

# Washington's version of Silicon Valley startup founders

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The Obama administration's "18F" program to create its own version of a high-tech startup for government digital projects has foundered since its launch in 2014, losing nearly \$32 million as its staff spent most of its time on unbillable work, according to a new inspector general report.

The comparisons to some Silicon Valley startups were stark: Senior 18F managers overestimated the amount of money their projects would recoup; increased hiring using special rules every three months since April 2014; and devoted less than half the program's staff time on projects for which it could bill other federal agencies, said the report released Monday. It noted the 18F program has "struggled financially" and "has not developed a viable plan to achieve full cost recovery."

In one case, 18F hired a full-time head of state and local government practice at an annual salary of \$152,780, even though at the time, 18F was not authorized to work directly for state and local governments.

The program, named after its Washington street address, was intended to create an elite branch of the General Services Administration with creative, tech-savvy employees who could quickly re-engineer any government agency's website or improve other digital projects. At a time when federal departments were cutting budgets, it was funded under a model that envisioned it would earn back more money than it cost to run. The 18F unit was informally related to the administration's new U.S. Digital Service, which helps manage government technology projects.

In internal discussions, some senior 18F managers appeared cavalier about recouping costs, the report said.

It cited an exchange with the 18F director of operations, who told a GSA regional administrator, "To be frank, there are some of us that don't give a rip about the losses." The administrator, identified as Andrew McMahon, responded, "Sure, in the end, I could care less." McMahon declined to comment.

18F's acting executive director, Dave Zvenyach, said in a statement that like any startup, 18F grew quickly and is learning how to scale. In his comments defending the organization's work, Zvenyach cited examples that appeared hard to tangibly account for since they dealt with government practices and culture.

Zvenyach said 18F has worked on 250 projects with 37 federal government agencies—for example, helping the Treasury Department increase transparency on federal spending. He said the organization is working to address the report's findings and has brought in an independent third party to review its financial processes and controls, and added more controls on unbillable work.

The 10-month investigation by the GSA's inspector general found that 52 percent of 18F's work was unbillable and included an internal project to change its logo by altering its font, alignment and background color. In all, 727 staff hours, or \$140,104, were spent on developing the brand, including that logo change.

Staff spent 13,989 hours, worth \$2.34 million, promoting their work through blog posts, websites, social media and speaking events.

The program also spent \$235,950 on its internal timekeeping system. The report found that in half of 202 projects it reviewed, the staff

frequently started work before the creation of a required agreement, which is supposed to ensure that taxpayers aren't overcharged for work that could be more easily or cheaply provided by a private vendor and that the office is actually reimbursed for its work.

The report said 18F spent about 20 hours or \$4,148 on two customized "bots" for Slack, an online messaging application. One of the automated programs would monitor users' messages for the words "guys," "guyz" and "dudes," which could have been perceived as being not inclusive for women. It prompted users to consider replacing those words with 21 options that included buds, compatriots, fellow humans, posse, team, mateys, persons of any kind, organic carbon-based life-forms living on the third planet from the sun, comrades and cats.

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