The potential 5-year spend is understated given outyear uncertainty.

Criminal Investigations - includes the systems that support the federal government's criminal investigation activities. Initial review revealed an estimated $180 million in investments, with the potential for significant savings.

Public Health Monitoring - involves activities associated with monitoring the public health and tracking the spread of disease. There exists $250 million in planned investment, with the potential for significant savings.

Core Financial Management - involves the aggregate set of accounting practices and procedures that allow for the accurate, efficient, transparent, and effective handling of all government revenues, funding, and expenditures. This includes cost management, funds management, financial reporting, general ledger management, payment management and accounts receivable management. The study identified over $1.9 billion in financial projects that are candidates for significant savings.

Human Resources - includes all activities associated with the recruitment, management and separation of employees. It includes recruitment, staffing, employee and labor relations, advancement and awards, benefit management, payroll management and expense reimbursement, resource training and development and security clearance management. Based upon a review of systems in the Human Resources business line, the study identified planned spending requests of over $700 million, with the potential for significant savings.

Data and Statistics - includes activities performed in providing data and information pertaining to the current state of the nation in areas such as the economy, labor, weather, international trade, etc. Total investments of nearly $680 million were identified, with the potential for significant savings.

Monetary Benefits - involves the allocation of money to members of the public for retirement (e.g., Social Security), welfare, unemployment, medical services (e.g., Medicare, Medicaid), and other related services. Initial review revealed an estimated $280 million in investments with the potential for significant savings.

The assessment segmented the 364 investment requests into three groups: redundant with the Presidential E-Government initiatives; not addressable through consolidation; and relevant for a cross-agency LoB consolidation approach. The assessment identified consolidation and multi-agency leverage/integration opportunities on the basis of reviews of the IT investment business case data (OMB form 300), focus groups, questionnaires, analysis by agency subject matter experts and industry best practices.

The data collected and evaluated for the investments was scrutinized using a proven life-cycle methodology developed by Forrester Research called "Techstrategy." The approach evaluates; technology leadership, business process, infrastructure and technology selection across vertical markets or business areas. This approach mirrored our approach in that we are assessing the

depth of an organization's programs across vertical lines of business. Risk factors were also identified and measured by the Software Program Management Network and Program Management Institute criteria.

The study team recommended follow-on actions associated with approximately $10 billion dollars spread across 100 IT investments. The assessment recommended that cross agency business cases be developed on the opportunities identified in four LoB's (Public Health Architecture, Criminal Investigations Case Management, Core Financial Management and Human Resources Information Systems). The opportunities were estimated to yield about $3 billion savings over FY04-08, as well as accelerating availability of IT for some agencies and improving program results for the four LoB's. The assessment also found cross-agency near-term cost savings opportunities in government-wide software licensing for processing statistical data, which does not require a business case and is being pursued under the leadership of the Census Bureau. Additional agency specific recommendations were identified and forwarded to agencies.

Attached as an exhibit is a supporting graph illustrating the cross-agency LoB initiatives with findings, opportunities and recommendations.

Conclusion and Next Steps

The President's Management E-Government Council met in late June to review the outcome of the work on cross-agency opportunities for better managing IT investments in the six LoB's. Although the PMC did not take any specific actions as a result, OMB is now working with the PMC and the agencies on proceeding with Phase 2 of LOB initiative, which will yield a business case for action where practicable. Teams composed of representatives of each partner agency, the lead agency or "business line owner", and appropriate OMB official(s) are being established with the externally retained experts to conduct a thorough assessment of the potential redundancies in each business line. Based on these assessments, funding could be aligned and managed by the business line owners. A portion of the savings from eliminating redundant systems within these business lines could be re-allocated to higher priority activities, as appropriate, in coordination with the agency.

Accordingly, after discussions with the PMC E-Government Committee, the Administration is moving forward with business case development in the four areas. HHS is taking the lead on Public Health Architecture. Justice is taking the lead on Criminal Investigations Case Management and there will be a lead identified for the HR Information Systems initiative, in conjunction with the Chief Human Capital Officers Council. The Executive Branch will continue to further develop the Core Financial Management business case with CFO council input. We expect to be in a position to proceed directly with congressional consultation concerning support from the E-Government fund (administered by GSA) for Phase 2 of this project; which will result in business case development supporting these LoB initiatives. Finally, I would like to leave you with some of the Administration's performance targets this year as a result of these efforts:

1. The necessary business cases will be developed.
2. Integration will begin to occur within the LoB's.
3. Dollars will be used more effectively with the programs for which they were appropriated.

In conclusion, while the Government has made significant progress in implementing E-Government to better serve the citizen effectively, work remains. We must work to rationalize our architecture to eliminate redundant IT investments that are both costly and often create an unnecessary burden on the citizen. Our work is just the beginning of this effort, and it is critically important to the success of this effort that OMB receive the six architects requested in the FY04 Budget -- to move forward in architecting an government-wide approach to more effectively use IT across agencies. There should be no doubt, however, that the empowerment of agencies to modernize and work on a cross-agency basis through joint submissions will point to where we can free dollars, for use in more pressing areas serving their core missions to the constituents.

RECOMMENDATIONS & NEXT STEPS

AREA	RECOMMENDATION	OPPORTUNITY	NEXT STEP
Criminal Investigation	▪ Develop detailed business cases identifying the opportunity, agencies affected, costs, and schedule ▪ Establish a cross-department governance structure for identification and development of shared resources ▪ Conduct a joint analysis/review of VISIT program by DOJ and DHS to ascertain overlap and potential savings in pre-RFP stage of the programs lifecycle (already in progress elsewhere will piggy-back)	• Reduced acquisition and implementation costs, license fees, maintenance and operations costs • Improved law enforcement effectiveness from information sharing • Prevents physical and economic damage to the homeland and better protects the lives and livelihood of citizens • Potential savings	Moving forward on each recommendation. Complete business case by September.
Public Health Monitoring	▪ Develop business case to establish Federal Health Architecture. ▪ Define analysis and implementation strategies for disease surveillance and patient safety consolidations ▪ Establish a governance policy to review and coordinate federal health initiatives across government agencies ▪ Assess current inventory and define best practices for standardization ▪ Commence articulation of architecture for the public health line of business to stakeholders as a means to establish early momentum for this project	• Reduced acquisition and implementation costs, license fees, maintenance and operations costs • Reduce costs of data collection and distribution • Reduce cycle time to alert officials to critical public health information • Potential savings	Moving forward on each recommendation. Complete business case in September.
Financial Management	▪ Identify approach for reducing redundant investments ▪ Develop a business case	• Reduced acquisition and implementation costs, license fees, maintenance and operations costs • Improve timeliness of financial transactions • Improved financial management information for making program decisions	Moving forward on each recommendation. Leadership roles to be determined with CFO council. Complete business case by September.
Human Resources	▪ Develop business case to establish HRIS consolidation case ▪ Endorse OPM sponsorship role, identify PM ▪ Establish a strategy and governance policy to develop, operate, maintain, and enforce personnel transaction processing systems across Federal agencies ▪ Confirm degree of overlap of 32 investment requests identified with E-Gov initiatives.	• Reduced acquisition and implementation costs, license fees, maintenance and operations costs • Reduced administrative cost per Federal employee (e.g., servicing cost ratio) • Improve human capital management due to better reporting capabilities • Potential savings	Moving forward on each recommendation. Leadership roles to be determined with CHCO council. Complete business case by September.
Data and Statistics	▪ Establish interagency working group to lead effort ▪ Conduct inventory and requirements analysis ▪ Conduct necessary procurement ▪ Conduct business process analysis ▪ Leverage FedStats interagency process	• Reduced license fees, maintenance and operations costs • More efficient data collection and processing activities • Reduction in costs in producing federal statistics • Potential savings	It was felt this was already occurring and did not need discussion/business case. Follow-up by Census Bureau to determine other partners.
Monetary Benefits	▪ Consolidate SSA planning & Acquisition initiatives for citizen-centered payment services	• Potential savings	Follow-up necessary by SSA.

Mr. PUTNAM. Could you, just in summary, put the two back into each of those baskets, your great-opportunity-but-more-leadership-needed-basket and your-costs-don't-justify-the-benefits-because-of-the-resistance basket?

Mr. FORMAN. I think in the public health architecture and the criminal law enforcement systems or case management systems we have seen terrific leadership out of the Justice Department in the case of case management systems and out of Health and Human Services in the case of public health architecture. Financial management and human resource management we have counsels operating, and so that is an area where we need to foster leadership. It is a new way for them to operate. Data and statistics and monetary benefits we identified through the study opportunities which could be exercised, but not to the level of re-architecting how the Federal Government goes about its work in those areas.

Mr. PUTNAM. Thank you very much for your statement.

At this time I will recognize the vice chair of the subcommittee, Ms. Miller, for the first round of questions.

Ms. MILLER. Thank you, Mr. Chairman.

You know, just sitting on this subcommittee, we are always using the phrase the stovepipes, the stovepipes. In fact, I think if we took the word stovepipes out of our vocabulary, that would reduce what we are up here talking about.

Are you finding that there is greater awareness amongst all the different agencies about the stove-piping effect and how it is handicapping your ability to move forward here? I mean, is everybody really cognizant? Do you feel that the agencies are cognizant of the problem that they are all facing?

Mr. FORMAN. Obviously it is dealt with differently by different levels of the organization. I will tell you I continue to be impressed by many people, generally at the working level or first level of supervision, who know that they have been living in a silo, if you will, in just their realm of the world, and meet together. There are huge strands of either official or unofficial groups that get together. For example, there is a group of folks that just are regulatory writer process experts. They may represent different types of expertise, environmental versus transportation regulations, but they get together to talk about how to improve the quality of the regulatory process. And I think to the extent that we can leverage their understanding and the business practices that allow them to leverage their knowledge, we are fairly successful.

I would say there is another group of folks, though, that grew up and were successful within their organization structures, and they are used to the processes operating within their organization. The technology today says that no longer makes sense; that there are many opportunities now where the organization doesn't drive the decisionmaking, but we need to let the information drive the decisionmaking. And that means they have to operate with information that sits outside of their normal organization. That could be information about human resources.

Now, matched up with that information, you have to have the ability to exercise those assets, those resources, people, for example; and we simply don't have that capability yet. That is the business process integration that you will hear a lot of people in large

commercial companies talk about, and sometimes you will hear us talk about it at OMB. That is going to require architecting those business processes. And, quite frankly, they understand that and I think some of them are a little worried, that is threatening to them. And at the working level I continue to be impressed they want access to those, they want those new processes, because they see that is a better way to get their job done.

Ms. MILLER. Well, that is, I guess, the old saw wherever you are, right? People say why are you doing it this way; well, I have always done it that way. And obviously that is not always the correct answer. So I know you all do have that challenge as well.

I am just trying to understand. You are talking about a business plan, and I looked at some of your lines of business here and perhaps I could have a better understanding if you just sort of took me through. Like financial management would seem to be sort of a no-brainer. What kind of challenges are you finding throughout the different agencies? I mean, financial management, to me, would seem to be something that the different agencies could glom onto very quickly to eliminate the stove-piping effect. Perhaps you could just sort of take me through that a little bit so I understand why doesn't that happen very expediently.

Mr. FORMAN. Sure. I think the situation that we are working through now, bringing back to the fact that financial management is one of the five management agenda items for the President, so we put pressure on the agencies to improve their financial management, Congress put pressure on the agencies to improve their financial management. Generally, this committee has been at the forefront of a cross-agency approach, but I think it is fair to say there are many appropriation subcommittees and authorizing committees that also put pressure on their agencies to improve financial management. Generally, the money gets tied to that.

So the agencies buy their own financial management system to generate responses to their authorize as appropriators, inspectors general, GAO, but it is based on a point solution, fixing the problems that they see. And they never see the fact that their problem cuts across the agencies. I think this committee sees that, I think the Senate Governmental Affairs Committee sees that, perhaps the Budget Committees see that. But they don't get the same pressure or funding alignment to do this jointly, and that is the change that we are trying to bring to bear.

So the difficulty for a CFO at a department is being responsive to their oversight and, by the same token, making sure that the cross-agency solution allows them to be responsive, which we believe it does; and that is a training and education, finding a leader and agents for change that we are working through now.

Ms. MILLER. I appreciate that. You know, I am a person that has done budgets for years and years and years in my background, so my mind, I think, is somehow trained to think numerically, so I am looking at this financial management. But I suppose on the political side of my brain, if you look at some of the different IT problems that you have identified again in your line of business with criminal investigations, of course we all watched the horrific conditions with the D.C. sniper. And I guess my question is going to is there a way that the Federal Government could work better with

the State and locals as well to share some of this? As you are doing your architecture, are you taking into consideration how you need to partner the information that we are gathering to assist in these kinds of things, whether it is a D.C. sniper or homeland security? Should the Federal Government be setting out some standards that could filter down?

Mr. FORMAN. Yes. I think absolutely that is the case in certainly the two lines of business that are leading here, with the strong leadership and the public health architecture. There is no question. A lot of the modernization of county health agencies and the public health infrastructure in the States is going to come out of that money, and having that well architected at the front end means that we take a good approach to work with a much more integrated organization at the county level and in hospitals. So there is a very strong working relationship there.

I think criminal justice case management systems is very similar. A lot of the States have adopted integrated case management systems; a lot of that has been funded out of the Justice grants programs, and the architecture framework that is being used really provides for that. And I think the attorney general has been very clear; his leadership here is extremely important; he has been outspoken in the importance of that. I think similar from Secretary Thompson; he has been outspoken in that. And to get that leadership and to make it both cut across the policy side, the IT side, you know, the organizational side is really important, and we are seeing it in those two areas.

Ms. MILLER. And just my final question, Mr. Chairman.

As I look at your line of businesses here as you have identified your priorities and those types of things, could you sort of give us a quick status report on actually where you are with the implementing and some of the challenges that you have, a timeframe as you have laid it out in your own business plan?

Mr. FORMAN. Well, four of the areas need a business case. Basically, we had literally hundreds of business cases for redundant investment, so we know there are a lot of good ideas there. Study methodology we used with force and agreement on what is the good idea and where should somebody not buy their own unique project because they can leverage economies of scale or where there is an opportunity to do an integrated process. That means we have to form the team to pull that together. We are fairly far along on that in public health architecture and criminal investigations, case management systems.

We need to get the leadership working in human resources management and financial management, so we are working with the chief human capital officers counsel. OPM is providing strong leadership there. We are working with the CFO counsel, Linda Springer, the Controller for the Federal Government is providing strong leadership there. But we need some champions to emerge within the agencies that are actually going to make that happen.

In monetary benefits, the opportunities were referred to Social Security Administration, and they are figuring how to work that into their next round of business case submissions. And in data and statistics, the Census Bureau, as one of the heavy demanders of software licensing, has taken that initiative, and they are work-

ing to pull together the team to adopt a similar approach to the SmartBuy approach.

Ms. MILLER. Thank you, Mr. Chairman.

Mr. PUTNAM. You are very welcome, Ms. Miller.

I recognize the ranking member, Mr. Clay.

Mr. CLAY. Thank you, Mr. Chairman.

Mr. Forman, earlier this year we heard testimony from GAO about how DOD has over 1,200 different financial management systems and was spending millions of dollars developing new systems that don't work. DOD has designated $18 billion for business systems in 2003 and, according to GAO, that expenditure is at risk. Recently, DOD canceled one of these projects after spending $126 million over 7 years. And that is not an isolated example. According to GAO, there are at least three other projects that are also investments going bad. Would the project you are testifying on today address these problems at DOD?

Mr. FORMAN. I think within the financial management arena there is an awful lot of opportunity for synergy, so absolutely in the financial management arena we should see some opportunities. I will tell you there are a few things that are unusual. I won't say they are wrong, just because of the pure scale of the Defense Department. A hundred million dollars for an architecture study is a lot of money, and there are lessons learned and priorities that have to be made in the options that came out of that study. But there are also a lot of insights that we can use across the Federal Government in terms of architecting better financial management processes. There are concepts and solutions that I think Linda Springer has in general financial management with the Federal Government. I am sure she has testified on that before the committee. And so to get the cross pollination of that. We hope to have good working relationships continue as we move forward with the business case for integrating the core financials.

Mr. CLAY. Let me add in your testimony you identify several hundreds of millions of dollars in projects that will be reviewed. Are these potential savings from buying the same software for all agencies instead of separately, or are they situations where some agencies will be told to stop and go back to the drawing board?

Mr. FORMAN. The first part is certainly a huge opportunity for us, and how this will actually come out of the business case analysis I can't predict. What I would say, though, is that there is a slightly different opportunity than the second one that you characterized. It is a question of how many times do we want to buy the same innovation, when the technology allows us to leverage economies of scale. So can we take 5 or 10 different initiatives where 5 or 10 different agencies were coming up or trying to come up with an innovative approach, and take the 2 or 3, or we already have the innovative approach and just leverage economies of scale through perhaps a cross-servicing model or a standard blueprint, if you will, for the architecture? Those opportunities clearly are there; that has come out of the study work we are doing. Now comes the details of how do we get to take advantage of those opportunities. But it probably will mean some agencies will not continue on with their same approach to figuring out or reinventing the wheel that have been typical for the Federal Government.

Mr. CLAY. OK. Well, given that these projects are already in the 2004 budget request, what will happen to the funds for those projects that are stopped?

Mr. FORMAN. There are different approaches that have to be considered, and ideally I would like to say that they wouldn't be spent. Obviously one of the opportunities here is that we get a total cost reduction, and so the whole point of the business case process is to lay that all out; and that will be done in September, before the beginning of the fiscal year.

Mr. CLAY. OK. Last week we had the National Archives and Records Administration here. It is my understanding that legislation has been introduced that would transfer the operations of the National Personnel Records Center from the Archives to the Department of Veterans Affairs. Now, that Record Center is in my district, and according to the GAO, the Archives has made great strides in improving the management of that Center. It doesn't make sense to me to take the Center out of the hands of an agency whose primary function is records management and give it to an agency whose primary function is delivering services. Has administration taken a position in this transfer of function? Were you aware of it?

Mr. FORMAN. I am not familiar with that issue. And what I would like to do is get back to you on it.

Mr. CLAY. Would you please? Thank you, Mr. Forman. Thank you for your answers.

Mr. PUTNAM. Thank you, sir.

Mr. Forman, you mentioned in your testimony that a third of the business lines that you looked at were redundant.

Mr. FORMAN. The IT investments.

Mr. PUTNAM. Give us some examples of those that were not, so that we know what we are working with that are in pretty good shape.

Mr. FORMAN. OK. I would ask that I get back to the committee on that. I am more familiar with the ones that were redundant, versus the ones that were not.

I think perhaps one of the lesser ones would probably be air traffic control, where we might see the Defense Department and the FAA.

Mr. PUTNAM. That is adequate. I just want everybody to have a sense of, you know, being able to divide what is and what is not.

For the last several months, this subcommittee has heard a lot of testimony from you on the enterprise architecture and on the management initiative that will get our arms around this almost $60 billion in IT investment, and we are not going to approve any new IT investments in agencies that are not part of the business case. And from our standpoint, we have now voted on several of the 13 appropriations bills. Have we voted on any new IT investments that don't make a business case?

Mr. FORMAN. Well, buried in the budgets may or may not be. So many of the IT investments are not explicitly appropriated. In fact, the vast majority are not. A lot are funded out of working capital funds. And your approving a budget is not the same as approving that IT investment, per se. And, similarly, the fact that an agency gets a budget is not the same as having the authority to move for-

ward. We have been trying to make that clear to the agencies. Second is a lot are funded out of the salaries and expenses line, and sometimes that is scrubbed and sometimes it is not, and the standards are different.

Within that, we know that there are still systems that are considered at risk; they haven't made the business case fully. They are mission-critical, they are important, but, you know, likely what will happen is they will have cost overruns of schedule slips unless they have the business case. And I think it is fair to say, traditionally in the budget process and financial management, approving the funding and how the funding is actually allocated increasingly has been driven by results more. So thereto on the IT side I think it is fair to say you are approving the funding for the purposes, whatever that may be, that ultimately a portion of which may be used on the IT investment. It is still incumbent on OMB under the Clinger-Cohen Act, under the E-Gov Act of 2002 to hold the agencies accountable for delivering results. We all understand what it is to be spent on; we now have to make sure that it delivers the results that were purported.

Mr. PUTNAM. Well, we expect you to fill that role, but to the extent that we can be helpful as well and hold our colleagues accountable to Clinger-Cohen and E-Gov, and that we don't continue to fund these programs, we certainly look for your input on that as well.

You identified an estimated $3 billion in savings if we consolidate four of the six business areas that you laid out. Do you have any ballpark estimate of what the potential in savings is if we get good at this, another five or six?

Mr. FORMAN. Or if we were to go after the full third. I don't, actually, and the reason is you know that there is redundancy, but until you do the analysis you don't know which one you want to keep versus which ones to turn off. There is no question there will be savings. There is no question, I think, based on commercial practice and experience, that the savings will number in the billions. There are many examples of other companies that are a fraction of the size of any Federal agency, and they are always able to save a billion or multi-billion dollars from this. So I think it is fair to scale those to the Federal agencies and hold us accountable for doing the analysis, doing the work to maximize those savings.

At the same time I think there are performance improvements. One of the things that has most impressed me about the e-business approach is that it costs less, agencies or organizations become simpler, and they become faster and more responsive, more agile is the business term of art today. So it is one of these scenarios where you spend less to get more; and that has to be the framework here, it has to be.

Mr. PUTNAM. One of the things I am looking forward to hearing from the second panel that I would ask you to comment on are the ancillary benefits on the personnel side through the consolidation of these systems. What types of savings monetarily, but also what is the complexity saving? You know, what is the simplicity factor on training costs on that many fewer systems and that many fewer new ways of doing things across agency lines, what types of savings can we expect there on the personnel side?

Mr. FORMAN. Generally, I am not familiar with the statistics there. There is no question in my mind that there are savings from the simplification and training. Out of the savings analyses that have been done, it is hard to differentiate between how much of the training cost reduction was due to standardization versus just using a browser, you know, using the Internet, basically, as the user interface, which tends to be designed different from the old IT system, so it is easier for most people to use; and that too has generated a lot of training cost reduction.

Mr. PUTNAM. We tend to be very critical where there are shortfalls, but the carrot that we have offered these agencies is that savings derived from E-Government will be kept by the agencies. Have any agencies benefited from that so far, and has it proven a powerful incentive? Is it working?

Mr. FORMAN. I have seen, in the realm of the 24 E-Government initiatives, that there have been savings. I think perhaps the best example that this committee has looked at was in the geospatial or geographic information systems arena, and not too long after those hearings, the geodata.gov Web site was released, as was the open GIS consortium portal. The ability to reuse information, to reuse different tools has created quite a bit of savings opportunity. We will continue on that way, but as a result now we do see some agencies that are saying, geez, we don't have to buy this tool or that data, because we can get access to that portal. We see many more at the local government level, which generated reduction in grants requirements, so the ability to use grants for other purposes.

In the realm of the six lines of business that we looked at, obviously the biggest savings are going to come in the financial management and human resources information systems, because those are areas where we spend literally billions of dollars every year for fundamentally common business purposes. The two that have agency leadership, cost savings are important, but the primary issue is the ability to better perform the mission.

Mr. PUTNAM. We have talked a little bit about the cybersecurity implications of eliminating stovepipes. On the one hand you could achieve some cost savings by eliminating the stovepipes and not having to go back and do as much patch management, but on the other hand sometimes redundancy is not such a bad thing. You know, we have a lot of redundant systems on the space shuttle, we have a lot of redundant systems in other types of technology where you want backup. What are the cybersecurity consequences of consolidating these systems?

Mr. FORMAN. I think you are absolutely right that you want to architect the redundancy, and you do that for disaster recovery, for some elements of cybersecurity. I think the other reason you want to architect this is to build in the appropriate cybersecurity. Again, I think some of the six, perhaps public health information networks are most important, clearly covered by the health care privacy laws, but also important for just the ability to speed by which Government can respond and understand these threats. So cybersecurity is very important for the public health architecture that is being built.

Having multiple redundant systems in multiple places creates a security difficulty, so you want to architect it so you have the redundancy, but you want to constrain the number of redundant elements because the redundancy makes it harder to protect, and usually that is when you hit two or three versions. Beyond two or three, you have limited the value of the redundancy and you are into a cybersecurity difficulty.

Mr. PUTNAM. Thank you very much, Mr. Forman. My time has expired.

Are there final questions from the panel? I have been informed we are going to have a vote between 11:15 and 11:30, so we want to quickly get to our second panel.

Mr. Forman, if there are additional questions, we will submit them to you and ask that you reply in writing for the record. As always, we appreciate your insight. And we will excuse you, Mr. Forman, and seat the second panel as quickly as possible.

Mr. FORMAN. Thank you.

Mr. PUTNAM. The committee will stand in recess for a minute and a half.

[Recess.]

Mr. PUTNAM. We will reconvene our hearing and seat the second panel. I appreciate your cooperation in helping us to move as quickly as possible. I apologize for this; that is sort of the nature of the beast in this town.

At this time I will ask the members of the second panel to please stand and raise your right hands for the oath.

[Witnesses sworn.]

Mr. PUTNAM. Note for the record that the four witnesses responded in the affirmative. We will move directly to their testimony, beginning with Mr. Conway.

Craig Conway is president and chief executive officer of PeopleSoft, one of the world's leading providers of business enterprise software. In 2001, Mr. Conway was named one of Business Week's top 25 corporate managers. Also in 2001, Forbes.com named PeopleSoft to its list of five over-achieving companies. He is credited for leading PeopleSoft's efforts on developing its pure Internet architecture product, the foundation of what I am told is the industry's only suite of pure Internet enterprise applications. Conway is also credited with forming his own internal processes at PeopleSoft to streamline operations and reduce costs. He spent 8 years as an executive vice president at Oracle and, in fact, rumor has it that Mr. Conway's former employer seems to like what he has done at PeopleSoft.

Mr. Conway, we thank you for flying in from California to join us on this important topic. Welcome. You are recognized for 5 minutes.

STATEMENTS OF CRAIG A. CONWAY, PRESIDENT AND CHIEF EXECUTIVE OFFICER, PEOPLESOFT, INC.; KEVIN FITZGERALD, SENIOR VICE PRESIDENT, ORACLE CORP.; S. DANIEL JOHNSON, EXECUTIVE VICE PRESIDENT, BEARINGPOINT, INC.; AND PAUL M. COFONI, PRESIDENT, FEDERAL SECTOR, COMPUTER SCIENCES CORP.

Mr. CONWAY. Good morning. Thank you for giving me the opportunity to address the House Government Reform Subcommittee on Technology, Information Policy, International Relations and the Census.

I have been asked to share my observations about Federal information systems, particularly their integration between agencies, and I would like to start by observing, first of all, that there are really only two reasons to deploy technology: first, to automate a repetitive organizational process and, second, to do something that was not possible to do before.

The Federal Government has always been a good candidate for information technology because it deals with massive amounts of administrative repetitive processes. However, the Federal Government has not historically been as successful in deploying information technology as the private sector. There are a variety of reasons for this. First, scale. The sheer size of the data that the Federal Government deals with has historically required very large, very complex, and very costly systems. Second, customization. The Federal Government has historically preferred to change or customize information technology rather than use commercial off-the-shelf software. Three, skilled people. The types of highly skilled people required to implement these large, highly complex, highly customized solutions are hard to find and even harder to retain because their value in the market is greater in the private sector. And, four, procurement. The process the Federal Government has used to procure information technology was self-defeating; it would take at least 18 months to define the system requirements, another 18 months to solicit bids and make an award, another 6 months to handle the vendor protests. By that time, 3 or 4 years had gone by and the technology had changed.

For all of these reasons, the success of the Federal Government utilizing information technology has lagged the commercial sector.

