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BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Director, Office Of Management And Budget

112943

Streamlining The Federal Field Structure: Potential Opportunities, Barriers, And Actions That Can Be Taken

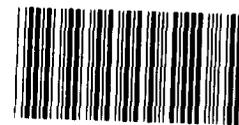
At a time when the Federal Government is looking for ways to cut Federal spending and achieve a balanced budget, every reasonable cost-cutting opportunity must be explored.

The General Accounting Office sees the Federal Government's "field structure"--that conglomeration of department and agency offices in 50 States where 88 percent of Federal civilian employees work--as a prime area for exploring ways of cutting costs and increasing Government efficiency.

This report summarizes some of the actions Federal agencies have taken to streamline their field structure and highlights past GAO reports pointing out where additional opportunities may exist. It also discusses some of the barriers to streamlining and identifies what some agencies and others can do to identify further opportunities.



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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

FEDERAL PERSONNEL AND
COMPENSATION DIVISION

B-195508

The Honorable James T. McIntyre, Jr.
Director, Office of Management
and Budget

Dear Mr. McIntyre:

This report discusses potential opportunities and barriers to streamlining the Federal field structure where 88 percent of Federal civilian employees work.

To take full advantage of the streamlining opportunities discussed will require a committed and coordinated effort on the part of the executive branch and the Congress. If successful, it will go a long way toward improving the productivity of the Federal work force and improving the delivery of services to the public. This report identifies the principal "players" and the actions they can take to achieve a more effective and productive Government.

We are sending copies of this report to the Director, Office of Personnel Management; the Executive Director, President's Management Improvement Council; the Administrator of General Services; and the heads of departments included in our report.

Sincerely yours,

A handwritten signature in black ink, appearing to read "H. L. Krieger".

H. L. Krieger
Director



D I G E S T

At a time when the (1) Federal budget has more than doubled in 8 years, (2) national debt in the same period increased from \$410 to \$834 billion, causing higher and higher annual interest charges, (3) rate of inflation is rising excessively, and (4) President and the Congress are attempting to achieve a balanced budget, the need for the Federal Government to reduce overhead and unnecessary support costs is greater than in many years.

GAO sees the Federal Government's "field structure"--that conglomeration of department and agency offices in the 50 States where 88 percent of Federal employees work--as a prime area for exploring ways of cutting costs and raising Government productivity.

This report was developed largely from (1) previous GAO reports; (2) studies of agency field structures performed by--and management initiatives considered in--the Departments of Agriculture, Commerce, Interior, Transportation, and Health, Education, and Welfare (HEW); 1/ the Law Enforcement Administration and the Office of Management and Budget; and (3) limited discussions with officials in these agencies. This effort, although limited in scope, identified the

1/On May 4, 1980, HEW's responsibilities were split between the new Department of Education and the Department of Health and Human Services.

following ways by which some agencies have, and others might, streamline their field structure and thereby reduce unnecessary and duplicative overhead and support costs.

- Consolidate field offices.
- Collocate offices (locating two or more offices of a department or agency in the same building).
- Establish common administrative support service arrangements for field activities.
- Eliminate unnecessary management levels.

However, employee resistance, management resistance, and external opposition can present very real barriers to effective streamlining and reflect valid concerns which need to be faced aggressively, openly, and objectively. The lack of Government-owned space can also be a sizeable constraint where large amounts of space would be needed.

WHAT CAN BE DONE

To fully identify and take advantage of streamlining opportunities will require a committed and coordinated effort on the part of the executive branch and the Congress. If successful, it could reduce Government costs and improve Federal work force productivity and delivery of services to the public. (See p. 22.)

The following "players" can exercise a key role in addressing the streamlining issue by taking the following specific actions:

The Director, Office of Management and Budget, can

- review its policies to determine whether they provide sufficient direction and guidance to agencies concerning streamlining their field structures,

- initiate efforts by its circular or other means requiring agencies to periodically and systematically reassess their field structures and provide needed oversight to assure that opportunities are undertaken,
- support the General Services Administration's efforts to identify and implement common support service arrangements, and
- help agencies to identify streamlining opportunities and to implement an effective strategy to accomplish needed changes. This could include a clearinghouse role of collecting and disseminating successful applications.

The Office of Personnel Management can

- encourage agencies to evaluate streamlining opportunities and to support development of successful streamlining applications and
- provide consulting services where needed.

The Administrator of General Services can

- give greater priority to studying and implementing common services arrangements, including creating pilot projects to demonstrate successful applications, thereby reassuring agencies that common services can effectively support operations; and
- approach OMB for support in stimulating agency actions where obstacles to common service arrangements are encountered.

The heads of Federal departments and agencies can

- place priority on identifying and implementing streamlining opportunities;

- examine streamlining issues, such as service accessibility, span of control, and optimum size offices, for delivering services most effectively;
- provide resource support to, and coordinate with, other departmental elements to help minimize employee, management, and external resistance to streamlining;
- develop and apply sound organization and staffing criteria to assure that field office numbers and size are appropriate for the work performed; and
- assess whether a more definitive policy is needed. Such policy could provide guidance on kinds of issues which need to be raised, the need to do adequate cost-benefit analysis on streamlining opportunities, and the need for management's attention, leadership, and commitment in overcoming barriers.

The President's Management Improvement Council can assist by fostering cooperation and coordination among agencies in identifying streamlining opportunities and by developing solutions to streamlining issues and barriers.

Where significant streamlining opportunities appear to exist, but are not accomplished, congressional committees can request departments and agencies to

- justify their field structure alignment;
- identify the reorganization studies completed and their implementation status;
- identify the barriers preventing the streamlining of their structures; and
- if needed, provide the legislative mandate to restructure organizations.

C o n t e n t s

	<u>Page</u>	
DIGEST	i	
CHAPTER		
1	INTRODUCTION	1
	Federal field structure	1
	Scope of review	2
2	POTENTIAL OPPORTUNITIES FOR STREAMLINING	
	THE FEDERAL FIELD STRUCTURE	5
	Consolidating field offices	5
	Eliminating management levels	7
	Establishing common administrative	
	support service arrangements	8
	Collocating field offices	13
3	BARRIERS TO STREAMLINING	15
	Employee resistance	15
	Management resistance	16
	External resistance	18
	Lack of Government-owned space	19
	Efforts to minimize resistance	20
4	WHAT CAN BE DONE?	22
	Office of Management and Budget	22
	Office of Personnel Management	22
	General Services Administration	23
	Heads of Federal departments and	
	agencies	23
	The President's Management Im-	
	provement Council	24
	The Congress	24
APPENDIX		
I	GAO reports related to streamlining	
	the Federal field structure	26

ABBREVIATIONS

DOD Department of Defense

GAO General Accounting Office

GSA General Services Administration

HEW Department of Health, Education, and
 Welfare

HUD Department of Housing and Urban Development

LEAA Law Enforcement Assistance Administration

OMB Office of Management and Budget

CHAPTER 1

INTRODUCTION

At a time when the President and the Congress are attempting to achieve a balanced budget, the need to improve efficiency in the Federal Government is greater than it has been in many years. Not only have Federal budgets been increasing rapidly, but deficit spending has significantly increased the national debt. Since fiscal year 1971 the Federal budget has more than doubled from \$211 billion to \$494 billion in fiscal year 1979. During the same period, the Federal debt has increased from \$410 billion to \$834 billion. The Federal Government has run a budget deficit in 19 of the last 21 years. The Federal civilian work force currently exceeds 2.8 million and costs \$46.8 billion annually. 1/

Because of the large number of field offices and related personnel used to deliver services, we thought it would be useful to summarize some of the actions agencies have taken to streamline their field organizations and to highlight our prior reports which identified where additional opportunities may exist. From this effort, we believe the Federal field structure needs to be examined more closely giving specific attention to identifying where agencies can (1) consolidate or collocate field offices, (2) establish common administrative support services for field activities, and (3) eliminate unnecessary management levels. Such actions as these can reduce overhead and free resources to improve service delivery. As an alternative, the same level of services could be continued but at less cost.

FEDERAL FIELD STRUCTURE

The Federal Government's field structure is large, containing as many as 2.5 million civilian employees or about 88 percent of the total Federal civilian work force. Most departments and agencies have numerous individual field offices at the regional, State, and local levels. They include offices of significant size as well as many with only a few people. They are necessary for carrying out Government programs and providing necessary service and benefits.

1/ Costs do not include those associated with part-time employees or employees in the U.S. Postal Service.

Federal field offices and staffing levels have increased in size over the years. For example, in the Department of Health, Education, and Welfare (HEW), ^{1/} the number of field employees has increased from 82,000 to 123,000, and field offices have increased from 1,598 to 2,310 since 1971. Part of the increase in offices and employees is undoubtedly due to new Federal program responsibility given to departments and to an expanding workload. The number of field offices in 4 of the departments we reviewed ranged from about 700 in the Department of Commerce to around 17,000 in the Department of Agriculture. (See p. 3.)

The extensiveness of these departmental field organizations can be depicted by the Department of Commerce organization chart on page 4.

SCOPE OF REVIEW

Our objective was to identify potential opportunities and barriers to streamlining the Federal field structure. We requested the Departments of Agriculture, Commerce, the Interior, HEW, and Transportation to provide us copies of studies and management initiatives generated since 1970 related to the streamlining of Federal field structures. We reviewed these studies and initiatives as well as our past reports addressing this issue. (See app. I.) We also reviewed studies by the Law Enforcement Assistance Administration (LEAA) and the President's reorganization project at the Office of Management and Budget (OMB). We reviewed over 75 studies and discussed streamlining opportunities and barriers with officials in these departments. We did not examine interprogram or interagency consolidations addressed by the President's reorganization project management staff.

^{1/}As of May 4, 1980, HEW's responsibilities were split between the new Department of Education and the Department of Health and Human Services. For purposes of this report we will use HEW.

Increase in Field Organization Size
for Departments Reviewed
as of December 1978

	<u>HEW</u>		<u>Interior</u>		<u>Agriculture</u>		<u>Commerce</u>	
Number of field employees (note a)								
1978	122,690		69,280		b/ 115,157		21,079	
1971	<u>82,427</u>		<u>59,600</u>		<u>101,180</u>		<u>15,277</u>	
Total (note c)	<u>40,263</u>	48.8%	<u>9,680</u>	16.2%	<u>13,977</u>	13.8%	<u>5,802</u>	38.0%
Number of field offices								
1978	2,310		1,799		b/ 16,970		692	
1971	<u>1,598</u>		<u>1,179</u>		<u>15,419</u>		<u>690</u>	
Total (note c)	<u>712</u>	44.6%	<u>620</u>	52.6%	<u>1,551</u>	10.1%	<u>2</u>	.3%

Number of Field Offices at
Various Levels as of
December 1978

Regional level	270	142	161	51
Subregional level	186	606	286	11
State level	0	14	405	0
Local level	1,322	852	d/ 14,820	460
Resident station	125	17	778	41
Special field unit	407	168	520	75
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>54</u>
Total	<u>2,310</u>	<u>1,799</u>	b/ <u>16,970</u>	<u>692</u>

a/Data is based on the numbers outside the Washington metropolitan area.

b/The latest available data was dated November 1976.

c/We do not know how much of this was due to increases in program responsibility and an expanded workload.

d/Includes 1,084 area offices.

