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MANAGING FOR RESULTS

Observations on OMB's September 1997 Strategic Plan

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Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to provide our observations on the Office of Management and Budget's (OMB) strategic plan submitted to the Congress on September 30, 1997. As you requested, our testimony today will discuss how well this strategic plan addresses the Government Performance and Results Act (the Results Act) requirements. We will also identify some of the challenges remaining for OMB to address in future planning efforts.

The Results Act is intended to improve the efficiency and effectiveness of federal programs by establishing a system to set goals for program performance and to measure results. Specifically, the Act requires executive agencies to prepare multiyear strategic plans, annual performance plans, and annual performance reports. OMB has a crucial and multifaceted role to play in the successful implementation of the Results Act. Under the Act, OMB is charged with overseeing and guiding agencies' strategic and annual performance planning and reporting. OMB has also prepared its own strategic plan based on Results Act requirements. OMB's strategic plan is important as both a statement of the agency's objectives and to underscore to other federal agencies the importance of effectively implementing the Results Act.

Our comments today are based on our review of OMB's strategic plan and our body of work on OMB and the issues the agency is responsible for addressing. In July 1997, OMB prepared a draft strategic plan, and we reviewed it to assess whether it met Results Act requirements and provided information useful for congressional decision-making.¹ On September 30, 1997, we obtained the strategic plan OMB submitted to the Congress to comply with the Results Act. Our testimony will provide preliminary observations on the September plan.

Since the July draft, OMB has made changes to the plan based on its continuing planning efforts, congressional consultations, and comments from others. Overall, OMB's September plan addresses all required elements of the Results Act and reflects several of the enhancements we suggested in our review of the July draft. Specific improvements include (1) goals and objectives that show a clearer results-orientation, (2) more clearly defined strategies for achieving these goals and objectives, and (3) an increased recognition of some of the crosscutting issues OMB needs

¹The Results Act: Observations on the Office of Management and Budget's July 1997 Draft Strategic Plan (GAO/AIMD/GGD-97-169R, Aug. 21, 1997).

to address. However, additional enhancements to several of the plan's required elements and a fuller discussion of major management challenges confronting the federal government could help make the plan more useful to the Congress and OMB. For example, the plan could provide a more explicit discussion of OMB's strategies on such subjects as information technology, high-risk issues, overlap among federal missions and programs, and strengthening program evaluation.

OMB's strategic plan indicates that the agency will use its annual performance plan, the governmentwide performance plan, other functional management plans, and the President's Budget to provide additional information about how it plans to address some of these and other critical management issues. To support the needs of this and other committees, we will continue to review OMB's plans and proposals as additional detail concerning objectives, time frames, and priorities is established. Our intention is to apply an integrated perspective in looking at these plans, consistent with the intent of the Results Act, to ensure that OMB achieves the results expected by its statutory authorities.

Background

Since its creation in 1970, OMB has had two distinct but parallel roles. OMB serves as a principal staff office to the President by preparing the President's budget, coordinating the President's legislative agenda, and providing policy analysis and advice. The Congress has also assigned OMB specific responsibilities for ensuring the implementation of a number of statutory management policies and initiatives. Most importantly, it is the cornerstone agency for overseeing a framework of recently enacted financial, information resources, and performance management reforms designed to improve the effectiveness and responsiveness of federal departments and agencies. This framework includes the 1995 Paperwork Reduction Act and the 1996 Clinger-Cohen Act; the 1990 Chief Financial Officers Act, as expanded by the 1994 Government Management Reform Act; and the 1993 Government Performance and Results Act.

OMB faces perennial challenges in carrying out these and other management responsibilities in an environment where its budgetary role necessarily remains a vital and demanding part of its mission. OMB's resource management offices (RMOs) have integrated responsibilities for examining agency management, budget, and policy issues. The RMOs are supported by three statutory offices whose responsibilities include developing governmentwide management policies: the Office of Federal Financial Management, the Office of Federal Procurement Policy, and the

Office of Information and Regulatory Affairs. In fiscal year 1996, OMB obligated \$56 million and employed over 500 staff to carry out its budget and management responsibilities.

The Results Act requires a strategic plan that includes six elements: (1) a comprehensive agency mission statement, (2) long-term goals and objectives for the major functions and operations of the agency, (3) approaches or strategies to achieve goals and objectives and the various resources needed to do so, (4) a discussion of the relationship between long-term goals/objectives and annual performance goals, (5) an identification of key external factors beyond agency control that could significantly affect achievement of strategic goals, and (6) a description of how program evaluations were used to establish or revise strategic goals and a schedule for future program evaluations.