All of that, however, has begun to change. Today, in fact, the most dramatic examples of information technology improving business process has been in the public sector. Why? Again, a variety of reasons. First of all, the Internet. The Internet has provided a readily available, infinitely scalable architecture. Remember, massive scale used to be a challenge to the Federal Government. But Internet technology is infinitely scalable and easily expanded. Two, best practices. The Federal Government today embraces best practices and is much less willing to change or customize commercial off-the-shelf solutions, and that has reduced the complexity and it has reduced the time and the expense of these Federal systems. Three, quality people. As the complexity of the Federal systems has been reduced, the caliber of people required to use them has become more realistic to attract, and the Federal Government has done a better job of attracting and retaining quality people, including some very senior talent from the commercial sector. And, four,

the procurement process. The procurement process has also improved over time. In fact, today the Government can weigh the tradeoffs between market cost, vender viability, and experience in a manner similar to the commercial market.

The results of these four changes in the public sector have been profound. E-Government initiatives today have been among the most impressive uses of information technology in the last 10 years. In many State governments, citizens now renew their driver's licenses and pay their parking fines and register their vehicles on line. In universities today, students apply for admission on line; they apply for financial aid on line; they enroll in classes on line.

PeopleSoft has participated in these and other impressive E-Government initiatives. The U.S. Mint, Department of Treasury have online financial systems from PeopleSoft. Department of Agriculture, and Coast Guard have online HR systems from PeopleSoft. The Army's continuing education program, called eArmyU, is from PeopleSoft.

PeopleSoft today is a major supplier. We are a supplier to 13 of the 15 cabinet level agencies; 15 States run on PeopleSoft; 650 universities run on PeopleSoft; almost 5,000 commercial companies run on PeopleSoft.

But I would like to conclude my remarks looking to the immediate future. Online E-Government initiatives have become a reality at Federal agencies, State agencies, and universities. It has been a quantum leap in the use of information technology in the last few years, but it is really just getting started.

The value of information technology in the Federal Government could be exponentially higher if it were deployed across agencies, because today, to some extent, individual agencies are reinventing the same business processes. How many different HR systems do you need to deploy to the Federal Government? How many different ways are there to pay Federal workers? How many different benefit plans really apply? Would it not be more beneficial to have a single HR system that could support different agencies rather than different HR systems in different agencies? Would it not be more beneficial to have a single financial system that can support different agencies and immediately, immediately consolidate budget results?

The products exist today to do that. In fact, the Department of Defense today is deploying a cross-agency system called DIMHRS. DIMHRS will consolidate 79 different HR systems, 79 different HR systems across the Army, Navy, and Air Force into a single payroll and benefit system. PeopleSoft is working with DIMHRS, with Quicksilver, and with the line of business applications that you heard previously.

Cross-agency deployment of information technology does represent an enormous leap in efficiency for the Federal Government. It is realistic; it is practical; it is affordable. It is not a limitation of technology; it is a matter of people. People have to agree on a common system, agree on specifications. People need to handle the change management issues. And we all appreciate the challenges of getting people to cooperate across agencies, but the benefit to the Federal Government would be profound and immediate.

Let me end by saying we are just starting to glimpse the profound benefits of these online information systems as they integrate and consolidate across agencies, but also as they integrate and consolidate into the private sector. And ultimately they will integrate and consolidate actually between countries.

Thank you very much.

[The prepared statement of Mr. Conway follows:]

PeopleSoft®

Testimony of

Mr. Craig A. Conway

President and Chief Executive Officer

PeopleSoft, Inc.

Before the House Government Reform Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census

Adam H. Putnam, Chairman

On the topic of

Federal Information Systems Integration and Consolidation: Maximizing Technology Investment Across Agency Boundaries

July 15, 2003

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PeopleSoft.

TESTIMONY

Craig A. Conway
President and Chief Executive Officer

Good morning. Thank you for giving me the opportunity to address the House Government Reform Subcommittee on Technology, Information Policy, Intergovernmental Relations and the Census.

I have been asked to share my observations on Federal Information Systems, particularly their integration with each other, and the potential for consolidation across different agencies. Let me start by observing that there are really only two reasons to deploy information technology in the first place – either to automate a repetitive organizational process or to do something that otherwise could not have been done.

The federal government has always been a good candidate for the use of information technology because it deals with a massive amount of repetitive administrative processes. However, the federal government has not historically been as successful deploying information technology as the commercial sector. Why? There have been a variety of reasons:

1. **Scale.** The sheer size of the data in the federal government has historically required very large, complex, and expensive systems.
2. **Customization.** The federal government has historically preferred to change or customize information technology rather than use commercial off the shelf solutions.
3. **Skilled people.** The type of highly skilled people required to implement these large, highly complex, highly customized solutions were very hard to find, and even harder to retain because their market value was much higher in the private sector.
4. **Procurement.** The process the federal government used to procure information technology was self-defeating. It would take at least 18 months to define the system requirements, another 18 months to solicit bids and make an award, and another 6 months to handle the vendor protests. By the end of 3-4 years, the technology had changed, and the administration may even have changed.

For all of these reasons the success of the federal government utilizing information technology has lagged the commercial sector.

All of that has begun to change, though. In fact, today the most dramatic examples of information technology improving business process have been in the public sector. Why? Again a variety of reasons:

- **The Internet.** The Internet has provided a readily available, infinitely scalable architecture. Remember massive scale used to be a challenge for federal systems. But Internet technology is infinitely scalable and easily expanded. Amazon.com, Yahoo, and eBay handle tens of millions of transactions every hour. How do they do that? They simply add servers as the demand goes up.

- **Best practices.** The federal government today embraces best practices and is much less willing to change or customize commercial off the shelf solutions. That has reduced the complexity, time, and expense of federal systems.

- **Quality people.** As the complexity of these federal systems has been reduced, the caliber of people required to implement them has become more realistic to attract and retain. The federal government has done a better job of attracting and retaining quality people, including some very senior talent from the commercial sector.

- **Procurement.** The procurement process has improved over time. Today the federal government can weigh the tradeoffs between time to market, cost, vendor viability and experience in a manner similar to how a commercial procurement is done.

The result of these four changes in the public sector has been profound. E–Government initiatives have been among the most impressive applications of technology in the past ten years. In many state governments, citizens now renew their driver licenses and vehicle registrations online. They pay their parking tickets online and their traffic tickets online. Citizens apply for business licenses online. In many universities today students apply for admission online, apply for financial aid online, and register for classes online. In the federal government, soldiers can now complete a high school or college degree online from anywhere in the world.

PeopleSoft has participated in these and other impressive E–Government initiatives. The U.S. Mint and the Department of Treasury have online financial systems from PeopleSoft. The US Department of Agriculture and the Coast Guard have online Human Resource systems from PeopleSoft. The Army's online continuing education system I spoke about is a PeopleSoft system called "eArmyU".

PeopleSoft is today a major supplier to the public sector. 13 of the 15 cabinet departments run PeopleSoft systems. 15 states run on PeopleSoft. 650 universities run on PeopleSoft. I can give you more details on any of these deployments – their costs, benefits, and return on investment – if you'd like during the question/answer section.

But I would like to conclude my remarks looking to the immediate future. Online E–Government initiatives have become a reality at federal agencies, state agencies, and universities. It has been a quantum leap in the use of information technology. But it is really just getting started.

The value of information technology in the federal government could be exponentially higher if it were deployed across agencies. Because, today, to some extent individual agencies are reinventing the same business processes. How many different HR systems do you need to deploy in the federal government? How many different ways are there to pay federal workers? How many different benefit plans? Would it not be more beneficial to have a single HR system that could support different agencies rather than different HR systems for each agency? Would it not be more beneficial to have a single financial system that could support different agencies and immediately consolidate budget results?

Products exist today to do exactly that. In fact, the Department of Defense is deploying a cross-agency system today called DIMHRS (Defense Integrated Military Human Resources System). DIMHRS will consolidate 79 different HR systems across the Army, Navy, and Air Force into a single payroll and benefits system. PeopleSoft is deploying that system and working closely on other Quicksilver initiatives for cross agency deployment.

Cross agency deployment of information systems does represent an enormous leap in efficiency for the federal government. It is realistic, practical, and affordable. It is not the limitation of technology. It is a matter of people. People to agree on a common system. People to agree on the specifications. People to handle the change management process. We all appreciate the challenges of getting people from different agencies to work together, but the benefits to the federal government would be enormous and immediate.

Let me end by saying that we are just starting to glimpse the profound benefits of these online information systems as they are integrated and consolidated across agencies, commercial companies, and even, ultimately, with other governments.

Thank you.

BIOGRAPHY

President and Chief Executive Officer, Craig A. Conway

Craig A. Conway is president and chief executive officer of PeopleSoft, the world's leading provider of business enterprise software. Conway was named as one of BusinessWeek's top 25 managers of 2001 and one of the 10 most influential people in the high technology industry, according to Computer Business Review—a European publication. PeopleSoft was named one of the five over-achieving companies in 2001 by Forbes.com. Under Conway's leadership, PeopleSoft was ranked as the second most admired software company in 2002 by FORTUNE magazine.

Joining PeopleSoft in May 1999, Conway orchestrated one of the most dramatic turnarounds in the technology industry. His boldest strategic directive was the development of PeopleSoft's Pure Internet Architecture™, the foundation of the industry's only suite of pure internet enterprise applications. Conway overhauled PeopleSoft's internal processes, significantly reducing costs and streamlining operations.

Prior to joining PeopleSoft, Conway was president and CEO of OneTouch Systems. Previously, he served as president and CEO for TGV Software. Conway also spent eight years at Oracle Corporation as executive vice president of marketing, sales, and operations. He is a graduate of the State University of New York at Brockport where he received degrees in mathematics and computer science.

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CUSTOMER PROFILES

PeopleSoft, Inc. Overview

PeopleSoft is the world's leading supplier of application software for the real time enterprise. PeopleSoft pure Internet software enables organizations to reduce costs and increase productivity by directly connecting customers, suppliers, partners, and employees to business processes online, in real time.

Organizations in every industry are now operating in real time. Organizations that operate in real time are better equipped to achieve their financial objectives in a difficult economy. They are better able to meet a higher level of financial transparency, reporting accuracy, and accountability. Real-time organizations are better able to gain market share from their competition. PeopleSoft is shaping The Real-Time Enterprise™ today. PeopleSoft customers are moving business processes to the Internet, extending them directly to customers, suppliers, business partners, and employees. They are dramatically lowering costs and improving operating efficiency. The age of The Real-Time Enterprise is here. And PeopleSoft customers are benefiting from the results.

PeopleSoft delivers solutions to meet the real-time business process requirements of every industry. With a diverse customer base including more than 600 financial services companies, 650 manufacturers, and 600 higher education institutions, PeopleSoft has unparalleled experience in industries worldwide.

PeopleSoft is the only company to deliver configurable industry architecture. No matter where you choose to take your organization, our applications adapt to your business and support your goals and objectives. With our powerful analytics, you can bring information together from any source and view it in the context of your industry. Today, we are solving real business problems with PeopleSoft industry solutions. Consumer goods companies are reducing time to market with streamlined trade promotions. Banks are more effectively managing capital with sophisticated risk and customer behavior modeling. Healthcare providers are increasing responsiveness and cutting costs with real-time materials management. Whether you are a global high-tech manufacturer or a mid-size healthcare delivery organization, PeopleSoft provides the real-time solutions that meet the unique needs of your business.

PeopleSoft customers are moving their business processes to the Internet with world-class applications, all supported by PeopleSoft Pure Internet Architecture. Business processes are extended directly to customers, suppliers, partners, and employees. Business analytics are embedded directly into applications, providing real-time insight to your business processes.

PEOPLESOFT CUSTOMER RELATIONSHIP MANAGEMENT

PeopleSoft Customer Relationship Management (CRM) provides comprehensive customer relationship management solutions that are fast to implement, are easy to use, and enable smart business processes. It delivers pre-integrated, best-in-class applications for coordinating all marketing, sales, and service activities with customers, partners, and employees. PeopleSoft CRM uses embedded analytics to deliver real-time customer insight, enabling businesses to drive profitable customer relationships while reducing operating costs.

PEOPLESOFT MANUFACTURING AND PEOPLESOFT SUPPLIER RELATIONSHIP MANAGEMENT

PeopleSoft Manufacturing solutions deliver synchronized supply chains, allowing organizations to respond in real time to changes in demand and supply. Only PeopleSoft's Pure Internet Architecture enables lean manufacturing that extends beyond the four walls of your operation. Our real-time analytics and complete business processes allow organizations to constantly measure and tune their supply chain performance. PeopleSoft Supplier Relationship Management (SRM) is the only suite that provides organizations with total spend management for direct goods, indirect goods, and services. Only PeopleSoft SRM provides the processes, controls, and measures to enable your organization to tightly control spend and optimize supplier performance.

PEOPLESOFT HUMAN CAPITAL MANAGEMENT

PeopleSoft Human Capital Management (HCM) increases workforce productivity and reduces costs. Organizations can streamline human resource systems and processes for attracting, developing, optimizing, and rewarding their workforce. They can deploy self-service and align their workforce to drive organizational performance goals. The result is an efficient, high-performance, cost-effective global workforce.

PEOPLESOFT FINANCIAL MANAGEMENT SOLUTIONS AND PEOPLESOFT ENTERPRISE SERVICE AUTOMATION

PeopleSoft Financial Management Solutions (FMS) enable you to extend financial transparency and accountability deeper throughout your organization. PeopleSoft FMS combines best-practice business process models with robust transaction systems and comprehensive analytics solutions—all accessed through role-based financial portals. This best-in-class solution delivers process efficiencies and helps you proactively monitor enterprise performance. PeopleSoft Enterprise Service Automation (ESA) is the next generation of resource and project portfolio management software. ESA is the only suite that gives you real-time visibility and control over operational costs—the largest hidden costs facing business today. With PeopleSoft ESA, you can optimize your project portfolio, reduce project delivery costs, and maximize the return on your internal and external resources.

PEOPLESOFT ENTERPRISE PERFORMANCE MANAGEMENT

PeopleSoft Enterprise Performance Management (EPM) applications provide the most comprehensive, integrated performance management solution. With PeopleSoft EPM, you gain a total view of your enterprise and can track performance at all levels of the organization. As a result, you can align operations with strategic goals and adapt quickly to unexpected changes.

PEOPLESOFT APPCONNECT

PeopleSoft AppConnect enables companies to connect people, processes, and data across multi-vendor applications on a common pre-integrated platform. Enterprise Portal provides personalized, context-sensitive access to critical business content and applications. Integration Broker connects business processes across applications using web services integration. Enterprise Warehouse consolidates global data across the enterprise and provides comprehensive analytics for real-time decision-making.

PEOPLESOFT MID-MARKET SOLUTIONS

PeopleSoft has pre-configured its pure Internet enterprise applications to support mid-market business processes. These solutions make The Real-Time Enterprise an affordable and low-risk reality for mid-size businesses. PeopleSoft Mid-Market Solutions move business processes online in as little as 70 days at a fixed price—including implementation, training, support, and an unlimited user license.

PeopleSoft is committed to ensuring customer satisfaction by building quality products and delivering cost-effective, results-oriented service and support based on the unique organizational needs of our customers.

PEOPLESOFT GLOBAL SERVICES

PeopleSoft Global Services provides worldwide, best-in-class services to help customers get maximum value from their PeopleSoft software.

Consulting

PeopleSoft Consulting is the leader for implementing, upgrading, and optimizing PeopleSoft products to improve business performance. With consultants around the world and expertise from over 1,000 projects in 2002, PeopleSoft Consulting accelerates time to value, maximizes functionality, and reduces project timelines and budgets. Our world-class implementation services are tailored to specific business needs and provide global infrastructure and expertise to make customers successful. Through a single-vendor relationship, customers gain deeper access to PeopleSoft resources and hold PeopleSoft, the company that built the software, accountable for project success. Customers that rely on PeopleSoft Consulting get more value out of PeopleSoft software sooner.

Education

PeopleSoft Education is the trusted source for PeopleSoft related training. Executives, project managers, and end users benefit from role-based training that results in increased productivity and competence, reduced risk, and lower support costs. Training delivered where, when, and how your organization needs it, on a global scale, increases your overall return on investment. Products and services include project team training classes, end user training classes, the end user training kit, and course development and delivery services. Customers who rely on PeopleSoft Education get more value out of PeopleSoft software sooner.

PEOPLESOFT CUSTOMER SUPPORT

PeopleSoft Customer Support provides customers with real-time support for their real-time enterprises. We provide access to an extensive suite of industry-leading, integrated global support services, including 24x7 mission-critical support. Customer Support also provides the industry's best web-based self-service problem resolution tools and comprehensive product and technical expertise. PeopleSoft continually invests in its customer service people and technologies to ensure that your systems run smoothly. Whatever your support needs, PeopleSoft Customer Support programs are specifically designed to help you guard against costly system downtime and achieve optimal system performance, increasing the value of your PeopleSoft systems. PeopleSoft Customer Support is committed to your success so you can focus on what you do best: driving your business.

PEOPLESOFT eCENTER

PeopleSoft eCenter is the industry-leading solution for hosting and managing PeopleSoft pure Internet applications. PeopleSoft eCenter provides your business total flexibility and enhanced return on investment by delivering the full functionality of PeopleSoft as complete end-to-end applications hosting and management solution. PeopleSoft eCenter delivers a single point of accountability, rapid deployment, scalability, security, and industry leading service level guarantees for application availability and performance. eCenter's end-to-end solution enables our customers to focus on their core business while entrusting the management, ongoing service, and support of their enterprise applications to us.

PeopleSoft Alliance Partners work with us to deliver top-quality products and services that help our customers build a true, real-time enterprise. Partnering with top providers in their respective industries enables us to offer outstanding value and a broader range of solutions. With our global consulting partnerships, customers can choose among unique methodologies and thousands of highly trained consultants to reliably and effectively implement—anywhere in the world. Our software partners provide certified applications, pre-integrated with PeopleSoft solutions. All of our partners are leaders in their fields. We're proud to include them as a part of the PeopleSoft Global Alliances Program.

PeopleSoft Customer Experiences

PeopleSoft is the leader in providing education and government ERP solutions with over 1300 public sector customers, including 13 of the 15 U.S. Cabinet level agencies, over 300 state & local governments and over 650 higher education institutions, in addition to our 4000 commercial sector customers. PeopleSoft was funded in 1987 and is headquartered in Pleasanton, California. With annual revenues in excess of $2 billion, PeopleSoft has 5000 customers in 140 countries, more than 8000 employees, and 91 offices around the world.

PeopleSoft customers have experienced a myriad of success in the specific areas that the Subcommittee has defined. PeopleSoft customers have streamlined legacy systems from multiple stovepipes into cleanly integrated enterprise solutions. While Enterprise Systems are inherently complex, many PeopleSoft customers have been successful in getting systems into operation in 12 months or less. Many customers have production systems supporting billions of dollars in transactions and hundreds of thousands of employees or customers. Consolidated and integrated systems are reducing time spans by days, weeks, and months, and saving millions of dollars in hard expenditures, even while improving service and satisfaction levels.

Below is a snapshot of customer experiences in each of the main areas of interest in this hearing. Detailed profiles of these and other customers are found in the appropriate tabs later in this document.

Consolidation and Integration

The USDA streamlined human resources processes and reduced operating costs across offices in all fifty states. Access to information was reduced from 3 weeks to real-time for the agency's 20,000 employees.

The State of Indiana consolidated 131 systems on PeopleSoft. They connected 70 agencies with 35,000 employees directly to HR business processes, and cut the financial closing process from 45 days to 5. The state obtained one accurate view of finances, and is moving procurement online so even small localities can leverage the state's enormous buying power. An accurate, real-time understanding of the workforce results in better management decisions and strengthened security.

Implementation

The U.S. Mint (U.S. Department of Treasury) cut their month-end financial close from 2 weeks to a world-class 3 days, and year-end close from months to weeks. (Savings and ROI have been documented by the Mint, but are considered proprietary).

The State of North Dakota consolidated 200 systems onto PeopleSoft, connecting 58 agencies and 11 institutions of higher education. The State saves nearly $10 million annually from the implementation of self-service human resource processes and the elimination of redundant systems.

The Office of the Comptroller of the Currency (U.S. Department of Treasury) implemented PeopleSoft Financials under budget, in 9 months. Now with PeopleSoft, end of year budget positions are forecast accurately. Managers at all levels have access to real-time reports, allowing tighter budget management.

Scale

The State of New York uses PeopleSoft to manage a 293-agency payroll system that delivers over 700 different types of payments and a quarter of a million paychecks---every two weeks. Implementing PeopleSoft has improved the timeliness and accuracy of payments by 20%.

The Department of Defense is consolidating the human resources management of over 3 million military personnel onto a single system, replacing more than 80 legacy systems. The DOD is lowering costs and improving visibility to resources across service branches.

The U.S. Army uses PeopleSoft to manage its e-learning program, eArmy University. Over 10,400 soldiers around the world are now taking courses and earning degrees online from 24 participating colleges.

Return On Investment (ROI)

The Texas Education Agency moved their state-wide contracted workforce processes to the internet with PeopleSoft, and saves $1 million annually.

The City of Los Angeles implemented PeopleSoft Supply Chain Management, saving over $37 million, an ROI of 130%. This is in addition to the $3.6 million saved annually in ongoing personnel and contract costs. The city slashed both inventory levels and the number of purchasing contracts in half. The city now earns early payment discounts on 96% of their invoices.

The United States Coast Guard used PeopleSoft to reduce the time to process its 20,000 annual deployments by over 30%. As a result, the Coast Guard has been able to cut headcount for personnel related positions by 40%.

Consolidation and Integration

PeopleSoft.

USDA Leads the Way to PeopleSoft 8 HRMS

The Customer

PeopleSoft Products

Computing Environment

Implementation partner

From its beginnings as a farming assistance bureau, the United States Department of Agriculture (USDA) has grown into a far-reaching organization. The USDA takes part in anti-hunger efforts, conservation, rural development, food safety, and global agricultural trade. With offices in all 50 states, the USDA recently sought an HRMS solution that could streamline personnel actions and reduce operating costs. They found this solution in PeopleSoft 8 HRMS.

For over a year, three USDA branches have been using PeopleSoft Human Resources Management to process personnel actions (68,000 since deployment). Nearly 20,000 employees in all 50 states, Guam, and Puerto Rico use PeopleSoft solutions to perform such typical HR functions as appraising performances, planning training, and filling vacant positions.

The response has been positive. "We've been getting a lot of great feedback," says Hans Heidenreich, USDA's project director for PeopleSoft. "The same information that used to take three days or three weeks to pull is there right away. Having PeopleSoft has definitely made us more efficient. Our employees are happy, and it's brought our agencies closer together."

These benefits will increase as the USDA upgrades to PeopleSoft 8 HRMS, an eBusiness platform that requires no code on the client. The USDA plans to become the first federal department to deploy PeopleSoft's pure internet software.

Anywhere, Anytime Business

One of the chief benefits of pure internet software—found only in PeopleSoft 8—is that it gives employees access to role-based information through any web browser. "We're giving our people so much more that they'll be ecstatic," says Heidenreich. "For our employees, browser-based self-service—the ability to manage life events and benefits, whether it's health, trust savings, union dues, or changing their W-4—will make their lives easier. Instead of having to file papers in the office, they'll be able to manage their personal business from home."

The department is confident that PeopleSoft will prepare them to handle the eGovernment challenges ahead. "With PeopleSoft 8, when there's a policy change or a new rule, we'll be able to adapt to it a lot more quickly," says Heidenreich. "There's no code on the client, so it's going to be easier to get the changes out to everybody at the same time. The web-based approach reduces the costs of the equipment that you need and increases efficiency."

Self-Service Drives Productivity

With PeopleSoft's new self-service collaborative applications, the USDA expects to move many paper-based processes to the web. "Our managers will be able to initiate personnel actions or change position descriptions electronically, avoiding the burden of paper and emails," Heidenreich says. "At the same time, our HR folks will be able to focus more time on strategic issues without having to worry about key punching and processing."

"By reducing the administrative burden on our people in the field," continues Heidenreich, "they'll be able to concentrate on their real jobs—conserving land, administering loans programs, strengthening rural economies, and assisting farmers, landowners, and ranchers. That's going to make our programs more efficient, which will satisfy everyone."

Driving Down Expenses

Aside from making everyday tasks easier, USDA expects PeopleSoft 8 HRMS to improve the department's bottom line. "The agencies will be able to plan better," says Heidenreich. "They'll have people in the right places, and they'll be able to match training and career development opportunities to their employees' specific needs. That should reduce our overhead costs in the future."

The department has already achieved savings through the ease of implementation. "As far as I can tell, our implementation is probably the most inexpensive one in the federal government," says Heidenreich. "I'm doing this on a shoestring. And the fact is, by moving to the internet, I'll be making my life easier. I can't keep up with the demands of maintaining a client machine."

What's good for USDA is also good for its constituents, the nation's agricultural community, and taxpayers. Improved efficiency will drive down expenses and enhance program value.

Moving Ahead

At the same time that the department is upgrading, it also expects to roll out new HR modules.

"PeopleSoft offered not just a product, but a methodology as well," says Heidenreich. "You upgrade and add functionality at the same time. We're going to follow that approach: build it, test it, and move it out. That's really key."

"At the end of the day," Heidenreich concludes, "we're getting a system that provides information faster, more efficiently, and more accessibly. That's what we need to move us into the twenty-first century."

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People power the internet.™

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"As far as I can tell, our implementation is probably the most inexpensive one in the federal government. I'm doing this on a shoestring. And the fact is, by moving to the internet, I'll be making my life easier. I can't keep up with the demands of maintaining a client machine."

Hans Heidenreich
Project Director for PeopleSoft,
U.S. Department of Agriculture

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"The supply chain technology Holy Grail for Corning is to provide our diverse business units the ability to achieve process excellence, while minimizing complexity across the whole organization. That's the sweet spot we're hitting with PeopleSoft."

–Rick Beers
Director of Supply Chain Technology

CORNING
Discovering Beyond Imagination

Business Challenge

Corning's twelve business units must plan, execute, and compete successfully and autonomously, while sharing the direction and ambitious global focus of the entire organization. Corning enterprise systems need to support corporate-level management and provide centralized services, while enabling supply chain process excellence in its diverse decentralized units.

PeopleSoft Solution

Corning's ongoing relationship with PeopleSoft, which began in 1995, has included over twenty installations of PeopleSoft applications throughout the company. PeopleSoft Financials, Human Resources, and Procurement systems anchor the centralized functions within Corning, while PeopleSoft Supply Chain Planning, Manufacturing, and Customer Fulfillment Management solutions are deployed as required throughout the decentralized production units.

Business Benefits

With a strong information foundation based on PeopleSoft Pure Internet Architecture™, Corning and its component businesses have the tools to grow and expand into domestic and global markets. A unified, robust data standard helps the disparate business units stay aligned and responsive to overall company direction. Better supply chain processes, and better-informed business strategy, help production units minimize costs, maximize asset effectiveness, promise and deliver orders reliably, and attract and retain customers. eProcurement and integrated procurement transactions lower the costs and improve the reliability of materials management. Overall, real time data access and analysis promote higher performance and better strategic decisions throughout the company and its business units.

