TransFORMATION

• What?
• Why?
• Who?
• How?
• When?
Webster’s definition

An act, process, or instance of change in structure appearance, or character

A conversion, revolution, makeover, alteration, or renovation
The Case for Change

• Government is on a “burning platform,” and the status quo way of doing business is unacceptable for a variety of reasons, including:

  • Rising public expectations for demonstrable results and enhanced responsiveness
  • Selected trends and challenges having no boundaries
  • Past fiscal trends and significant long-range challenges
  • Additional resource demands due to recent terrorism events in the United States
  • Government performance/accountability and high risk challenges, including the lack of effective human capital strategies
<table>
<thead>
<tr>
<th>High Risk Areas</th>
<th>Year Designated High Risk</th>
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<tbody>
<tr>
<td><strong>Addressing Governmentwide High-Risk Areas</strong></td>
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<td>Strategic Human Capital Management</td>
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<td>Information Security Weaknesses</td>
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<td><strong>Ensuring Major Technology Investments Improve Services</strong></td>
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<td>FAA Air Traffic Control Modernization</td>
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<td><strong>Providing Basic Financial Accountability</strong></td>
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<td>DOD Financial Management</td>
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<td>IRS Financial Management</td>
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<td><strong>Reducing Inordinate Program Management Risks</strong></td>
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<td>Medicare</td>
<td>1990</td>
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<tr>
<td>Supplemental Security Income</td>
<td>1997</td>
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<td>Earned Income Credit Noncompliance</td>
<td>1995</td>
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<tr>
<td>Collection of Unpaid Taxes</td>
<td>1990</td>
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<tr>
<td>DOD Infrastructure Management</td>
<td>1997</td>
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<td>DOD Inventory Management</td>
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<td>U.S. Postal Service Long-Term Outlook and Transformation</td>
<td>2001</td>
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<td>HUD Single-Family Mortgage Insurance and Rental Housing Assistance Programs</td>
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<td>Student Financial Aid Programs</td>
<td>1990</td>
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<td>Asset Forfeiture Programs</td>
<td>1990</td>
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<tr>
<td><strong>Managing Large Procurement Operations More Efficiently</strong></td>
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<td>DOD Weapon Systems Acquisition</td>
<td>1990</td>
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<td>DOD Contract Management</td>
<td>1992</td>
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<td>Department of Energy Contract Management</td>
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<td>NASA Contract Management</td>
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Composition of Federal Spending

<table>
<thead>
<tr>
<th>Year</th>
<th>Defense</th>
<th>Social Security</th>
<th>Medicare &amp; Medicaid</th>
<th>Net Interest</th>
<th>Other</th>
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</thead>
<tbody>
<tr>
<td>FY 1962</td>
<td>31%</td>
<td>50%</td>
<td>13%</td>
<td>6%</td>
<td>1%</td>
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<tr>
<td>FY 1980</td>
<td>40%</td>
<td>23%</td>
<td>9%</td>
<td>8%</td>
<td>12%</td>
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<tr>
<td>FY 2000</td>
<td>31%</td>
<td>23%</td>
<td>18%</td>
<td>16%</td>
<td>12%</td>
</tr>
</tbody>
</table>

Legend:
- Blue: Defense
- Red: Social Security
- Light Blue: Medicare & Medicaid
- White: Net Interest
- Gray: Other
August 2001 Projection—Composition of Spending Under Save the Social Security Surpluses Simulation

- