## GAO Report Suggests Changes In Store For Big IT Contracts

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Bigger is not always better, especially when it comes to massive federal technology contracts. With the sting of the HealthCare.gov rollout still fresh in the public's memory, the U.S. Government Accountability Office is more focused than ever on preventing another high-profile failure of government-sponsored information technology. A recent GAO report on federal IT spending, however, shows how far the government still has to go to avert another HealthCare.gov-style disaster.

In a June 20, 2014, statement to the Senate Subcommittee on Efficiency and Effectiveness of Federal Programs, the GAO's IT management director, David Powner, disclosed that nearly one-quarter of the government's 759 major IT investments had a medium to high risk of program failure.[1] Given that the government plans to spend at least $82 billion on IT improvements in fiscal year 2014,[2] that "one in four" risk projection is (or should be) highly worrisome.

Aidan Delgado

But where did those massive, systemic risks come from? Interestingly, the GAO report suggests that the bulk of the government's IT woes stem not from projects that are too large in scale, but from projects that are too large in time. Amid the usual grumbling about process improvement and federal agencies not living up to the GAO's suggestions, the June 2014 report cites the long review cycles for IT projects as a major source of program risk.

Describing what it calls the "incremental development approach," the GAO noted that, despite its suggestions, approximately 75 percent of the reviewed IT investments did not require the contractor to deliver "functionality" (i.e., something measurable that works) on a six-month review cycle, and more than 50 percent did not require a review of functionality on even a yearly basis.[3] Simply put, that means that the government generally has not required contractors to build up large IT systems "brick by brick" and has, instead, opted for a "big reveal" at the end. A big reveal like HealthCare.gov. To paraphrase the GAO report, that is bad. Very bad.

The GAO's prescription to remedy this "it'll be done when it's done" mentality is twofold. First, the GAO recommends that IT contracts move towards a more frequent "release" schedule, requiring contractors to "deploy capabilities or functionality" (i.e. produce an actual working product) every year or, ideally, every six months.[4] In the context of the generally dour GAO report, this recommendation reads like a

request that world peace "attain functionality" within six months and an inhabited colony on Mars be "deployed" no later than one year from then. Here's hoping.

Second, and perhaps more realistically, the GAO suggests that large IT contracts could be broken down into smaller pieces with shorter timeframes. The GAO emphasized that this granular approach to IT investment would not only improve the transparency of IT spending and prevent projects from running over cost, but would also serve as a sort of early warning device for technical problems (incidentally, the exact kind of early warning device that should have been, but was not, part of the HealthCare.gov rollout).

Wags at the New York Times technology blog have observed that if this approach had been used in the development of the infamous HealthCare.gov project, it might have led to a "beta" version of the website being tested in a small market like Delaware or Montana,[5] rather than a (catastrophic) nationwide rollout all at once. And, while HealthCare.gov was not addressed directly in the GAO report, its shadow unquestionably hovered over the subcommittee hearing, adding a large exclamation point to the GAO's suggestion to start small and build small.

This second prong of the GAO's suggestion, the "build small" approach, may be the point where contractors can help the government along. How does that old (incorrect) saying go? The Chinese word for "crisis" is the same as "opportunity"?[6] Well, the government's IT crisis could very well be the small and medium-sized contractor's opportunity. It's hard to see how, in light of the report, the government could sign off on future monster-projects like HealthCare.gov without making an effort to either build them piece-by-piece or spin off parts for multiple contractors to spread the risks around.

In that sense, the "think small" approach could mean big money for new entrants in the IT contracting market or smaller contractors who don't have the capacity to tackle entire mammoth IT projects (but could certainly handle a trunk or a tusk). If this report gets the kind of traction it should in the wake of HealthCare.gov-ocalypse, we think there's a good chance that $80-plus billion of projected annual IT spending is going to divvied up among a lot more hands.

—By Ken Weckstein and Aidan Delgado, Brown Rudnick LLP

*Ken Weckstein is a partner and Aidan Delgado is an associate in Brown Rudnick's Washington, D.C., office.*

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[1] See INFORMATION TECHNOLOGY Reform Initiatives Can Help Improve Efficiency and Effectiveness, Statement of David A. Powner, Director, Information Technology Management Issues, GAO-14-T671T (June 10, 2014) at 2.

[2] Id.

[3] Id. at 13.

[4] See id. at 8.

[5] See Hardy, Quentin, G.A.O. Tech Chief Says Washington Should Start Small on Big Projects, New York Times Bits Blog (June 18, 2014), available at: ≪http://bits.blogs.nytimes.com/2014/06/18/g-a-o-tech-director-says-washington-needs-to-think-smaller/?_php=true&_type=blogs&_r=0#≫ (last visited June 27, 2014).

[6] Despite this proverb's staple role in motivational speaking and "The Tao of Business" style management books, most Chinese-language philologists agree that the characters that make up the Chinese word for "crisis" (weiji) are not accurately translated as "danger" plus "opportunity". While commentators note that wei can indeed be read as "danger", the second character, ji, has an ambiguous meaning roughly equivalent to "turning point" or "critical point". This is evident in the actual Chinese word for opportunity, jihui, or "meeting a turning/critical point."

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