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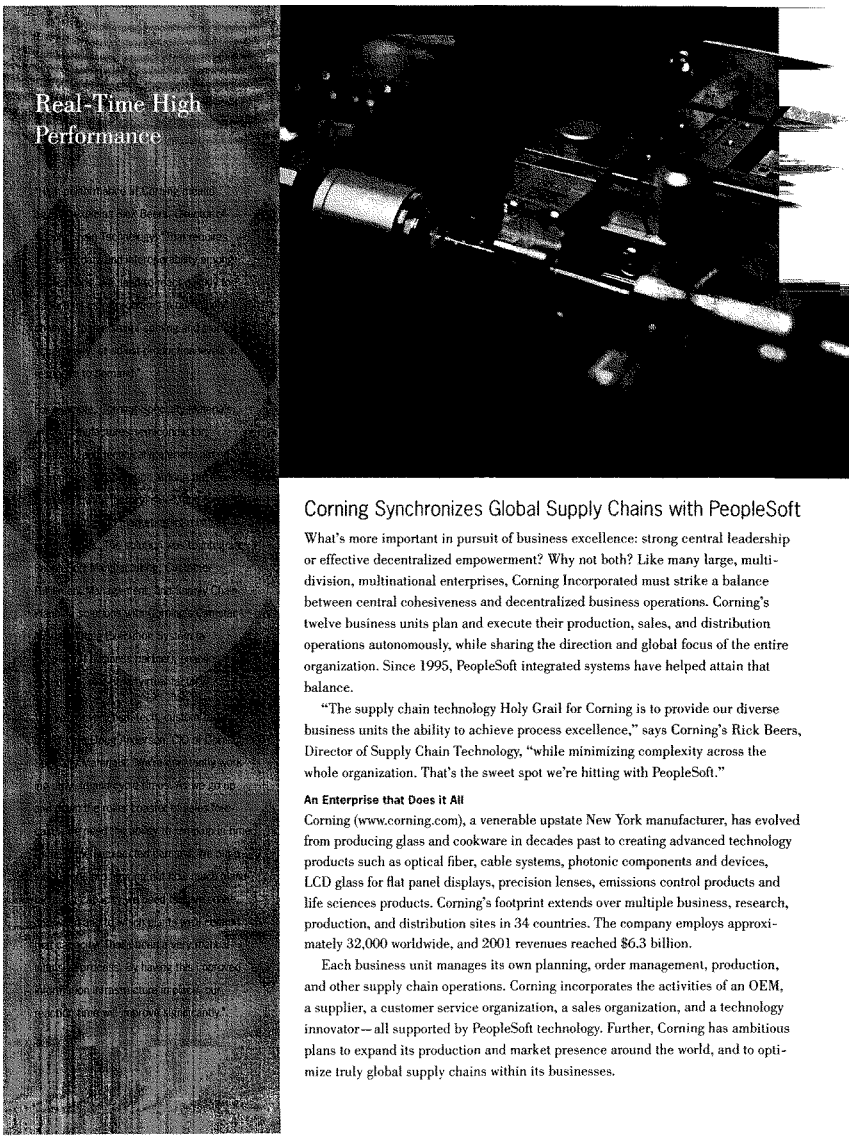

Corning Synchronizes Global Supply Chains with PeopleSoft

What's more important in pursuit of business excellence: strong central leadership or effective decentralized empowerment? Why not both? Like many large, multi-division, multinational enterprises, Corning Incorporated must strike a balance between central cohesiveness and decentralized business operations. Corning's twelve business units plan and execute their production, sales, and distribution operations autonomously, while sharing the direction and global focus of the entire organization. Since 1995, PeopleSoft integrated systems have helped attain that balance.

"The supply chain technology Holy Grail for Corning is to provide our diverse business units the ability to achieve process excellence," says Corning's Rick Beers, Director of Supply Chain Technology, "while minimizing complexity across the whole organization. That's the sweet spot we're hitting with PeopleSoft."

An Enterprise that Does it All

Corning (www.corning.com), a venerable upstate New York manufacturer, has evolved from producing glass and cookware in decades past to creating advanced technology products such as optical fiber, cable systems, photonic components and devices, LCD glass for flat panel displays, precision lenses, emissions control products and life sciences products. Corning's footprint extends over multiple business, research, production, and distribution sites in 34 countries. The company employs approximately 32,000 worldwide, and 2001 revenues reached $6.3 billion.

Each business unit manages its own planning, order management, production, and other supply chain operations. Corning incorporates the activities of an OEM, a supplier, a customer service organization, a sales organization, and a technology innovator—all supported by PeopleSoft technology. Further, Corning has ambitious plans to expand its production and market presence around the world, and to optimize truly global supply chains within its businesses.

Compatible Visions, Close Fits

From 1995 through second quarter 2002, Corning has deployed 21 installations of PeopleSoft HR, Finance, Procurement, and Supply Chain Management applications throughout the company. The impetus for this far-reaching adoption of unified enterprise systems arose from a sweeping 1994 corporate reorganization, in which a major IT overhaul was identified as a key enabler. PeopleSoft was chosen as Corning's principal ERP vendor for its range and quality of applications, functional fit, modular and adaptable design, complementary vision of future directions, and compatible corporate culture.

"Corning's long term vision was to broadly deploy systems from a single vendor into a decentralized business environment," says Suzee Woods, Corning's Director, Application Services, "and to establish a standard transaction and data platform for the entire company. This had to be accomplished, however, in a flexible way that enabled us to deliver process excellence and business value across widely diverse business processes."

Supply Chain Process Excellence

Prior to initiating a PeopleSoft Supply Chain Management implementation, Corning's Supply Chain Technology Strategy group, led by Rick Beers, carries out an extensive analysis of each business unit in consultation with process owners. The aim of the strategy team is to acquire a deep understanding of the business's supply chain processes, a blueprint for process improvements, and a fit/gap analysis with PeopleSoft SCM applications. The latter stages of the deployment focus on optimization—the collaborative processes, fine-tuned workflow, planning refinements, strategic analysis and eBusiness initiatives that wring maximum benefits from newly-established process excellence.

"PeopleSoft's modularity is very important," says Beers, "because we tailor the approach to the needs and resource capabilities of each business. We're establishing supply chain process excellence in a way that gives each business value. For example, the customer base is shifting for one of our units, so their top priority is to focus on order and inventory management. Another business's pressures are capacity related, but their customer base is stable. They have to make more optimal use of their resources, so they're focusing on planning. Another unit has zeroed in on improving the sales process. And PeopleSoft can support each of those areas of focus and still be part of the common data platform."

A Culture of Information Leading to Supply Chain Transformation

The expanding presence of PeopleSoft throughout Corning is having an effect on Corning's business culture. "It all comes down to having the right information at the right place at the right time. At Corning, we're starting to use real-time information as a natural extension of ourselves, to make the strategic supply chain decisions that save time and money, enhance customer satisfaction, and improve operations."

"If you consider the huge, and still growing PeopleSoft presence throughout Corning and the challenges of globalization, shared services, and all those individual supply chains, we've got some fun ahead of us. We're completing the heavy

lifting in getting PeopleSoft implemented throughout this company. End to end interoperability, inside and outside of the four walls, is the next challenge, and a great opportunity. With this capability, the Real Time Enterprise can become a reality."

Beers concludes: "The early promise of ERP, and Supply Chain Technology in particular, was to transform the business through end to end process design enabled by integrated product and information flows. Somehow, between then and now, much of the attention became focused on the technology itself. Technical wizardry became the end game and the focus on process excellence became blurred. The story of Corning and PeopleSoft is a different one. Supply Chain transformation has been the goal all along, and it is being achieved."

"We're constantly work[illegible] on yield and cycle [illegible] We need the ability [illegible] ramp up in time to [illegible] unexpected demand [illegible] put a lot of work into figu[illegible]ing out how much manufacturing capacity we need to have online. By having this improved information infrastructure in place, our reaction time will improve significantly."

Doug Anderson
CIO of Corning Specialty Materials

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4233-0602

"Our platinum account team keeps a real close eye on what is important to us, and they champion all our causes."

—Sharla Riead
Manager of Vendor Relations for Sprint's Integrated Business Solution Center

The Customer
Industry: Telecommunications
Geographics: Headquartered in Overland Park, Kansas
Revenue: $26 Billion
Employees: 80,000

PeopleSoft Products
PeopleSoft Enterprise Performance Management
- Workforce Scorecard, Financial Analytics, CRM Analytics, Supply Chain Analytics

PeopleSoft Financial Management Solutions
- Asset Management, Deduction Management, General Ledger, Payables, Receivables, Projects, Budgeting

PeopleSoft Supply Chain Management
- Purchasing, Inventory, Billing

PeopleSoft Customer Relationship Management
- CRM for Communications

Implementation Team
PeopleSoft Consulting, Cap Gemini Ernst & Young

Customer Service Level
PeopleSoft Platinum Customer Support

PeopleSoft

Business Challenge
Faced with an industry downturn, Sprint is looking for ways to reduce operating costs and focus on business areas that show growth potential. The company also wants to find ways to leverage its existing PeopleSoft investments.

PeopleSoft Solution
Sprint uses its PeopleSoft enterprise applications to drive efficiencies and lower costs. PeopleSoft Platinum Customer Support services keep its mission-critical systems operating smoothly and give Sprint a committed relationship to maximize its investment in those systems.

Business Benefits
PeopleSoft Platinum Customer Support gives Sprint:

- A single point of contact within PeopleSoft who focuses only on Sprint's needs and requirements.
- A true working relationship with PeopleSoft's product strategy, development teams, and executive management.
- Proactive planning on how to get the most out of its PeopleSoft systems.
- A dedicated primary support manager who monitors all product and technical issues reported by Sprint to ensure rapid resolution.

Sprint Calls on PeopleSoft Platinum Customer Support

A PeopleSoft customer since 1998, Sprint has used its PeopleSoft systems to keep business running smoothly. In the face of a significant industry downturn, the company is looking to its PeopleSoft systems to streamline operations and cut costs. And PeopleSoft Platinum Customer Support provides the proactive services Sprint needs to maintain maximum system availability and gain the most value from its PeopleSoft investments.

"We've made a significant investment in PeopleSoft over the years," says Mike Egan, assistant vice president of Sprint's Integrated Business Solution Center (IBSC). "And one of our goals this year is to leverage that investment."

Dialing Up Peak Performance

Sprint sees the hands-on service it receives from Platinum Customer Support as vital to ensuring that its PeopleSoft systems are operating at peak performance.

Says Sharla Riead, manager of Sprint's IBSC, "We have a weekly call with our primary support manager. She personally oversees all of our product and technical cases and understands which ones are critical to us. She keeps on top of what's happening to them within PeopleSoft and has helped speed resolution."

Due to the proactive support it receives, Sprint has been able to keep its systems running smoothly — without interruption. Riead adds, "We've got our systems so finely tuned and the operations working so well, I can't say at this point in time that there are a lot of issues or system problems that we need to escalate to PeopleSoft."

A Relationship that Really Connects

"The primary advantage I see of the Platinum support program is our access to the PeopleSoft product strategists and developers," says Egan. "We've been able to form one-on-one relationships with those people and have an ongoing dialogue on all of our product sets."

This relationship at the developer level has enabled Sprint to maximize its investment. By working closely with product developers, the company was able to drive much of the functionality in the current release of the PeopleSoft Enterprise Performance Management (EPM) product to meet Sprint's needs.

"We evolved the product to what finally became the general release. This helped us tremendously because we were able to save on customization costs we would have incurred down the line. At the same time, PeopleSoft now has a product that is more suited to its customers' needs. That, in my mind, is a true example of a winning relationship," Egan notes.

An Investment that Goes Long Distance

Sprint's platinum service director provides the company with risk management strategies and proactive planning. This expert guidance is helping the company to extend functionality to new users throughout its enterprise. "We're currently working with our platinum service director to expand the usage of the EPM application by rolling it out to 11,000 internal clients," says Bill Richert, senior manager of Infrastructure for Sprint's IBSC.

Sprint's platinum service director is also helping the company find the most cost-effective and efficient way to upgrade its applications. Riead says, "We have such a large PeopleSoft implementation that it's just not feasible anymore to upgrade the entire system at once. Our platinum service director has been very helpful in pulling together PeopleSoft resources to help us come up with creative ways to do upgrades. It's another example of how we're working together. And we're very happy with our relationship with PeopleSoft."

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PeopleSoft

A Business Case for PeopleSoft Communications Industry Solutions at Sprint

January 2003

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PEOPLESOFT
JANUARY 2003

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A Business Case for PeopleSoft Financials at Sprint

Executive Summary

In the early 1990s, Sprint management analyzed the company's current finance cost structure and realized they needed to make drastic changes to move from a third to fourth quartile organization to a company with world class processes. Sprint understood that multiple disparate financial and supply chain processes threatened this vision.

Because Sprint stored information in separate systems, business units found it difficult to follow standard business processes and share information. Maintaining duplicate systems also created extra work for Sprint's IT department. Realizing that standalone applications were encouraging standalone processes, Sprint began to look for an integrated enterprise solution, hoping to standardize and streamline business processes while lowering costs.

In 1998, Sprint completed a significant move forward by implementing a single instance of PeopleSoft Financials and Supply Chain Management for their FON Group, primarily the Long Distance and Local Telephone divisions. However, Sprint's efforts were not complete. Opportunities still existed if Sprint's PCS group were integrated, thus, fully achieving the vision of a true enterprise-wide software system. In a detailed business case, Sprint's Integrated Business Solution Center (IBSC) convinced Sprint's senior management that a single instance of PeopleSoft would deliver a rapid return on investment.

Sprint's post-implementation audit reveals that the integration of the PCS group onto a single instance of PeopleSoft's enterprise applications exceeded even the ambitious financial goals detailed in the original business case. Sprint has achieved a return on investment in just over 11 months and a three-year ROI of over 200 percent.

Sprint achieved benefits in six main areas:

- **Accounts payable:** Lower cost per transaction processed; vendor consolidation
- **Purchasing:** Automated procure-to-pay process; vendor reporting
- **Inventory:** Material tracking; reduced cycle time; reporting; controls
- **Integrated Business Solution Center:** More effective use of application support resources
- **Travel and entertainment:** Automated Web processes; common corporate card; enhanced reporting capabilities
- **Technology:** Reduction of duplicate hardware, software, and upgrades

Most importantly, the consolidation to a single PeopleSoft instance is enabling Sprint's growth. Because PeopleSoft dramatically improves employee performance while reducing the cost of each business process, Sprint's savings will increase as they add new business opportunities to their current portfolio.

Overview

Since 1899, Sprint has been an innovator in the telecommunications sector. A pioneering spirit has helped Sprint grow from a rural, local telephone company to a global enterprise with over $26 billion in revenues, 75,000 employees, and 26 million customers.

In keeping with their reputation, Sprint entered a new market in 1995 when they joined three partners and acquired the personal communications services (PCS) licenses they needed to build the first nationwide digital wireless network. Just three years later, Sprint bought out their partners and set up two distinct organizations: the PCS group, which handles wireless operations, and the FON group, which includes Sprint's local, long distance, and global operations.

But it was only a matter of time before Sprint experienced difficulties in sharing information between its two major organizations. Because they used disparate enterprise software solutions, the PCS and FON groups were experiencing inefficiencies in accounting and supply chain processes.

An avalanche of daily transactions detracted from Sprint's strategic initiatives. Sprint PCS lacked an automated procure-to-pay process and was forced to process 310,000 purchase orders manually each year. Sprint's month-end reporting methods required them to gather financial data from multiple sources and reconcile the differences.

Running separate enterprise systems meant paying for duplicate hardware, software, upgrades, and IT staff—all of which siphoned precious resources from more strategic activities. Sprint needed a common architecture that would enable them to integrate new business opportunities quickly.

The time had come to unite the PCS and FON groups on one common PeopleSoft platform and move to a shared services environment. This approach would leverage the advantages already achieved by consolidating the FON group's processing on a single enterprise system instance. As they began their research for achieving the single enterprise software instance, Sprint identified two goals:

- Centralize operations and staff into enterprise shared service centers.
- Consolidate disparate financial systems onto one enterprise platform.

The PCS group's financial, accounting, and purchasing centers were to be merged into the FON group's enterprise-wide shared service centers for accounting, supply chain, and system support. The IBSC would be responsible for new technology evaluation and implementation, upgrades, infrastructure support, and enhancements in support of the accounting and supply chain organizations. These organizations would operate from Sprint's Kansas City headquarters.

Integrating the PCS group onto the FON group's PeopleSoft Financials implementation was a logical decision for Sprint. PeopleSoft offered the necessary breadth of functionality, open architecture, and flexibility to accommodate Sprint's growth. PCS went live on PeopleSoft 7.5 General Ledger, Payables, Receivables, Billing, Projects, Purchasing, and Inventory in October 2000 after an 11-month implementation.

Despite Sprint's substantial annual revenues and growing market share, large IT projects at the company do not receive a "rubber stamp" of approval. Before this project could proceed, Sprint's senior management had to be convinced that the single instance of PeopleSoft's software would deliver a solid, timely return on investment.

Presenting a Business Case

Sprint's Business Case Process

Sprint's IBSC has developed a formalized business case process that fosters successful technology projects from their earliest stages. Though Sprint is not the only company to develop such a process, they show unusual diligence in following projects from planning and justification to implementation and benchmarking.

Below is a summary of Sprint IBSC's business case process:

- Each request over $1 million must be accompanied by a detailed business case.
- The requesting group works with—and has their request audited by—IBSC's Strategic Initiatives (SI) group.
- Decision-makers communicate their payback expectations based on the current economic climate. In a tough economy, Sprint could expect payback within one year.
- After receiving approval from decision-makers on the business case, the project team kicks off the project.
- If there are drastic changes after the project has begun, the SI group amends the business case and requests re-approval for the project.
- Once the project is completed, the SI Group performs a post-implementation audit based upon the payback period identified within the business case. This qualitative and quantitative process holds the project team to the objectives laid out in the business case.

Sprint's Integration Business Case

Sprint's business case for the integration of PCS and FON on a single instance of PeopleSoft Financials focused on desired benefits in six areas:

- **Accounts payable:** Lower cost per transaction processed; vendor consolidation.
- **Purchasing:** Automated procure-to-pay process; vendor reporting.
- **Inventory:** Material tracking; reduced cycle time; reporting; controls.
- **Integrated Business Solution Center:** More effective use of technical resources.

- **Travel and entertainment:** Automated Web processes; common corporate card; enhanced reporting capabilities.
- **Technology:** Reduction of duplicate hardware, software, and upgrades

Intangible Benefits

Sprint also focused on a set of non-quantifiable but equally important objectives:

- Create "best of the best" enterprise accounting services (EAS) and supply chain management (SCM) organizations for Sprint
- Implement a system processing environment that supports growth opportunities
- Leverage the ISBC to support the PeopleSoft environment and manage the cost of ownership
- Allocate resources and skill sets to meet current and future business objectives
- Enable skilled PCS resources to shift their focus from daily transaction processing to managing business growth areas
- Leverage the relationship with PeopleSoft's development and product strategy organizations

Anticipated Savings

In addition to improved business processes and migration towards achieving "One Sprint," the company entered the project with lofty financial expectations. Sprint expected to achieve a full return on their investment in 14.67 months and expected a three-year ROI of 150 percent.

Sprint planned to achieve many of these savings by eliminating duplicate technology. Integration to one PeopleSoft system would eliminate the need for upgrades to two systems. Sprint's business case assumed PCS would maintain ownership of three unique PeopleSoft modules and be responsible for upgrading them in the future.

As a result of the integration on one instance of PeopleSoft, PCS would no longer need a separate staff for maintenance and enhancements. They planned to redeploy these employees to the IBSC, thereby reducing the IBSC's reliance on contractors.

Implementation of PeopleSoft Financials

Project Assumptions

An integrated team of more than 100 PCS, FON, and contract functional and technical personnel worked for 11 months to implement PeopleSoft Financials. The integration proceeded under the following assumptions:

- PCS shared service functions—including accounts payable, asset management, and travel and entertainment—would be merged into the enterprise EAS and SCM organizations.
- PCS decision support functions would remain at PCS—consistent with the long distance division (LDD) and local telephone division (LTD) models.

- A single instance of PeopleSoft applications would go live on a single IBM DB2 platform.
- There would be a common code block and a single set ID.
- The integration would result in a common month-end closing process that would run as a single process on the same closing schedule.

Post-Audit Results

As planned, Sprint conducted a post-audit review approximately 12 months after the implementation to measure its return on investment. Along the way, Sprint had conducted interim reviews to compare performance to date with assumptions in the business case. Using the results of the post-audit review, we can evaluate Sprint's success in each of their focus areas.

Presence of Critical Success Factors

Sprint's success was due in large part to delivery on each of its critical success factors. The project team:

- Received executive support from all organizational levels.
- Mitigated the risks of organizational shift and job responsibility changes by implementing a change management team. They minimized business disruptions to PCS and FON operations by implementing some process and system changes earlier than expected.
- Obtained the required resources with the necessary skill sets at budgeted rates.
- Met all interim milestones to ensure a successful on time implementation.
- Moved most project resources to one location.

IT Benefits Achieved

Integrating PCS and FON on one instance of PeopleSoft eliminated a large volume of redundant work and excess costs for Sprint. The integration gives Sprint:

- A common architecture for integrating new businesses and acquired companies. This is a substantial benefit in the ever-consolidating telecommunications industry.
- The ability to manage its financial software through one source.
- One production support organization to support all applications.

Eliminating Redundant Technology

Eliminating redundant systems paid dividends for Sprint. Several key variances from the business case resulted in greater-than-expected savings.

PCS did not retain ownership of three unique PeopleSoft modules, as had been assumed in the business case. The ISBC assumed responsibility for upgrading these modules, eliminating redundant work for PCS and increasing the savings of the project. PCS further reduced its IT

workload by replacing 200 PCS network connections and workstations with 58 total network connections—and no new workstations.

By analyzing the previous PCS upgrade spend and projecting PeopleSoft 8 upgrade costs, Sprint calculates that the integration will enable them to avoid about $5.7 million in upgrade costs. The business case had projected $4.3 million. And after replacing 200 PCS network connections and workstations with 58 total network connections, Sprint will achieve 38 percent greater savings than projected.

General Ledger

PeopleSoft General Ledger has enabled Sprint to combine its disparate accounting processes into one accounting system with a common set of business rules, including a single chart of accounts. This consolidation has reduced costs and enabled faster analysis and reporting of data.

Asset Management

Although Sprint's business case did not project any benefits for asset management, the integrated organization did achieve several qualitative IT benefits. Using PeopleSoft Projects, Sprint:

- Developed improved interfaces that eliminate back-end deletion and shorten processing time.
- Eliminated run control in auto-capitalization (which amounts to 25 to 50 percent of the code).
- Consolidated Asset Management and Projects trees, streamlining maintenance and table space.
- Discontinued engineering allocation, saving process time and table space.
- Eliminated PeopleSoft customizations that were brought through upgrades by consultants.

IT Staff Changes

Because Sprint has moved to a single enterprise architecture, PCS no longer needs to maintain a separate IT staff to complete its PeopleSoft maintenance and enhancements. Sprint redeployed a group of employees to the IBSC, reducing the IBSC's reliance on contractors. A smaller group of FON IT personnel has assumed the duties of the PCS IT staff.

In the business case, Sprint projected savings from this change by estimating the average hourly cost of Sprint employees and contractors. Because Sprint later discovered that their salary assumptions were higher than actual salaries—and because FON's IT staff was able to take on its added workload with a smaller headcount than expected—Sprint's IT staff will be more cost-effective and will save more than expected. These variances resulted in savings of $2.6 million in the first year—a substantial increase over the projected $2 million.

Financial and Operational Benefits Achieved

How did Sprint fare in achieving their ambitious financial goals?

	Expected	Actual
Three-year Return on Investment	150 percent	Greater than 200 percent.
Payback period	14.67 months	11.23 months

Staying close to budget helped ensure that Sprint would exceed their financial goals. Strong project management resulted in the cost of the project exceeding the budget by less than one percent. Whereas IT costs ran over by 24.6 percent, functional costs were 28.7 percent under expectations.

In addition to controlling the costs, Sprint's financial achievements also spread across other areas.

Accounts Payable

By adopting the best of FON's business processes, PCS will handle transactions much more efficiently despite a smaller headcount. Whereas PCS previously covered 31,435 distribution lines per person, FON can handle 92,473 per person.

To project annual savings, Sprint's accounts payable organization took two approaches. One approach focused on distribution unit cost analysis; the other focused on headcount reduction. The post audit used both the actual unit cost per distribution line and headcount redeployment results.

Purchasing

Before the integration, PCS and FON followed significantly different procurement processes. The integration extended FON's more efficient process to both organizations.

Sprint initially intended to eliminate the Sprint North Supply division, and its associated services charges, from PCS's process. Though this change did not occur until a later project, Sprint drastically reduced its cost per purchase order (PO)—a change that will pay greater and greater dividends as Sprint's volume of POs increases. Sprint has automated processing for nearly half of its 310,000 annual purchase orders.

Before PeopleSoft, the PCS and FON divisions boasted PO processing costs that were well below the industry average of $130. Nevertheless, PeopleSoft enabled PCS and FON to cut their cost per PO by 37.8 percent and 11.3 percent, respectively. Factoring in the increased volume of POs, Sprint will save over $2 million on PO processing—twice the amount they predicted in the business case. Sprint saved even more when they subsequently relieved Sprint North Supply of its intermediary duties—including requisitioning and fulfillment—in the purchasing flow chart.

Inventory

Through the PeopleSoft integration, PCS will adopt FON's inventory processes to eliminate unnecessary costs. In the business case, Sprint applied efficiency percentages to the annual capital budget to project real-dollar savings. From 2000 through 2002, Sprint estimated it would save $3.65 million in inventory costs. This figure includes hard- and soft-dollar savings.

Because the actual inventory savings in Sprint's business case were not measurable, Sprint conducted a post-audit sensitivity analysis. They determined that tracking inventory levels before and after the PCS integration would reflect a high-level view of the efficiencies gained in the project. However, even though all parties felt value was delivered by the Integration project, the post audit conservatively assumed no inventory related savings.

Travel and Entertainment

Heading into the integration, the Sprint travel and entertainment (T&E) organization expected to achieve savings by reducing headcount, eliminating accounts payable checks for PCS transactions, and earning incremental rebates from their credit card company.

Sprint implemented its new expense management solution (XMS) process for PCS associates earlier than planned. Implementing early meant an accelerated payback period and greater reductions in headcount. PCS associates embraced the new XMS process, eagerly leaving behind spreadsheets and manual calculations. The new process eliminates 90,000 accounts payable checks per year.

After planning to hire 2.6 full-time employees to help convert PCS to the XMS process, Sprint actually avoided increasing headcount and in fact redeployed 1.2 full-time employees. These changes will deliver greater savings than Sprint expected. During year one, Sprint's T&E organization will achieve 223 percent of the T&E savings they projected in the business case.

Conclusion

By implementing PeopleSoft's solutions for the communications industry, Sprint has standardized business processes and eliminated barriers to enterprise information while lowering costs.

Sprint received a full return on their original investment in just over 11 months. Even more remarkably, during their first three years running PeopleSoft Financials and Supply Chain Management, Sprint will achieve a return on investment of over 200 percent.

Sprint's PeopleSoft implementation is paying greater dividends as the company scales its growth. Because PeopleSoft dramatically improves performance while lowering costs, bringing new business opportunities onto the architecture will only add to Sprint's savings. And because PeopleSoft enables Sprint to manage its entire corporate spend, all of these cost savings contribute directly to Sprint's bottom line.

For more information about PeopleSoft Financials, please visit:
www.peoplesoft.com/go/financials.

Glossary of Abbreviations

CFO: Chief financial officer

FON: Stock-ticker symbol for Sprint's local, long distance, and global divisions

FSS: Finance Shared Services, a department within Sprint

IBSC: Integrated Business Solution Center, a department within Sprint

IT: Information technology

LDD: Long Distance Division (within Sprint)

LTD: Local Telephone Division (within Sprint)

NPV: Net present value

PCS: Personal Communications Services, the wireless division of Sprint. PCS is also the stock-ticker symbol for this division

PO: Purchase order

SCM: Supply Chain Management, a department within Sprint

SI: Strategic Initiatives, group within IBSC

T&E: Travel and entertainment

XMS: Expense management solution

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Implementation

PeopleSoft Helps Drive Mint's Modernization Program

PeopleSoft

U.S. Mint at a Glance

- The United States Mint is the world's largest manufacturer of coins, medals, and coin-based consumer products (collectible coins and medals).
- Founded April 2, 1792.
- Headquartered in Washington D.C.
- Branches in Denver; Philadelphia; San Francisco; West Point, New York; U.S. bullion depository at Fort Knox, Kentucky.
- $1.6 billion in annual revenue.
- 2,200 employees.
- Produces 16–20 billion circulating coins annually.

Web Site

www.usmint.gov

Government of the people, by the people, and for the people. For U.S. government agencies, the 1990s have been about transforming themselves into entities more responsive to the people they serve. From the Government Performance and Results Act of 1993, which required federal agencies to develop strategic plans for how they will deliver high-quality products and services to the American people, to the variety of initiatives advanced by Vice President Al Gore to turn government agencies into performance-based customer-driven organizations, the push has been to make government responsive to its customer, the U.S. taxpayer.

For the U.S. Mint, one of the rare government agencies that not only provides services but also manufactures products, that transformation has been a highly successful reality. And the Mint met its mandated October 1, 1998 deadline to resolve Y2K problems.

Until recently, "The Mint had a few automated systems," says U.S. Mint Deputy Director John Mitchell. But "none of them were integrated. Most were outdated and not Year 2000-compliant. If we wanted to turn our 207-year-old government bureaucracy into a self-funded, customer-focused business, we needed a first-class business system."

Under the leadership of Director Philip Diehl, the U.S. Mint, which produces 16 billion to 20 billion circulating coins annually for the United States, manufactures and sells collectable coins, and safeguards over $1 billion of the nation's assets (including precious metals stored at Fort Knox, Kentucky, and other Mint facilities), embarked on a modernization program. Dubbed COINS (Consolidated Information System), the program consists of systems for plant and equipment maintenance, a mail-order system, a customer database management tool, and PeopleSoft.

In fact, the $1.6 billion agency implemented 15 PeopleSoft applications in just 12 months, replacing several standalone manufacturing systems, two different financial systems, and manual record keeping. Modules used are from PeopleSoft manufacturing, supply chain, distribution, and financial management software.

Computing Environment

- Hardware: Sun Microsystems Inc. 6000
- Database: Oracle 7.3

PeopleSoft Products Used

Supply Chain:

Enterprise Planning
Production Planning
Production Management
Bills and Routings
Cost Management
Inventory
Purchasing
Order Management

Financial Management for Education and Government:

General Ledger
Receivables
Billing
Payables
Budgets
Asset Management
PeopleTools

Implementation Time

12 months

"With PeopleSoft—and all the systems that interface with it—we've automated the Mint; resolved our Year 2000 problem; shortened closing times on the financial end; and integrated our manufacturing, financial, sales, and distribution data," says Mitchell.

Heads or Tails

"We had to decide whether to spend millions of dollars updating what we had or to replace everything," says Mitchell. "The decision was apparent. If we wanted to be a first-class business enterprise, we had to replace almost everything."

Three major mainframe systems were replaced entirely. Two were financial systems, which the Mint has supplanted with PeopleSoft financial management software. A third, called NUCOS (Numismatic Coin Ordering System), was a homegrown coin-ordering system the Mint has replaced with a product called MACS (Mail Order Cataloging System) from Smith-Gardner & Associates Inc. in Delray Beach, Florida. Linked to the PeopleSoft applications through MACS is the Mint's new customer database management tool MARCUS (Marketing Customer Service Reinvention) from DiaLogos Inc. of Boston, Massachusetts. (See accompanying story.)

A plant and maintenance system called MAXIMO from PSDI of Bedford, Massachusetts complements the realtime planning engine in the PeopleSoft manufacturing solution. With its manufacturing system in place, the Mint can better track materials, such as sheets of metal for its coin press operation, and inventory. It can also better coordinate the manufacturing of collectible coins with actual sales.

"Data integration is a major benefit of our new system," says Mitchell. "Now, any user who needs access to decision-support data can get it from that unified system known as COINS.

"On the financial side, we've cut our closing time from 45-to-60 days to one day. And we can get product, and product information, out much faster."

Integrated System Boosts Numismatic Marketing

Every town has one. That musty little shop that sells coins, stamps, and—sometimes—even antique furniture. Although these shops can be charming, this sales venue is not exactly associated with mainstream 90s marketing. And it's not the preferred model for the U.S. Mint and its numismatic business line.

Recently minted as a self-funded federal agency receiving no government subsidy, the U.S. Mint is relying heavily on its Numismatic Coins Division to generate revenue. To accomplish its revenue goals, the Mint is looking to drive sales through retail, mass mail order, and banking channels.

In years past, U.S. bank branches carried the Mint's collectable coins. More recently, the Mint has relied on catalog sales and repeat business from its million customers. Marketing efforts, acknowledges the Mint, could be much more targeted, and it's relying on technology to bolster those efforts.

Technology Boosts Marketing Efforts

The technology supporting the numismatic division's goals comes from PeopleSoft, DiaLogos, and Smith-Gardner. Smith-Gardner provides MACS, the mail-order cataloging system where order management and fulfillment, billing, market analysis, and accounts receivable functions are handled. PeopleSoft provides some order fulfillment functions, inventory management, and general ledger applications. From DiaLogos comes the database management tool MARCUS, which links to PeopleSoft solutions through MACS and helps the Mint analyze the purchase patterns of its customers, so mailings can be targeted and the Mint can identify which customers purchase with regularity.

"With the new systems in place," says Sharon Simpson, senior systems consultant for Smith-Gardner, "the Mint now has visibility into the status of orders for its collectable coins—the disposition of customer orders, what's shipped, what's in the warehouse, what can be billed. The Mint has reengineered and streamlined all the business processes that affect order fulfillment."

Notes Augie MacCurrach, director of data engineering at DiaLogos, "Change is not a big enough word to describe what the Mint has gone through. They're becoming customer- and market-driven. They can analyze how well their executed programs are doing in comparison with their planned programs and do campaign management."

A Fast Spin

The Mint signed its contract for PeopleSoft applications in September 1997 and began prototyping the software in November of that year. It met its October 1, 1998 goal of completing the bulk of its COINS installation.

"We pushed hard because we needed the functionality," says Jackie Fletcher, chief information officer for the Mint. "We were also driven by the Y2K clock. We didn't want to get into 1999 and find some unforeseen circumstance we'd have to worry about."

To help meet its timetable, the Mint used PeopleSoft's rapid implementation methodology.

John Mitchell
U.S. Mint Deputy Director

"The flexibility of PeopleSoft's implementation model lets you fit almost every situation into the model," says Mike Fauscette, director of division operations for PeopleSoft Professional Services. "What's important is for the organization to focus on its business processes—to have those drive the systems. Then prototype the systems. Keeping the system more 'vanilla' also helps. The Mint had only eight customizations."

Executive sponsorship within the organization is also a plus. "I became the project manager so I could give top-level commitment and oversight to this project," says Mitchell. "We pulled in 80 to 140 people—Mint employees from all our six facilities and our functional areas, PeopleSoft employees, vendors, and contractors. We set benchmarks we had to meet, dates that had to be met. We had an accelerated training program to educate our employees about PeopleSoft applications. Ours was a successful rapid implementation."

"With PeopleSoft—and all the systems that interface with it—we've automated the Mint; resolved our Year 2000 problem; shortened closing times on the financial end; and integrated our manufacturing, financial, sales, and distribution data."

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"Our goal is to provide all our agencies with the information they need to make sound business decisions on behalf of our state. PeopleSoft is going to get us where we need to be as quickly and as cost-effectively as possible."

—Pam Sharp
Interim Director, Office of Management and Budget

The State of North Dakota

Business Challenge

To accelerate turning its eGovernment initiative, ConnectND, into a reality, the State of North Dakota needed to replace its aging mainframe with an online system to connect 58 government agencies and 11 higher education institutions.

PeopleSoft Solution

The State of North Dakota selected PeopleSoft and the integrated pure internet approach—including Financial Management, Human Capital Management, Student Administration, and Enterprise Portal. The new system will connect online business processes across dozens of state agencies and higher education institutions to form a single enterprise solution.

Business Benefits

With PeopleSoft, the State of North Dakota will:

- Streamline financial business processes for both government agencies and higher education institutions.
- Improve decision making because its agencies and universities can share information.
- Lower operating costs through more automated and efficient processes.
- Improve service to North Dakota students, citizens, and businesses with real-time information, a single source of financial truth, and integrated processes.

Quantifiable Benefits

- Annual savings of $7.9 million as a result of eliminating duplicate systems, implementing a statewide integrated system, automating workflows, and improving business processes.
- Annual savings of $2 million from implementing human resources self-service applications.
- Connecting financials of 58 government agencies and 11 institutions of higher education.

PeopleSoft.

North Dakota Connects Government and Education Financial Processes with PeopleSoft

Although many states have embarked on eGovernment initiatives in recent years, North Dakota's ConnectND initiative is unique. Rather than use multiple systems to run its public agencies and higher education institutions, North Dakota upgraded to a single solution to run both. PeopleSoft provides the foundation for ConnectND, connecting 58 government agencies and 11 institutions of higher learning on an integrated system consisting of PeopleSoft Financial Management, Human Capital Management, Student Administration, and government and campus portals.

"PeopleSoft is the only provider that offered a complete student administration system as well as full financial and human resources systems for university employees and for state agencies," says Curtis Wolfe, chief information officer, State of North Dakota. "The new system will make it easier to share information and enable effective, real-time workflow across agency lines."

Integrated Solution Delivers Cost Savings, Flexibility

Before PeopleSoft, North Dakota operated 200 state agency and student administration systems using 20-year-old mainframes and manual processes. By integrating statewide systems and standardizing on PeopleSoft's best-practice business processes, the State will save nearly $9.9 million annually through decommissioning of legacy systems and continuous process improvements.

"We felt PeopleSoft met the needs of state government very well," says Pam Sharp, the interim director of North Dakota's Office of Management and Budget. "Now we can have a financial system for both state government and higher education. Even though our agency business needs are totally different than those on campus, PeopleSoft was flexible enough to allow for those differences and let us build the same system for everyone."

Establishing a Single Source of Truth for Compliance Reporting

A key driver behind North Dakota's upgrade to PeopleSoft Financial Management was compliance with the Government Accounting Standards Board (GASB) Statement 34. GASB 34 will improve the transparency and usability of state financial information through rigorous new financial reporting standards. To comply with GASB 34, North Dakota needed to automate key processes and standardize on a single source of the financial truth.

"So much more information is needed for GASB 34," says Sharp. "Before, we downloaded information from our mainframe system and manually typed the financial data into spreadsheets. But it still didn't provide all the information we needed. PeopleSoft's reporting system will make our lives much easier."

Using Best Practices to Transform Internal Control Processes

PeopleSoft is changing the way the state does business through best practices that have transformed internal control processes. Workflow, authorizations, and commitment control have replaced manual steps with online source to settle business processes.

"PeopleSoft workflow and user-based authorization controls are exactly what we need and fit perfectly with how we are changing the way we do business based on best practices," says Sharp. "Instead of using paper, we anticipate that most authorizations will be done online and our vouchers will be online."

Delivering Real-Time Information for Lawmakers

The Office of Management and Budget will provide detailed financial and performance information to the state legislature so that they can quickly make key legislative decisions.

"ConnectND combines financials for state government and the university system," says Sharp. "Now we are looking forward to the day when legislators can access role-based financial information through a portal.

"Our goal is to provide all our agencies with the information they need to make sound business decisions on behalf of our state. PeopleSoft is going to get us where we need to be as quickly and as cost-effectively as possible. The agencies are very excited about having PeopleSoft software," Sharp adds. "We've had a really positive experience."

PeopleSoft.

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http://chronicle.com/free/2002/05/2002051401t.htm

In North Dakota, State Colleges and the Government Plan to Share an Information System

By FLORENCE OLSEN

North Dakota higher-education and government officials have agreed to pool their resources to buy and share a consolidated information system that could cost the state more than $30-million. Higher education will pay 60 percent of the cost, and the government will pay 40 percent.

The new system, which is being purchased from PeopleSoft Inc., will manage financial, human-resources, and student data for the entire state government and for all 11 public higher-education institutions in North Dakota. The administrative system for higher education that the new software will replace is more than 20 years old.

"We've needed this for well over a decade," says Ellen E. Chaffee, president of Mayville State and Valley City State Universities, which will be the first two institutions to run the new software.

The state has imposed new accountability measures, she says, that require public universities to report more precise figures for costs and more accurate counts of full-time-equivalent students. The state also wants colleges to provide better numbers on nontraditional students who take distance-education courses, often from more than one university in the state, to earn a degree.

"Right now, we're doing a huge amount of work by hand to provide them with those numbers," Ms. Chaffee says, because the older administrative software shared by the university system's institutions was never designed to generate those figures automatically.

So far, the legislature has given the statewide project $7.5-million in seed money. The State Board of Higher Education has approved a new student fee of $42 per semester for one year to pay for some of the initial costs of the new system, says Grant Crawford, the chief information officer for the North Dakota University System. And when the legislature convenes again in 2003, lawmakers may consider revenue bonds as an additional source of financing for the system, which will serve about 32,000 full-time students and 19,000 higher-education and state-government employees.

Federally mandated financial-aid changes that must be made by June 30, 2004, would have required a $1.5-million reprogramming effort to make the current higher-education system compliant, Mr. Crawford says.

Even the new PeopleSoft system may require some customization of its software code, he says. The system could be called upon, for example, to generate a tuition bill, financial-aid package, and transcript for a student who may be enrolled in distance-education courses offered by several public universities in the state.

PeopleSoft was the first choice of a selection team for the new system. But a brief controversy ensued when the state's governor, John Hoeven, a Republican, intervened on behalf of a competing provider, Microsoft Great Plains Software, based in Fargo, N.D. Great Plains Software was acquired by the Microsoft Corporation in April 2001.

After a six-month study and a 400-page report, which Mr. Crawford describes as "a somewhat painful exercise," the selection team demonstrated that the Great Plains business software would not meet the system requirements by the deadline for which a new administrative system has to be operating. The PeopleSoft bid satisfied "better than 98 percent" of the system requirements, Mr. Crawford says, and Governor Hoeven eventually upheld awarding the contract to PeopleSoft.

The governor's intervention, which at the time "caused quite a few people angst," was motivated by his interest in giving a North Dakota business the opportunity to participate, Mr. Crawford says. "We've got a good working relationship between state government and higher education."

In preparation for the new system, Mr. Crawford says, North Dakota's state universities and government agencies already are pretty close to having an identical "chart of accounts," a feat that typically requires reaching a difficult consensus on accounting standards among or within institutions. A chart of accounts is a comprehensive list of financial accounts and the codes that those accounts use to represent such information as budget period, department, fund, program, and type of transaction.

Eventually, Mr. Crawford says, state administrators also expect to integrate information from the higher-education student system with information about public secondary and elementary students.

Lee Alley, the chief information officer for the South Dakota State Board of Regents System, says he will be watching North Dakota's efforts with keen interest. "This is going to be an important experiment," he says. "Certainly there are going to be challenges," because universities' data and transactions typically differ from those of state agencies.

Using an existing Datatel administrative system, South Dakota's six public universities are beginning a $1-million database project to help students who enroll in courses at more than one institution in the state. The database project will require the institutions to adopt more uniform practices for keeping financial and student records. (See an article from *The Chronicle,* May 9.)

Multi-institution administrative-software systems are increasingly common. But North Dakota's joint state-government and higher-education project is unusual, says Ms. Chaffee, the Mayville State and Valley City State president.

"This is a high-stakes activity," she says, "and all of us are kind of taking a deep breath and doing whatever it takes to make this successful."

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Scale

"PeopleSoft is an excellent global platform with the best functionality of any of the HR vendors."

—**Michael Lamping**
Senior Manager of HRIT Global Project Coordination

DAIMLERCHRYSLER

The Customer
Industry: Automotive
Geographics: Headquartered in Stuttgart, Germany and Auburn Hills, Michigan
Revenue: $136.1 billion
Employees: 380,000

PeopleSoft Products
Human Resources
eDevelopment
eCompensation
eProfile
eRecruit

Implementation Team
PeopleSoft Consulting

Business Challenge

DaimlerChrysler wanted to streamline internal processes and enable easy access to information so their workforce could devote more time to delivering superior customer service.

PeopleSoft Solution

DaimlerChrysler has successfully implemented PeopleSoft 8 HRMS in North America, has begun to implement in Germany, and plans to roll out functionality to most of the rest of its more than 370,000 global employees.

Business Benefits

DaimlerChrysler uses PeopleSoft HRMS to fulfill these business requirements:

- Establish common HR business processes around the world.
- Reduce administrative costs through workforce self-service.
- Streamline recruitment to better compete for talent in Germany and the United States.

Quantifiable Benefits

- 12 to 20 percent efficiency gain in HR administration across DaimlerChrysler Germany.

PeopleSoft

DaimlerChrysler Realizes a Global Vision with PeopleSoft 8 HRMS

For one of the world's largest automakers, a strategy based on global presence, strong brands, broad product range, and technology leadership means they must find ways to work more efficiently, reduce costs, and enable easy access to information. It's a big challenge for a company with a global workforce of more than 370,000. But PeopleSoft 8 HRMS is helping to make it happen.

A Cost-Effective Global Solution

Headquartered in Stuttgart, Germany and Auburn Hills, Michigan, DaimlerChrysler has manufacturing facilities in 37 countries. They needed a global solution that they could implement cost-effectively. Only PeopleSoft 8 HRMS could deliver.

PeopleSoft Pure Internet Architecture™ gives DaimlerChrysler a single platform for deploying applications to its global workforce. "To implement truly global HR processes, we couldn't have code residing on client machines," says Michael Lamping, senior manager of HRIT global project coordination. "PeopleSoft enables us to maintain the software centrally while providing worldwide access through different kinds of PCs in different networks."

Pure Internet Architecture gives DaimlerChrysler the flexibility it needs to support its business processes around the world. "PeopleSoft is an excellent global platform with the best functionality of any of the HR vendors," says Lamping. "But it's flexible enough to adapt to the way we do business."

Easy Access to Information

With PeopleSoft HRMS in place, DaimlerChrysler employees will have easy access to information across the enterprise. "In a company of more than 370,000 people, the big question is always, 'How can I get information from the source to where I actually need it?'" says Michael Gorriz, vice president for IT business systems. "PeopleSoft has answered that question for us by becoming our centralized source for global workforce information, delivered through the internet."

PeopleSoft collaborative applications for HRMS deliver role-based self-service that will help DaimlerChrysler employees work more efficiently. Employees can use the applications to change their home address or view a paycheck through any browser—whether they're at work, at home, in an internet café, or using a kiosk in the break room of a factory.

"We want to put control of data in the hands of the people who have the most knowledge of it," says Lamping. "Self-service will help us decrease our administrative costs while providing better service levels to the workforce."

Competing for Talent

DaimlerChrysler's quest for superior customer service will rely heavily on their ability to attract and retain talent. "We're headquartered in Germany and the United States, two countries with aging workforces," says Lamping. "There's going to be more competition for a smaller pool of workers. So we have to make sure we're an attractive employer that can retain the best people."

With PeopleSoft eRecruit, DaimlerChrysler has eliminated much of the paperwork and delays from its recruiting process. "eRecruit enables applicants to apply for jobs online, in real time," says Gorriz. And with integrated workflow, we're now able to respond to applicants much more quickly," says Gorriz.

A Connected Workforce

As DaimlerChrysler rolls out PeopleSoft 8, they're giving employees the tools to collaborate as they work towards corporate objectives. "To achieve our corporate vision of providing better service, we need a connected workforce that shares information," says Gorriz. "PeopleSoft helps us meet those needs. They were agile enough to move to the web at a time when other vendors didn't. And they've really delivered on their global vision, providing solutions that can be deployed worldwide. PeopleSoft fully supports our business needs across North America and Europe."

For more information on PeopleSoft HRMS, please go to: www.peoplesoft.com/go/hrms.

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PeopleSoft gives Ford the ability to operate globally as one company, with accounting, analysis, GAAP reporting, and statutory reporting on one system.

Ford Motor Company

The Customer
Industry: Manufacturing
Geographics: Global with headquarters in Dearborn, Michigan
Revenue: $170 billion
Employees: 347,000

PeopleSoft Products
PeopleSoft Financial Management Solutions
PeopleSoft Enterprise Service Automation
PeopleSoft Human Capital Management

Implementation Team
Financial Product – Internal

Customer Service Level
Platinum Customer Support

PeopleSoft

Business Challenge

Ford Motor Company was running a disparate combination of local and regional accounting systems that created architectural and administrative barriers to the smooth operation of Ford's global finances. Many of Ford's systems were more than a decade old, required a high level of maintenance expense, and were challenging to update in a global environment. Ford needed a new, consolidated solution to standardize and streamline global financial business processes and achieve a single version of the financial truth for consistent data and actionable business insights.

PeopleSoft Solution

Ford chose to upgrade and standardize on PeopleSoft Financial Management Solutions to establish global accounting processes with a single database located in Dearborn, Michigan. PeopleSoft helped Ford establish a common chart of accounts with consistent financial business processes, accessible on a browser, across 22 countries in more than 120 locations.

Business Benefits

Ford is realizing the following benefits with PeopleSoft Financial Management Solutions:

- Greater consistency of financial and statutory reports thanks to common data, business processes, chart of accounts, and controls.
- Improved financial visibility into costs, markets, and profitability with a single, global financial database for both accounting and analysis.
- Greater financial accountability through the deployment of standard controls, common business rules, and a user-consistent interface.
- Streamlined global financial and statutory reporting with multicurrency functionality.
- Reduced IT maintenance and business process support costs due to PeopleSoft Pure Internet Architecture™ and industry best practices.

Quantifiable Benefits

- Eliminated the need to individually service 4,000 global workstations.
- Consolidated 60 disparate accounting systems worldwide into a single global database.
- Serves more than 500 business units with access to accurate, consistent information.

Ford Motor Company Drives Consolidated Global Financials with PeopleSoft

Although Ford Motor Company is synonymous with American manufacturing, international sales play an increasingly important role in the automaker's $170 billion revenue stream, thanks to global brands like Land Rover and Volvo.

So when it became time to create a global accounting system, Ford chose PeopleSoft. PeopleSoft Pure Internet Architecture tied together Ford's disparate financial systems in 22 countries, providing the automotive giant with a single, consistent view of financial information to improve control and gain visibility into its global finances.

Ford had disparate systems and general ledgers throughout the company with high maintenance costs. It ran a global accounting organization but didn't have a single, global accounting system to support financial operations worldwide. PeopleSoft helped globalize the accounting system architecture to match the organization.

By standardizing on PeopleSoft's single database, global business processes, and industry best practices, Ford's global finance team has fast, reliable access to the financial information needed to drive the automaker's worldwide business strategies.

Speaking a Common Accounting Language Around the World

Ford used to operate with 60 accounting systems worldwide, many of which used different charts of accounts. That changed with PeopleSoft pure Internet financial applications.

PeopleSoft gives Ford the ability to operate globally as one company with accounting, analysis, GAAP reporting, and statutory reporting on one system. Ford has a higher level of confidence in the numbers because once a location closes its books, the data is available in the same format and in a common accounting language. When accountants speak about certain accounts or transactions, they are communicating consistently and there's little misinterpretation of what's being discussed.

Common Data and Processes Reduce Errors, Increase Accountability

PeopleSoft helps strengthen the company's position through the renewed confidence that comes from knowing that the accounting is performed with consistent processes around the world.

Before PeopleSoft, the process had more potential failure points because data needed to be reconciled, controlled, and measured. Now that Ford has the same database controlled by a central team with common processes, it has mitigated the failure opportunities.

A Consistent Picture Across Regions and Brands

Of the 4,000 employees using Ford's new global accounting system, about 3,000 are financial analysts. PeopleSoft has enabled Ford to tie accounting and financial processes together into a single system.

The diversity of Ford's accounting systems did not enable a consistent picture across regions or brands. With PeopleSoft, Ford financial analysts now have a consistent picture into the company's costs, markets, and profitability. Their ability to look into the detail and make connections has significantly improved.

High Maintenance Costs a Thing of the Past

PeopleSoft Pure Internet Architecture also eliminates the need for Ford to update financial application software across its 4,000 workstations and diverse IT infrastructure with systems in 22 countries and 120 locations. Ford can now roll out software, patches, tools, and improvements more efficiently and quickly.

PeopleSoft.

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PeopleSoft

The Customer

PeopleSoft Products

Computing Environment

Implementation Services

Hewlett-Packard Streamlines Global HR with PeopleSoft 8 HRMS

From 25 servers to 10. From four geographic instances of HR software to one. At least $3 million in annual savings for hardware, software, databases, and maintenance. These are some of the benefits Hewlett-Packard's HR department expects from its global upgrade to PeopleSoft 8 HRMS. For the first time, HP will deploy a global HR solution from one location and enable universal access to the system—all at a reasonable cost.

The upgrade couldn't have come at a better time. HP's management has asked employees to reduce costs by $1 billion within two years.

"In PeopleSoft 8 HRMS, HR found a technology platform that would provide better service at a lower cost," says Steve Rice, director of HR global enterprise programs and technology at HP. "PeopleSoft 8 gives us a web-based architecture that will be deployed globally to streamline HR operations around the world. It's a cornerstone of how we're going to improve value and decrease costs for our organization. This upgrade will standardize HR processes in eight different languages for all of our 90,000 employees in over 120 countries."

A Clear Choice

This upgrade is the latest stage of a long relationship between PeopleSoft and HP. "We've had a great partnership with PeopleSoft since the early nineties," says Rice. "That's why we trust PeopleSoft technology to help us meet our goals."

The "install centrally, run globally" capabilities of PeopleSoft 8 HRMS made it a clear choice for HP. PeopleSoft gives HP a single, global platform that will reduce administrative complexity and enable common business processes. "We wanted to push information out to employees and managers and put them at the center of what we call the HP ecosystem," says Rice. "And we wanted to drive industry standard business processes across the organization—without running into technology barriers."

It's all possible through the PeopleSoft Pure Internet Architecture™. With no code on the client, PeopleSoft 8 gives HP employees instant access to global HR information through any web browser. They'll get the information they need to make strategic decisions. PeopleSoft's embedded workflow and applications messaging capabilities will streamline approvals and keep business processes moving. And PeopleSoft's open integration with third-party systems will make it easier for HP to use existing solutions.

HP has relied on PeopleSoft Consulting in key project areas. "The PeopleSoft Consulting team has been instrumental in helping us understand how to best use PeopleSoft 8," says Rice.

One Global Platform

Working on one global platform will have far-reaching benefits for HP. "This implementation isn't just about software," says Rice. "It's about changing the way we deliver HR services across our enterprise. To achieve the full benefit of the best practices built into the software, we've been adapting our processes to fit PeopleSoft, rather than forcing the software to fit our processes."

Many of the process improvements will affect how HP deploys its HRIT personnel. "During the upgrade, we've realized that most of our resources don't need to be closely tied to a business organization," says Rice. "By going to a shared services model, we can actually move or reduce our call centers." With a more streamlined hierarchy, HP has reduced its HR headcount by 155 full-time employees.

HP's flexibility has enabled the company to implement software that's 90 percent vanilla. The only customizations will be to accommodate country-specific laws and business rules.

Anywhere, Anytime Access

The pure internet architecture of PeopleSoft 8 will give HP employees easy access to enterprise information. "Our businesses are really screaming for realtime information about their performance," says Rice. "Providing them with anywhere, anytime access to information will increase their efficiency and support their strategic decision-making."

From anywhere in the world, on any web-enabled device, HP employees can simply open a browser to use self-service applications. "We're delivering information and transactions in a way that's meaningful for each employee," says Rice. "Yet because of the simplicity and openness of the architecture, we're actually decreasing the resources we have to devote to maintenance and support."

