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MANAGING FOR RESULTS

Next Steps to Improve the Federal Government's Management and Performance

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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the President's Management Agenda to improve the management and performance of the federal government. The federal government is one of the largest, most complex, and diverse organizations in the world, facing a wide range of challenges in responding to a number of key trends, such as globalization, changing security threats, and demographic changes. Especially in light of the tragic events of September 11, federal agencies will need to work better with other governmental organizations, nongovernmental organizations, and the private sector, both domestically and internationally, to achieve results. Focusing on accountable, results-oriented management can help the federal government use this network to deliver economical, efficient, and effective programs and services to the American people.

My central point today is that the administration's plan to use the Executive Branch Management Scorecard to highlight agencies' progress in achieving management and performance improvements embodied in the President's Management Agenda is a promising first step. However, it is important to recognize that many of the challenges the federal government faces are long-standing and complex, and will require sustained attention. Therefore, as this subcommittee has emphasized by the topic of this hearing, the value of the scorecards is not in the scoring, but in the degree to which scores lead to sustained focus and demonstrable improvements. This will depend on continuing efforts to assess progress and maintain accountability to ensure that agencies are able to, in fact, improve their performance.

As agreed with the subcommittee, my statement today will:

- discuss the administration's scorecard approach to address five crosscutting management initiatives,
- describe the key elements that our work suggests are particularly important in implementing and sustaining management improvement initiatives so that they genuinely take root and eventually solve the problems they are intended to fix, and
- highlight the need for transparency and congressional oversight to provide the continuing attention needed to improve management and performance across the federal government.

The Administration's Scorecard Provides a Starting Point for Improving Federal Management

The objective of the Executive Branch Management Scorecard is to provide a tool that can be used to track progress in achieving the President's Management Agenda. Using broad standards, the scorecards in the president's budget grade agencies' performance regarding five governmentwide initiatives, which are:

- strategic management of human capital,
- competitive sourcing,
- improved financial performance,
- expanded electronic government, and
- budget and performance integration.

Central to effectively addressing the federal government's management problems is recognition that the five governmentwide initiatives cannot be addressed in an isolated or piecemeal fashion separate from the other major management challenges and high-risk areas facing federal agencies.[1] As stated in the President's Management Agenda, they are mutually reinforcing. More generally, the initiatives must be addressed in an integrated way to ensure that they drive a broader transformation of the cultures of federal agencies. At its essence, this cultural transformation must seek to have federal agencies become less hierarchical, process oriented, stovepiped, and inwardly focused; and more flat, partnerial, results oriented, integrated, and externally focused.

The focus that the administration's scorecard approach brings to improving management and performance is certainly a step in the right direction. As we have seen by your example, Chairman Horn, in calling attention to agencies' financial management, the year 2000 computer concerns, and computer security issues by grading agencies on their progress, this approach can create an incentive to improve management and performance. Similarly, we have found that our high-risk list has provided added emphasis on government programs and operations that warrant urgent attention to ensure our government functions in the most economical, efficient, and effective manner possible.

[1] U.S. General Accounting Office, *DOD Financial Management: Integrated Approach, Accountability, and Incentives Are Keys to Effective Reform*, GAO-01-681T (Washington, D.C.: May 8, 2001).

The President's Management Agenda focuses on important challenges for the federal government. The items on the agenda are consistent in key aspects with the federal government's statutory framework of financial management, information technology, and results-oriented management reforms enacted during the 1990s. In crafting that framework, Congress sought to provide a basis for improving the federal government's effectiveness, financial condition, and operating performance.[2] Moreover, I believe it is worth noting the clear linkages between the five governmentwide initiatives and the nine program-specific initiatives identified by the administration, and the high-risk areas and major management challenges that were covered in GAO's January 2001 Performance and Accountability Series and High-Risk Update.[3] For example, we have designated strategic human capital management as a governmentwide high-risk area that presents a pervasive challenge throughout the federal government, and this is also one of the president's governmentwide initiatives. Our work has found strategic human capital management challenges in four key areas, which are:

- strategic human capital planning and organizational alignment;
- leadership continuity and succession planning;
- acquiring and developing staffs whose size, skills, and deployment meet agency needs; and
- creating results-oriented organizational cultures.

In the area of improved financial performance, we have continued to point out that the federal government is a long way from successfully implementing the statutory reforms Congress enacted during the 1990s. Widespread financial management system weaknesses, poor recordkeeping and documentation, weak internal controls, and the lack of cost information have prevented the government from having the information needed to effectively and efficiently manage operations or accurately report a large portion of its assets, liabilities, and costs. Agencies need to take steps to continuously improve internal control and underlying financial and management information systems to ensure that

[2] U.S. General Accounting Office, *Managing for Results: The Statutory Framework for Performance-Based Management and Accountability*, GAO/GGD/AIMD-98-52 (Washington, D.C.: Jan. 28, 1998).