CHAPTER 2

POTENTIAL OPPORTUNITIES FOR STREAMLINING

THE FEDERAL FIELD STRUCTURE

Agencies have attempted to streamline their field structures in a number of ways, and our reports suggest that more can be done. Measures such as consolidating and collocating field offices, eliminating unnecessary management levels, and establishing common administrative support services for field activities can provide ways to eliminate unnecessary and duplicative overhead and support costs. Such measures can take advantage of economies of scale; generate reduced costs, personnel, and space savings; eliminate marginal offices; and improve personnel use and service delivery.

CONSOLIDATING FIELD OFFICES

One way that agencies can streamline their field operations is by consolidating two or more field offices. Consolidation efforts can be spurred by an agency's desire to obtain greater organizational efficiencies and economies, provide more specialized expertise to its clients, or make more personnel resources available for day-to-day operations.

Examples of previous consolidation actions include

- Agriculture reducing Food and Nutrition Service's offices from 180 to 96 in June 1977 and
- the Drug Enforcement Administration reducing its regions from 12 to 5 in October 1978.

Initiatives proposed by agencies have also identified potential for additional consolidations. For example, the Defense Logistics Agency currently plans to consolidate its 9 Defense Contract Administration Service regions into 5. It estimated that the savings attributable to the merger of 3 of these 9 regions into a southeast region would eliminate about 200 positions, saving over \$4 million annually.

In another case, in March 1979 the Principal Deputy Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics) requested the Secretaries of the three military departments to review military manning and support at 54 commercial/industrial activities and take steps to reduce support costs when appropriate. One suggestion was to consolidate military billets that are now thinly spread among many activities, thus reducing overhead.

In recent years we have issued a number of reports identifying the need for certain Federal agencies to consolidate their field offices.

- In a June 1977 report (FPCD-77-56) we discussed the opportunity to improve efficiencies and services through consolidating Department of Housing and Urban Development (HUD) field offices and realigning selected regional and field office functions. We recommended that the Congress request HUD to submit its reorganization plan to appropriate committees before implementation so the Congress could determine whether the reorganization would resolve past and current problems troubling the Congress and HUD.
- In an April 1978 report (FPCD-78-33) we discussed the HUD reorganization plan and how it proposes to deal with previously identified problems. We said that HUD had not yet taken many streamlining actions. We recommended that HUD downgrade all field offices where workload does not justify staffing and further reduce field offices' overhead through office consolidations.
- In a March 1978 report (FPCD-78-29) we discussed the need for U.S. Customs Service to reduce the number of regional and district offices and to clearly define and realign responsibilities to minimize fragmentation and unify field management. We recommended that the Secretary of the Treasury direct U.S. Customs Service to reduce the number of regions and districts, clarify and realign organizational responsibilities, and establish definitive criteria for reviewing port status and use these to identify unneeded ports.
- In an October 1978 report (FPCD-78-74) we discussed the universal support in studies performed for reducing the number of U.S. Customs Service's regions and districts and summarized the various organizational alternatives available. The alternative most frequently cited for potential economy and efficiency was one which would close 3 regional and 15 district offices. Reducing the number of offices would free resources needed to improve the delivery of service to the public.

Advantages to consolidating offices can include operating with fewer personnel and making better use of people by (1) reducing supervisory overhead, (2) strengthening administrative support, and (3) increasing the availability of

people for day-to-day operations. Additional advantages could include reduced space requirements, better use of equipment, elimination of duplicate capabilities, greater uniformity of management, greater consistency in applying laws and regulations, and better grouping of offices and regions into areas having similar activities and problems.

Potential disadvantages include (1) one-time cost of relocating, (2) loss of skilled personnel in certain field offices, (3) disruption of agency servicing while implementing streamlining action, (4) increased travel time and cost of field professionals in servicing larger geographic areas, and (5) morale problems.

ELIMINATING MANAGEMENT LEVELS

Organizations are normally made up of a number of tiers or levels, including a central office or headquarters, regional offices, and field offices. A question often raised is: "Are all tiers necessary or could one be eliminated thereby achieving economies and eliminating duplication and fragmentation of authority?" It has been argued that simplifying an organization by eliminating a level, such as regional offices, can reduce overhead, improve delivery of services, and minimize the commitment of resources.

A reorganization at LEAA presents one case of eliminating an entire tier. On September 30, 1977, LEAA abolished all regional offices. Both programmatic and administrative functions were transferred to LEAA headquarters, resulting in decisionmaking being centralized in headquarters. Closing these Federal standard regional offices affected almost half of LEAA's 790 employees.

According to an LEAA study done before the reorganization, eliminating regional offices would

- eliminate a layer of Government perceived by some as not being used effectively and to full capacity and as performing some activities which duplicated those carried out by central office or State planning agencies,
- lead to improved interpretation and application of policy,
- improve accessibility of information from various LEAA programs for use in developing a coordinated approach to program development and problem solving, and

--provide for economies of scale where regional functions can be performed in Washington by fewer staff.

However, it would also, according to the study, diminish Federal presence at the State and local levels, reduce State and local input into LEAA decisionmaking, and limit LEAA accessibility to clients. It would also require substantial relocation costs and expand the central office's travel budget to carry out functions now performed by the regional offices.