Bottom-Line Savings

How will these architectural improvements contribute to HP's ongoing effort to eliminate $1 billion in infrastructure costs? HP has already begun to make better use of its personnel, thanks to PeopleSoft. "I've already re-deployed 40 developers from our organization," says Rice. "I looked for where there was work being done that didn't contribute to our PeopleSoft 8 strategy, and was able to make an immediate change."

Rice has also calculated some hard-dollar savings, and is impressed with the early results. "With PeopleSoft 8 HRMS, we'll immediately save $3 million per year in hardware, software, database, and maintenance costs," he says. "For example, our global installation only requires 10 servers instead of 25. By reducing our server maintenance workload, we'll be channeling dollars right back into our bottom line."

"With PeopleSoft 8 HRMS, we'll immediately save $3 million per year in hardware, software, database, and maintenance costs. For example, our global installation only requires 10 servers instead of 25. By reducing our server maintenance workload, we'll be channeling dollars right back into our bottom line."

Steve Rice
Director of HR Global Enterprise Programs and Technology, Hewlett-Packard

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9597-0102

The Customer

Industry: Government

Geographics: Capitol in Albany, New York

Employees: 250,000 employees in New York State government agencies, the State University of New York, and the City University of New York

PeopleSoft Products

- PeopleSoft Human Resources
- PeopleSoft Payroll

PeopleSoft.

"We have one of the largest state payrolls in the country. It delivers $440 million every two weeks, so it's critical to the state's economy. We rely on PeopleSoft to help us keep it running efficiently and cost-effectively."

—Margaret Sherman
Deputy Comptroller for Payroll and Revenue Services

Business Challenge

With responsibility for a large, complex payroll system, the State Comptroller continually strives to keep the payroll running efficiently and cost-effectively.

PeopleSoft Solution

The State Comptroller is currently upgrading to pure internet PeopleSoft Payroll to launch employee self-service, reduce customizations, improve business processes, and streamline operations.

Business Benefits

The State Comptroller uses PeopleSoft applications to fulfill these business requirements:

- Manage a 293-agency payroll system that delivers 250,000 paychecks biweekly.
- Implement collective bargaining contracts for 46 unions representing 110 bargaining units.
- Exchange information through 269 system interfaces.
- Deliver key payroll metrics, helping agencies improve timeliness and accuracy of payments.

PeopleSoft Pays Off for the New York State Comptroller

A quarter of a million New York State employees count on receiving their paychecks every two weeks from the Office of the New York State Comptroller. Behind the scenes, the State Comptroller implements collective bargaining agreements with 46 unions representing 110 bargaining units, processes 753 different types of payments (overtime, location pay, shift differential, and so on), exchanges data and funds with seven different retirement systems, and deducts contributions for a myriad of health and dependent benefits.

"We have one of the largest state payrolls in the country," states Margaret Sherman, deputy comptroller for Payroll and Revenue Services. "It delivers $440 million every two weeks, so it's critical to the state's economy. We rely on PeopleSoft to help us keep it running efficiently and cost-effectively."

Privacy and Productivity

As the office that sets New York State standards for internal control, the State Comptroller places high importance on information security and the privacy of personal employee information. "The security that's built into PeopleSoft has certainly helped," explains Sherman. "And we've been able to upgrade the types of checks and W-2s that we print. Now we are able to provide sealed checks and W-2s and mail them to home addresses."

With the recent downturn in the economy, it is even more critical for the State Comptroller to streamline payroll processes. PeopleSoft has helped in this effort by enabling the office to analyze payroll transactions for trends. The payroll bureau provides statistics for the agency payroll offices, which they can use to compare certain performance measures, such as the length of time required to put a new hire on the payroll. "PeopleSoft has made it possible for us to get that information," says Sherman. "That's pretty powerful. You start to see improvement in those statistics because people now have that performance measurement data. We've targeted the timeliness of initial paychecks, as well as the accuracy of payments to employees leaving the payroll. In one year, we've seen improvements of about 20 percent."

A Big Pay Off With PeopleSoft

The State Comptroller is currently upgrading to pure internet PeopleSoft Payroll to improve business processes and add functionality such as employee self-service. It also expects to significantly reduce customizations in key areas, such as garnishments and deferred compensation. Eliminating the customizations from garnishments alone avoids estimated costs of $1 million.

The payroll bureau plans to use workflow to manage its responsibility for auditing payroll transactions. "Our staff is excited about the possibilities in workflow," states Sherman.

Long term, the State Comptroller anticipates improved data sharing between that office and the Department of Civil Service, which split the processes for human resources and payroll. "We'd like to offer one-stop shopping for employee self-service. We look forward to savings in printing and distribution of direct deposit advices once our employees are comfortable with self-service," says Sherman.

The State Comptroller expects to have the new PeopleSoft solution up and running with 2,000 users by August 2003. "We're very positive about the functionality in PeopleSoft," she adds. "We're looking forward to even more improvements when we upgrade to a web-based system."

PeopleSoft.

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4904-0303

PeopleSoft.

U.S. Department of Defense Expands Relationship with PeopleSoft

PeopleSoft Awarded $11.2 Million Contract Targeted to Manage DoD's $100 Billion Annual Military Payroll

PLEASANTON, Calif. – July 31, 2002 – PeopleSoft Inc (Nasdaq: PSFT) today announced that The U.S. Department of Defense (DoD) has expanded its current relationship and reaffirmed its commitment to PeopleSoft by awarding an $11.2 million contract for PeopleSoft's solutions. PeopleSoft's industry-leading Human Resources Management System (HRMS) applications, part of PeopleSoft's Human Capital Management (HCM) solutions, provide the foundation for DoD's Defense Integrated Military Human Resources System (DIMHRS). With an annual payroll of $100 Billion serving more than 3.1 million members, DIMHRS will become the single largest payroll system in the world.

"The DoD is replacing more than 80 legacy systems to provide our service men and women with one flexible, fully-integrated human resource system," said Navy Captain Valerie Carpenter, DIMHRS program manager. "PeopleSoft's pure Internet HRMS solution will facilitate a quantum leap in end user satisfaction. It will eliminate the current gaps in our disparate systems and help reach military members located around the world in real time."

In drastic contrast to traditional DoD processes, DIMHRS allows the Defense Department to electronically track personnel as they progress through the ranks, move into reserved units, retire or even re-enter other military branches. PeopleSoft's global, HRMS solution will enable military personnel to receive pay statements, select benefits, and update records from anywhere in the world. This fully integrated personnel and payroll solution will unify all active and reserve branches of the military including Army, Navy, Air Force, and Marines as well as National Guard commands under the Pentagon's Global Combat Support System (GCSS). The unified HR system eliminates the need to maintain numerous legacy systems, saving the DoD significant time and money.

"Another great benefit afforded by DIMHRS will be the ability for joint forces mission commanders to quickly scan the entire DoD for experts with specific mission critical skills needed for today's global peace keeping operations. For example, our military forces are continually called upon to enter regions of the world that speak vastly different languages," explained Carpenter. "With the PeopleSoft HRMS solution, commanding officers will be able to immediately identify service members throughout the entire DoD who have the language skills needed and are available for deployment."

Military personnel can instantly access key human resources information using a standard web browser. Previously, a commanding officer granting a promotion was required to manually file paperwork with multiple branch offices in order to activate a salary change. PeopleSoft HRMS will drastically shorten the process by eliminating paperwork and triggering an immediate pay increase as soon as a request is entered into the system, resulting in greater accuracy in pay rates and increased user satisfaction.

"As the largest payroll organization in the world, the Department of Defense needs a scalable, integrated human resource solution," said Kevin Horigan, managing director, PeopleSoft Education and Government. *"PeopleSoft's pure Internet solution will cost-effectively transform DoD's processes, giving them significant operational efficiencies."*

NAVY INSTALLS LOCKHEED MARTIN-DEVELOPED PERSONNEL SYSTEM AT 570 SHIP AND SHORE SITES

SEABROOK, MD, June 18, 2003 - A new U.S. Navy enterprise personnel system developed by Lockheed Martin (NYSE:LMT) has now been installed at all 570 planned Navy ship and shore sites.

The Navy Standard Integrated Personnel System (NSIPS) replaces several outdated pay and personnel management processes. It is based on a customized version of the commercial enterprise application PeopleSoft(R). The system combines several databases and streamlines data entry and access by field-level Navy personnel.

Active duty and reserve forces are now using the system's personnel features. The payroll components are operational at all reserve locations and at four active duty sites. The four include Personnel Support Detachments at the Recruit Training Center and the Naval Training Center, Great Lakes, Ill.; Point Loma, Calif.; and Guam.

With the final installation aboard the Aegis guided missile destroyer USS WINSTON CHURCHILL, NSIPS has been implemented now on 171 ships and at 399 shore locations.

Linda Gooden, President of Lockheed Martin Information Technology, praised the NSIPS team's milestone achievement. "My congratulations to this team whose dedication and hard work have delivered an excellent software product that will greatly ease the Navy's personnel management process. This marks an outstanding achievement," she said.

The pay component will be approved to go operational at other active duty sites pending a Navy production milestone decision in July. An operational evaluation of the component was recently concluded. A new web-enabled version of NSIPS is awaiting approval for integration with the Navy Marine Corps Intranet (NMCI). Expected to go live next month, NSIPS will be the first enterprise-wide application to fully operate within NMCI.

The web version is based on PeopleSoft 8.3 and Oracle 9i and has full personnel and pay capabilities. The system includes Electronic Records Management functions. This will give Active Duty personnel support detachments and Naval Reserve activities, as well as individual service members, access to service records.

Lockheed Martin Information Technology, headquartered in Seabrook, Md., provides enterprise IT solutions to meet the needs of government agencies and commercial clients. The company holds world-class core competencies in enterprise architecture, knowledge management, managed services and information security.

Headquartered in Bethesda, Md., Lockheed Martin employs about 125,000 people worldwide and is principally engaged in the research, design, development, manufacture and integration of advanced technology systems, products and services. The corporation reported 2002 sales of $26.6 billion.

Media Contact: Joe Wagovich, (301) 352-2692; e-mail, joseph.m.wagovich@lmco.com

Return on Investment (ROI)

Profile

The Customer
Industry: Public Sector
Geographics: Austin, Texas
Budget: $15 billion
Employees: 850
Students: 4 million

PeopleSoft Products
Enterprise Service Automation
Financials
Enterprise Performance Management
Customer Relationship Management
Treasury Management

PeopleSoft

"This was undoubtedly the most painless bill submission, TEA was so quick to approve and process my invoice. I like the system so much and again want to thank all of those involved in creating this system for the hearing officer's immediate usage. I am proud to be one of the first to get to use it. It is excellent!"

—Mary Carolyn
A hearing officer and attorney, in an email to TEA.

TEXAS EDUCATION AGENCY

Business Challenge

The Texas Education Agency needed a better, more cost-effective way to manage service contracts and service suppliers.

PeopleSoft Solution

TEA implemented PeopleSoft Services Procurement, part of the ESA solution, to manage its contracts and promote online collaboration with its suppliers.

Business Benefits

With PeopleSoft Services Procurement, TEA:

- Pays suppliers faster because it has eliminated the old paper-based process.
- Has access to real-time data on supplier cost, quality, and efficiency, so it can make better, faster decisions.
- Expects to save over $1 million a year.
- Opened its system to suppliers, so they can now do business online in real-time.

Texas Education Agency Goes Live on PeopleSoft Services Procurement

For Bill Monroe, chief of operations for the Texas Education Agency (TEA), PeopleSoft Services Procurement was exactly what his organization needed. "It was instant recognition. The light bulb went on right then and there," he says.

Monroe says Services Procurement gives his administrators more control over contract stipulations and supplier payment. His goal — one he expects to beat — is to save 2 percent, or $1 million per year.

"Everyone involved is starting to operate on a much improved level," Monroe says. "PeopleSoft had tremendous vision to come up with a module that spans a lot of business areas. This is exactly what all organizations need to focus on."

Online Invoicing

Services Procurement helps TEA with time capture, invoicing and payment, and with data analysis and reporting. And because it's built on the PeopleSoft Pure Internet Architecture, all of these functions are online.

Using Services Procurement, TEA has extended its service automation system to its service suppliers. Each supplier has its own webpage linked to TEA, where it enters time and tracks deliverables, and sends an invoice to TEA for approval.

In the first week of operation, TEA had 27 vendors online managing millions of dollars via their own webpage provided by TEA. Invoices went directly to TEA for approval and payment. It's a paperless, time-saving, and more accurate process. The suppliers get paid faster, and TEA doesn't have to wade through paper or dig for project data because all of the data is in one place. Even its suppliers agree.

"This was undoubtedly the most painless bill submission," says Mary Carolyn, a hearing officer and attorney, in an email to TEA. "TEA was so quick to approve and process my invoice. I like the system so much and again want to thank all of those involved in creating this system for the hearing officer's immediate usage. I am proud to be one of the first to get to use it. It is excellent!"

"People are hamstrung by paper-based processes and slower-than-necessary turnaround times," says Bill Monroe. "This takes a lot of the pain-in-the-neck out of managing contracts. By connecting our suppliers to our business, we eliminate the problems associated with incompatible systems. They get paid faster and are much happier."

Data Analysis

Beyond invoicing and payment, Services Procurement will help TEA analyze relationships with its suppliers — cost, quality, and efficiency. TEA performs a thorough evaluation annually, but its current systems can't support regular analysis. With Services Procurement, TEA can easily access supplier data, instantly analyze it, and make more informed purchasing and program content decisions.

"By being able to analyze the data and report on it, the magnitude of value could be a hundredfold," Monroe says. "We'll have real-time data online so people can make smarter choices. Having historical data at our fingertips makes us nimble."

"The more work we do to improve our relationships, the more successful we'll be in education," he says. "So much of the internet is focused on retail-side, but the real value is in business-to-business communication. PeopleSoft had the vision to use the internet to promote that collaboration among the people we do business with everyday. That's where we'll benefit most."

PeopleSoft.

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4094-0402

Texas Education Agency receives high marks for performance-management

THE TEXAS EDUCATION AGENCY (TEA) IS responsible for how $14 billion in state and federal funds is spent to educate the state's 3.9 million elementary- and secondary-school children. It bases its "report card" on public education on more than 90 key performance indicators. By implementing PeopleSoft 8 Enterprise Performance Management (EPM), TEA can now measure performance more effectively and efficiently. The move to a data warehouse architecture has streamlined data collection, increased analysis capabilities, and improved the timeliness and accuracy of its results. The project also includes a Web-based interface to its reports, which has allowed the agency to broaden the audience for this vital data while simultaneously simplifying its distribution.

The architecture of TEA's EPM data-warehousing system consists of data sourced from PeopleSoft Financials, DB2, Microsoft Access, a time-and-labor FoxPro application developed in-house, the Student Assessment System, and the Performance Educational Information Management System (PEIMS).

Automating Data Loading

The top challenges involved in designing and implementing the data-warehouse solution were the diversity of data to be maintained, the decentralization of data collected, and the archaic data-collection methods in place. Data feeds originated in legacy systems, DB2, and TEA's financial system. More information was collected from phone logs and reports on school visits. Data collection was intensely clerical, manual, and time consuming.

The new process assigns ownership of certain performance indicators to individuals, who each maintains a spreadsheet that covers the performance indicator he or she owns. These spreadsheets reside in a common directory on a shared net- work drive. On a quarterly basis the 30-plus spreadsheets are imported into a Microsoft Access table of consolidated performance indicators, then extracted into the data warehouse where the data is available for analysis.

TEA also uses PeopleSoft's Balanced Scorecard and Activity Based Management solutions, which are uniquely qualified to provide performance assessment that spans employee, business-process, and customer operations.

Room to Grow

By relying on EPM for its data analysis needs, TEA was able to identify more performance measurements and to successfully manage that increased number of indicators. The system's Web-enabled interface has allowed the agency to distribute its information to a larger number of end users as well, both within the agency and within the State Legislature -- TEA's ultimate customer. By eliminating the costly business of printing and distributing hard-copy reports, TEA saves money as it better serves its customers.

Users benefit from the new system through faster distribution of measurement results, in addition to receiving more in-depth performance analyses. Instead of sitting through Microsoft PowerPoint visual presentations, legislators view reports and scorecards when and where they want to over the Internet, in a variety of reporting styles.

By investing in PeopleSoft, TEA also has acquired a system that will grow with its strategic initiatives and support numerous ways for the agency to improve operations, stakeholder value, and employee satisfaction.

PeopleSoft

The Customer: Texas Education Agency
Customer Contact: Bill Monroe, Chief of Operations
The Application: Data warehouse
Tools and Technology: PeopleSoft Enterprise Warehouse, PeopleSoft Analytic Applications, PeopleSoft Balanced Scorecard, PeopleSoft Activity Based Management, PeopleSoft Financial Analytics
Platforms: Windows NT 4.0 Server
Primary IT Vendor: PeopleSoft Inc., 4460 Hacienda Dr., Pleasanton, CA 94588-8618; 800-380-7638, 925-225-3000, fax 925-694-4444

www.peoplesoft.com

The Customer
Industry: Computer Hardware
Geographies: Headquartered in Palo Alto, California
Revenues: $75.8 billion
Employees: 145,000

PeopleSoft Products
PeopleSoft Human Capital Management
- Benefits Administration
- Human Resources
- Payroll for North America
- Time and Labor
- eBenefits
- eCompensation
- eDevelopment
- ePay
- eProfile
- eRecruit

PeopleSoft Customer Relationship Management

Implementation Team
PeopleSoft Consulting

PeopleSoft.

"With PeopleSoft 8 HCM, we'll immediately save $3 million per year in hardware, software, database, and maintenance costs. By reducing our server maintenance workload, we'll be channeling dollars right back into our bottom line."

—Steve Rice
Vice President Americas, HR Functions and Shared Services

Business Challenge

Hewlett-Packard (HP) recently began to look for ways to cut costs. To streamline its HR processes, the company needed a single, flexible HR platform that could support a growing global workforce.

PeopleSoft Solution

HP has successfully upgraded to PeopleSoft 8 Human Capital Management, including the new collaborative self-service applications, with the goal of establishing common HR business processes for 145,000 employees in 160 countries.

Business Benefits

HP is using PeopleSoft HCM to:

- Establish a standardized set of global HR business processes.
- Make HR transactions and strategic information available to employees and managers around the clock.
- Gain a better view of talent, skills, and compensation across the enterprise.

Quantifiable Benefits

- Saving $3 million per year in hardware, software, database, and maintenance costs.
- Reduced HRMS servers from 20 to 8.
- Reduced global instances of HR software from four to one.
- Redeployed 40 full-time HRIT development staff.
- Reduced HR staff by 155 full-time employees.

Hewlett-Packard Streamlines Global HR with PeopleSoft 8 HCM

When Hewlett-Packard asked its employees to reduce costs by $1 billion within two years, the company realized it lacked the HRMS foundation to reach its goal. HP needed a robust, flexible infrastructure for worldwide HR transactions and information. Seeking to unite the company on a platform that would enable a high-performing, competitive workforce, HP upgraded to PeopleSoft 8 Human Capital Management. The company expects to save at least $3 million per year through reduced hardware, software, database, and maintenance costs.

Common Global Business Processes

"In PeopleSoft 8 HCM, we found a technology platform that would provide better service at a lower cost," says Steve Rice, vice president Americas, HR Functions and Shared Services. "PeopleSoft 8 gives us a Web-based architecture that will be deployed globally to streamline HR operations around the world. It's a cornerstone of how we're going to improve value and decrease costs for our organization. This upgrade will standardize HR processes in eight different languages for all of our 145,000 employees in 160 countries."

HP's annual $3 million savings will go a long way toward helping the company achieve its cost-cutting goals. PeopleSoft Pure Internet Architecture™ has enabled HP to reduce its HRMS servers from 20 to 8, move from four geographic instances of HR software to one, eliminate 155 full-time HR positions, and redeploy 40 full-time HRIT development staff.

PeopleSoft 8 HCM also gives HP a single, global platform that will enable common HR business processes around the world. HP employees and managers can log in to @HP, the company intranet, to perform common HR transactions using PeopleSoft applications. "We've pushed information out to employees and managers and put them at the center of the HP ecosystem," says Rice. "And we're driving industry-standard business processes around the world—without running into technology barriers."

By opening a browser, HP employees get easy access to real-time information and personalized HR transactions. Managers get the information they need to run their business. "We're delivering information and transactions in a way that's meaningful for each employee," says Rice. "Giving our managers real-time information about departmental performance will increase their efficiency and support their strategic decision making."

On Time and on Budget

With help from PeopleSoft Consulting, HP's upgrade went live on time and on budget. "The PeopleSoft Consulting team was instrumental in helping us understand how to best use PeopleSoft 8," says Rice. "They quickly resolved any product or technical issues we ran into."

HP implemented the software in a configuration that was about 90 percent "vanilla," customizing the software only to support country-specific laws and business rules. With PeopleSoft HCM, HP has established a single global reporting structure with standardized reporting tools and a global HR data warehouse.

More Effective HR Service Delivery

Working on one global platform will have far-reaching benefits for HP. The company looks forward to easier reorganizations, acquisitions, and divestitures; improved data integrity and reporting; a better view of global talent, skills, and compensation; and a workforce that's more closely aligned with corporate objectives.

"This implementation isn't just about software," says Rice. "It's about changing the way we deliver HR services across our enterprise. Today we're providing our employees with better tools, but because of the simplicity and openness of the architecture, we're actually decreasing the resources we have to devote to maintenance and support."

For more information on PeopleSoft Human Capital Management, please go to www.peoplesoft.com/go/hcm.

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4546-1102

Mr. PUTNAM. Thank you very much, Mr. Conway.

I will now introduce our second panelist, Mr. Fitzgerald. Kevin Fitzgerald is senior vice president of Oracle's Government, Education & Healthcare group. He has more than 25 years experience and is currently responsible for all Oracle activities in the Federal, State, and local markets. Under his leadership, Oracle's focus has been on providing local, State, and Federal Governments with a secure integrated infrastructure to better share information. He also has held key management positions with Siebel, Crossworlds Software, Netscape, NBI, and IBM.

For the record, we invited Mr. Ellison, Oracle's chairman and CEO, to join the panel today, and I understand his schedule did not permit. But we are very pleased that Mr. Fitzgerald was able to join us, representing Oracle.

Welcome to the subcommittee. You are recognized.

Mr. FITZGERALD. Chairman Putnam, thank you very much, Ranking Member Clay and members of the subcommittee. I appreciate the opportunity to take Mr. Ellison's place here today and appear before the committee.

Oracle began as a project within the intelligence community to better manage its vast quantities of information simply and securely. In the 26 years since that time, we have provided similar information management solutions to many of the world's largest business enterprises, and hundreds of departments and agencies in Federal, State, and local governments. We are extremely proud of our partnership with the Federal Government, and central to that partnership is working with Mark Forman and his team at the Office of Management and Budget to achieve a successful implementation of the Federal enterprise architecture.

When fully implemented, the Federal Government will be far more effective in achieving its policies and administrative goals. Many of the concepts articulated by Mr. Forman today are very familiar to us and are integral to our own e-business suite of applications which we provide to businesses and governments around the world.

An enterprise approach represents a paradigm shift in information management. To better understand this transformation, it is important to see how businesses and government have traditionally bought and utilized information management software in the automation wave of the last decade, and even to some degree today organizations traditionally have bought software to automate a specific operational challenge, such as managing customer information or processing financial reports. These departmental automation age projects have created hundreds of disparate systems within the government organizations, with each system usually having its own base of information. This makes it virtually impossible for senior managers of a large agency to know whether or not organizations within the agency are achieving missions effectively and efficiently.

Faced with this dilemma, some enterprises attempt to stitch these individual systems together. Of course, the cost of stitching and managing patchwork systems is enormous. Fundamentally, from a business sense, you haven't really solved the problem, and it is no surprise that business and government spend a disproportionate share of their IT budgets on maintenance-related costs.

Frankly, any effort to implement this approach for the Federal enterprise would be a massive investment and result in failure. The fundamental lesson is clear: no business or government agency can fully maximize its IT investments if its information infrastructure is not designed with the entire enterprise in mind.

We applied that lesson in developing our e-business suite and in the tradition of the Wright brothers, we took our own creation out for a test flight to show our customers how an enterprise approach automates business processes. It also transforms those processes across an entire organization like Oracle Corp. Our results were extraordinary. Since we implemented our own software, Oracle has saved more than a billion dollars, and we sustained our profitability during a major economic downturn.

The Federal enterprise architecture won't happen overnight, and it can best be achieved in a modular approach, with each software component pre-designed to integrate and collaborate with each other, making for one suite of applications. We are currently applying this modular approach in several key Government agencies, including the Department of Transportation and the Department of Homeland Security's Transportation Security Administration.

Again, automation, in and of itself, does not solve the basic problem of information fragmentation. An effective enterprise architecture has to solve information fragmentation on three levels: first, information has to be easy to access; second, information has to be easy to share across agencies; and, third, information has to be secure.

When we started our e-business enterprise, our customer information was scattered across our entire company; and the same problem exists in the Federal Government. While mutual functions among agencies will help eliminate redundancies and reduce costs, a simple data model can make these agencies both cost and mission-effective.

We know there was information about the September 11 plotters scattered our law enforcement intelligence systems, but there was no way to bring that information together in the real time. A unified data model containing information on suspected terrorists is better than 100 disconnected data bases scattered all over our Government. Having access to the same data helps to generate the next solution against fragmentation: standardized data models. So that information means the same thing to all that are using it. Ironically, by automating individual tasks, some enterprises inadvertently create barriers for information sharing. An effective enterprise architecture breaks down the barriers of the automation age.

For example, as Mark Forman mentioned, the Center for Disease Control launched the Public Health Care Information Network, a long-term commitment to modernizing, streamlining, and integrating our fragmented public health reporting infrastructure. For this network to work, a common data standard and accepted definitions for patients' diseases are needed for information to flow seamlessly from radiologists to practitioner to insurance companies to Medicare or Medicaid. These industry-developed standards were incorporated by Oracle in our products to both secure and provide portability according to the intent of Congress in its HIPAA legislation.

Last, an enterprise approach to building an information infrastructure in government requires an enterprise approach to information security. Many organizations private and public are hesitant about sharing data that will be potentially exposed to insecure systems. These concerns are legitimate since not every Federal agency makes information assurance a factor when buying commercial software.

Oracle is one of a number of software companies that has its software tested against internationally recognized information assurance standards such as the Common Criteria. Firms that are certified or become a criteria build security into their software as a process rather than bolting it on through a barrage of software patches.

In January 2000, a committee within the National Security Agency proposed Federal agencies with information systems involved in national security can only purchase commercial software that has been independently evaluated as being secure. The Defense Department has developed regulations consistent with this policy, which Congress endorsed last year.

Mr. Chairman, I understand you recently expressed an interest in looking at the Defense Department regulations and exploring the potential effectiveness of applying this approach throughout the Federal Government. We believe that kind of review is needed. An enterprise approach to security by the Federal Government, collectively the single largest buyer of commercial, off-the-shelf software products, can change the software marketplace for the better overnight.

Mark Forman has often said that the major obstacle to achieving the Federal enterprise architecture is cultural, not technological, and I agree. There has to be a commitment throughout the enterprise to succeed. Everyone from software companies to congressional committee chairmen should get behind the OMB team to ensure the Federal enterprise architecture is achieved with maximum mission and financial benefits.

In the end, as complicated as technology appears to be, what we are here to do is so simple and fundamental: how can Government better manage and use information in these challenging times. Oracle was founded to help the intelligence community meet this fundamental challenge, and we look forward to continuing that partnership with successes that will be felt throughout the Government enterprise.

Mr. Chairman, thank you for the opportunity to participate with you this morning.