Although OMB's July draft included elements addressing its mission, goals and objectives, strategies, and key external factors affecting its goals, we suggested that these elements could be enhanced to better reflect the purposes of the Results Act and to more explicitly discuss how OMB will achieve its governmentwide management responsibilities. Furthermore, the July draft plan did not contain a discussion of two elements required under the Results Act: (1) the relationship between the long-term and annual performance goals and (2) the use of program evaluation in developing goals.

OMB's Strategic Plan Reflects the Purposes of the Results Act, but Challenges Remain

The structural and substantive changes OMB made to its July 1997 strategic plan constitute a significant improvement in key areas. In general, OMB's revised plan provides a more structured and explicit presentation of its objectives, strategies, and the influence of external factors. Each objective contains a discussion of these common elements, facilitating an understanding of OMB's goals and strategies. OMB's September plan addresses the six required elements of the Results Act. At the same time, enhancements could make the plan more useful to OMB and the Congress in assessing OMB's progress in meeting its goals.

The September plan's mission statement recognizes both OMB's statutory responsibilities and its responsibilities to advise the President, and the goals and objectives are more results-oriented and comprehensive than in the July draft. For example, the plan contains a new, results-oriented objective—"maximize social benefits of regulation while minimizing the costs and burdens of regulation"—for its key statutory responsibility

regarding federal regulation review. The breadth of OMB's mission makes it especially important that OMB emphasize well-defined and results-oriented goals and objectives that address OMB's roles in both serving the President and overseeing the implementation of statutory governmentwide management policies.

OMB more clearly defines its strategies for reaching its objectives in the September plan, particularly with regard to some of its management objectives. For example, in the draft plan, OMB did not discuss the accomplishments needed to fulfill its statutory procurement responsibilities. In contrast, the September plan lays out OMB's long-term goal to achieve a federal procurement system comparable to those of high performing commercial enterprises. It says that OMB will identify annual goals to gauge OMB's success, and discusses the means and strategies (such as working with agencies to promote the use of commercial buying practices) it will use to accomplish this goal. OMB also commits to working with the Federal Acquisition Regulation Council to revise regulations and publish a best practices document. In the area of regulatory reform, OMB also commits to improving the quality of data and analyses used in regulatory decision-making and to developing a baseline measure of the net benefits for Federal regulations. OMB's clear and specific description of its strategies for its procurement and regulatory review objectives could serve as models for developing strategies for its Results Act and crosscutting objectives.

Although strategies to provide management leadership in certain areas are more specific, other strategies could benefit from a clearer discussion of time frames, priorities, and expected accomplishments. For example, to meet its objective of working within and across agencies to identify solutions to mission-critical problems, OMB states it will work closely with agencies and a list of other organizations to resolve these issues. However, OMB does not describe specific problems it will seek to address in the coming years or OMB's role and strategies for solving these issues.

In defining its mission, goals and objectives, and strategies, OMB's plan recognizes its central role in "managing the coordination and integration of policies for cross-cutting interagency programs." The plan states that in each year's budget, major crosscutting and agency-specific management initiatives will be presented along with approaches to solving them. The plan also provides a fuller discussion than was included in the July draft of the nature and extent of interagency groups that OMB actively works with in addressing a variety of functional management issues. Specific

functional management areas, such as procurement, financial, and information management, are incorporated as long-term objectives.

However, OMB's plan could more specifically address how OMB intends to work with agencies to resolve long-standing management problems and high-risk issues with governmentwide implications.² For example, in the information management area, OMB's September plan refers to critical information technology issues, but it does not provide specific strategies for solving these issues. OMB discusses the ability of agencies' computer systems to accommodate dates beyond 1999 (the Year 2000 problem) as a potential performance measure and states how it will monitor agencies' progress. However, the plan does not describe any specific actions OMB will take to ensure this goal is met. We have previously reported on actions OMB needs to take to implement sound technology investment in federal agencies.³ In a related area, OMB has elsewhere defined strategies and guidance for agency capital plans that are not explicitly discussed in the strategic plan.

With respect to programmatic crosscutting issues, questions dealing with mission and program overlap are discussed only generically as components of broader objectives (such as working with agencies to identify solutions or to carry out the Results Act). The Congress and a large body of our work have identified the fragmented nature of many federal activities as the basis for a fundamental reexamination of federal programs and structures. Our recent report identified fragmentation and overlap in nearly a dozen federal missions and over 30 programs.⁴ Such unfocused efforts can waste scarce funds, confuse and frustrate program customers, and limit overall program effectiveness. The OMB plan states that the governmentwide performance plan, which OMB must prepare and submit as part of its responsibilities under the Results Act, will provide the "context for cross-cutting analyses and presentations," but provides no additional specification.

OMB's strategic plan also does not explicitly discuss how goals and objectives will be communicated to staff and how staff will be held accountable. For example, OMB's plan states that OMB staff are expected to

²High-Risk Series: An Overview (GAO/HR-97-1, Feb. 1997).

