



Pension Benefit Guaranty Corporation

Office of Inspector General

1200 K Street, N.W., Washington, D.C. 20005-4026

December 8, 2014

ALERT MEMORANDUM

To: Alice Maroni
Acting Director

From: Deborah Stover- Springer
Acting Inspector General

Subject: Chief Information Officer Reporting Structure

By this memorandum, I am renewing the Office of Inspector General's (OIG) concern regarding the reporting structure of the Chief Information Officer (CIO). On March 25, 2013 then Director, Josh Gotbaum sent an email to all Pension Benefit Guaranty Corporation (PBGC) employees titled "Changes to Make PBGC an Even Better Place," stating:

After reviewing the practice in other agencies, I am realigning the Office of Information Technology so it will report to the Chief Management Officer (CMO), Alice Maroni.

As you know, we raised our concern at that time. Shortly after Mr. Gotbaum's announcement, then-Inspector General Rebecca Anne Batts and I spoke with him regarding the realignment. We expressed the following issues regarding a subordinate reporting alignment of the CIO:

- In the past, this was a contributing factor to the continuing information technology weaknesses as the CIO did not have the attention of or "muscle" of the Director to enforce needed change;
- Subordinate CIO reporting had been raised in multiple audits until the CIO position was elevated as a direct report to the PBGC Director.
- Statute and Office of Management and Budget guidance specifies CIO direct reporting to the agency head;
- While not all CIOs reported to the agency head, we believed most did; and
- Subordinating the CIO position from a direct report to the Director to a second-tier report would send the wrong message to PBGC and others about the seriousness of the Information Technology (IT) issues and the Director's commitment to addressing them.

Director Gotbaum cited as the primary reason for the change to the CIO reporting structure a review conducted by the Office of Personnel Management that concluded the PBGC Director had too many direct reports when compared to other agencies of similar

size. He also stated he did not believe statute or OMB guidance required the CIO to be a direct report. We conveyed our disagreement with the rationale for the change, expressed concerns about the impact on the CIO's organization, and stated OIG would closely monitor the situation.

You became Acting Director in early September 2014, and could have retained the CIO as a direct report. However, on October 1, 2014, all PBGC employees received an email from you entitled, "Organizational Change." In that email you again changed the reporting of the CIO, stating:

Effective immediately, I delegate authority to the Chief Financial Officer to provide executive oversight and management for the Office of Information Technology. With this change in authority the CFO's title will be Chief Financial Officer and Acting Chief of Technology Operations.

We know there are variations to the CIO reporting structure throughout government; however, the fact that other agencies do not follow the statutory mandate should not sway PBGC's decision on the CIO's reporting to the Director. Moreover, this particular subordinate reporting assignment change raised significant new concerns.

As you are aware, IT has been one of PBGC's greatest challenges and continues to be a material weakness in two areas within the PBGC Financial Statement Internal Control Report. The CIO reporting to the CFO can be seen as a conflict of interest, as the IT issues PBGC faces directly relate to the financial statement opinion and associated controls overseen by the CFO. Moreover, as PBGC is currently seeking a new CIO, the reporting structure could send the wrong message that IT is not a top priority for the Corporation, thus making it difficult for the agency to attract top-tier candidates for the position and subsequently retain the selectee. This change in CIO reporting may also relay an unintended message to PBGC employees and stakeholders that undermines the urgency of corrective actions to address serious and long-standing IT weaknesses.

We believe the IT environment is particularly vulnerable during this time of an acting CIO. The CIO's ability to ensure that business owners throughout the Corporation continue to include OIT in all IT planning and execution decisions, including information management and security as PBGC moves to SharePoint, is critical. The CIO's ability to take "tough positions" with business owners about controls that must be developed and enforced cannot be compromised or PBGC will lose ground in correcting the IT material weaknesses.

The challenges that PBGC faces are not unique; agencies across government face similar issues. Presidents, the Office of Management and Budget (OMB) and Congress have recognized these challenges and have taken action.

Had we discussed this matter prior to implementation, I would have renewed OIG's concerns to you and provided the applicable statutory and executive branch guidance, noted below.

The Paperwork Reduction Action of 1995 (PRA), the Information Technology Management Act of 1996 (commonly called the Clinger-Cohen Act), Executive Order 13011 and OMB Circular A-130 are a few of the many initiatives that agency heads must implement to improve IT.

One of the cornerstones of the PRA and the Clinger-Cohen Act dealt with reporting structures. Specifically, the PRA establishes Federal information policy and agency responsibilities, and at 44 U.S.C. §3506(a) states, in applicable part:

- (1) The head of each agency shall be responsible for—
 - (A) carrying out the agency's information resources management activities to improve agency productivity, efficiency, and effectiveness; and
 - (B) complying with the requirements of this subchapter and related policies established by the Director.
- (2)(A) Except as provided under subparagraph (B), the head of each agency shall designate a Chief Information Officer who shall report directly to such agency head to carry out the responsibilities of the agency under this subchapter.

The Clinger-Cohen Act, at 40 U.S.C. §. 11315, AGENCY CHIEF INFORMATION OFFICER, states in pertinent part:

- (b) GENERAL RESPONSIBILITIES.—The Chief Information Officer of an executive agency shall be responsible for—
 - (1) providing advice and other assistance to the head of the executive agency and other senior management personnel of the executive agency to ensure that information technology is acquired and information resources are managed for the executive agency in a manner that implements the policies and procedures of this division, consistent with chapter 35 of title 44, United States Code, and the priorities established by the head of the executive agency;
 - * * *
 - (D) report to the head of the agency on the progress made in improving information resources management capability.