[The prepared statement of Mr. Fitzgerald follows:]

ORACLE®

Statement of

Kevin Fitzgerald
Senior Vice President
Oracle Government, Education and Health Care

Before the

Subcommittee on Technology, Information Policy,
Intergovernmental Relations and the Census
Committee on Government Reform

US House of Representatives

15 July 2003

Chairman Putnam, Ranking Member Clay and members of the Subcommittee, I am Kevin Fitzgerald, Senior Vice President of Oracle Government, Education and Health Care. I appreciate the opportunity to appear before you today to share Oracle's perspective on federal information systems integration and consolidation. This is an extraordinary topic that represents an even more extraordinary opportunity for government to provide better services to their customers, innovative processes for their workers, and cost effective operations for taxpayers.

Fundamentally, what we're here to discuss is how technology can enable the federal government to better manage the vast amounts of information it has in order to achieve vital policy and administrative objectives in a world where information is needed quickly and securely. It was a similar challenge within our intelligence community that gave birth to Oracle Corporation twenty-six years ago. Today, Oracle is the world's largest enterprise software company, providing information management software and expertise to 98 out of the Fortune 100, and to hundreds of departments and agencies in federal, state and local governments. We at Oracle are extremely proud to call the federal government a valued and strategic partner.

Central to that partnership is working with Mark Forman and his team at the Office of Management and Budget toward a successful implementation of the federal enterprise architecture. I don't believe anyone here can overstate the significance of this vast, complicated program. We at Oracle know all too well the challenges, opportunities, and yes, even resistance, that comes from pushing an enterprise-based information infrastructure. The reason why is simple: The enterprise approach is more than about hardware and software. It truly represents a paradigm shift in how large organizations view themselves, their functions, their capabilities, and their interdependencies.

When fully implemented, an enterprise architecture will be an enabler for the federal government, and work to the benefit of its customers, workers, and its shareholders, otherwise known as taxpayers. For the past three years, more and more of the world's most profitable enterprises have adopted an enterprise approach to information management, as have many government entities. Oracle was the first software company to provide the private and public sectors with an integrated e-business suite of applications for business processes throughout an enterprise.

However, it wasn't enough for us to simply tell our potential customers we built an entire enterprise suite. In the tradition of Orville and Wilbur Wright, we took our own creation out for a test flight to show our customers that it can work. Since an enterprise suite of software is designed to automate business processes across an entire organization, we used it to automate and transform our business processes across our entire organization. Virtually very member of the Oracle team, from developers to accountants, was essential to the success of this transformation.

When we began this experiment three years ago, we did not plan on it coinciding with the dramatic downturn in the high tech industry. Despite a significant decline in sales

revenue, Oracle maintained unprecedented profitability. Our operating margins have remained well over 30% annually over the last three years, and we stayed profitable without significant layoffs, and maintaining a global workforce of 41,000 over the last two years. By automating our own functions and processes, Oracle generated savings in excess of a billion dollars.

To understand the themes central to the success of an enterprise approach to information management, it's important to take a step back to see how businesses and government have traditionally bought and utilized information management software across the enterprise, and how an enterprise architecture dramatically changes that approach.

[[SEE SLIDE #2]] Traditionally, businesses and government agencies have bought software to solve a specific operational challenge, and many of today's major software companies began by offering a very specific software solution, such as software to manage your supply chain, your sales information, or to handle your financial statements, or to market your products. In the case of very large government enterprises, like the Defense Department, there are hundreds of organizations that have this basic approach to systems and information management. So, organizations within the Air Force, for example, have their own financial management, human resource, and asset tracking systems.

[[SEE SLIDE #3]] This automation age created disparate systems within an organization, each system with its own access to information. This 'best of breed' approach makes it next to impossible for the top levels of a massive agency to know what they're doing, and whether or not their achieving missions effectively and efficiently. Bottom line: the individual organization is not fulfilling its mission, and the larger enterprise is not getting the return on its IT investments.

It wasn't all that long ago when large commercial enterprises operated this way. Many still do. [[SEE SLIDE #4]] Some enterprises believe the solution to this fragmentation is integration, or to stitch these individual, best of breed systems together.

[[SEE SLIDE #5]] Of course, the obvious problem with stitching disparate systems together in this fashion is that it is very expensive. Imagine the enormous challenge of trying to integrate a massive government agency, like the Defense Department, by stitching, patching, maintaining, upgrading and customizing these different components within each of the services, and then stitching the systems between services in order for the entire enterprise to access and analyze information. Frankly, achieving integration in the federal government under this approach would be impossible, and a massive investment in failure. [[SEE SLIDE #6]] An organization will certainly encounter information inconsistencies because stitching systems doesn't usually get to the issue of data standards. [[SEE SLIDE #7]] Fundamentally, from a business sense, you haven't really solved the problem for your customers, you haven't been able to gain real time information access, and you certainly haven't gotten a return on your investment. [[SEE SLIDE #8]] It's no surprise that, according to the IDC, in 2002, more than 75% of an IT

budget is spent on maintenance-related costs. No business or government agency can fully maximize its IT investments if it doesn't have an information infrastructure designed with the entire enterprise in mind.

What is central to the success of an enterprise architecture, whether in the commercial or public sector is a unified data model – a virtual database -- that will empower companies to solve specific challenges, like financial management, but also to take it one step further by mapping actual business processes, or business flows, across the entire enterprise. Business flows are based on real world customer experiences, and allow for businesses to have processes across multiple organizations within one enterprise.

To achieve these business flows, a business must start by focusing on the functions and processes required to achieve a business objective. This is consistent with the federal enterprise architecture – it calls for agencies to look at its functions, establishing its lines of business, so that agencies with similar missions, such as law enforcement and public health in the area of bioterror, are able to pool both resources and information so that the overall government enterprise can work against criminal activities, or to deploy medical and community resources quickly in response to a disease outbreak.

In order to achieve an integrated system across government as an enterprise, it has to start within the agencies themselves. This means that the architecture can be put together under a modular approach with each module of software pre-designed to integrate and collaborate with the other software modules, making for one family or suite of applications. Different businesses or different government agencies that utilize this enterprise suite approach also are able to share data under a common data standard, which I will discuss in greater detail in a moment. As much as we would like to think we can download some software and instantly become integrated, the current federal IT infrastructure, with disparate systems of varying levels of effectiveness, and information literally scattered everywhere, requires a modular approach to achieving effective integration and consolidation.

So, the immediate task at hand for the federal government is to achieve business flows that cut across the agency, such as the Financial Management Modernization Program within the Defense Department. At the same time, OMB is targeting key functions that will establish business flows that cut across several agencies, which is at the heart of OMB's E-Gov initiatives. A modular approach in those instances not only makes it possible for agencies to build an enterprise-based system, but also makes it possible to achieve the enterprise architecture objectives incrementally. We're currently applying this modular approach in several key government agencies, including the Department of Transportation and the Department of Homeland Security's Transportation Security Administration.

Our partnerships with Transportation and TSA represent two extremes in building an agency enterprise. In both cases, we are working to incrementally build an enterprise system on a module-by-module basis. However, with TSA, a brand-new agency, building

an enterprise suite enables them to achieve the benefits of a single suite of applications right out of the box because each of the modules has been developed to work together, saving the TSA and the taxpayer the costs associated with stitching together different systems.

An enterprise approach enables enterprises to use the information and systems initially designed to solve functional challenges, like human resource management, to broader, mission challenges, like homeland security, intelligence gathering, and benefits distribution. Marty Gruhn of Summit Strategies had one of the better characterizations of what this approach is all about: "it means that executives can focus on where their business wagon train is going, rather than on the colors of the wagon wheels."

We agree with Mr. Forman that the federal enterprise effort first requires agencies to focus on their lines of business, but agencies should also focus on the information that is central to the success of those lines of business. Our CEO, Larry Ellison, often marvels that corporate leaders spend a dollar every day to get all the information they can out of the Wall Street Journal, but often are unable to get information on how their own businesses are doing out of systems they spent hundreds millions of dollars to install. Even though businesses are automating their processes, as I highlighted earlier, information is still all over the place -- easily fragmented, but not so easily brought together. The challenge is even greater in government, and the consequences of fragmentation can be far more costly to our own society. There was plenty of information about the 9/11 plotters scattered throughout our law enforcement and intelligence systems, but no way to bring that information together real-time. The challenges can be seen in three layers: first, information is fragmented and not easy to access; second, information is not easily shared across agencies; and third, information can be easily compromised.

When we started our e-business enterprise, we found customer information stored in different databases across the country. Our marketing, telesales, web sales, and marketing teams each had their own database of customer information. Our field sales forces also had their own customer data. And I'm just talking about the US. Imagine replicating that fragmented customer information system in the other 140 countries where we do business. That's a lot of information scattered all over the world, and we're just one company. The same fundamental problem exists in the federal government. All we can see are the trees – the federal agencies – and not the entire forest that is the federal government.

We can't get information out of these fragmented systems, and we the taxpayers are paying so much more not to know and not to get the most out of this information. In looking out the external lines of business outlined in the Business Reference Model 2.0, one line of business – Defense and National Security – is going to need access to information critical to another line of business -- Intelligence Operations. The same is true for the separate lines of business for homeland security and law enforcement.

So, yes, when thinking about our federal enterprise architecture, we should be taking a functional approach, but we also have to have a simplified data model to ensure different lines of business can access mutually important information. Because, after all, bioterror information is important to the Department of Homeland Security, but it is also important to the Centers for Disease Control, and the Department of Health and Human Services. While mutual functions will help eliminate redundancies and reduce costs, a unified data model can also be an enormous cost saver. In the end, a unified data model containing information on suspected terrorists is better than 100 scattered all over the globe, enabling all the agencies charged with fighting terrorism to be mutually cost effective and most important, mission effective.

If different agencies are going to have access to the same data, we need to solve the next layer, which is interorganizational integration. Central to this integration effort is a standardized, common data model – so that data means the same thing to all that are using it. Again, automation may have inadvertently created a problem while solving a problem. We have invested in automating individual tasks, and that's important, but this automation has created barriers to information sharing. An enterprise architecture is an effort to complete the move from the automation age to the information age. This is obviously important in many of the functional areas identified by OMB for potential consolidation in the next round of its e-government initiative. Let me pick one of these – public health monitoring – as an example of why data element standards are so important.

It's no secret to anyone that our current health care infrastructure is fragmented in terms of both process and the information itself. Chances are, your medical records are in a folder in a file cabinet manned by a teenage intern. In an age where bioterror threats and disease outbreaks are very real concerns, we can't entrust medical data to a paper-based system.

Fortunately, last year, the Center for Disease Control launched the Public Health Care Information Network – a long-term commitment to modernizing, streamlining and integrating the various components of our public health reporting infrastructure. We at Oracle have put our best innovators together in developing a health care transactions base, or HTB, which utilizes our highly secure, core database technology to gather, store and relay critical health care information to those that need it, whether it is for disease surveillance, patient safety, or medical research.

For health data to flow seamlessly from a radiologist in a hospital to a general practitioner, and from there to an insurance company, requires standards to ensure data is understood by all users, protects a person's privacy, and cannot be compromised.

The good news is that healthcare industry standards, including industry-accepted clinical, administrative, and financial terminologies are in existence to enable data to flow seamlessly. Privacy requirements mandated by Congress under the Health Insurance Portability and Accountability Act (HIPAA) also have to be met. Oracle's healthcare transactions base is designed to operate consistent with current industry standards, adapt

to changes in those standards, and protect individual privacy, while utilizing the most stable and secure database in the world.

Just as we have the technological foundation for law enforcement to collaborate to prevent another 9/11, we have similar capabilities ready to go to improve the quality of our health care infrastructure. Mark Forman often has said that the major obstacle to achieving an enterprise approach is cultural, not technological. I agree. There has to be a commitment throughout the enterprise to succeed. We at Oracle could not have achieved the financial and administrative benefits of our enterprise system without the support and participation of the entire Oracle team.

Lastly, if there is to be an enterprise approach to building an information infrastructure in government, an enterprise approach to information security is essential. Right now, not every agency factors information assurance when they buy commercial software. Given the enormous costs associated with software viruses, and the human and material resources required to apply an endless array of security patches, federal agencies, especially those that have highly sensitive information in their systems, can no longer afford to buy software that is inherently insecure.

The most significant barrier to information sharing will most likely be driven by concerns raised by organizations – private and public -- about exposing their data to potentially insecure systems. There are well-established standards for securing data and auditing its use. These standards have matured around the world and are now accepted globally. In the United States, their use is managed by NIAP, the National Information Assurance Partnership – an effective collaboration between the National Security Agency and the National Institute of Standards and Technology. The NSA and NIST jointly manage the standards and independent evaluations processes required to ensure that technology providers like Oracle are implementing secure products.

Oracle is one of a number of software companies that build security into its software development process, rather than bolting it on through a constant barrage of patches. A build-in, as opposed to a bolt-on approach to security produces better products. We even go the extra step and invest in having our software tested against internationally recognized information assurance standards, such as the Common Criteria.

An enterprise approach to security by the federal government — collectively the single largest buyer of commercial off-the-shelf software products — can change the software marketplace for the better overnight. In January of 2000, a committee within the NSA proposed that federal agencies with information systems involved in national security can only purchase commercial information assurance software that has been independently evaluated to be secure. This policy went into affect last July, and the Defense Department has developed regulations consistent with this policy, which Congress endorsed last year.

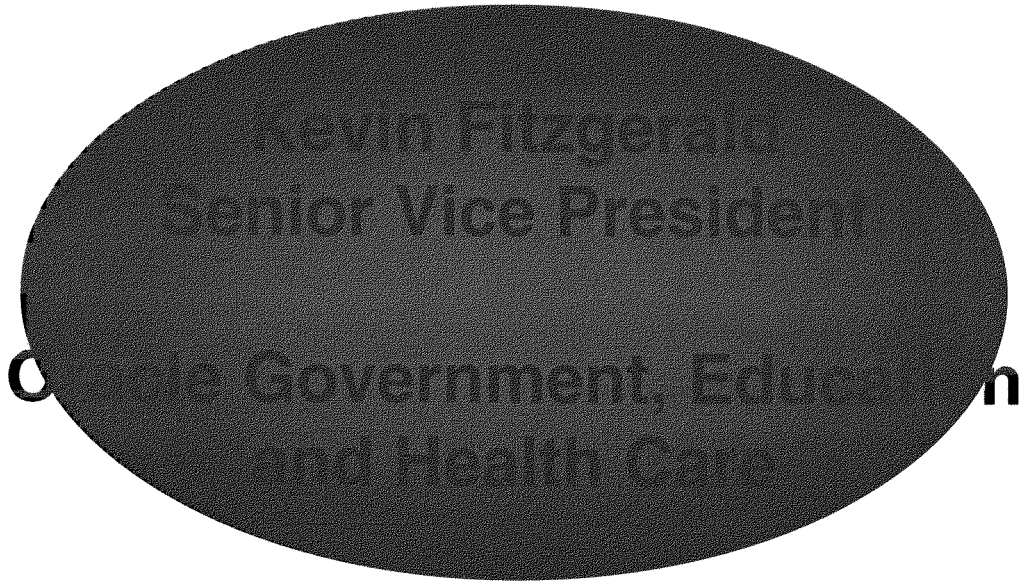
Mr. Chairman, I understand you recently expressed an interested in looking at the Defense Department regulations, and exploring the potential effectiveness of applying

this approach throughout the federal government. We believe that kind of review is needed, and was also called for in the President's cybersecurity strategy.

The approach to security being pursued by DOD and the intelligence agencies should be the cornerstone of a federal enterprise security strategy. If we are going to have greater coordination and integration of information throughout and beyond the federal enterprise, strong information assurance strategies, including those involving the purchase of information assurance systems in the commercial market, are needed.

Everyone, from software CEOs to congressional committee chairmen, should get behind Mark Forman and his OMB team to ensure the federal enterprise architecture is achieved with maximum mission and financial benefits. In the end, as complicated as technology appears to be, what we're here to talk about is so, so fundamental: how can government better manage and use information in these challenging times. Oracle began its partnership with the federal government by helping the intelligence community meet this fundamental challenge, and we look forward to continuing that partnership with successes that will be felt throughout the government enterprise.

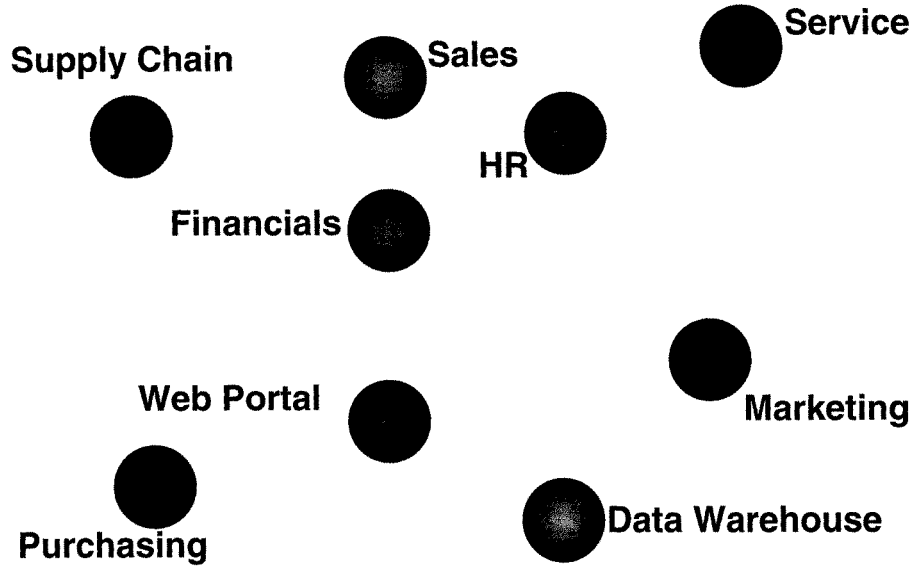
Thank you again, Mr. Chairman, and members of the Subcommittee, for the opportunity to participate in this important discussion.


Kevin Fitzgerald
Senior Vice President
Government, Edu
and Health Care

ORACLE

1

Most IT Systems are Put Together Without a Unifying Architecture



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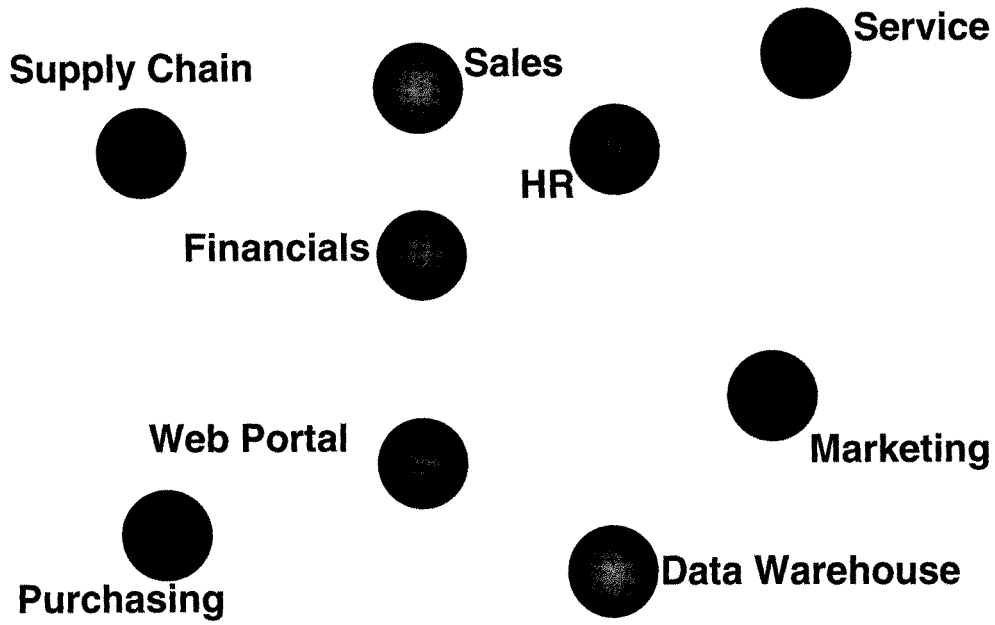
...This Leads to Untapped Value



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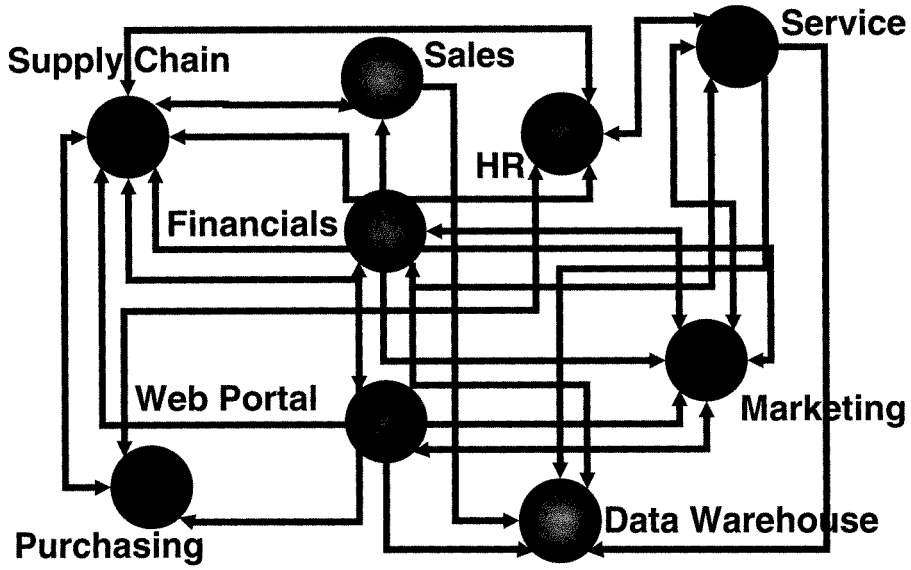
3

Realizing Full Value from Point Solutions Requires Integration



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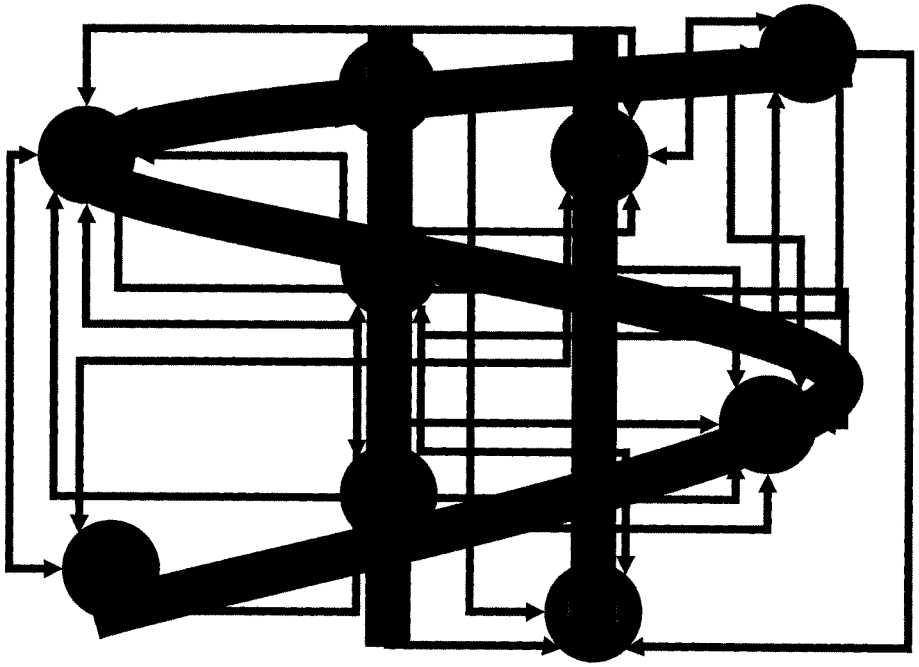
4

Unfortunate Consequence



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5

‘Many Systems Stitched Together’ Lowers Your Quality of Service

- Delivers Negative User Experience
  - Fragmented Information and Interactions
- Incomplete and Delayed Business Analysis
  - Forces Complex Data Consolidation Process
- Continuous Integration Projects
  - Unrealized ROI

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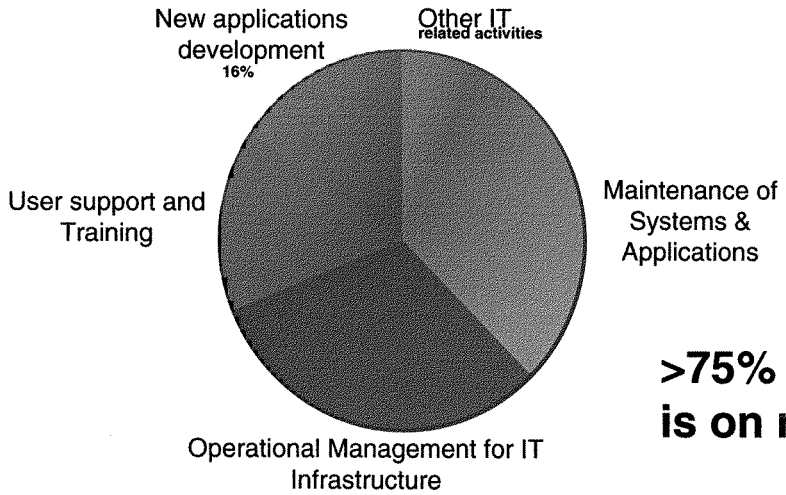
The Consequence
Wasted IT $$$$$



>75% of IT spend is on maintenance

Source: IDC 2002

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Mr. PUTNAM. Thank you very much, Mr. Fitzgerald.

Our next witness is S. Daniel Johnson. Mr. Johnson is executive vice president for public services for BearingPoint, one of the world's largest consulting and systems integration firms in the world, with 16,000 employees in 39 countries. Mr. Johnson oversees BearingPoint's enterprise integration technology and performance improvement services to the Federal, State, and local levels. He has served as head of BearingPoint's Public Services practice since 1997, during which time revenues have grown more than three-fold.

I understand BearingPoint has business alliances with both PeopleSoft and Oracle, so Mr. Johnson's perspective from the viewpoints of systems integration, regardless of software or hardware, will be helpful to the subcommittee.

We thank you for being here, and would ask, to the greatest extent possible, that our remaining witnesses stick to our 5 minute rule. Welcome.

Mr. JOHNSON. Yes, sir.

Mr. Chairman and members of the subcommittee, thank you for this opportunity to share some of BearingPoint's views on the topic of Federal information systems integration and consolidation.

BearingPoint, formerly known as KPMG Consulting, is one of the world's largest systems integration and management consulting firms. We do employ over some 16,000 people worldwide, we fulfill the needs of over 2,500 clients, and we have revenues approaching $3 billion. Three years ago we separated completely from KPMG LLP, the tax and audit firm, and in February 2001 we were the first of the Big Five accounting firms to become a publicly held corporation. Just last October we changed our name to BearingPoint.

I lead BearingPoint's Public Services business unit, the largest of our four groups, and am responsible for over 3500 practitioners providing systems integration services to the Department of Defense and its military services, as well as all the civilian executive agencies.

Today I would like to comment briefly on the framework that has been created for the management of Government IT programs, some E-Government trends that we are observing in the marketplace, and areas where we see opportunity for improvement.

Since the promulgation of the administration's E-Government strategy, significant progress has been made to establish an information technology management framework that will simplify Government service delivery and unify redundant IT systems. The stated vision requires the transformation of existing delivery models within and among agencies to drive significantly higher performance and productivity.

BearingPoint is supporting several cross-agency initiatives that challenge the status quo and redefine how fast Government can work on behalf of its citizens. Our observation of the market suggests that E-Government transformation is progressing along three paths. First, there are far-reaching initiatives, sponsored by the President's Management Council, to implement certain Web-based financial applications across the Federal Government. These include the Quicksilver initiatives and implementing the build once/use many philosophy.

Second, there are Web-based applications that have been provided effectively in one agency and are now being extended to several other agencies. An example of this path is the General Services Administration recognizing the value of the Department of Defense Central Contractor Registry System and incorporating it as a module in their Integrated Acquisition Environment program.

Third, other successful Web-based applications currently being implemented within one agency that may provide the impetus for the next generation of initiatives. An example of this path is the innovative approach for implementing its core financial system at the Department of Health and Human Services to share best practices and economies across its component organizations.