[3] U.S. General Accounting Office, *Performance and Accountability Series*, GAO-01-241 through 262 (Washington, D.C.: January 2001). U.S. General Accounting Office, *High-Risk Series: An Update*, GAO-01-263 (Washington, D.C.: January 2001).

managers and other decision makers have reliable, timely, and useful financial information to ensure accountability; measure, control, and manage costs; manage for results; and make timely and fully informed decisions about allocating limited resources.

Another of the administration's initiatives is to integrate performance review with budget decisions, with a long-term goal of using information about program results in making decisions about which programs should continue and which to terminate or reform. The Office of Management and Budget (OMB) has changed the presentation of the president's budget to provide added focus on whether programs are effective, and a management focus is present throughout the budget document's discussions of the agencies. In our observations of agencies' efforts to implement the Government Performance and Results Act (GPRA) and the Chief Financial Officers Act, more agencies were able to show a direct link between expected performance, resources requested, and resources consumed.[4] These linkages help promote agencywide performance management efforts and increase the need for reliable budget and financial data. However, our work has also shown that additional effort is needed to clearly describe the relationship between performance expectations, requested funding, and consumed resources. The uneven extent and pace of development should be seen in large measure as a reflection of the mission complexity and variety of operating environments across federal agencies. Describing the planned and actual use of resources in terms of measurable accurate results remains an essential action that will continue to require time and effort on the part of all agencies, working with OMB and Congress.

The administration has identified areas where it believes the opportunity to improve performance is greater. However, as stated in the president's budget, "The marks that really matter will be those that record improvement, or lack of it, from these starting points." The administration has pledged to update the scores twice a year and to issue a mid-year report during the summer. Updates and future reports will be important in ensuring that progress continues as agencies attempt to improve their performance. It is key that rigorous criteria be applied to ensure that, in fact, progress has been made.

[4] U.S. General Accounting Office, *Managing for Results: Agency Progress in Linking Performance Plans With Budgets and Financial Statements*, GAO-02-236 (Washington, D.C.: Jan. 4, 2002).

Key Elements in Implementing and Sustaining Management Reforms

According to the administration, the President's Management Agenda is a starting point for management reform. As such, we have drawn upon our wide-ranging work on federal management issues to identify elements that are particularly important in implementing and sustaining management improvement initiatives. These elements include: (1) demonstrate leadership and accountability for change, (2) integrate management improvement initiatives into programmatic decision making, (3) use thoughtful and rigorous planning to guide decisions, (4) involve and empower employees to build commitment and accountability, (5) align organizations to streamline operations and clarify accountability, and (6) maintain strong and continuing congressional involvement (which will be covered in the next section).[5] These six elements have applicability for individual federal agencies, and the central management agencies, each of which plays a fundamental part in implementing reforms and improving federal government performance.

Demonstrate Leadership and Accountability For Change

One of the most important elements of successful management improvement initiatives is the demonstrated, sustained commitment of top leaders to change. Top leadership involvement and clear lines of accountability for making management improvements are critical to ensuring that the difficult changes that need to be made are effectively implemented throughout the organization. The unwavering commitment of top leadership in the agencies will be especially important to overcoming organizations' natural resistance to change, marshalling the resources needed in many cases to improve management, and building and maintaining the organizationwide commitment to new ways of doing business.

Sustaining top leadership commitment to improvement is particularly challenging in the federal government because of the frequent turnover of senior agency political officials. As a result, sustaining improvement initiatives requires commitment by senior career executives, as well as political leaders. Career executives can help provide the long-term focus needed to institutionalize reforms that political executives' often more limited tenure does not permit.

[5] U.S. General Accounting Office, *Management Reform: Elements of Successful Improvement Initiatives*, GAO/T-GGD-00-26 (Washington, D.C.: Oct. 15, 1999).

The Office of Personnel Management's (OPM) amended regulations that place increased emphasis on holding senior executives accountable for organizational goals provide an opportunity to reinforce leadership and accountability for management improvement. Specifically, the amended regulations require agencies to hold executives accountable for results; appraise executive performance on those results balanced against other dimensions, including customer satisfaction and employee perspectives; and use those results as the basis for performance awards and other personnel decisions. Agencies were to implement their policies for the senior executives for the appraisal cycles that began in 2001.