LEAA has not assessed the impact and value of the resulting realignment. However, an official told us one-time costs resulting from the realignment amounted to about \$2.5 million.

Sometimes it is considered feasible to transfer only part of mid-level functions. This was the case in our report of HUD's October 1977 reorganization action (FPCD-78-33, Apr. 10, 1978) where only certain program operations and technical assistance functions were removed from regional offices to area offices and Washington headquarters, thus strengthening headquarters control over field operations.

A reorganization in the Bureau of Indian Affairs presents another case where only certain management functions are to be transferred to lower level offices. In the past the Bureau's area offices have provided intermediate management direction and program technical assistance to agency and field office operations. Under this reorganization, management and administrative authorities and responsibilities for program operation and service delivery are being delegated to lower level field and tribal offices. This will be accompanied by a transfer of technical services personnel to tribal offices or service centers with a projected net increase in the quantity and quality of services delivered.

ESTABLISHING COMMON ADMINISTRATIVE SUPPORT SERVICE ARRANGEMENTS

Opportunities for providing common administrative support services exist where large numbers of personnel are located in the same general area and where similar services are being provided by different organizations. Frequently, various administrative support functions, such as accounting services, can be done efficiently for a large number of personnel regardless of the variations in programs, services, and objectives. Other support functions common to similar program activities, such as supply services, can also offer opportunities for sharing. Personnel and space

savings, improved personnel use, and increased service delivery, as well as economies of scale, can result within a department or among departments if streamlining actions are adopted.

Opportunities within departments

Opportunities for common administrative support services can exist within the major departments. In some departments, such as HEW, common administrative support is already provided at the regional level. In other departments, such as Commerce, only a limited number of common support services are provided.

As regional offices in HEW have increased in size, they have reportedly been able to provide certain administrative services more efficiently through Regional Administrative Support Centers than through individual field offices. Services now provided by the centers include administrative, engineering, accounting, budget and fiscal cost allocation, indirect cost negotiation, data processing, and personnel services.

Commerce, on the other hand, provides only limited common support services to its field offices. About 10 years ago, Commerce studied its field organization and found no Commerce-wide field structure that provided any common functions for all Commerce offices in a given geographic area. It also said the scattering of field offices under separate chains of command makes it difficult to realize the most effective and economical administrative support arrangements. The study further stated that staff elements such as personnel, procurement, supply, and office services can be "cross-serviced" when staff, office, and customers are in or near the same city; that is, a staff office under one chain of command can, with appropriate delegation of authority, serve customers in another chain of command located in the same area. It concluded that Commerce and its components would benefit from the creation of a common regional field structure and recommended that Commerce move toward establishing one.

Commerce has made little progress in providing common administrative support. It still has no unified departmental field structure, and its field offices are still aligned under separate chains of command. (See chart on p. 4.) One Commerce official explained that no major cost-benefit studies had addressed common services because the various field organizations had divergent geographic coverages. Commerce

told us that some of its operating units were in separate field structures because of differences in missions, constituencies, and geographic groupings.

A 1977 Department of Transportation study identified opportunities among its agencies for increased common support arrangements. Currently, the provision of administrative support varies widely among the Department's major field agencies.

The study identified areas where Transportation agencies cooperate to a limited degree in providing common services. Transportation has had some success with realigning audit functions on a departmentwide basis. Also, limited support arrangements exist between several agencies concerning engineering design and contract support; computer, identification card, and library services; and housing maintenance. However, the study also concluded that the following additional functions were candidates for common support arrangements: civil rights/equal employment opportunity, administration of environmental and relocation assistance requirements, and legal services.

Government-wide opportunities

The potential for common services on a broader Government-wide scale exists when agencies have similar functions requiring common administrative support. The President's reorganization project, the General Services Administration (GSA), and our agency have all identified such opportunities.

The President's reorganization project reviewed the administrative services structures in the Federal Government. The study addressed the issue of which services and functions should be provided in a general services agency or decentralized to the departments and agencies. The study, which was never issued as a final report, identified potential savings of at least \$384 million that could result from providing supply, support, and telecommunications functions on a common basis.

The President's reorganization project also found much duplication in providing support services for Federal law enforcement organizations, including radio communications, facilities, equipment, laboratories, and personnel training. It found that the Federal Government has made no effective effort to consolidate these services which could result in sizable cost savings.

In July 1978 we reported on the expanded use of teleticketing machines (FGMSD-78-46). We said that providing this service could help reduce the Government's travel expenses since discounts could be obtained on group air fares, and substantial savings could result from using teleticketing procedures on a common service basis. The cost of each ticket could be reduced by as much as \$10 when a teleticketing machine is used.

In our report "Standardized Federal Regions--Little Effect on Agency Management of Personnel" (FPCD-77-39, Aug. 17, 1977), we said opportunities for improved management and savings through consolidating services within or among agencies should be greatest at locations where Federal personnel are concentrated. Common administrative support and central supporting service facilities, made possible by standard boundaries and regional office locations, should permit agencies to bring together fragmented services into single regional organizations. It should also reduce overlapping functions to make better use of personnel and reduce costs.

In that report we discussed a 1971 GSA experiment in Seattle to provide common services to agencies. Services provided on a common basis included printing and duplication, mail and messenger, procurement, receiving and shipping, and library and supply services. This arrangement reportedly resulted in a 25-percent staff savings and increased effectiveness by:

- Concentrating functions--more highly qualified personnel could be used.
- Reducing personnel requirements--better use of cross-training and time were initiated.
- Stabilizing workload--greater volume permitted more flexibility in use of people.
- Reducing administrative problems--larger operations decreased problems associated with rest periods, lunch, vacations, and absenteeism.

