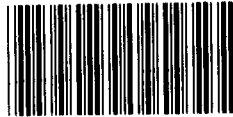United States General Accounting Office

December 1992

# Government Management Issues

148247

148247

**GAO**

United States
General Accounting Office
Washington, D.C. 20548

Comptroller General
of the United States

December 1992

The Speaker of the House of Representatives
The Majority Leader of the Senate

In response to your request, this transition series report on
government management addresses important policy and
management issues facing the Congress and the new administration.
This report assesses the incentives and constraints that managers
face in their efforts to achieve program results. In that context, it sets
the stage for our related transition series reports dealing with
financial and information management, program evaluation, and
public service issues.

Efforts are under way in state governments, other countries, and
some federal agencies to address similar problems. Taken together,
these efforts have laid the groundwork for broader action on the part
of the federal government. What is needed now is specific action.
This report outlines the key elements of a management improvement
framework that should be considered at the federal level.

The GAO products upon which this report is based are listed at the
end of the report.

We are also sending copies of this report to the President-elect, the
Republican leadership of the Congress, the appropriate congressional
committees, the Director-designate of the Office of Management and
Budget, and other appropriate officials.

Charles A. Bowsher

# Contents

# The State of Management in the Federal Government

The state of management in the federal government is not good. Too many principles, structures, and processes that may have worked well years ago no longer allow the government to respond quickly and effectively to a rapidly changing world.

For too long, progress in changing the situation has been slow. Incremental improvements have occurred. But time and again over the past decade, our management reviews of large federal agencies and departments have shown that the processes and systems fundamental to a well-run organization are often not present. Most agencies have not created a strategic vision of their futures, most lack good systems to collect and use financial and program information to gauge operational success and accountability, and many do not have the people with the necessary skills to accomplish their missions.

These elements are essential for any organization to succeed. But they usually do not command the attention of senior political officials coming into the government. After all, these elements do not appear to be directly related to the development of an administration's policies or programs and therefore do not seem

important to achieve a political agenda.
However, many of our audit reports
demonstrate the effects of leaders'
inattention to these elements—waste,
inefficiency, and even scandal. Political
leaders then have to spend too much time
and energy reacting to surprises resulting
from management failures rather than
pursuing the mission of their agencies and
their policy agenda. For example, our work
has shown that lack of attention to these
critical elements has led to the following
types of problems:

- In 1989, a series of major, well-publicized
  problems involving widespread waste, fraud,
  abuse, and mismanagement began unfolding
  at the Department of Housing and Urban
  Development. Poorly designed programs and
  controls made it relatively easy for
  developers and lenders to exploit the
  Department's programs, costing the
  government billions of dollars.

- The Department of Defense's (DOD)
  acquisition programs are vulnerable to
  influence peddling. This was the focus of the
  "Ill Wind" investigation, which involved more
  than 250 subpoenas for documents and
  evidence on the activities of over 50 private
  consultants and more than a dozen defense

companies and industry executives, as well
as DOD officials. Convictions resulted, but the
system and controls still need to be
improved.

- Defaults in the Guaranteed Student Loan
  Program skyrocketed to $3.6 billion in 1991.
  The program is plagued by inordinately
  complex and cumbersome practices, lacks
  sufficient oversight, and places most of the
  financial risk on the federal government.
  Even if the program's structure were to be
  reformed, serious weaknesses in the
  Department of Education's financial and
  management systems would make it difficult
  to manage its multibillion-dollar programs
  and could overwhelm the effects of any
  potential reform measures.

- Widespread weaknesses in financial controls
  at DOD have permitted the expenditure of
  about $40 billion for unneeded purchases
  and have significantly increased the risk of
  waste, loss, and theft. DOD continues to make
  unneeded purchases because its information
  systems are so poor that, in many cases, it
  does not know what items it already has in
  stock.

- The $110 billion Medicare program has
  lost billions of dollars to waste, fraud, and

abuse in recent years. The Department of
Health and Human Services does not
properly manage its contractors' efforts to
recover improper expenditures. Also, loose
controls over who can bill Medicare have
made the pursuit of fraudulent providers
difficult. In addition, too little money is
earmarked by the Congress to do the job
right. For example, contractors paid an
estimated $2 billion in claims that should
have been paid by other health insurers, but
recovering these funds would require
additional staff, which in turn would require
cutting spending elsewhere.