Although the respective departments and agencies must have the primary responsibility and accountability to address their own issues, leaders of the central management agencies have the responsibility to keep everyone focused on the big picture by identifying the key issues across the government and ensuring that related efforts are complementary rather than duplicative. The top leadership of OMB, OPM, the General Services Administration (GSA), and the Department of the Treasury need to continue to be involved in developing and directing reform efforts, and helping to provide resources and expertise to further improve performance.

Integrate Management Improvement Initiatives into Programmatic Decision Making

To be successful, management improvement initiatives must be part of agencies' programs and day-to-day actions. Traditionally, the danger to any management reform is that it can become a hollow, paper-driven exercise where management improvement initiatives are not integrated into the day-to-day activities of the organization. The administration has recognized this danger and encouraged agency leaders to take responsibility for improving the day-to-day management of the government. Integrating management issues with budgeting is absolutely critical for progress in government performance and management. Such integration is obviously important to ensuring that management initiatives obtain the resource commitments needed to be successful. More generally, however, the budget process is the only annual process we have in government where programs and activities come up for regular review and reexamination. Integration also strengthens budget analysis by providing new tools to help analysts review the relative merits of competing agency claims and programs with the federal budget.

The management issues in the president's agenda have both governmentwide and agency-specific components. Those aspects of the problem that are governmentwide and cut across agency boundaries demand crosscutting solutions as well. Interagency councils such as the President's Management Council, Chief Financial Officers' Council, the Chief Information Officers' Council, the Human Resources Management Council, the President's Council on Integrity and Efficiency, and the Joint Financial Management Improvement Program can play central roles in addressing governmentwide management challenges. As I have noted in a previous testimony, interagency councils provide a means to help foster communication across the executive branch, build commitment to reform efforts, tap talents that exist within agencies, focus attention on management issues, and initiate improvements.[6]

Use Thoughtful and Rigorous Planning to Guide Decisions

The magnitude of the challenges that many agencies face call for thoughtful and rigorous planning to guide decisions about how to improve performance. We have found, for example, that annual performance plans that include precise and measurable goals for resolving mission-critical management problems are important to ensuring that agencies have the institutional capacity to achieve results-oriented programmatic goals. On the basis of our long experience examining agency-specific and governmentwide improvement efforts, we believe the improvement plans that agencies are to develop in conjunction with tracking their progress in achieving the goals of the President's Management Agenda should establish (1) clear goals and objectives for the improvement initiative, (2) the concrete management improvement steps that will be taken, (3) key milestones that will be used to track the implementation status, and (4) the cost and performance data that will be used to gauge overall progress in addressing the identified weaknesses.

While agencies will have to undertake the bulk of the effort in addressing their respective management weaknesses, the improvements needed have important implications for the central management agencies as well. OMB, OPM, GSA, and Treasury will need to remain actively engaged throughout the planning and implementation of the president's initiatives to ensure that agencies bring to bear the resources and capabilities to make real progress.

[6] U.S. General Accounting Office, *Government Management: Observations on OMB's Management Leadership Efforts*, GAO/T-GGD/AIMD-99-65 (Washington, D.C.: Feb. 4, 1999).

These four agencies, therefore, need to ensure that they have the capabilities in place to support and guide agencies' improvement efforts. These capabilities will be critical in helping agencies identify the root causes of their management challenges and pinpointing specific improvement actions, providing agencies with tools and additional support—including targeted investments where needed—to address shortcomings, and assisting agencies in monitoring and reporting progress. For example, OMB can assist agencies in developing and refining useful performance measures and ensuring that performance information is used in deliberations and key decisions regarding agencies' programs. OPM can provide tools for agencies to use in better gauging the extent to which federal employees understand the link between their daily activities and agencies' results. In this regard, OPM has announced a major internal restructuring effort driven in large part by the need to provide better support and resources to agencies.

Involve and Empower Employees to Build Commitment and Accountability

Agencies can improve their performance by the way that they treat and manage their people, building commitment and accountability through involving and empowering employees. All members of an organization must understand the rationale for making organizational and cultural changes because everyone has a stake in helping to shape and implement initiatives as part of agencies' efforts to meet current and future challenges. Allowing employees to bring their expertise and judgment to bear in meeting their responsibilities can help agencies capitalize on their employees' talents, leading to more effective and efficient operations and improved customer service. However, our most recent survey of federal managers found that at only one agency did more than half of the managers report that to a great or very great extent they had the decision-making authority they needed to help the agency accomplish its strategic goals.