Whether the initiative is sponsored by PMC or an outgrowth from a current initiative, it supports the strategic objective to leverage technology in order to improve Government performance. Still, we see opportunities for improvement. For instance, we believe there is an opportunity to improve the management framework by better and more closely linking the capital planning and acquisition process to ensure that the procured solution fully supports agency performance goals as they were articulated in their project business case.

There is also an opportunity to drive further consolidation among common lines of business, as has been previously discussed. Emerging new initiatives covering financial management, human resources, monetary benefits, criminal investigations, data and statistics, and public health monitoring.

Also, as we move ahead, agencies must adopt the new management framework and use it to drive a holistic view of Government that puts the citizen at the center of the service delivery process. Congress can further facilitate a holistic view of Government by taking a unified cross-agency view in the funding and conceptualization of programs. Agencies can support this view by realizing that while technology has changed the art of the possible, the new processes and desired behavior. To do so, we will need to stick with the new direction, reinforce it, and consistently promote and reward managers that demonstrate leadership and accept accountability for results.

Mr. Chairman, again, thank you for holding this important hearing today. We look forward to working closely with you and the rest of the subcommittee in any way you deem appropriate.

[The prepared statement of Mr. Johnson follows:]

MR. S. DANIEL JOHNSON

EXECUTIVE VICE PRESIDENT

TESTIMONY BEFORE THE HOUSE GOVERNMENT REFORM SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY, INTERGOVERNMENTAL RELATIONS AND THE CENSUS

JULY 15, 2003

FEDERAL INFORMATION SYSTEMS INTEGRATION AND CONSOLIDATION: MAXIMIZING TECHNOLOGY INVESTMENT ACROSS AGENCY BOUNDARIES

SYNOPSIS

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to share some of BearingPoint's views on the topic of federal information systems integration and consolidation.

BearingPoint, formerly known as KPMG Consulting, Inc., is one of the world's leading systems integration and management consulting firms. We employ over 15,000 people worldwide and fulfill the needs of over 2,100 clients. Over three years ago we separated completely from KPMG LLP, the tax and audit firm, and in February of 2001, we were the first of the Big Five to become a publicly held corporation. In 2002 we changed our name to BearingPoint. I lead BearingPoint's Public Services sector and am responsible for our federal, state and local, higher education and health care work.

Today I would like to comment briefly on the framework that has been created for the management of government IT programs, some E-Government trends that we are observing in the marketplace, and areas where we see opportunity for improvement.

Since the promulgation of the Administration's E-Government Strategy, significant progress has been made to establish an Information Technology (IT) management framework that will simplify government service delivery and unify redundant IT systems. The stated vision requires the transformation of existing delivery models within and among agencies to drive significantly higher performance and productivity. BearingPoint is supporting several cross-agency initiatives that challenge the status quo and redefine how fast government can work on behalf of the citizen.

Our observation of the market suggests that E-Government transformation is progressing along three paths:

- Far reaching initiatives, sponsored by the President's Management Council (PMC), to implement certain web-based functional application across the Federal Government,
- Web-based applications that have been provided effectively in one agency and are now being extended to several or all agencies, and
- Other successful web-based applications currently being implemented within one agency that may provide the impetus for the next generation of initiatives.

Whether the initiative is sponsored by the PMC or an outgrowth from a current initiative, it supports the strategic objective to leverage technology in order to improve government performance.

Still, we see opportunities for improvement. For instance, we believe there is an opportunity to improve the management framework by better linking the capital planning and acquisition processes to ensure that the procured solution fully supports agency performance goals articulated in their project business case.

There is also an opportunity to drive further consolidation along common lines of business, including Office of Management and Budget's (OMB) emerging new initiatives covering financial management, human resources, monetary benefits, criminal investigations, data and statistics, and public health monitoring.

Also, as we move ahead, agencies must adopt the new management framework and use it to drive a holistic view of government that puts the citizen at the center of the service delivery process. Congress can further facilitate a holistic view of government by taking a unified, cross-agency view in the funding and conceptualization of programs. Agencies can support this view by realizing that while technology has changed the art of the possible, change is disruptive and will be resisted. It is therefore vitally important to institutionalize the new processes and desired behavior. To do so, we will need to stick with the new direction, reinforce it, and consistently promote and reward managers that demonstrate leadership and accept accountability for results.

OMB HAS ESTABLISHED A STRONG VISION AND ENTERPRISE-WIDE MANAGEMENT FRAMEWORK FOR IT PROGRAMS

I would like to begin by reviewing the framework that has been created to manage IT programs.

OMB has established a comprehensive framework for the management of IT programs guided by the notion that redundancy in information technology capability among government agencies requires greater cross-agency collaboration and information sharing. The Federal Enterprise Architecture, combined with the new Circular A-11 Capital Planning and Investment Control guidance, provide a structured business and governance process for the selection and oversight of IT projects among agencies. It establishes Enterprise Architecture as the target for all IT modernization efforts and requires agencies to develop business cases that demonstrate that the solution they wish to pursue is in the overall best interest of the government. The Federal Enterprise Architecture defines the intended scope and purpose of IT modernization efforts, while Circular A-11 requires the submission of an Exhibit 300 business case in which a project demonstrates that it will achieve government-wide and agency objectives at the lowest risk adjusted cost. This new structure has set the tone for productivity improvement.

This new IT management framework reflects the imperatives established in the Clinger-Cohen Act of 1996, the Paperwork Reduction Act of 1995, the Privacy Act of 1974, the Government Paperwork Elimination Act of 1998, the Computer Security Act and the Government Information Security Reform Act.

As part of its Enterprise Architecture vision, OMB has sponsored a series of initiatives whereby agencies would share delivery processes and supporting systems. The original so-called "Quicksilver" initiatives demonstrated symbolically, and in practice, the Administration's commitment to shared service delivery models around common lines of business. But the Quicksilver initiatives were only the beginning. Already the Administration has advanced 6 new initiatives with the same "build once, use many" philosophy. This next round of initiatives will be equally important in terms of delivering service to the citizen more economically, efficiently, and effectively.

In essence, the Administration has taken a two-pronged attack. First, provide a management framework that provides incentives for cross-agency collaboration. Second, identify and drive specific cross-agency initiatives that appear promising. It is a push and pull approach that is beginning to deliver on its objective.

SEVERAL PROJECTS ARE BEING IMPLEMENTED CONSISTENT WITH THE NEW VISION

The benefits of this framework and the incentives it has created for cross-agency collaboration are now being played out in many successful government projects. More and more projects are supporting the shift of government services from traditional stovepipe, agency-centric processes to crosscutting processes and systems centered on customer needs. Whether it is modernizing IT investments within agencies, or ultimately integrating IT investments across agencies around lines of business and groups of customers, government services are being created as more citizen-centered, results oriented, and market-based.

Our observation of the market suggests that projects are supporting the transition from agency-specific to cross-agency shared service delivery along three paths: The first path includes the 24 cross-agency E-Government initiatives supported by the President. The second path includes those web-based applications that have succeeded in one agency and are being extended to other agencies as a result of that success. The third path encompasses best practice E-Government applications – those web-based applications that are being deployed successfully in other agencies and that may provide the impetus for the next generation of initiatives.

Quicksilver initiatives sponsored by the President's Management Council being implemented across the Federal Government.

The first path includes Quicksilver initiatives sponsored by the President's Management Council to integrate IT investments across government agencies around groups of customers or functional activities. 22 of the 24 Quicksilver E-Government initiatives have delivered significant capability and results since they were proposed by the President in the 2003 budget. These initiatives have covered four key areas: government to consumer, government to business, government-to-government, internal efficiency and effectiveness. An e-Authentication initiative has also been created to support these efforts.

In the area of government to consumer, FirstGov.gov, with more than 186 million pages of information, was recently redesigned to provide government service within "three clicks" and is now a key example of efficient citizen service delivery. GovBenefits.gov is another good example of government service to citizens, providing one-stop access to over 400 government programs. BusinessLaw.gov and Regulations.gov are useful government to business online guides that have been created for businesses to review and comment on legal and regulatory information. A homeland security initiative is now supporting the area of government to government, making it easier for federal, state and local authorities to communicate in cases of emergency. In the area of internal efficiency and effectiveness, GoLearn.gov is an example where numerous online federal training programs have been consolidated into a single portal to provide better service for federal workers. These programs and others are having and will

continue to have a tremendous impact on consumers and the quality and efficiency of government service.

Initiatives that have Succeeded in one Agency and are being Extended to Several or all Agencies.

Beyond those initiatives that have been specifically anointed to provide service to multiple agencies, the second path includes those IT projects that succeeded in one agency and are being extended or emulated by other agencies. Success breeds success and agencies are quick to replicate applications that are successful. For instance, General Services Administration quickly recognized the value of Department of Defense (DOD) Central Contractor Registry system and ultimately used it as a modular component of its Integrated Acquisition Environment program. It is now called the Business Partner Network. As the government seeks to build a government wide enterprise software licensing program to enhance software management and purchasing, they appear poised to leverage DOD's Enterprise Software Initiative.

As agencies deliver their services using applications that cut across lines of business, Congress and OMB must encourage this type of modular construction. First, it encourages the re-use of systems that are tried, tested and true. Second, it cuts down on cost by leveraging work that the government as already paid for.

Still, government must be cautious. We must re-use solution component where it makes sense – anoint "best solutions" and replace those that are under performing.

Initiatives that are Succeeding in one Agency and that May Provide the Impetus for the Next Generation of Initiatives.

The third path includes those initiatives that serve as best practices and that may provide the impetus for the next generation of initiatives.

The success of collaborative E-Government initiatives cannot be measured solely by the breadth of agencies that they serve. There are many interesting best solutions that might be extended throughout government to leverage their solution approach rather than their actual application. By doing so, agencies benefit from the lessons learned of their colleagues building similar systems.

For instance, the Department of Health and Human Services is adopting an innovative approach for the implementation of its core financial system. Instead of building several financial systems several times over, it is building a shared ERP system that allows the Food and Drug Administration, Centers for Disease Control (CDC), National Institute of Health and others to leverage a single best practice implementation. As other examples, the DOD and Veteran Affairs are working together to computerize patient medical records that will allow the two systems to exchange and share information by 2005; the Department of Education is streamlining its data collection processes to eliminate redundant reporting; and the Department of Energy is moving forward with I-MANAGE, an aggressive online management tool that will help to improve the quality of management within the Ministry.

Another example of technology solutions being used to close information gaps, and one that we are intimately familiar with, is the Pennsylvania Criminal Justice Network, commonly called JNET. The project was initiated in 1997 in response to Governor Ridge's priority for agencies to work together more seamlessly, to promote cost effective and information sharing, and to eliminate duplication of system development efforts. In response, JNET was established to improve public safety through the integration of criminal justice information throughout the Commonwealth of Pennsylvania. It provides a common on-line environment that allows authorized federal, state, county, and local officials to access offender records and other criminal justice information across participating agencies and to be notified immediately when individuals on their various watch lists 'show-up' in participating agency systems.

The JNET example is notable in that it has faced and overcome many of the challenges that exist at the federal level today, namely territorial issues about sharing information with other agencies, privacy concerns, and the need for strong executive sponsorship. The solution is being extended to other states and is being leveraged by the federal government. For example, it was used immediately after September 11th by the FBI to identify suspects from United Airlines Flight 93 that crashed in Western Pennsylvania. Using JNET, the FBI was able to identify a suspected terrorist by checking the flight passenger list against a driver's license photo. Another suspected terrorist was identified using arrest record information and was located in a correctional facility.

When we look across the Federal space, these types of approaches are consistent with OMB's IT management framework and appear to offer the potential for better performance and lower costs.

OPPORTUNITIES FOR IMPROVEMENT

Despite the success to date we see some areas for improvement. Specifically we believe there is an opportunity to improve the management framework by better linking the capital planning and acquisition processes, and there are also areas of E-Government reform where Congress can play a critical role. We also support efforts to drive further consolidation along common lines of business including the new initiatives emerging from OMB.

Completing the link between Capital Planning and Procurement

In terms of improving the IT management framework, we believe that the framework must align the business case with the acquisition strategy for procurements. The result in our view will be a more complete and effective management framework for Federal IT investments.

The success of IT capital programs is closely correlated to the quality of the procured solution since it is the solution that will deliver results against the Exhibit 300 business case submitted to OMB. Still, the acquisition strategy for most IT procurements is only loosely aligned with the associated Exhibit 300. In many cases, the companies submitting solution proposals have never seen the business case and do not fully understand the business challenge to be solved. As a result, the government is not optimally served because contractors cannot take responsibility for delivering the intended performance improvement.

Today, Circular A-11 guidance requires agencies to submit a performance based acquisition strategy as part of the Exhibit 300 submission for all capital investments above $500,000. Still, the circular gives complete latitude to agencies in the development of their acquisition strategy and does not provide guidance which might ensure that IT solutions are more likely to deliver the intended performance improvement. Government must challenge contractors to meet the business case requirements.

The disconnection between the business case and the procured solution is caused by an acquisition process in which:

1. Source selection criteria do not necessarily support the business objectives defined in the business case.
2. Agency Investment Review Board officials that approved the business case are rarely involved in the procurement phase.
3. The government's E-300 business case is not shared with the vendor community.
4. Many Contracting Officers have an overly restrictive opinion of what constitutes procurement sensitive information.
5. Source selection officials are not provided the proper guidance by the IRB to determine which solution best supports the business case.

These issues have created gaps in the IT Management governance process between the established strategy and business plan and the solutions proposed to support them. In other words, acquisition strategy and procurement does not properly provide the bridge between the business case and the solution

The business case and its procured solution can be aligned by establishing common criteria for investment approval and the selection of implementation approaches. The fifty (50) point Exhibit 300 scoring criteria form the basis for this common scoring approach. Fundamentally, the 50 points used to score the Exhibit 300 reflect the IT management framework imperatives established through the Clinger-Cohen Act of 1996, the Paperwork Reduction Act of 1995, the Privacy Act of 1974, the Government Paperwork Elimination Act of 1998, the Computer Security Act and the Government Information Security Reform Act.

Usually, business cases are developed and submitted to their agency's IRB at a solution approach level. In other words, the government's business case narrows the approach to solving a business problem but stops short of defining the "implementation approach."

BearingPoint recommends the evaluation of solution and implementation approaches be based on the same criteria – those defined in Circular A-11 and submitted as part of the Exhibit 300. The government would develop and share its "solution level business case"[1] with the business community and ask them to bid an "implementation level business case"[2] that meets its strategic, management, cost and risk mitigation requirements.

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[1] A "solution level business case" outlines what is being sought and why. It begins to narrow the range possible implementation approaches by producing a high level concept of operations.

[2] An "implementation level business case" elaborates the solution level concept of operations describing precisely how the solution will be implemented.

In the case of procurements where the government is outsourcing a process or function, this approach would ensure that the vendor takes ownership, responsibility and accountability for the business case that the government must deliver.

In the case of procurements where the government seeks solely a technology provider, this approach would allow the vendor to demonstrate its understanding of the government's need and how its implementation level solution will support the achievement of business case objectives.

Lastly, this approach completes the IT management governance framework by ensuring a proper alignment between the business case and proposed solutions thereby supporting government agency efforts to provide mission activities more effectively, efficiently and economically.

Examples Where Congress Could Support Collaboration

We also see many areas where Congress can play an important role. For example, as we move more towards supporting cross-agency services, we have to recognize that Congressional appropriation funding mechanisms are still organized vertically by agency, and this inhibits the process. We encourage Congress to take a unified, cross-agency view in the funding and conceptualization of programs. There are at least two ways this can be done. The first way is for Congress to support OMB as it exercises its discretion under the Clinger Cohen Act to consolidate appropriation funding for like services. The second way is for Congress, at the full appropriation committee level, to unify and consolidate the funding of like services.

On a more day-to-day basis, Congress will have a meaningful impact as it eliminates procedural barriers that inhibit cross-agency initiatives. The sale of federal assets is an example of such a procedural change where Congress can play a role. The Federal Asset Sales initiative, one of the President's 24 E-Government initiatives, is an ambitious effort to improve and optimize how government agencies dispose of unneeded assets. However, there are areas beyond the initiative's scope that require reform that could generate millions of dollars in additional revenue for the government.

A recent OMB study identified over $307 billion in property, plant and equipment; $209 billion in loans receivable; and $184 billion in inventories and related property. A portion of these physical assets sit unwanted by agencies, and as these assets sit, agencies incur holding costs while the assets' condition often deteriorates. Financial assets also sit idle, inefficiently serviced by agencies who would rather hold onto an asset than sell it to a non-governmental institution that could more efficiently and cost effectively service the asset. Many agencies, through their own admission, hold onto their assets because they lack an incentive to dispose of them. First and foremost, the proceeds from the sale of assets are returned to the Treasury, not to the host agency, so there is no monetary incentive. Also, the costs of designating a piece of property as excess is sometimes more costly than holding onto it. Donation policies, often set at the agency level, are also not uniform and often work against the government in obtaining maximum return and utilization of an asset.

By contrast, agencies authorized to retain proceeds from their asset sales have displayed innovation and forward thinking in their asset sales strategy. Many have partnered with commercial service providers to sell unwanted assets online and offline, and in so doing, have realized substantial returns while lowering their costs of sales. For example, one agency has

seen increases in its sales proceeds from 2-3 cents on the dollar to twenty to 30 cents when it sells its assets in an efficient online marketplace to an established base of buyers. The agency is able to retain proceeds from its asset sales, thus motivating the agency to dispose of its unwanted assets quickly and efficiently.

Congress could pass a law to allow agencies to retain proceeds from asset sales. In our view, this would provide a missing incentive to move idle assets into the sales cycle more quickly, yielding lower overall costs for the government and higher sales returns. Getting assets to the market fast could also provide an impetus for a range of creative online marketplace solutions that could improve the efficiency and revenues gained from transactions.

Emerging Multi-Agency Initiatives

There are also a range of new initiatives beyond those already discussed that seek to support cross agency collaborative services, and drive further consolidation along common lines of business. The 6 new initiatives emerging from OMB covering financial management, human resources, monetary benefits, criminal investigations, data and statistics, and public health monitoring are excellent ideas and critical to the achievement of the long-term vision. We offer our opinion on two of these initiatives: financial management and public health monitoring.

By nature of the service provided, financial services appear well positioned for additional cross agency collaborative services. Today, most agencies have financial systems in place to support their own agency needs. The Committee is well aware of the challenge agencies have had with these financial systems. Last month's General Accounting Office report on financial management systems (GAO-03-903R) highlights some of these challenges, including the fact that the ages, types and number of systems used in agencies vary; many agencies are in the process of implementing new (and different) software systems; and many are at different phases of the implementation process. It is as a result of these types of challenges that the President has made improvement of agency financial systems a core part of his management agenda.

Already within the Department of Defense, the Defense Finance and Accounting Service provides a broad host of finance and accounting services across their Military Department and Defense agency customers, including military and civilian payroll, vendor and contract payment, and the delivery of timely and accurate financial information through accounting services. DFAS has organized itself along these three specific business lines in order to meet the needs of their customers. This approach has allowed DFAS to achieve significant efficiencies in terms of workforce reduction and operating costs, and ultimately reduce the cost of financial management to their customers. The Department of Agriculture's National Finance Center and the Department of Interior National Business Center and the U.S. General Services Administration provide similar shared services to civilian agencies.

The key moving forward is to expand the range of commercial, web-enabled products that these organizations can provide to agencies in support of their financial and accounting needs. Providing core financial applications on a shared-service basis may be a starting point. In doing so, we must keep in mind that E-Finance is an opportunity to manage more efficiently and effectively the broad range of financial management services needed in today's federal environment. While there are cross agency collaboration success stories in the federal arena with

agencies like DFAS, there are still more opportunities to reduce redundancy as well as consolidate information for the purposes of better decision-making within agencies, at OMB, and for Congress.

In the area of public health monitoring, we support Congress and the Administration's efforts to provide additional support to federal, state, and local health organizations in improving public health monitoring and preparedness. Further attention is necessary to provide essential infrastructure, network, information technology and related resources to government's public health agencies, including federal, state, local, and community-based health organizations. The provision of such support will enhance their capability to respond, manage, and improve critical national public health imperatives for disease surveillance, health promotion, and disease investigation, intervention, and protection.

BearingPoint has participated significantly in many of these new initiatives including a leading initiative with the CDC in support to the Office of Terrorism Preparedness and Response. The pursuit of this initiative is heavily collaborative, involving many Centers, Institutes, and Offices within CDC, and contractors, guided by CIO leadership.

THE NEXT STEP IS TO BEGIN INSTITUTIONALIZING THE CULTURAL SHIFT/VISION AND MANAGEMENT STRUCTURE

The Administration has set forth a bold vision for the reform of IT management, placing a strong imperative on delivering results. As we continue to move ahead, it is critical to recall that delivering these types of services, cutting across agency lines, is disruptive and requires a cultural shift in behavior and expectations. Success will therefore rely largely on our ability to institute an approach that rewards behavior consistent with this vision and drives a holistic view of government that puts the citizen at the center of the service delivery process. This requires sticking with the approach long enough to see it take hold; punishing behavior that seeks to circumvent its objectives; and rewarding managers that demonstrate leadership.

Information technology has changed the art of the possible and allowed new visions of government service delivery. Progress to date has helped make these visions a reality through an improved management structure, including the federal enterprise architecture framework, initiatives such as Quicksilver, and homegrown initiatives within agencies that are being implemented or considered as best practices across government. The challenge now is to keep pace with reform and alter existing processes and structures to support new and future requirements. As we have highlighted here, this will include reforming everything from IT planning and procurement processes to congressional appropriation procedures. It will also be critical to support future cross-cutting E-Government programs in areas of finance, public health monitoring and other areas. Congress' continued support in these and other areas will play a vital role in building a performance oriented government in support of the citizen.

Mr. Chairman, again, thank you for holding this important hearing today. I look forward to working closely with you and the rest of this subcommittee in any way you deem appropriate.

Mr. PUTNAM. Thank you very much, Mr. Johnson.

At this time we will introduce Paul Cofoni. Mr. Cofoni is the Federal Sector president of Computer Sciences Corp., where he has held key leadership positions for the past 13 years. Prior to joining CSC, Mr. Cofoni had a 17-year career with General Dynamics, where he served in several leadership positions, including vice president of IT services. Prior to General Dynamics, from 1970 to 1974, he served as an officer in the U.S. Army.

CSC is one of the Federal Government's largest systems integrators, with contracts in nearly every agency in the Federal Government, totaling $4 billion annually. CSC is an acknowledged leader in their systems integrations efforts, as a prime contractor for IRS modernization, FBI's trilogy, and EPA's IT solutions integration.

Welcome to the subcommittee. You are recognized.

Mr. COFONI. Thank you, Mr. Chairman and members of the subcommittee.

I would like to share with you just a few lessons learned from several of the programs you have mentioned, and a special reference to the Army Logistics Modernization Program and the IRS Modernization Program. Both of these programs are extremely complex undertakings, on a scale really unmatched in the private industry. And both involve significant transformation of both business organization process as well as technology.

We have found that commercial and government transformation practices have much in common, and the modernization enterprise architecture is essential in setting the foundation for transformation activities. The enterprise architecture links the business strategy to the key elements of change in transformation; those are organization, process, technology, data, and applications. And this really becomes the baseline framework for transformation. We recommend that a business-centric approach to enterprise architecture, thinking in those broad terms, process first, ahead of technology, in fact, setting architectural standards.

Among the many lessons we have learned, I would like to highlight four. First, while a business line architecture and a discipline implementation process serves as a road map for change to ensure the end-state vision, change must be driven from the top of the organization, and this requires strong leadership. All parties must be aligned from top down and across the organization or across organizations.

Second, system interoperability is critical, but, as you know, it is not just a technical problem. Significant organizational process changes will be the key to program success for transformations. For example, the Army Logistics Legacy Systems were based on 25-year-old technology crossing 20-some data bases with 25-year-old processes. Simply adopting newer technology to that problem set wouldn't make a difference. Technology alone, without the business and organizational changes that a company can take advantage of new technology is the key. And here, in the case of the Army Logistics Modernization program, together in partnership with the U.S. Army and the Army Material Command, we have in fact changed the processes and the organizational structure; we have adopted the best practices of industry as embodied in the commercial, off-

the-shelf software. And that system went into production, I am proud to say, last week.

Third, defining a data and information model is a critical component, but, again, it is often more management decision than a technical issue. With today's technology, the consolidation of data to a single data base environment with realtime availability of data is there, it is here today, and it provides significant benefits. The key to an integrated data base is the organizational commitment to create data only once, at its point of origin, and to use it many times in a shared technology environment. Again, a business decision.

And the last point is, as has been said several times already this morning, security and privity of data in new technology environments is critical. This, again, must be a part of a business-oriented approach that adapts to a constant stream of new threats. But the security architecture must be linked to the enterprise architecture, and decisions on security tradeoffs must be made from a business point of view.

A theme I keep repeating is enterprise architecture must first be business-focused. Modernization really is a mission and business-led function with support from IT organizations. The transformation must come from the top and be driven down through the organization. And in talking about business lines or businesses, the architectures are, again, a framework, but leadership must be the champion to make the organization adhere to those architectures. So in thinking about business lines and business line architectures, it will take an innovative, out-of-the-box thinking and collaboration between OMB, Congress, Federal agencies, and in many cases State and local governments; and leadership must emerge to do that.

Commercial companies have been using this sort of shared service approach for decades, and in the last decade have really swung way over. Our own company uses a shared service approach that takes advantage of these same sort of synergies. CSC has been supporting government transformation for years, and hopes that we will continue our contributing role in government transformation.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Cofoni follows:]

Statement of

Paul Cofoni

President, Federal Sector

Computer Sciences Corporation

before the

Subcommittee on Technology, Information Policy,

Intergovernmental Relations and the Census

Committee on Government Reform

U.S. House of Representatives

July 15, 2003

Mr. Chairman and Members of the Committee:

My name is Paul Cofoni, President, Federal Sector, Computer Sciences Corporation.

I would like to focus on three critical areas in Government transformation, improvement in the management of IT resources, and the fundamental need to open up the functional stovepipes and share data. I'm excited about the new direction business lines are taking and the strong focus on enterprise architecture, which we have often called modernization blueprinting. This process has been essential to some of the key modernization efforts CSC is proud of, such as IRS Prime and the Army Logistics Modernization Program, LogMod. The principles and practices of a business-oriented transformation process drive the success of such initiatives. Addressing business functions as Government-wide initiatives that reach across Federal, State, and local borders is at this core of Government transformation.

Why This Is Critical

The United States economy — and each one of us as citizens and as companies — requires that all the Government — Federal, State, and local — be efficient and effective. Technology is a great enabler, but technology must be linked to business needs. We have found that commercial and Government transformation practices have much in common, and the modernization blueprinting or enterprise architecture process can be tremendously beneficial in showing how transformation can be done in actively managing the change process.

Processes and frameworks are critical to enabling change and breaking down information silos — critical for supply chain activities in military logistics; for sharing information about taxes, the environment, and health; and for alerting States and local communities and dealing with first responders during a disaster. All these activities need common terminology, a set of models, and a process. Over the last year, our company and others have been working through the Industry Advisory Council to provide Mark Forman and his enterprise architecture leaders, Norm Lorentz and Bob

Haycock, with thoughts based on global best practices, in conversations with the best minds in startup companies and with vendors such as Oracle and PeopleSoft as well as integrators. We think that addressing the challenge of breaking down and sharing this information will serve the collective good.

I want to focus on the shift to lines of business and share with you some lessons we learned from our enterprise efforts at IRS and LogMod and some specific action-oriented steps. Both IRS and LogMod are driven by business needs — they are strategic; they use new technologies such as business rules, portals, enterprise application integration (EAI), and middleware; and we work with a multicontractor team. But we have a shared vision and a very visible shared game plan, so everyone is accountable and responsible. We use the best COTS packages to maintain schedules but, more importantly, we manage against the enterprise architecture.