- The Department of Veterans Affairs has not
integrated its currently separate information
systems into one that is capable of sharing
and accessing data across all program areas.
Nor has it reengineered its administrative
processes as it has modernized its computer
systems. For example, it recently spent
$94 million to modernize its benefit delivery
process but shortened the process by only 6
to 12 days out of 151 days, on average. As a
result, the Department's planned purchase of
additional computer hardware and software
may be premature.

- The Resolution Trust Corporation (RTC),
which is responsible for managing and

selling assets totaling over $400 billion for an estimated 725 failed thrifts, has been unable to effectively execute sales strategies for a large portion of the real property it holds because it cannot track the status of many of its assets even though it spent $27 million on a computerized tracking system. Some properties have been sold for significantly less than their appraised value, and others cannot be sold because RTC and prospective buyers do not know whether the properties have clear titles.

- Federal hiring mechanisms are burdensome and complex, making it difficult to get qualified people. For example, the examination process introduced in 1990 for job applicants for over 90 entry-level positions imposed procedures that effectively broke the link between an agency's recruiting and hiring functions for all but the top academic achievers. As a result, there is no guarantee that agencies can hire many of the candidates they interview on college campuses. Applicants may get job offers from agencies for which they have no desire to work.

Because the government has not addressed many of its fundamental management problems, we are issuing specific transition

reports on financial management,
information management, program
evaluation, and public service issues.

Financial Management Issues (GAO/OCG-93-4TR,
Dec. 1992) discusses widespread financial
management weaknesses that are preventing
our leaders from running the federal
government effectively. At present, the
federal government runs the world's largest
financial operation without having the
reliable information needed for making
informed decisions. It spends about $1.5
trillion annually using unreliable systems
and ineffective controls. And it manages
hundreds of programs, many of them
individually larger than our nation's biggest
publicly owned corporations, without
adequate knowledge of their financial
condition and of the results achieved. This
devastating legacy is the product of decades
of neglect.

Information Management and Technology
Issues (GAO/OCG-93-5TR, Dec. 1992) points out
that the federal government spends over
$20 billion annually on new technology—and
tens of billions more on running current
systems. Yet agency after agency still lacks
critical information needed to analyze
programmatic issues, manage agency

resources, control expenditures, and
demonstrate measurable results. Causes
contributing to these problems include (1)
the inattention of top federal executives to
the strategic role of information technology
in reengineering business practices; (2) the
lack of authority and resources given to
information resource managers to help their
agencies modernize and simplify work
practices, define information needs, and
ensure the most effective use of information
resources; and (3) the demand for certainty
in the system development
process—prescribed by the federal
acquisition management and budget
process—which leads project managers to
downplay risks and problems.

Program Evaluation Issues (GAO/OCG-93-6TR,
Dec. 1992) discusses the consequences of
the continuing decline in the capacity for
effective program evaluation in the
executive branch. It shows that agencies
lack information on the effectiveness of their
programs; lack data on the targeting and
outreach of their programs; and need to
improve their capacity to make sound
decisions on the use of data for
policy-making.

The Public Service (GAO/OCG-93-7TR,
Dec. 1992) discusses what the government
must do to attract and retain high-quality
people, meet the public's performance
expectations, and regain a positive public
image. It must (1) modernize its practices for
recruiting, hiring, and structuring benefits;
(2) examine complex and restrictive laws,
regulations, and processes that have
hampered its ability to manage its
workforce; (3) fully implement pay reform to
make federal salaries ultimately competitive
with the private sector's; and (4) rebuild a
positive public image by aggressively
implementing strong ethics programs.

This report assesses the incentives and
constraints that managers face in their
efforts to achieve results. Too often,
managers face conflicting priorities and
constraints that discourage good
management. Consequently, they spend too
much time responding to these constraints
and not enough time delivering quality
program results.

## Changing the Way the Government Manages

Over the past decade, many private sector
organizations recognized that they would
have to change their cultures and processes
to survive in a rapidly changing world. As a

result, they have decentralized authority,
flattened organizational structures,
increased employees' involvement in and
control over the workplace, and focused
more on the needs of their customers. These
trends are improving quality and quickening
response to customers' needs.

The federal government is obviously not
going out of business, but its ability and
capacity to serve the public have clearly
diminished. We must change the way we
manage the government if we are to improve
its efficiency and effectiveness and restore
public confidence. But making the changes
will not be easy because the federal
government poses the following unique
challenges:

- The federal government is overwhelmingly
  large. It employs over 3.1 million civilians in
  14 executive departments and more than 60
  independent agencies and government
  corporations. It spends about $1.5 trillion a
  year—more than the entire Gross Domestic
  Product of Germany, which has the third
  largest economy in the world.

- The political environment and the operating
  cultures in many agencies resist efforts to
  define clear missions for specific programs.

For many programs, missions are ambiguous—as the slogan "ameliorate poverty" suggests—and for others, multiple objectives, often without priorities, can challenge federal managers.

- The federal government does not directly control many of the services that it delivers. Although its agencies provide many services directly—veteran's health care and social security checks, for example—it relies more frequently on states, localities, nonprofit agencies, and profit-making contractors to deliver its services. The federal government grants over $180 billion a year to third parties and contracts for another $190 billion in goods and services.

- The federal government, unlike a number of other countries' governments, relies heavily on noncareer executives to manage its programs. About 500 full-time positions in the executive branch are appointed by the President and require confirmation by the Senate, and another 2,600 positions may be appointed by the White House and the heads of departments or agencies.

The unique challenges posed by our government should not, however, be an excuse for inaction. Several countries have

initiated strategies to change their
organizational cultures and introduced
incentives to create a results-oriented
environment and improve the management
of their governments. So have some states.
Through our analysis of these initiatives and
our management reviews of major federal
departments and agencies over the past
decade, we have identified some
fundamental obstacles that cut across
agencies and departments and must be
overcome if we are to better manage our
government. These obstacles include

- diffuse accountability for achieving results,

- incentives that encourage short-term
responses to long-term problems, and

- antiquated government machinery.

The remainder of this report (1) presents the
approaches that other governments have
used to address these same obstacles and (2)
offers a framework for action within which
the federal government can also begin to
manage for results. We must overcome these
obstacles if we are to improve the
government's efficiency and effectiveness
and restore public confidence.

# Learning From the Experience of Other Governments

The U.S. government is not alone in attempting to address major management problems. Governments in countries such as Australia, Great Britain, Canada, New Zealand, and Sweden began in the mid-1980s to rethink how their public sectors operated and to create a more results-oriented environment. Furthermore, governments in some states—such as Florida, Minnesota, Oregon, and Texas—have recently begun to do the same. While these governments may not all have succeeded in making sweeping changes, their experience is instructive and applicable to the federal government.

Much like the federal government, a number of these national and state governments were dissatisfied with their public service in the mid-1980s. Some faced economic crises that led to major cuts in public spending, and their leaders were committed to changing the way government worked. They started by assessing their operating environments and came to a variety of conclusions along similar lines:

- Public servants were by and large committed and hard working; the problem was the system in which they had to work.

- Bureaucratic constraints rather than missions drove management behavior.

- Management cultures tolerated few or no mistakes; elaborate check-and-control systems that had been instituted to prevent mistakes stifled innovation.

- Managers lacked control over any savings they generated; hence, they had few incentives to be efficient.

- Large and inefficient bureaucracies adversely affected global competitiveness.

In general, these governments tried to change incentives for individual managers and organizational cultures across their entire public service. All of them emphasized achieving results by introducing quasimarket mechanisms and incentives similar to those used in the private sector, including competition, a focus on the customer, a focus on quality, and clear standards and accountability. The following points demonstrate the range of stratagies employed.

To clarify accountability, they

- recast their budget focus from accounting
  for inputs to emphasizing programs, outputs,
  and results. Quality results were shaped by
  program customers' needs.

- separated policy-making functions from
  program administration within departments.

- used written individual and organizational
  performance agreements between the
  department and agency heads responsible
  for program administration to better define
  and clarify program missions and intended
  results.

- made organizational changes between
  departments to reduce conflicts in program
  missions and to consolidate similar
  functions.

To create a longer-term focus in addressing
management issues, they

- broke out agencies' operating budgets
  separately and created a 3-year rolling
  budget so that agencies would know what
  their next year's operating budgets would be.
  Although funds continued to be appropriated
  annually, their version of the Office of
  Management and Budget (OMB) was
  committed to supporting the next year's

funding levels.

- gave top agency managers performance
  agreements of up to 5 years.

  To provide incentives and tools to be more
  results oriented, they

- changed the roles of their central agencies
  from controllers to facilitators. To different
  degrees, program agencies were empowered
  to take lead responsibility for control in
  specific areas. These governments' versions
  of OMB, the Office of Personnel Management
  (OPM), and the General Services
  Administration (GSA) transformed their own
  roles to provide oversight and guidance. As
  service providers, they became more
  customer oriented.