GSA evaluated the experiment in August 1972 and subsequently recommended that the arrangement be continued on a permanent basis. GSA said:

"The common services arrangement is efficient, economical, and provides a high level of customer satisfaction. Agencies * * * are

receiving common services more efficiently and economically than if they were providing their own individually."

GSA recommended that:

"* * * As a first step in the nationwide expansion of this concept, a common services arrangement patterned after the Seattle arrangement be established at a suitable location in each of the remaining nine standard Federal regions."

In 1979 GSA told us that the arrangement had not succeeded as originally envisioned because it had not received the funds and positions needed. GSA said that the common services concept still had merit.

We also reported that realining payroll or personnel functions on a common basis offered possibilities for considerable savings. The substantial differences we found in payroll cost per employee among agencies indicated opportunities for improvement in the management of these functions and for cost savings. In eight departments and agencies we reviewed, the average estimated annual cost per employee for the personnel function ranged from \$151 to \$568, while the average estimated cost for the payroll function ranged from \$46 to \$114.

In July 1978 we reported on the feasibility of establishing interagency pools of clerical personnel to help meet the needs of Federal agencies for short-term clerical help (FPCD 78-62). The Civil Service Commission (now Office of Personnel Management) had previously proposed to OMB that the concept be tested. OMB rejected the proposal because it was not convinced sufficient agency support existed to warrant legislation. We said the concept should be given a fair test since the need for short-term help appeared significant, the demand for clerical help was stable, the concept was proven in the State of California, and the potential for its success in the Federal Government was good. We recommended that the Civil Service Commission, in cooperation with OMB, clarify whether additional legislation is needed before testing the concept, and propose any necessary legislation. We said that once legislative requirements are met, a location and agency should be designated to act as an interagency pool manager and the concept should be tested to further establish demand and feasibility.

In February 1980, GSA officials told us they planned to conduct a study addressing greater use of common services.

COLLOCATING FIELD OFFICES

Collocation involves locating two or more offices together in the same building. Opportunities for collocating and providing common services exist when departments have a number of field structures which overlap geographically. This is particularly true with large departments with many field offices and those with separate offices in the same county. Frequently, these offices comprise a network of delivery systems with common clients, programs, and service areas demanding a high degree of coordination at all levels. Coordination can be accomplished by collocating offices under the same roof with common access to support equipment and more convenient access to clients.

Collocation should improve the delivery of services while increasing efficiencies from resource sharing, including equipment, space, and personnel. It affords the recipient one-stop service and eliminates the need to visit many locations. It also allows for the interagency exchange of personnel and facilities to the extent necessary and desirable. 1/

HUD is an example of a department reportedly taking advantage of collocation possibilities. In October 1977 HUD reorganized its field office structure. We reported that because each of HUD's 10 regional office cities also had an area office, the Secretary of HUD decided that regional and area offices should be physically collocated so the regional offices could provide common administrative services. At that time HUD officials explained that their action should result in savings in office supplies, data processing, copying equipment, and libraries; also, the cost of two administrative positions would be eliminated by each collocation.

Agriculture is another example of a department which has made progress in collocating offices, but where additional potential exists. It has a large and complex field office system for delivering services locally to agricultural producers and other rural residents. Agriculture's major farmer oriented agencies--the Agricultural Stabilization and Conservation Service, the Soil Conservation Service, the

1/Executive Order 12072, Aug. 16, 1979, orders management, when making selection and space assignments, to consider consolidating agencies or activities in common or adjacent space to improve administration and management and to reduce costs.

Farmers Home Administration, the Federal Crop Insurance Corporation, and the Cooperative Extension Service--have a total of about 11,000 field offices. These and other Agriculture agencies' field offices are located in 3,370 towns and cities in 2,935 counties in the United States and its territories. Over the years there has been concern that these field offices be located where they can provide the best possible service delivery to program recipients and achieve program missions efficiently and effectively.

In our report on collocation (CED-79-74, Apr. 25, 1979), we said progress had been made in collocating Agriculture field offices at the local level; however, there was substantial potential for collocating additional field offices. Of the Nation's 2,935 counties, there were 858 counties where field offices were partially collocated and 352 counties where field offices were not collocated. An additional 1,112 counties had the potential to collocate the Cooperative Extension Service or other agencies' field offices with the field offices that were already collocated.

We said more efficient and effective collocation could be achieved if Agriculture (1) considered local conditions when deciding on the need for a change in field office locations and (2) improved its system of assessing and reporting progress in collocating field offices. Agriculture could also collocate more of its field offices by resolving conflicts with GSA concerning field office locations. In some towns and counties, collocating Agriculture field offices can improve service delivery and increase efficiencies from resource sharing; in others, the benefits may be marginal.

The Congress has recognized the need for collocating field offices concerned with rural development. Section 603 of the Rural Development Act of 1972 (7 U.S.C. 2204a) requires the Secretary of Agriculture, to the maximum extent practicable, to locate offices together if they are concerned with rural development and cover similar geographic areas.

CHAPTER 3

BARRIERS TO STREAMLINING

Employee resistance, management resistance, and external opposition present very real barriers to streamlining and reflect valid concerns which need to be addressed openly and with objectivity. For these reasons any streamlining effort needs top management sensitivity, support, expertise, and leadership if it is to succeed. Management must also exert maximum efforts to establish the objectivity and credibility of its actions while communicating openly with employees affected and outside interests, including the Congress. In addition, the lack of large blocks of Government-owned space may limit current streamlining in departments and agencies where there is a need to combine or locate large offices in one building.