Further, in support of the above statutes, Executive Order 13011, *Federal Information Technology* (July 16, 1996), was issued and states, in applicable part:

Section 1. Policy

It shall be the policy of the United States government that executive agencies shall:

- * * *
- (c) establish clear accountability for information resources management activities by creating agency Chief Information Officers (CIOs) with the visibility and management responsibilities necessary to advise the agency head on the design, development, and implementation of those information systems. These responsibilities include: (1) participating in

the investment review process for information systems; (2) monitoring and evaluating the performance of those information systems on the basis of applicable performance measures; and, (3) as necessary, advising the agency head to modify or terminate those systems;

Section 2: Responsibility of Agency Heads.

Each agency head shall:

* * *

Select CIOs with the skills and experience necessary to accomplish the duties set out in law and policy, including this Order, and involve the CIO at the highest level of the agency in the processes and decisions set out in this section.

Finally, OMB Circular A-130, *Management of Federal Information Resources* (11/28/2000), emphasizes the importance of the direct and visible executive management of IT. Under § 9, “Assignment of Responsibilities,” it states in applicable part:

All Federal Agencies. The head of each agency must:

- a. Have primary responsibility for managing agency information resources;
- b. Ensure that the agency implements appropriately all of the information policies, principles, standards, guidelines, rules, and regulations prescribed by OMB;
- c. Appoint a Chief Information Officer, as required by 44 U.S.C. 3506(a), who must report directly to the agency head to carry out the responsibilities of the agencies listed in the Paperwork Reduction Act (44 U.S.C. 3506), the Clinger Cohen Act (40 U.S.C. 1425(b) & (c)), as well as Executive Order 13011.

The Office of the CIO is critical to the ability of PBGC to meet its statutory mission. It is the lynchpin of several modernization efforts that cut across the agency and PBGC’s information security. I urge you to consider the impact of subordinating the role of CIO organizationally; it sends a clear – albeit unintended message – that IT is not a C-level function worthy of the visibility and executive level support that a direct reporting line to the head of the agency conveys. You have the ability to set the tone at the top as to the preeminent role of IT for PBGC’s success.

I request that you provide a written response to this matter within 30 days. If your decision is to not have the CIO report directly to the PBGC Director, I ask that your response include a legal analysis of PBGC’s authority to exempt itself from compliance with the PRA and Clinger-Cohen Act, Executive Order 13011 and OMB Circular A-130.



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MEMORANDUM

To: Deborah Stover-Springer
Acting Inspector General

From: Alice C. Maroni  JAN 22 2015
Acting Director

Subject: Chief Information Officer Reporting Structure – Response

This is in response to the Office of Inspector General's (OIG) memorandum dated December 8, 2014, concerning the reporting structure for the Chief Information Officer. I understand that your office initially discussed the concern with the former Director, Josh Gotbaum, about the Chief Information Officer (CIO) reporting to the Chief Management Officer (CMO). I want to thank you for bringing me your subsequent concerns about my decision to have the CIO position report to the Chief Financial Officer (CFO).

I have reviewed and considered very carefully the issues you have raised in your memorandum. I appreciate the thoughtfulness of what you have outlined. With that in mind, I plan to have the new CIO report to me as the Acting Director. During what I expect to be a relatively brief interim, until the new CIO is appointed, the Chief Financial Officer and Acting Chief Technology Officer (CFO/CTO) will continue to provide the oversight for the Office of Information Technology (OIT).

This revised reporting structure comports with Memoranda 96-20 (Implementation of the Information Technology Management Reform Act of 1996). In part, it states:

“Each agency head is expected to select and position a CIO to ensure the effective acquisition and use of IT and to carry out the agency's information resources management responsibilities. While the organizational placement of the CIO is to be determined by the agency head, the person selected should report to the agency head directly, and not through another official. The CIO must actively participate, with the agency head and other senior agency officials, in planning and budgeting deliberations, support of work process redesign in areas being considered for IT investment, and the development of information technology program performance measures. Consistent with the ITMRA for the agencies listed in the Attachment, information resources management shall be the primary duty of the CIO.

The agency head may designate as the CIO any individual who has the professional qualifications and experience required for the duties of the position. The position may be filled by recruiting and appointing someone from outside the agency, by the currently senior information resources management official, or by someone holding another position in the agency.

Agencies may also establish CIOs for major subcomponents or bureaus, and may also appoint deputy CIOs that have additional experience....”

“The head of the agency is responsible for defining the operating relationship between the CIO and CFO functions and ensuring coordination in the implementation of the ITMRA, the PRA, the Chief Financial Officers Act, and the Government Performance and Results Act. The CFO continues to be responsible for developing, implementing, and maintaining the financial management systems as provided for in the CFO Act. In agencies where financial systems represent a substantial part of the agency’s information systems portfolio, it may be appropriate for the same person to serve as both CIO and CFO, so long as the mix of the CFO/CIO duties and qualifications is consistent with the intent of ITMRA.”

We believe these excerpts allow for the temporary reporting structure that PBGC has put in place.

I want to assure you that setting the tone with respect to the importance of PBGC’s information technology program is paramount to me as Acting Director. I believe having OIT report to the CFO/CTO while we recruit for a new CIO elevates its importance and shows our employees and others that we take our continuing information technology weaknesses seriously and that we have put one of our most distinguished executives in its oversight role to actively address those weaknesses. I firmly believe that my executive team and I have set the tone and message for how we view the seriousness of our information technology issues and that this interim reporting structure avoids the disruption of an organizational change prior to the arrival of the new CIO and properly continues to send the message that we are committed to improving our information technology program.

In light of NFR 14-23 and your recent discussion with the Acting CMO, it is my belief that this response should satisfy that requirement to close that item as well. My POC is Edgar Bennett, Acting CMO if you have any questions.