³Information Technology Investment: Agencies Can Improve Performance, Reduce Costs, and Minimize Risks (GAO/AIMD-96-64, Sept. 30, 1996) and High-Risk Series: Information Management and Technology (GAO/HR-97-9, Feb. 1997).

⁴Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap (GAO/AIMD-97-146, Aug. 29, 1997).

provide leadership for and to be catalysts within interagency groups. Yet, the plan does not explain how OMB's managers and staff will be made aware of and held accountable for this or other strategies for achieving OMB's goals. As we noted in our review of the July draft plan, OMB's staff and managers have a wide and expanded scope of responsibilities, and many of OMB's goals depend on concerted actions with other agencies. In particular, tackling crosscutting issues will also require extensive collaboration between offices and functions within OMB, which the plan could discuss in more detail. In this environment, communicating results and priorities and assigning responsibility for achieving them are critical.

The September plan more consistently discusses the relationship between annual and long-term goals as part of a discussion of each of its objectives. The plan provides useful descriptions of the performance measures OMB may use to assess its progress in its annual performance plan. For example, the plan suggests that "clean audit opinions" could measure how OMB is achieving its objective in the area of financial management. Such efforts are noteworthy because some of OMB's activities, such as developing the President's budget or coordinating the administration's legislative program, present challenges for defining quantifiable performance measures and implementation schedules.

Although the September plan provides a more consistent and thorough treatment of key external factors in achieving its goals, OMB could explain how it can mitigate the consequences of these factors. For example, OMB states that its goal of ensuring timely, accurate, and high-quality budget documents depends on the accuracy and timeliness of agency submissions of technical budget information. However, there is a role for OMB in assisting agencies to improve the accuracy and timeliness of data, particularly for such complex issues as estimating subsidy costs for loan and loan guarantee programs.

OMB's discussion of program evaluation could provide more information about how evaluations were used in developing its plan and how evaluations will be used to assess OMB's and federal agencies' capacity and progress in achieving the purposes of the Results Act. In preparing its strategic plan, OMB states that it reviewed and considered several studies of its operations prepared by OMB, GAO, and other parties. The plan also states that OMB will continue to prepare studies of its operational processes, organizational structures, and workforce utilization and effectiveness. However, OMB does not indicate clearly how prior studies were used, and OMB does not provide details on a schedule for its future

studies, both of which are required by the Results Act. OMB officials have said it would be worthwhile to more fully discuss the nature and dimension of program evaluation in the context of the Results Act. As we noted in our review of the July draft plan, evaluations are especially critical for providing a source of information for the Congress and others to ensure the validity and reasonableness of OMB's goals and strategies and to identify factors likely to affect the results of programs and initiatives.

A clearer discussion of OMB's responses to and plans for future evaluations could also provide insight into how the agency intends to address its major internal management challenges. For example, a critical question facing OMB is whether the approach it has adopted toward integrating management and budgeting, as well as its implementation of statutory management responsibilities, can be sustained over the long term. In view of OMB's significant and numerous management responsibilities and the historic tension between the two concepts—of integrating or segregating management and budget responsibilities—we believe it is important that OMB understand how the reorganization has affected its capacity to provide sustained management leadership.⁵

In our 1995 review of OMB's reorganization, we recommended that OMB review the impact of its reorganization as part of its planned broader assessment of its role in formulating and implementing management policies for the government.⁶ We suggested that the review focus on specific concerns that need to be addressed to promote more effective integration, including (1) the way OMB currently trains its program examiners and whether this is adequate given the additional management responsibilities assigned to these examiners and (2) the effectiveness of the different approaches taken by OMB in the statutory offices to coordinate with its resource management offices and provide program examiners with access to expertise. In commenting on our recommendation, OMB agreed that its strategic planning process offered opportunities to evaluate this initiative and could address issues raised by the reorganization. Although OMB's plan states that it will increase the opportunities for all staff to enhance their skills and capabilities, it does not describe the kinds of knowledge, skills, and abilities needed to accomplish its mission nor a process to identify alternatives to best meet those needs.

⁵Managing the Government: Revised Approach Could Improve OMB's Effectiveness (GAO/GGD-89-65, May 4, 1989).

⁶Office of Management and Budget: Changes Resulting From the OMB 2000 Reorganization (GAO/GGD/AIMD-96-50, Dec. 29, 1995).

In summary, OMB has made significant improvements in its strategic plan. However, much remains to be done in improving federal management. We will be looking to OMB to more explicitly define its strategies to address important management issues and work with federal agencies and the Congress to resolve these issues.

Mr. Chairman, this concludes our statement this morning. We would be pleased to respond to any questions you or other Members of the Subcommittee may have.

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