EMPLOYEE RESISTANCE

A real concern in any streamlining effort is employee resistance. With implementation of streamlining actions, employees may have to relocate, find new employment, or accept a lower grade. When husband and wife both work, the decision to relocate may be especially difficult because the second income may be terminated or decreased substantially.

Employee resistance can take many forms. For example, from 1973 to 1976 ACTION implemented a comprehensive reorganization aimed at consolidating overlapping or duplicate functions, eliminating nonessential functions, and other objectives. The former Director of ACTION experienced strong resistance to restructuring his organization. He cited examples of footdragging and data distortion by employees participating in the reorganization study. He also said employees spread rumors designed to undermine experiments, circulated internal memorandums predicting major program failures, and employed tactics to discourage other employees from participating in a reorganization study.

Employees may also, quite legitimately, gather support for their resistance from among influential Members of Congress or the executive branch. They can seek out sources who have authority to make investigations or conduct hearings into the matter. They may go to congressional members who are on oversight committees over the affected agency or who represent the geographical areas where Federal employees would be affected.

The former Director of ACTION also explained that employees sometimes encourage congressional intervention by

- informing Congressmen about the losses involved with eliminating or consolidating offices within their jurisdiction;
- applying pressure through protest marches, letters, and telephone calls;
- enlisting the support and influence of former employees holding key positions on congressional staffs; and
- using alliances between congressional staff and agency personnel who have come to depend on each other for information, advice, and help.

Because of the expected resistance, management must go to great efforts to maintain open communication channels with employee groups concerning its objectives and to establish credibility by making evaluations as objective as possible.

MANAGEMENT RESISTANCE

Although Federal agencies should be concerned about opportunities to reduce overhead through streamlining actions, some apparently resist the opportunities for change in their organization. Many agencies are concerned that participation in common service arrangements would diminish their control and decrease service.

For example, many agencies are reluctant to adopt automatic airline ticket payment plans and teleticketing procedures even though these techniques have been shown to be cost effective. Agencies have developed their own administrative systems, such as travel, to support important aspects of their operations. Management, apparently, has not been satisfied that a common support arrangement will accomplish its operations as effectively without increased costs. Agriculture suggested that test projects would be useful in providing such assurance.

Concerning implementation of common services, it is GSA's responsibility to determine feasibility and to act if costs can be reduced. GSA officials told us it is difficult to get the staff resources to evaluate the feasibility of common service arrangements and to support programs once feasibility has been determined. They said GSA uses its personnel to staff other functions. And personnel ceiling limits also make it difficult to staff common service functions.

Administrative direction sometimes missing

Streamlining may not receive the top management attention needed. Also, experienced top management personnel may not always be available to provide the continuous support needed to assure that reorganization efforts are successful. Without a continuing staff knowledge of study efforts, streamlining of field structures may not get the direction needed to assure that all opportunities are realized.

The former Secretary of one department provided insight on why department heads might not always place priority on oversight of their field structures. In commenting on the differences between Government and business, he said:

"* * * in any organization, you have to decide where to put your energies. You learn very quickly that you do not go down in history as a good or a bad Secretary in terms of how well you ran the place, whether you are a good administrator or not. You are perceived to be a good Secretary in terms of whether the policies for which you are responsible are adjudged successful or not: what happens to the economy, to the budget, to inflation, and to the dollar, how well you run debt financing and international economic relations, and what the bankers and financial community think of you. Those are the things that determine whether you are a successful Secretary.* * *

"So each time you have an administrative decision to make, which increases efficiency, or which starts a new policy, you have to ask yourself, is that decision more important than the decision on interest rates, the decision on the dollar, the decision on the budget? Is it worthwhile to get adverse publicity in the newspapers, or get into a fight with Congressman X over the issue, or should I not keep my good will so that I can use my credit with those people on the big things. As a result, a Secretary often tends to ignore administrative things because it is not worth his time, its not where he should put his emphasis. That doesn't mean you neglect administrative matters, but it does mean that you do far less than you might wish, and that your priorities are far different than in business." (Underscoring added.)

Any reorganization effort needs the continuous support of experienced top level officials. This experience may not, however, always be present. Each change in administration results in a loss of experienced personnel which can have adverse consequences. For example, a former OMB Deputy Assistant Director for Organization and Management Systems, said:

"Unfortunately, government reorganization and management improvement work is highly sophisticated and depends heavily upon institutional memory.

"* * * the inauguration of President Carter was accompanied by a massive turnover of key field officials. Moreover, many of the new headquarters officials had little knowledge of the field structures through which their agencies were delivering services.

"The new officials of a number of departments and agencies do not have strong backgrounds in Federal administration and have compounded the problem by appointing too many inexperienced assistants. Political loyalty, a campaign record, or affiliation with an important group in our society does not assure the background and skills to contribute to the efficient administration of a complex department or agency.

"The concentration by the agency heads of the new administration on policy and headquarters matters has resulted in responses to field needs which have ranged from neglect to the launching of dubious reorganizations."

EXTERNAL RESISTANCE

Much has been written on external resistance to organizational change. Members of Congress, congressional committees, and special-interest groups frequently resist organizational change, especially where their constituencies might be adversely affected. Just as most agencies are centered around various national objectives, private groups develop around their specific interests. These external bodies and members have a responsibility to their constituents and may justifiably oppose streamlining for a variety of reasons which, in their view, may outweigh the potential savings to the Federal Government.