- increased managers' control over operating
  budgets by allowing them to

  - simplify and streamline appropriation
    accounts and budget execution
    procedures;

  - hire and fire staff and set their own pay
    levels and rewards for staff; and

- buy their own equipment and negotiate rents outside of their responsible central agency if they could save money by doing so.

- introduced incentives to manage efficiently by

  - requiring efficiency savings but permitting agencies to retain a share of the savings beyond the agreed-upon targets;

  - introducing the concept of risk management, which weighs the costs and benefits of administrative controls; and

  - increasing the use of internal and external user charges.

The results of these initiatives have not been comprehensively assessed because many of the initiatives are still in early phases. However, in our view, initial results are encouraging. The public service in these countries' governments, as well as in some state governments, has been energized to act, and government operations have changed substantially. Officials from these governments told us there was little likelihood of returning to past practices. And reports from these governments seem to

confirm that point of view, as the following
examples show:

- A 1991 review of Great Britain's management
  improvements concluded, "There are . . .
  extended opening hours to meet customer
  needs. New products and services are being
  introduced. Facilities for clients are being
  improved and services are generally being
  delivered faster and more accurately.
  Waiting times have been reduced." And this
  was all done while reducing agencies'
  operating budgets.

- A 1990 review concluded that Australia's
  improvement efforts had not only achieved
  financial savings but had also improved
  public sector management by introducing a
  more flexible budget framework and
  creating a management focus on results.
  Australia is currently assessing the impact of
  its efforts on service to the public.

- A 1992 study concluded that Minnesota had
  improved the provision of central services
  for staffing, purchasing, and information
  resource management by giving
  departmental managers the flexibility to
  design individual strategies to improve
  service levels or decrease service costs. The
  strategies incorporated concepts such as

customer focus, employee involvement,
strategic planning, and managerial
discretion. Satisfaction surveys of the central
divisions' customers revealed significant
improvements in the timeliness and quality
of the services received.

# Creating a Framework for Addressing Management Problems

The creation of a results-oriented environment in the governments of some other countries and of some states has been directed primarily from the top by a committed cadre of managers. These managers have focused on changing the culture, incentives, and systems that managers used in their day-to-day work. Similarly, in the federal government, many policymakers and managers have been working hard for long periods to improve the basic systems necessary to overcome the management problems facing federal agencies. But we have not changed our government's culture and incentives enough to create a results-oriented environment.

Nonetheless, some progress has been made. In the past few years, federal agencies have given increasing emphasis to changing their organizational cultures to become more customer and quality oriented. Many components of federal agencies have been using total quality management (TQM) techniques to stimulate cultural change. TQM is an approach aimed at improving the quality of services by focusing on the needs of customers and achieving continuous improvement.

A significant number of federal organizations
are voluntarily implementing TQM. About
68 percent of the federal components that
we surveyed in mid-1992 reported that they
were in various phases of implementing
TQM—most in the early phases. Although TQM
is being initiated on a fairly wide scale, the
depth of employee involvement is still
shallow; about 13 percent were involved at
the time of our survey. We also found that,
as their TQM efforts developed and matured,
organizations reported fewer barriers and
more employee involvement. More
importantly, the level of reported benefits
attributed to TQM efforts—improved
customer service, timeliness, and reduction
in costs—increased substantially for federal
installations as their implementation of TQM
progressed.

However, the pace and scope of
management improvement efforts need to be
accelerated and expanded if there is to be
any real improvement in the delivery of
services to the public. How can this be
accomplished? It will not be easy or quick.
But progress can be made within a three-part
framework that would place greater
emphasis on achieving results by (1)
clarifying accountability, (2) emphasizing a

long-term focus, and (3) realigning the
machinery of government.

## Clarifying Accountability and Managing for Results

The first step is to clarify accountability and
manage for results.

### Developing Strategic Plans

Agencies need to develop long-term
strategies targeted to achieving
programmatic outcomes. Agencies also must
develop measures of performance and
publicly report results.

OMB has been encouraging agencies to
develop programmatic missions, goals, and
objectives and link them to performance
through its implementation of the Chief
Financial Officers (CFO) Act. As part of this
effort, it has called on agencies to
experiment with and develop program
measures and related cost information and
report this information in their annual
financial statements. An extensive study of
users' needs by the Federal Accounting
Standards Advisory Board has shown a
desire for more information on both the
accomplishments and costs of government
programs.

