

GAO

## Testimony

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## OMB 2000

# Changes Resulting From the Reorganization of the Office of Management and Budget

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# OMB 2000: Changes Resulting From the Reorganization of the Office of Management and Budget

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## Statement

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss the changes at the Office of Management and Budget (OMB) resulting from its April 1994 reorganization—commonly known as OMB 2000. The primary goal of OMB 2000 was to integrate OMB’s budget analysis, management review, and policy development roles under a new organizational structure. In doing so, OMB intended to improve its decisionmaking process and its oversight of executive branch operations. A critical question facing OMB is whether its new approach toward integrating management and budgeting, as well as its implementation of statutory management responsibilities, can be sustained over the long term.

At the request of the Chairmen and Ranking Members of this Committee and the Senate Committee on Governmental Affairs, we conducted a descriptive review of this initiative. We did not, however, evaluate OMB’s capacity to carry out its central management responsibilities. Our report, Office of Management and Budget: Changes Resulting From the OMB 2000 Reorganization (GAO/GGD/AIMD-96-50), was issued on December 29, 1995.

Throughout the history of OMB and its predecessor organization, the Bureau of the Budget, management and budget issues have competed for attention and resources. In general, budget issues have tended to squeeze out management issues. During the past 50 years, a number of presidential advisory groups have recommended changes designed to strengthen central management leadership in the Executive Office of the President. Previous OMB reorganizations have alternated between integrating management into the budget review process and creating separate management offices. Congress has also attempted to increase OMB’s attention to management problems, creating three statutory management offices—the Office of Federal Financial Management (OFFM), the Office of Federal Procurement Policy (OFPP), and the Office of Information and Regulatory Affairs (OIRA). Congress also gave OMB clear management responsibilities through legislation such as the Chief Financial Officers Act and the Government Performance and Results Act (GPRA). Therefore, OMB 2000 is the most recent in a series of attempts to bolster OMB’s management capacity and influence.

Our review of OMB 2000 focused on three issues: (1) changes in OMB’s structure, responsibilities, and staffing, including changes to the statutory offices; (2) changes in OMB’s attention to management issues in the budget process; and (3) the way OMB planned to evaluate OMB 2000.

Concerning the first issue, OMB 2000 reorganized and replaced OMB's former budget program areas with five resource management offices (RMO) staffed by employees reassigned to new program examiner positions. Program examiners' responsibilities were expanded from those of budget examiners to include responsibilities for agency management oversight. The RMOs were assigned integrated responsibilities for examining agency management, budget, and policy issues. In general, the agency-specific oversight responsibilities of the three statutory offices were shifted to the RMOs, but OMB decided to retain responsibility for developing governmentwide management policies in the statutory offices.

Staff reductions in these statutory offices varied, and each office followed a different approach in devolving its responsibilities. For example, 21 of OFFM's 41 authorized staff positions were shifted to the RMOs, directly transferring responsibilities and resources to the RMOs. In contrast, only 4 of OIRA's 56 staff positions were transferred because OMB wanted OIRA staff in place to implement Executive Order 12866 on regulatory planning and review. In OFPP, 10 of the 30 staff positions were reallocated, and 6 of the 10 became jointly managed in a "matrix management" approach. After the initial restructuring, each RMO branch chief was permitted to determine what, if any, technical skills the branch needed to fulfill its new responsibilities and to develop those skills within given staffing allocations. However, OMB did not provide specific guidance or technical support in this regard. In addition, OMB's General Management Division was eliminated when two of its branches with oversight responsibilities for the General Services Administration and the Office of Personnel Management were moved to the RMOs. The third branch, Evaluation and Planning, was eliminated.

Our review of budget documents and interviews with OMB staff indicated that there was greater attention to agency management issues in the fiscal year 1996 budget process (after OMB 2000 was implemented) than in the fiscal year 1995 process. A greater variety of management issues was presented in more depth in the fiscal year 1996 budget documents than in the previous year's documents. For example, in fiscal year 1995 documents for one agency, the discussion of financial management issues was limited to a statement that the agency faced challenges in such areas as contract management and financial systems. In contrast, the fiscal year 1996 documents contained a detailed assessment of financial management issues at the agency, including a review of the agency's 5-year plan and how it related to reengineering and streamlining efforts.

RMO staff said that budget examiners had looked at agency management issues before OMB 2000. However, they said that more attention was given to particular management issues by the RMOs after the reorganization, specifically to the fiscal year 1996 budget initiatives on agencies' streamlining plans and use of performance information. OMB's emphasis on these issues was also apparent in the budget documents. For example, whereas the fiscal year 1995 documents discussed streamlining primarily in terms of the number of positions to be eliminated, the fiscal year 1996 documents included discussions about how proposed staff reductions could affect the agencies' performance. Several OMB staff also said that OMB and agencies were more likely to take action on management issues when they were associated with the budget. They said linking management and budget issues provided examiners with more leverage for change in the agencies.

Although OMB staff generally had a positive view of OMB 2000, some RMO staff expressed concerns about its initial implementation. For example, because they had to balance competing responsibilities, several program examiners said that less emphasis had been placed on certain management issues—those that lacked a clear budgetary impact, did not require an immediate response to a short-term deadline, or did not reflect the administration's priorities. In particular, they said that the expansion of their responsibilities as a result of OMB 2000 combined with short-term budget pressures could limit their examination of long-term management issues.

Some program examiners also said that the reduction of centralized management expertise in the statutory offices and the elimination of the General Management Division left them with fewer sources of expertise and assistance. For example, some program examiners said that they were uncertain how to address certain credit and cash management questions. Finally, although they said that top OMB officials had focused greater attention on management issues in the budget, OMB staff also voiced concerns about whether this focus had become institutionalized for the longer term.

Although OMB initially planned to evaluate OMB 2000 as a distinct management initiative, it now plans to assess more broadly its overall effectiveness in formulating and implementing management policies for the government in response to GPRA requirements. Part of this assessment will be an evaluation of the integration of OMB's management and budget responsibilities.

Only one budget cycle has been completed since this reorganization. Therefore, some of the problems OMB staff described may be transitional in nature. OMB's initial experience with the OMB 2000 approach during the 1996 budget process showed the clear support of top OMB officials and staff to enhance the treatment of certain management issues in the budget. Even though this was a particularly difficult budget cycle, there was a noticeable increase in the attention OMB gave to management issues that transcended immediate budgetary concerns. However, it remains to be seen whether OMB 2000's initial positive results can be sustained over the longer term. Congress expects OMB to play a key role in addressing federal management issues. In view of this expectation and the historic tension between the two concepts of integrating and segregating management and budget responsibilities, we believe it is important that OMB understand how the reorganization has affected its capacity to provide sustained management leadership. A review focused on this issue could also inform the ongoing debate regarding how best to protect management from being overwhelmed by budgetary pressures—specifically, whether a separate office of management is needed.

We believe that OMB's planned GPRA-based review of its management strategies and approaches is the appropriate context in which to consider these issues. Therefore, in our report we recommend that OMB consider the lessons learned from OMB 2000 by focusing its analysis on the specific concerns raised by OMB staff during our review. For example, OMB could assess whether its on-the-job training and decentralized staffing approach are appropriate to develop the skills and abilities RMOs need to carry out their management oversight responsibilities. OMB could also assess how well its RMOs and statutory offices are working together to address management issues. In particular, OMB could determine whether any of the approaches it used to structure relations between the statutory offices and the RMOs are more effective than the others or whether changes are needed in the way those approaches have been implemented.

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Mr. Chairman, this concludes my prepared statement. We will be pleased to answer any questions.

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