Congressional members might legitimately resist streamlining actions which would have an adverse economic impact on their constituents. They may feel that the adverse economic impact outweighs any potential savings. For example, congressional opposition was immediately expressed concerning Department of Defense (DOD) streamlining actions announced in March 1979 which could adversely affect the economies of various communities. The proposal could, according to DOD, reduce annual Federal outlays by \$264 million through trimming or consolidating 157 U.S. military bases and eliminating 15,300 jobs nationally.

The loss of these jobs and related incomes in various communities could have a significant effect on local economies. For example, the deactivation of Fort Dix in New Jersey would reportedly eliminate 3,200 jobs and transfer 6,000 recruits to bases in other parts of the country. Other military activities in the New York/New Jersey region have also been designated for scaledown.

We previously pointed out that, because of perceived congressional concern over the impact on affected communities, the U.S. Customs Service was unwilling to reduce the number of regions and districts (FPCD-78-29, Mar. 30, 1978).

LACK OF GOVERNMENT-OWNED SPACE

The lack of large blocks of Government-owned space can be a very real barrier to combining or locating offices together in one building. This space requirement to accommodate the combining or collocating of two or more offices, varies widely. For example, of the 4 departments on page 3, the average number of employees per field office ranged from 7 in the Department of Agriculture to 53 in HEW.

Today, more than half of the Federal work force occupies GSA-leased space which generally involves smaller buildings and consequently does not afford the same space availability for combining or collocating offices as Government-owned space. Further, there has been no appreciable increase in Government-owned space since 1966.

Budgetary restrictions are a major reason for increased leasing. The large initial outlays for Federal construction would affect the national budget the year appropriations are approved. When unusually large demands on the budget are present, construction projects are the first items to be

eliminated. A Senate bill (S. 2080), now pending before the Congress, would set limits on leasing and would promote a more viable Federal construction program to house Federal agencies. However, if the bill is enacted, it would take at least 5 or more years before additional Government-owned buildings would be available for occupancy.

EFFORTS TO MINIMIZE RESISTANCE

The President has made it clear that, while reorganization is one of his main goals, he is committed to minimizing its adverse impact on employees. Top management has a responsibility to use all available means to minimize the negative impact on employees and communities from streamlining efforts. Employees displaced from their jobs may be offered retraining, assistance in finding new employment, and in certain cases early retirement. Management can maintain open communication with affected employees and groups and help establish credibility by conducting objective evaluations. Communities, adversely affected by realignment proposals, can request the Government's Economic Adjustment Committee to help local officials develop contingency plans and identify available Federal, State, and local resources needed.

The Civil Service Reform Act of 1978, enacted October 13, 1978, includes a number of features which could help reduce employee resistance to future reorganizations. These include:

- "Pay for performance" provisions under which supervisors, managers, and executives are to be recognized and compensated according to their job performance. Improvements in efficiency and productivity are factors to be considered in determining if employees are entitled to or eligible for increases in pay. This could provide management with the incentive to help reduce the size and cost of its activities.
- Retraining of employees, separated under reductions in force, for jobs in other agencies.
- Liberalized early retirement, whereby employees meeting age and years-of-service requirements may choose early retirement if involved in a major reorganization, transfer of functions, or reduction in force.

Federal agencies are also responsible for offering placement assistance to employees displaced from their positions. This includes early assistance to those employees affected by organizational or management action.

Attempts to limit resistance can also include maintaining open communication channels with affected groups concerning streamlining objectives and establishing credibility by making their evaluations as objective as possible. However, these efforts have in the past had varying results. The restructuring of ACTION involved extensive participation by employees and interest groups before a final plan was adopted. This did not prevent serious problems from being encountered in the agency because of employee resistance. The former Director of the agency stated that the resulting investigations, lawsuits, and hearings consumed thousands of staff hours over a 4-year period.

Top level Federal management can help assure that available Federal resources are targeted to communities adversely affected by realignment actions. In 1970, the President's Economic Adjustment Committee was established to coordinate the resources of Federal executive departments and agencies in providing assistance to communities affected by major DOD personnel cutbacks, contract terminations, and military base closures. Communities may request Economic Adjustment Committee assistance at any time realignment proposals have been announced that could seriously affect the local economy. The Committee is to help local officials to develop contingency plans and to identify Federal, State, and local resources available to them. According to the Office of Personnel Management, a feasible adjustment plan can then be prepared so that coordinated Federal assistance can be provided and any adverse economic impact minimized.

One way to minimize the economic impact is to assure that the streamlining actions are implemented over a period of time.

The Congress can play a very important role in promoting streamlining and overcoming management resistance. It can encourage streamlining and where needed, provide the legislative mandate. For example, in March 1979 the House Committee on Ways and Means introduced an amendment in the fiscal year 1980 appropriations bill for the U.S. Customs Service which directs the Secretary of the Treasury to take such actions as may be necessary to assure that the U.S. Customs Service is administered by not more than six regional offices by the end of fiscal year 1981. The current regional structure includes nine regional offices.

CHAPTER 4

WHAT CAN BE DONE?

To take full advantage of streamlining opportunities will require a committed and coordinated effort on the part of the executive branch and the Congress. Yet, if successful it will go a long way toward improving the productivity of the Federal work force and improve the delivery of services to the public. This chapter identifies the principal "players" and the actions they can take.