However, given the frequent turnover in top
management in federal agencies and the
long-term nature of creating useful
performance measures, it is appropriate to
create a legislative framework. For example,
using the CFO Act as a foundation, steps
could be taken to improve accountability for
program results. In establishing the requisite
framework, several principles should be kept
in mind:

- Agencies need to articulate their missions in
  the context of statutory objectives and, with
  regard to services, customers' expectations.
  These objectives need to be written in terms
  that can be used to judge progress toward
  achieving them. Every effort should be made
  to reach agreement among the Congress,
  OMB, and the executive agencies on realistic,
  outcome-oriented goals, recognizing that
  agreement will not always be possible.

- Agencies need to develop implementation
  plans for their goals and objectives as well as
  specific measures of progress toward
  achieving them. Measurable interim targets
  should be set for agencies' operations so that
  assessments of progress can begin.

- Agencies need to report annually on their
  progress. The Congress must be actively

involved in overseeing agencies'
performance in key areas. If the Congress
does not take performance results seriously,
neither will the agencies.

The Congress recently considered legislation
that encompasses this framework for
accountability. This legislation would require
all agencies to develop strategic plans, set
agreed-upon goals and objectives, and
measure their progress toward these goals
and objectives.[1] It would also allow pilot
agencies to test whether increased
managerial flexibilities—such as exemptions
from restrictions on funding transfers among
certain budget object classifications—are
appropriate incentives for encouraging
managers to focus on programmatic results.
Action on this type of legislation should be
high on the agenda of the 103rd Congress.

## Improving Financial and Program Information

Reliable financial and program data need to
be available. A central first step toward
improving decision-making and
accountability is to effectively implement the
CFO Act. This act provides an important
blueprint for improving financial
accountability for results by requiring the

[1]S. 20, "Government Performance and Results Act of 1992," 102nd
Congress, cosponsored by Senators William V. Roth, John Glenn,
and William S. Cohen.

development of needed systems, the hiring
of qualified people, and the linking of
accounting and budgeting information.

Concerted action is required by both the
executive and legislative branches to ensure
that good financial management becomes a
reality. This will entail

- ensuring strong leadership and commitment
  to financial management within the agencies
  and OMB;

- improving the accuracy of data and the
  soundness of internal controls in agencies;

- expanding financial auditing in agencies;

- strengthening the qualifications of financial
  management personnel;

- reengineering the government's financial
  management processes to integrate
  accounting, budgeting, and program
  activities and information; and

- developing useful and relevant financial
  reports that emphasize accountability and
  operating performance.

Likewise, a commitment by both the
executive and legislative branches to
improving information technology is crucial.
Agencies need to adopt a management
philosophy that emphasizes the continuous
streamlining of business processes, which
should precede the development and
acquisition of automated systems. Adoption
of this philosophy implies the appointment
of top-level executives who are familiar with
the uses of information technology in
simplifying business practices and who can
devote full attention to this issue. Even
though agency budgets are tight, the
information management function must be
supported with adequate staff resources
because the potential long-term paybacks for
the agency make this a key area for added
investments. In addition, given the existing
constraints in the budget and acquisition
processes, experimentation may be
appropriate to develop a broad-based
agreement on new management models
needed to build an effective information
technology infrastructure in federal
agencies.

## Creating a Results-Oriented Environment

Several pilot programs have been
established in various federal agencies to

create a more results-oriented environment.
For example, OMB and the Railroad
Retirement Board agreed on a prototype of a
performance agreement with specific
measures of results as a tool for increasing
the Board's accountability. And the Defense
Business Operations Fund is attempting to
focus the Defense Department's delivery of
support services more effectively on
customers and plans to allocate funds on the
basis of performance.

Other smaller-scale initiatives are under way
to reduce controls in areas such as human
resource management, procurement, and
budget to create a results-oriented
environment in several agencies. As noted
earlier, proposed legislation would foster a
series of pilot programs through which
agencies would obtain waivers from central
management agency regulations but not
from statutory provisions. If successful after
3 years, agencies would be granted
permanent waivers. We believe that this
flexible, incremental approach has merit.