Effective changes can only be made and sustained through the cooperation of leaders, union representatives, and employees throughout the organization. We believe that agencies can improve their performance, enhance employees' morale and job satisfaction, and provide a working environment where employees have a better understanding of the goals and objectives of their organizations and how they are contributing to the results that American citizens want. In that regard, our work has identified six practices that agencies can consider as they seek to improve their operations and respond to the challenges they are facing. [7] These are:

- demonstrating top leadership commitment;
- engaging employee unions;
- training employees to enhance their knowledge, skills, and abilities;
- using employee teams to help accomplish agency missions;
- involving employees in planning and sharing performance information; and
- delegating authorities to front-line employees.

Align Organizations to Streamline Operations and Clarify Accountability

Successful management improvement efforts often entail organizational realignment to better achieve results and clarify accountability. Agencies will need to consider realigning their organizations in response to the initiatives in the President's Management Agenda. For example, as competitive sourcing, e-government, financial management, or other initiatives lead to changes in how an agency does business, agencies may need to change how they are organized to achieve results.

In recent years, Congress has shown an interest in restructuring organizations to improve service delivery and program results and to address long-standing management weaknesses by providing authority and sharpening accountability for management. Most recently, Congress chartered the Transportation Security Administration in November 2001 and required:

- measurable goals to be outlined in a performance plan and their progress to be reported annually;

[7] U.S. General Accounting Office, *Human Capital: Practices That Empowered and Involved Employees*, GAO-01-1070 (Washington, D.C.: Sept. 14, 2001).

- an undersecretary who is responsible for aviation security, subject to a performance agreement, and entitled to a bonus based on performance; and
- a performance management system that included goals for managers and employees.

Transparency and Congressional Oversight Are Necessary to Achieve Results

In implementing the President's Management Agenda, it will be important to ensure that information is available so that Congress, other interested parties, and the public can assess progress and help to identify solutions to enhance improvement efforts. As stated in the president's budget, "The Administration cannot improve the federal government's performance and accountability on its own. It is a shared responsibility that must involve the Congress." Therefore, transparency will be crucial in developing an effective approach to making needed changes.

It will only be through the continued attention of Congress, the administration, and federal agencies that progress can be sustained and, more importantly, accelerated. Support from Congress has proven to be critical in sustaining interest in management initiatives over time. Congress has, in effect, served as the institutional champion for many of these initiatives, providing a consistent focus for oversight and reinforcement of important policies.

Making pertinent and reliable information available will be necessary for Congress to be able to adequately assess agencies' progress and to ensure accountability for results. Key information to start with includes the agencies' improvement plans that are being developed to address the agencies' scores. Congress can use these improvement plans to engage agencies in discussions about progress that is being made, additional steps that need to be taken, and what additional actions Congress can take to help with improvement efforts.

More generally, effective congressional oversight can help improve federal performance by examining the program structures agencies use to deliver products and services to ensure that the best, most cost-effective mix of strategies are in place to meet agency and national goals. As part of this oversight, Congress can identify agencies and programs that address similar missions and consider the associated policy, management, and policy implications of these crosscutting programs. This will present challenges to the traditional committee structures and processes. A continuing issue for Congress to consider is how to best focus on common

results when mission areas and programs cut across committee jurisdictions.

Conclusions

In summary, Mr. Chairman, serious and disciplined efforts are needed to improve the management and performance of federal agencies. Highlighting attention through the President's Management Agenda and the Executive Branch Management Scorecards are steps in the right direction. At the same time, it is well recognized that consistent progress in implementing these initiatives will be the key to achieving improved performance across the federal government. In implementing the President's Management Agenda, the elements highlighted during this testimony should be considered and adapted as appropriate in view of the fact that experience has shown that when these elements are in place lasting management reforms are more likely to be implemented that ultimately lead to improvements. Finally, Congress must play a crucial role in helping develop and oversee management improvement efforts throughout the executive branch. Congress has proven to be critical in sustaining management reforms by monitoring implementation and providing the continuing attention necessary for management reform initiatives to be carried through to their successful completion.

Mr. Chairman, we are pleased that you and your colleagues in Congress have often turned to GAO for assistance on federal management issues and we look forward to continuing to assist Congress and agencies in this regard. We have issued a large body of reports, guides, and tools on issues directly relevant to the President's Management Agenda. We will be issuing additional such products in the future that should prove also helpful to Congress and agencies in improving federal management and performance.

This concludes my prepared statement. I would be pleased to respond to any questions that you or other members of the subcommittee may have.

Contacts and Acknowledgment

For further contacts regarding this testimony, please contact J. Christopher Mihm at (202) 512-6806. Individuals making key contributions to this testimony included Jacqueline Nowicki, Susan Ragland, and Aonghas St Hilaire.

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