You may have seen the IRS Visible Blueprints. The key is that the enterprise architecture is linked to the strategy and the business case and creates actions that everyone can understand. The IRS blueprint was recently revised based on Mark Everson's strategic and organizational changes and linked to the new Federal Enterprise Architecture (FEA) Reference Models. The EA blueprints are living documents used to manage transformation activities. We recommend taking a business-centric enterprise architecture approach that crosses boundaries and that can communicate this vision and approach to multiple levels of the organization.

This approach can be applied to lines of business, and over the last year we have been sharing those ideas with Mark Forman and the CIO Council's Architecture and Infrastructure Committee. As we looked at the lines of business concepts that were emerging almost exactly a year ago, we thought that we had been doing much the same with our supply chains in working with the States on sharing tax information or managing the replacement of legacy logistic systems with COTS-based integration with financial systems. Among the many, many big lessons we learned, I would like to highlight four.

1. Use a business line architecture and implementation process that creates a win-win situation for everyone along the business line. Make concrete agreements about what each party will get, and make sure everyone's responsibilities are clearly defined. All parties must have some skin in the game: Communication is essential between all management and technical levels and all partners in the business community to support a shared vision.
2. Interoperability is critical, but it is not just a technical problem. A business-centric strategic interoperability approach ensures that the focus is on mission results and away from technical aspects that lead to conflicts over message formats and standards. This approach will raise visibility on what and why information should be shared, requiring management-level buy-in.
3. A critical component, and one of the most difficult, is defining a data and information model. It is a tough issue but, again, it is often addressed only from a technical standpoint. Without thinking about ownership, a data and information model can become too complex to be useful in planning and integration — but this doesn't need to be the case. The battle between centralized and distributed can end. The focus should be on solving the business problem with the right data and information. With new technology, that ownership can be shared, it can be "federated," and this approach can be adapted to the needs of the community.
4. The last point is protecting the security and privacy of the data and information that are shared. This again must be part of a business-oriented approach that adapts to a constant stream of new threats, but the security architecture must be linked to the enterprise architecture, and decisions on security trade-offs must be made from a business point of view.

A theme I keep repeating about enterprise architecture is that the blueprint must first be business-focused. This really is a mission and business lead function that the CIO supports. The transformation must be led at the top but filter down through the organization. Governance is not just for the top, but must fit in with all aspects of a blueprint and actions based upon it. For lines of business and their architectures,

members of the many agencies must work together, not only planning but in funding and taking responsibilities. This will take some innovative out-of-the-box thinking and collaboration between OMB, Congress, Federal agencies, and in many cases the States and local governments affected. The initial six lines of business — financial, HR, criminal investigation, benefits, health data monitoring, and data and statistics — can benefit from industry's experience. This is an issue that takes collaborative partnership. Some of the initial papers developed by the Industry Advisory Council include:

1. Business line architecture and implementation process. It is important to define a process from a business point of view — a business line architecture and implementation approach that works with the States and local communities. The National Association of State CIOs needs to be involved, and pilot projects supported to create models.
2. Business-centric strategic interoperability. We need to get out of the bits-and-bytes wars and think about information exchanges and brokering from a strategic point of view. Organizations on the federal level such as the Defense Finance and Accounting Service (DFAS) are now looking at this approach.
3. Business line data and information management. This is very much a "governance" issue, driven by the business need to share tactical information to make better decisions. This applies to increase real-time surveillance of disease conditions, to share criminal cases when criminals cross borders to enable the whole healthcare world to share while protecting private health data. "Data" may be considered a four-letter word that results in turf battles that must be rationalized with business value thinking. We are recommending using models to understand what the data and information assets are and to plan for sharing, but the bottom line is that these models can drive integration. With new technologies and open standards, all data may not be perfect and we don't need to be limited to only one master of data, but directories can point to data acknowledged and agreed upon by each of the data owners.

4. Security and privacy. For too long, security has been addressed as an afterthought. Security however, must be incorporated into the infrastructure backbone to provide the generic capabilities these business lines need.

Taking Ideas to Action

CSC has been supporting Government transformations for years and believes that the most successful efforts require a collaborative partnership to ensure that the vision, objectives and goals of the business and mission are achieved. We look forward to refining and maturing these concepts as a key contributor to Government transformation.

Thank you.

Mr. PUTNAM. Thank you very much, sir.

And we appreciate all of the witnesses' testimony. I will, again, using the ladies first rule, begin with Ms. Miller.

You are recognized.

Ms. MILLER. Thank you, Mr. Chairman.

Mr. Cofoni, I might start with you. It is my understanding that you are the prime contractor with the IRS.

Mr. COFONI. That is correct.

Ms. MILLER. Well, if you want to run for Congress, you can run against the IRS. I mean, it has to be the most hated agency in all of the Federal structure. I am just interested if you could tell us a little bit, discuss some of the different challenges that you faced, some of the things that we should be aware of so that we don't repeat those kinds of problems as we start to integrate some of these agencies. That had to be an unbelievably daunting task.

Mr. COFONI. At the IRS we have been working for some 4 years, and the first really 2½ years were focused on the topics I spoke about earlier: defining architecture, setting the plan, setting the road map, building organizational alignment for change. And in the last year and a half we have really begun to start reaping some of the benefits by implementing the applications that ride on top of that infrastructure.

The complexities at the IRS, really it is the most complex organization I have ever seen in terms of scale, complexity. It is a challenge for everyone who works there and all of us that are fortunate enough to serve there as contractors and system integrators. Because of the scale and complexity, and because of the enormous amount of oversight at the IRS and the fact that one error can affect millions of people in a negative way, the intense focus on quality at the IRS, those three components, complexity, scale, and intense focus on quality, tend to have an effect of slowing our progress. So while we are making progress, we don't feel we are making it as fast as we would like to. However, we understand the elements of complexity in scale and quality that are prerequisites, and they are more important, really, than schedule.

So I would share with you that those are the issues as far as the IRS. We have, fortunately, been able to start delivering results there, and the pace of delivery we expect to pick up over the next few years.

Ms. MILLER. Did you design the Telefile and all of that type of thing?

Mr. COFONI. No. Telefile is a system that was defined some time ago. We have delivered a new system for the call center, a brand new call center technology system; refund fact-a-filing. Six million citizens were able to access the IRS this year and inquire as to the whereabouts of their refund, status of their refund that we implemented. And just yesterday we went live on that same technology with an application that allows citizens who are eligible for the advance child care tax credit to inquire as to the status of their tax credit check that they will be getting.

Ms. MILLER. Thank you. I just think that is so interesting, as all of you have mentioned in your testimony. The largest room is always a room for improvement. There is certainly a lot of room for improvement, and opportunity, I suppose, should be more the oper-

ative phrase, for the Federal Government to really look at technology and the kinds of things that we can do from a customer service standpoint, whether that is filing with the IRS or what have you.

And I appreciated Mr. Conway's statement. You mentioned some of the different States where you can actually renew your driver's license on line and some of those things. In a former life I was a Michigan Secretary of State where I did all the motor vehicle. We were the first one to do E-Government and driver's licenses and that on line, and it has been a tremendous help. But it is very difficult to get people actually to do that; they want to come in and actually see you to transact business. So that is just a generational culture, I suppose, that we all have to get over.

But as we were doing some of the design work in our State, we looked at best practices particularly with the Big Three in Michigan, of course, and how they were doing some of their IT; and often times they would bring in from the outside, as many of you mentioned here how difficult it is for the Federal Government to attract and then retain the different IT geniuses, really; they are so marketable out there today. We tried to think about I don't know if I want to use the term privatizing, but really outsourcing an awful lot of our project management and bringing them in for specific kinds of things and then letting them go off again rather than growing the government. And, again, we always looked to the Big Three as really the innovative incubators of all those kinds of things in our State.

Do you have any feeling as you looked at some of these different lines of business, if you have had an opportunity to review what Mr. Forman has laid out for the Federal Government, whether or not, I won't use the term privatizing, but outsourcing some of these kinds of things, if that is something we should be looking at closely? I guess I will throw that out generally.

Mr. FITZGERALD. I mean the answer, I think, is categorically yes, again, using scale as one barometer and cross-functioning. Many of the processes which the Federal Government could outsource are being done in business and other governments, and can be hosted very economically by companies at considerable operational cost to the Government. So I think in the future we are going to see much more opportunity for those situations to arise. And, again, it is a matter of scale and a matter of the technology being there, now to do it.

Mr. CONWAY. There are three major contributors to the length and cost of the implementation of these systems. One is standardizing the business process. You know, automating something that can't be standardized is hard. The second thing is resisting the temptation to customize. When you go to an agency and you ask them how they would like to automate something, the natural reaction is exactly the way I am doing it today, instead of taking a fresh look and seeing if there is a more efficient way to do it. Then the third trap for length and cost is change management, getting people to adopt a new way of doing something. You mentioned the DMV. You know, hard to imagine people are all that happy about going to a State facility and waiting in a long line to renew their driver's license, when they can do it 7 days a week, 24 hours a day,

by dialing in on their home computer; but yet there is a change management process. There is a change management process for the users and the people that provide the systems.

So the direct answer to your question is you can turn to people that know best practices and ask for their guidance, and I think that is the business that BearingPoint and CSC and Accenture and their competitors are in, advising on best practices.

Ms. MILLER. Just one other question, then. Talking about best practices, I often found it difficult, I suppose because it is counterintuitive when you are dealing from a public standpoint, with the private sector with a particular vendor of having the vendor actually tell you. I mean, I would say, well, these are all of our priorities, we have 300 priorities, waiting for the person to say, well, you can't have 300 priorities, you can only have 3.

I know many of you do business with the Federal Government. Do you feel that you are adequately advising the Federal Government, the different agencies that you are dealing with, that some of the things that they are asking you for just really aren't the best practices, even though it may negatively impact your bottom line?

Mr. FITZGERALD. I think the comment that Craig just made, and I agree with wholeheartedly, we continually advise Government managers not to change already automated work processes which are found in software but, rather, modify your business process. The benefit to that in terms of the maintenance of that software and that function for the Government moving forward is phenomenal; it is extraordinary. So by taking the time to have those discussions up front, rather than just saying, sure, we will do it your way, I think saves everybody money up front in putting a project in and saves the Government considerable cost during the maintenance of that system.

Mr. COFONI. I would add, as a system integrator, we recognize our primary role is to be the trusted advisor and to bring challenging thoughts to the table, provocative new ways of thinking about old problems. And we generally find in government that there is good receptivity to those ideas, and then the issues always become a matter of driving those kinds of new thinking down through the organization and dealing with the years of doing it a different way is just bringing change about in an organization so it is not a different problem or a new problem.

But we do bring that to the table; we view that as the first core confidency we bring to an engagement.

Mr. JOHNSON. I would just like to add that I think one of the core characteristics of successful implementations of large-scale systems of these types within the Federal Government is a strong public-private partnership between the Government and the integrator and the solution provider, because there are always going to be very difficult decisions to be made of the type that you described earlier, where people want to continue to do things the way they have in the past; and often times if we are talking about an agency implementation, we are talking about a number of components of those agencies which have always done things the way they have done them with different systems. So it has to be a very strong partnership at the top that can (a) make those decisions and then

(b) push those decisions down through the organization to ensure that they get implemented.

Ms. MILLER. Thank you very much.

Mr. Chairman.

Mr. PUTNAM. Thank you, Ms. Miller.

Mr. Clay.

Mr. CLAY. Thank you, Mr. Chairman.

I would be interested to hear how each of the panelists responds to this question. Recently we discovered in the Government Reform Committee that the Department of Defense was selling chemical and biological protection suits on the Internet for $2 to $3. At the same time, the agency was purchasing these same suits for $200 to $300. The suits for sale were new, not expired, in the original packing. Clearly, there is no link between the process for declaring inventory excess and the procurement process. How difficult is this problem to solve? This discovery was reported to the committee over a year ago. Should we expect the agency to have solved the problem by now?

And each of you can give it a shot.

Mr. JOHNSON. Well, I will take a crack at just the overall issue of assets in inventory in the Federal Government and their disposition. And I think the general feeling is there is a tremendous value within the Federal Government that is not being taken advantage of in terms of accountability and disposition. And if one were to look at rules and laws for disposition, there probably is some advantages that could be made in changing some of those to make it work to the advantage of the entity who has control of that such that if they can dispose appropriately with a proper return, that they can keep the funding, rather than the argument one might get is it costs me more to find out what I have than it does to dispose of it.

Mr. FITZGERALD. I agree wholeheartedly, because you hear that comment time and again; it is easier for me to basically sell off the assets than really try and figure out what I have. And anyone who has made a trip up to Assistant Secretary Zatheim's office in DOD to see the plan for the financial system and asset management of DOD recognizes the monumental issues involved with this. My comment, I guess, would be that it doesn't appear to be a problem that will be solved in the near term, but that there is obviously a very large-scale attempt to make the system a rational system.

Mr. CONWAY. Huge issue; phenomenal benefit, potential benefit. Great care study is the county of Los Angeles General Service, this is the county GSA, if you will, tried to get their arms around supplier relationship management and asset management automated the system, was able to reduce inventory by more than 50 percent within a year and closed half their warehouses in 12 months. Now, this is a large county. But can you imagine what the benefits would be of getting that type of visibility across Federal agencies to be able to match need and demand and supplier and inventory more efficiently? It is a phenomenal opportunity.

Mr. CLAY. It is a matter of being more efficient.

Did you want to add?

Mr. COFONI. Well, I would only add that we have just last week implemented for the first part of the Army Material Command a

new logistics system which will begin to solve those types of problems. This logistics system inventories for the Army Material Command all materials, parts, supplies, and even some weapon system platforms around the world, and it integrates all the warehouses and the inventories at all of the warehouses and brings them together in one place.

Mr. CLAY. Let me ask you. The Office of Management and Budget has identified six lines of business that it will focus on in the 2004 budget. Which of these six do you believe will have the greatest return not in terms of dollars, but in terms of agency performance? Anyone can take a crack at it.

Mr. FITZGERALD. One we are involved in is the Public Health Information Network, a very vital system for reducing the cost for health care in this country by using information and automating those functions from the time of diagnosis to the time that a reimbursement is given. Tremendous leverage in opportunity there. We see that as affecting everybody from the local to State to county and Federal, obviously, agencies, so it cuts across the entire country in a very vital area. Again, we are heavily involved in that and see it as a great opportunity.

Mr. CONWAY. I think it is hard to say; they are all tremendous areas of opportunity. The two that PeopleSoft are involved in is the human resource management and financial management. I am sure those will be the most successful.

Mr. COFONI. I would say, just a point of view, the two that strike me as having the greatest benefit to the public in terms of major effect would be in the criminal investigation and in the health data monitoring area.

Mr. CLAY. Final question. Going back to our experience with the oversight of DOD, we have found it extremely difficult to get the forces within the Department to work together. One of the reasons there are over 1,200 financial management systems in the Department is that every service insists on having its own set. Given that it is difficult to get agencies within a department to coordinate, how is OMB going to get agencies across departments to use identical systems?

Mr. JOHNSON. I will take a crack at that one. Just some personal experience. We are heavily involved in the current convergences in the Department of the Navy, and there is in fact an initiative right now to reduce from well over 200 financial systems to concentrate on one converged system within the Department of the Navy. There are similar instances going on in the Department of the Army, and I think the Air Force is just watching to see what is going to happen. But there are initiatives that are moving in that direction, to do exactly what you just said, within the Defense Department; it just takes time.

Mr. CLAY. They are moving in that direction?

Mr. JOHNSON. Yes, sir.

Mr. CLAY. All right.

Thank you all for your answers, and thank you, Mr. Chairman.

Mr. PUTNAM. Thank you, sir.

You know, it just boggles your mind to think about how we got into this mess. Two hundred different financial systems just in the Navy, and the Air Force is going to watch and see what happens.

I mean, I have heard estimates as high as over 50,000 legacy systems in the Department of the Navy alone. Does that seem high to you?

Mr. JOHNSON. Could be.

Mr. PUTNAM. It could be?

We have our work cut out for us, Mr. Clay.

Mr. Cofoni, you laid out sort of a four-point test, the bottom line of which was that business focus is the key. And Mr. Forman divided them up into three baskets; he divided his six and said we have good strong leadership, good commitment at the top on the public health component and the case management component, so-so commitment on HR and financial, and we are just not going to get anywhere on the data statistics and the payment management system.

Do you attribute the last category, the we are not going to make much progress at all to a lack of commitment from the top? Is that a pure management system or are there legitimate technical issues preventing progress in that area?

Mr. COFONI. You know, I don't have specific knowledge about that, and I would probably defer to Mr. Forman on that. But in general you can see in an organization like the Army Material Command or in the IRS, where there is a strong central leader who is directing change downward. And when you look at initiatives that you are trying to drive across organizational boundaries, you have to find, and I think Mark Forman said that, you have to have leadership emerge that will drive that change across those organizational boundaries. So it is, by nature, more difficult to drive systemic change across multiple organizations than it is to drive it down one; and it is hard to drive it down through one. So I sort of would defer to Mr. Forman for the exact answer to that.

Mr. PUTNAM. Anyone else want to comment on that?

Mr. FITZGERALD. I think most of us have said these are cultural issues, not technology issues.

Mr. PUTNAM. So there is no technical barrier that you are aware of for any of these six becoming implemented.

Mr. FITZGERALD. I think Mark used a good example of the geospatial data system now that is being shared by all of the departments and agencies effectively; it is a good example of how data, in this case, can be shared amongst all applications that need geospatial data. There is no real technical reason for the fact that it can't be shared.

Mr. COFONI. We have not seen technology as the limiting factor in bringing about this type of change.

Mr. PUTNAM. In your contract work with the Government, have you formed any ideas about other lines of business or business functions outside the top six that are ripe for consolidation or integration?

Mr. FITZGERALD. We think that they have solicited a lot of input, I think, from Government and contractor community, and we think the six are very, very obvious for all of us to help the Government work.

Mr. PUTNAM. They are the obvious six. Is that sort of the consensus? These are the first bite of the apple, easy six.

Mr. CONWAY. But I believe Mark Forman has a superset list of 20-some business processes or lines of business, and I think the six that have been started with are the very fertile areas for savings. But all 24 will represent benefit to the Government.

Mr. PUTNAM. Mr. Conway, would you like to share your thoughts on the Federal Government SmartBuy software licensing initiative?

Mr. CONWAY. You know, the Government has a tremendous opportunity to exercise its buying power. Traditionally, our industry, the software industry, has charged its customers by number of users, and it is a bit counterintuitive, because what you really hope is that you get the maximum number of users. But every time you extend the user of a system, you have to pay a supplier, and so a lot of times, in our industry, historically, a software company sales representative shows up every quarter, counts the number of users, and gives you an additional bill.

The opportunity exists to do it differently, which is to license the entire enterprise, whether the enterprise is a commercial company, a university, a series of universities, or the entire Federal Government; and that is what I think SmartBuy will evolve to, enterprise-wide licensing of the Government that is not counterproductive or counterintuitive, but encourages the use of these systems for every user that can benefit from them.

Mr. PUTNAM. Mr. Fitzgerald, do you wish to add anything to that?

Mr. FITZGERALD. Sure. I mean, the GSA schedules have always provided the benefit of one-time buys getting the best price for the Government. As Craig said, and we clearly agree with it, the opportunity now to license large segments of the Federal enterprise with software technology we think is a rational way for the Government to buy and a rational way for companies to sell and serve the Federal Government, so we are engaged in the conversations and dialog on the SmartBuy initiative.

Mr. PUTNAM. Many of you have stayed in local governments as customers, you have given examples of cost savings, significant cost savings at governmental levels other than the Federal Government. Could you share your observations on how far ahead of the Federal Government, State governments are, if they are, and what the keys to their success have been in successfully bringing about the cultural change to implement the technological advances?

Mr. JOHNSON. I will give a few thoughts on that. And I think one reason might be just in sheer scope and scale of addressing technological implementation at a State level, as opposed to the size that we are talking about in the Federal Government. We have had quite a bit of success with portal technology with the State of Texas. All of the licensing that we have talked about before, plus some new innovations. A most recent one is e-filing, we term it e-filing, where all the legislative filings within a State that go to the courts, which heretofore went on paper, are now going to be conducted over the Internet; and it is the lawyers that are going to pay for that and be charged a specific dollar value per filing. So we are taking about filing a case, interrogatories associated with the case, the motions associated with the case. There are millions of these. And that is sort of a tactical slice that one can take on a specific issue in a State. And, of course, now once that is delivered and

seems to be working, it is something that could be transported to other States.

But, you know, you look at that and then try to compare that to something in a Federal component, and it is almost mind-boggling.

Mr. PUTNAM. Any other thoughts?

Mr. FITZGERALD. You know, with criminal justice, I can look at the city of Chicago that has automated their entire criminal justice processes, now just taken over the entire State of Illinois doing it for the State police, as seeing sometimes systems scaling now throughout, intergovernmental scaling of systems. So I think all of us can cite tremendous examples of efficiencies that State and local governments have achieved, but, again, the scale of the Federal Government's objectives are just massive, and I think Mr. Forman and the team are doing a good job of OMB of tackling them.

Mr. CONWAY. The best example at a State level that I think corresponds to the Federal level was the State university system in California, the largest university system in the country; 23 different universities. A new chancellor of education came in, noticed that all 23 universities had their own data center, they all had their own data processes, very similar to agencies here in the Federal Government. That chancellor, whose name is Charlie Reed, decided that the State university system really has one student that is in the system; it doesn't matter whether they are attending one campus or another campus. He standardized the business process, shut down all the data centers, went to a single data center, and that business process was replicated from 23 different instances to one.

The lessons learned in there were tremendous. The resistance from the 23 universities was the single greatest challenge to overcome, because they didn't like losing the control; they wanted to do it themselves. And yet once the system was in place, it has been tremendously successful. Of course, failures are orphan and success has a lot of fathers, and at this point a lot of people are taking credit for that system, but it really leads back to the leader, the person that came in with the vision; and I think it is a great example for the Federal Government as a microcosm.

Mr. PUTNAM. Charlie Reed can be very persuasive. We hated to lose him from Florida. How long did it take to implement that?

Mr. CONWAY. It took about 2½ years to get from the initial specifications through the implementation. And initially there was an investment in the system, but after the system was implemented, of course, the costs are a fraction of what they would have been otherwise, had each of these systems been operating independently. And, of course, today there is the same HR system, the same financial system for students, faculty, and employees. So this has not only been across agency, in their vernacular, universities, but it has also crossed different users of the system, from the students to the faculty to the employers of the university system. It is really a wonderful case study.

Mr. PUTNAM. The issue of retaining and recruiting quality IT managers in the Federal Government has been a challenging one, and it is one that has received an awful lot of attention. Several of you alluded to this in your testimony, and it clearly gets to the heart of our leadership issue, our business case issue, our person-

nel challenges. What are you finding as your companies are pitching the Federal Government for business? Are you finding high-quality, knowledgeable, professional people in positions who can make educated decisions on behalf of the taxpayer about what systems they need, what components they don't need, what fair prices are? Are you finding that the quality of IT personnel in the Federal Government is something that we can all be proud of?

Mr. FITZGERALD. In general, I think the quality is good. I think the issue is one in which we have a tremendous number of legacy systems with the people who have been charged with running those systems about to retire from the Federal Government, and there is an emerging or looming crisis between the personnel with the skills to continue to manage these systems and getting the new systems and modernized systems to take their place in the meantime. So, you know, I think there are always issues at a particular project level, but in general the quality is very good, but there is a looming crisis of skills about to retire from the Federal work force.

Mr. PUTNAM. Anyone else?

Mr. JOHNSON. I would agree with that. I also think that the Federal Government IT force is making a concentrated effort to improve itself, given the new technology which is now getting into the marketplace and transitioning away from the legacy systems.

Mr. PUTNAM. The consolidation of these systems obviously creates a situation where there are clearly fewer systems and, therefore, less contracts for the private sector to compete for. How do you balance the savings that we secure through open competition versus the savings that we receive through economies of scale yielded through consolidation? Is that something we ought to be worried about at all?

Mr. CONWAY. Yes, I think you should. There is already, as providers to the Federal Government for these types of systems, very few suppliers. In the software area there are three major suppliers; there is SAP, there is Oracle, there is PeopleSoft. These companies have invested enormous amounts to handle the complexity and the scale associated with Federal and State governments and large commercial organizations.

It is important to maintain the number of providers so that there continues to be innovation, competition, price pressure, and competition among the providers so that the Federal Government has choice. And I think that as the Government looks to standardize on technologies, it will be important to strike a balance between the providers of that technology and their competition in the open market.

Mr. PUTNAM. Mr. Fitzgerald.

Mr. FITZGERALD. I think consolidation is inevitable in every industry, but I think the issue for the Federal Government is making sure that we continue to cultivate small and disadvantaged businesses into our contracting process as we serve the Government and make sure that very vital link in terms of skills and labor is available in the economy.

Mr. PUTNAM. Anyone else?

Mr. JOHNSON. I think we have all accepted the fact that the Federal Government is modernizing its information technology, and that is going to happen. I mean, the Fortune 1,000 has done it; the

middle market is doing it now; and everyone is reaping significant cost benefits because of it. So if part of your question was do you see any foot-dragging to hold on to legacy systems because they are inefficient and you can make more money on them, I don't think that is going to happen. I think that the wheels are in motion.

Mr. COFONI. I would just add that you need to contemplate your question, Mr. Chairman, in the full context of a global economy and ask the question is the amount of consolidation that is likely to occur in U.S. Federal Government enough to sway the balance that might be going on in a global competitive environment between the various contestants.

Mr. PUTNAM. Fair point.

A vote has been called and we have just a few minutes to get down to the House floor. I will take this opportunity to allow any of the panelists to take 1 minute apiece, if you so desire, to point out any issue that you think has been neglected or overlooked in this hearing, or just allow for any parting thoughts that you may have, beginning with Mr. Cofoni.

Mr. COFONI. Well, I really thank you for the opportunity, Mr. Chairman, to be here today. I think I communicated most of the major points I would have, and I look forward to serving in any capacity that would benefit the subcommittee in the future. Thank you.

Mr. PUTNAM. Thank you.

Mr. Johnson.

Mr. JOHNSON. I would just like to thank you for the opportunity. I think this was an excellent idea and a very good meeting.

Mr. FITZGERALD. I echo the remarks and, as Oracle Corp., any way we can serve the subcommittee, we look forward to the opportunity of doing that.

Mr. PUTNAM. Thank you.

Mr. Conway.

Mr. CONWAY. And finally I would say that if there was one quality that consistently corresponds to success and use of information technology, it is leadership. When you find a leader that has a vision for how to use technology, great things can happen; and I think you do have the leadership here with Mr. Forman. I think this subcommittee is crucial to starting a process which will pay off for the U.S. Government in the billions and billions and billions of dollars, so I really applaud what you are doing. Thank you.

Mr. PUTNAM. Thank you.

And I want to thank all of you, and Mr. Forman as well, for their expertise in helping us to understand these issues. I speak on behalf of the entire subcommittee in saying that OMB clearly has our support in this effort. I also note that agencies are currently preparing their IT budgets for fiscal year 2005, and I would caution each CIO to heed the direction of Mr. Forman and the commitment of this subcommittee in identifying redundancies ripe for integration and consolidation. Obviously, this subcommittee and staff will continue its aggressive oversight, both publicly and behind the scene, until we arrive at a more citizen-centric Federal Government, a more efficient Federal Government, and cost savings to the taxpayer.

There may have been some questions for panelists or statements that we did not get to because of time. The record will remain open for 2 weeks for such submissions, and we would ask the panelists' cooperation in answering submitted questions.

With that, I thank all of you, and we stand adjourned.

[Whereupon, at 11:55 a.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

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