Managers must be given the incentives and
tools to create a results-oriented work
environment. Without incentives and tools to
manage for results, managers have little
control over their operations. Consequently,

they focus more on complying with the
accountability controls placed on them
(which often have multiple objectives) than
on achieving their agencies' overall missions.
These controls affect their hiring, promoting,
and rewarding; create a rule-intensive
procurement and contracting maze; and
rigidly regulate funds. As in the financial and
information technology areas, creating a
consensus for change will be important.
There are no easy answers; therefore, it will
be important for all parties involved to have
the willingness and flexibility to experiment
with different approaches.

## Focusing on the Long Term

A fundamental cause for inaction is
anchored in the short-term mentality created
by the political appointment process, the
budget process, and underinvestment in the
public service.

## Developing Continuity in Leadership

Leadership issues need to move to the
forefront, and developing continuity is
important. The following actions can create
the right environment:

- Ensure that people with the appropriate
  skills and experience are selected for top
  management positions.

Governmentwide, these positions would
include the deputy director for management
and the controller in OMB, the deputy
secretaries responsible for overall
management of cabinet departments, and the
chief financial officers and senior
information management officials in
government agencies. The Senate, through
its confirmation process, has an important
role in ensuring the qualifications of
nominees for such positions.

- Ensure that these people will make a
  sustained commitment to addressing
  long-term management problems in addition
  to focusing on policy issues. This includes
  encouraging them to stay in office for longer
  periods and planning for good succession,
  when needed.

- Continue improvements that are already
  under way, such as staffing OMB's
  management function, implementing the CFO
  Act in agencies, and developing strategic
  plans in departments and agencies. To
  support these efforts, the Congress can
  ensure that funds are available to carry out
  these actions.

In general, the accountability of top political
appointees has been a concern. In a number
of other countries, fewer political appointees
are found in the upper levels of government,
and individual and organizational
performance agreements are being used to
clarify accountability and responsibilities.
While such agreements may not be directly
transferable to the U.S. government, the
President and the Director of OMB should
consider using written organizational
performance agreements between
department and agency heads to better
define and clarify program missions,
intended results, and the facts that will be
used to measure continuous improvements.

Currently, the performance management
systems in agencies tend, for the most part,
to assess the activities of career individuals
and are not results oriented. For example, in
cases where performance agreements are
used as a tool to manage the performance of
individuals, the results expected of career
senior executives are tied to measures of
program performance in only about
one-third of the largest agencies. In addition,
political appointees are not required to have
performance agreements; currently, their
relationship with the President and other

senior political appointees is much less
formal.

## Revising the Budget Process

The way the federal government manages
and the way it budgets are interrelated. The
budget process should be reassessed as part
of any overall effort to create a longer-term
focus on management. The following
changes should be part of that assessment:

- Require the use of accrual concepts, where
  appropriate, to heighten the recognition of
  the effects of long-term costs. As mentioned
  earlier, the existing cash-based budget
  structure fosters a short-term focus.
  Expanding the use of accrual concepts,
  where appropriate, would ensure that the
  full costs of current decisions are
  recognized. For example, the Federal Credit
  Reform Act of 1990 recast the budgetary
  treatment of loan and loan guarantee
  programs to fully recognize their subsidy
  costs.

- Create a longer-term framework for budget
  policy decisions by highlighting the
  differences between spending that
  contributes to long-term economic growth
  and spending for current consumption. The
  current budget process does not formally

recognize the different long-term economic effects of various programs. Decisionmakers need to be able to see the distinctions between investment programs and current consumption programs when making choices. In addition, more reliable information on the rates of return among alternative types of investment programs is needed.

· The budget needs to focus decisionmakers on the results of their choices among competing objectives. Considerable performance information is currently provided in agency budget justifications, but little is known about how reported performance relates to objectives and spending. Carefully chosen pilot projects may be appropriate to develop these links. For selected programs, budget information could be reported on a program basis along with the program's strategic goals and related performance information.

## Strengthening the Public Service

Human resource issues need to be dealt with seriously if the public service is to provide the leadership necessary to address the management problems facing the government. Both financial investments and

steps such as the following are essential to
improve the public service:

- Rebuild a positive public image for the
  public service to restore the public's
  confidence in government and to make it an
  attractive career choice.

- Modernize the government's employment
  policies, in general, to recognize and
  accommodate the dramatic demographic
  changes—primarily the growth in the
  number of women employees—that have
  occurred in the nation's workforce.