OFFICE OF MANAGEMENT AND BUDGET

OMB has broad responsibilities for setting executive branch policy and in overseeing agency actions for conformity with such policy as well as for encouraging management improvements, promoting cost-savings programs, and helping agencies to implement needed changes. OMB can assist in streamlining efforts by

- reviewing its policies to see whether they provide sufficient direction and guidance to agencies concerning streamlining their field structures,
- initiating efforts by its circular or other means requiring agencies to periodically and systematically reassess their field structures and provide needed oversight to assure that opportunities are undertaken,
- supporting GSA efforts to identify and implement common support service arrangements, and
- helping agencies to identify streamlining opportunities and to implement an effective strategy to accomplish needed changes. This could include a clearinghouse role of collecting and disseminating successful applications.

OFFICE OF PERSONNEL MANAGEMENT

The Office of Personnel Management, through a range of programs designed to develop and encourage the effectiveness of Federal personnel, supports Government managers in their personnel management responsibilities. Through its Work Effectiveness and Development Group, the Office of Personnel Management can

- encourage agencies to evaluate streamlining opportunities and to support development of successful streamlining applications, and
- provide consulting services, where needed.

GENERAL SERVICES ADMINISTRATION

GSA is responsible for evaluating the potential for common services and for developing and providing such services. It can assist in streamlining field operations by

- giving greater priority to studying and implementing common service arrangements, including creating pilot projects to demonstrate successful applications, thereby reassuring agencies that common services will effectively support operations, and
- approaching OMB for support in stimulating agency actions where obstacles to common service arrangements are encountered.

HEADS OF FEDERAL DEPARTMENTS AND AGENCIES

Departments and agencies are responsible for designing their organizations to carry out programs effectively and efficiently. Department and agency heads, can exercise a key role in streamlining their field operations. They can

- place priority on identifying and implementing streamlining opportunities;
- examine streamlining issues such as service accessibility, span of control, and optimum size offices for delivering services most effectively;
- provide resource support to, and coordinate with, other departmental elements to help minimize employee, management, and external resistance to streamlining; and
- assess whether a more definitive policy is needed for their agencies. Such a policy should provide guidance on the kinds of issues which need to be raised; the need to do adequate cost-benefit analysis on kinds of streamlining opportunities raised in chapter 2; and the need for management's attention, leadership, and commitment in overcoming barriers.

Further, opportunities for streamlining can be more readily identified if departments and agencies use proper evaluation tools. Given the large size of Federal departmental field structures, some having thousands of field offices, it is important that each agency develop and apply sound organization and staffing criteria to assure that its field office is appropriate for the work performed. Such criteria are needed because conditions, such as the mobility of people, nature of requests for services, and density of clients served, frequently change. Agencies that fail to adapt their organizations to these changing conditions run the risk of having more personnel and offices than needed. By developing and applying current organizational and staffing criteria, agency management can identify staffing imbalances and evaluate the need for organizational change such as consolidating offices, thereby minimizing inefficiencies.

THE PRESIDENT'S MANAGEMENT IMPROVEMENT COUNCIL

The President's Management Improvement Council was established in May 1979 to support efforts to improve Federal management and program performance and to further the Government-wide management improvements envisioned in the Civil Service Reform Act of 1978. OMB and the Office of Personnel Management, in consultation with departments and agencies, are charged with identifying critical management problems for consideration by the Council. The Council exercises a problem-solving role for individual agencies and is an important forum for the exchange of ideas and information about what is effective in making Government work. It can ultimately have a very positive effect on productivity in the Federal Government.

The Council can assist in streamlining efforts by fostering cooperation and coordination among agencies in identifying streamlining opportunities and developing solutions to streamlining issues and barriers.

THE CONGRESS

The Congress has the authority to create, abolish, reorganize, and fund Federal departments and agencies. It has authority to assign or reassign functions to departments and agencies and grant new forms of authority and staff to administrators. The Congress, in short, has a pervasive influence over executive branch organization and policy. Through its pertinent appropriations, authorizations, and investigative committees, the Congress can play an important role in promoting streamlining. The Senate Committee on Governmental

Affairs and the House Committee on Government Operations are particularly influential. Where significant opportunities appear to exist, but are not accomplished, the congressional committees can request departments and agencies to

- justify their field structure alinement,
- identify the reorganization studies completed and their implementation status, and
- identify the barriers preventing the streamlining of their structures.

They can also, where needed, provide the legislative mandate to restructure organizations.

GAO REPORTS RELATED TOSTREAMLINING THE FEDERAL FIELD STRUCTURE

<u>Report number and date</u>	<u>Title</u>
FPCD-77-56 June 16, 1977	Department of Housing and Urban Development Could Be Streamlined
FPCD-77-39 August 17, 1977	Standardized Federal Regions--Little Effect on Agency Management of Personnel
LCD-78-209 February 3, 1978	Evaluation of a Proposal to Establish a Centralized Government Travel Agency
CED-78-53 February 13, 1978	Assessment of Effect of HUD's Reor- ganization on the State of Kansas
FPCD-78-29 March 30, 1978	Achieving Needed Organizational Change: A Customs Service Dilemma
FPCD-78-33 April 10, 1978	Department of Housing and Urban Development Reorganization Plan: Some Accomplishments but More Needed
GGD-78-69 April 25, 1978	Potential Impact of HUD's Consoli- dation of Multifamily Functions and on Related Cost Savings
GGD-78-71 May 25, 1978	Impact of Federal Agency Reorganiza- tions on the State of Washington and other States in Federal Region X
FGMSD-78-46 July 21, 1978	Use of Discount Airline Fares and Teleticketing Would Help Save on Government Travel Expenses
FPCD-78-74 October 10, 1978	Reductions Needed in the Number of Customs Regions and Districts-- Organizational Alternatives
CED-79-74 April 25, 1979	Collocating Agriculture Field Offices--More Can Be Done



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