- Enhance the government's ability to
  effectively manage its workforce by giving
  agencies more flexibility to manage the
  performance of their employees.

- Ensure full implementation of the Federal
  Employees Pay Comparability (Pay Reform)
  Act of 1990 to help make the government a
  more attractive employer and, thereby,
  enhance agencies' abilities to recruit and
  retain the quality employees needed to carry
  out the agencies' responsibilities.

## Realigning the Machinery of Government

The roles of the central management
agencies should be reassessed and the

organizational structures of individual
agencies should be reevaluated.

## Reorienting the Central Management Agencies

In recent years, the central management
agencies—OMB, GSA, and OPM—have gradually
shifted from controlling agencies to helping
them take the lead in a series of areas. This
trend needs to be accelerated.

Decreasing central management controls
and giving line managers the authority to act
within an overall framework of
results-oriented objectives have been
significant management trends in private
corporations and in the governments of
some states and other countries during the
past decade. Some of these governments
consciously set out to devolve certain
functions traditionally held by their central
management agencies to line agencies. They
have, for example, broadened the authority
of individual agencies to classify personnel
positions, recruit staff, acquire office space,
and determine appropriation draw-down
rates. Broadening agencies' authority to act
within a defined framework seemed, in the
other governments we studied, to give
managers the incentive to focus on results
instead of complying with top-down
constraints.

In the last decade, the federal government's
central management agencies have begun to
serve a support role and to delegate
authority to act in certain areas. As noted
earlier, credit for this is partly attributable to
OMB's creation of a deputy director for
management position. OMB's management
staff has increased its emphasis on
assisting—rather than directing—agencies in
resolving their management problems.

The increased willingness to delegate to
agencies the authority to act is partly
attributable to OMB's support for the TQM
movement. The increased willingness also
may be attributable to OMB's efforts to
promote the development and use of
performance measures. Because these two
efforts are creating an environment in which
central management agencies can focus on
results and reduce controls on the use of
inputs, it will be critical not to lose the
widespread momentum behind TQM and
performance measurement as new staff take
over the top leadership positions in these
agencies in early 1993.

In addition, the Pay Reform Act of 1990 gave
agencies a wider range of tools to pay and
reward staff. Likewise, GSA has delegated
limited authority to agencies to manage their

properties and leases. GSA and OPM should be
encouraged to continue these efforts to
broaden agencies' authority to act and
identify opportunities to expand these
efforts. Our transition series report General
Services Issues (GAO/OCG-93-28TR, Dec. 1992)
provides a context for the directions that GSA
might take to focus more on policy and less
on delivering direct services.

## Reexamining Agencies' Organizational Structures

Agencies' organizational structures influence
the environment in which agencies'
managers must operate. These structures
should be reexamined to determine whether
they impede a results orientation. We have
traced major management problems in
specific agencies—such as the Customs
Service and the Departments of Agriculture
and Veterans Affairs—to outdated
organizational structures.

For example, the Department of Agriculture
has an extensive and costly field structure of
11,000 field offices, many of which date from
the 1930s—before highways, computers, and
universal telephone coverage facilitated
communication. In the past 60 years,
Agriculture's responsibilities have changed
radically, and the number of farmers has
decreased significantly. But the

Department's field structure has not
changed, in part because of political
pressures. As a result, it has many underused
field offices that could be consolidated to
create annual savings of more than
$100 million.

But the need to address organizational issues
does not rest solely with individual agencies.
For example, the jurisdictions of some
congressional committees overlap and
create conflicting priorities within some
agencies. A joint congressional study
committee has recently been chartered to
examine the scope of committee
jurisdictions. Likewise, in the executive
branch, duplicative organizations in areas
such as competitiveness, the drug war, and
law enforcement have frequently been
targeted for restructuring to be more results
oriented. Efforts that go beyond a single
agency will take substantial dedication to
resolve. Several executive branch
reorganization bills, or study commissions,
were proposed in the 102nd Congress, but no
action was taken. Under the new
administration, efforts to restructure the
executive branch will need to be rejuvenated
in order to better focus the resources of
government on accomplishing specific
missions.

# Related GAO Products

**Management Reform**

Quality Management: Survey of Federal Organizations (GAO/GGD-93-9BR, Oct. 1, 1992).

Performance Measurement: An Important Tool in Managing for Results (GAO/T-GGD-92-35, May 5, 1992).

Service to the Public: How Effective and Responsive Is the Government? (GAO/T-HRD-91-26, May 8, 1991).

How to Enhance Congressional Oversight (GAO/T-GGD-90-40, May 8, 1990).

Managing the Cost of Government: Proposals for Reforming Federal Budgeting Practices (GAO/AFMD-90-1, Oct. 1989).

Managing the Cost of Government: Building an Effective Financial Management Structure (GAO/AFMD-85-35, Feb. 1985).

Selected Government-wide Management Improvement Efforts—1970 to 1980 (GAO/GGD-83-69, Aug. 8, 1983).

**Reviews of Central Management Agencies**

Managing the Government: Revised Approach Could Improve OMB's Effectiveness (GAO/GGD-89-65, May 4, 1989).

General Services Administration: Sustained
Attention Required to Improve Performance
(GAO/GGD-90-14, Nov. 6, 1989).

General Services Administration: Status of
Management Improvement Efforts
(GAO/GGD-91-59, Apr. 3, 1991).

Managing Human Resources: Greater OPM
Leadership Needed to Address Critical
Challenges (GAO/GGD-89-19, Jan. 19, 1989).

Procurement: Assessment of the Office of
Federal Procurement Policy (GAO/NSIAD-88-35,
Nov. 20, 1987).

## Assessments of Increased Management Flexibility

Federal Personnel: Special Authorities
Under the Demonstration Project at
Commerce (GAO/GGD-92-124BR, July 13, 1992).

Federal Workforce: Information on the
National Bureau of Standards Personnel
Demonstration Project (GAO/GGD-88-59FS,
Apr. 5, 1988).

Federal Personnel: Observations on the
Navy's Managing To Payroll Program
(GAO/GGD-90-47, Mar. 27, 1990).

Forest Service: Evaluation of "End-Results" Budgeting Test (GAO/AFMD-88-45, Mar. 31, 1988).

# Transition Series

| | |
|---|---|
| **Economics** | <u>Budget Issues</u> (GAO/OCG-93-1TR). |
| | <u>Investment</u> (GAO/OCG-93-2TR). |

| | |
|---|---|
| **Management** | <u>Government Management Issues</u> (GAO/OCG-93-3TR). |
| | <u>Financial Management Issues</u> (GAO/OCG-93-4TR). |
| | <u>Information Management and Technology Issues</u> (GAO/OCG-93-5TR). |
| | <u>Program Evaluation Issues</u> (GAO/OCG-93-6TR). |
| | <u>The Public Service</u> (GAO/OCG-93-7TR). |

| | |
|---|---|
| **Program Areas** | <u>Health Care Reform</u> (GAO/OCG-93-8TR). |
| | <u>National Security Issues</u> (GAO/OCG-93-9TR). |
| | <u>Financial Services Industry Issues</u> (GAO/OCG-93-10TR). |
| | <u>International Trade Issues</u> (GAO/OCG-93-11TR). |
| | <u>Commerce Issues</u> (GAO/OCG-93-12TR). |
| | <u>Energy Issues</u> (GAO/OCG-93-13TR). |

Transportation Issues (GAO/OCG-93-14TR).

Food and Agriculture Issues
(GAO/OCG-93-15TR).

Environmental Protection Issues
(GAO/OCG-93-16TR).

Natural Resources Management Issues
(GAO/OCG-93-17TR).

Education Issues (GAO/OCG-93-18TR).

Labor Issues (GAO/OCG-93-19TR).

Health and Human Services Issues
(GAO/OCG-93-20TR).

Veterans Affairs Issues (GAO/OCG-93-21TR).

Housing and Community Development
Issues (GAO/OCG-93-22TR).

Justice Issues (GAO/OCG-93-23TR).

Internal Revenue Service Issues
(GAO/OCG-93-24TR).

Foreign Economic Assistance Issues
(GAO/OCG-93-25TR).

Foreign Affairs Issues (GAO/OCG-93-26TR).

NASA Issues (GAO/OCG-93-27TR).

General Services Issues (GAO/OCG-93-28TR).

Foreign Affairs Issues (GAO/OCG-93-26TR).

NASA Issues (GAO/OCG-93-27TR).

General Services Issues (GAO/OCG-93-28TR).

## Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20877

or visit:

Room 1000
700 4th St., NW (Corner of 4th & G Sts., NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000 or by using FAX number (301) 258-4066.

United States
General Accounting Office
Washington, D.C. 20548

Official Business
Penalty for Private Use $300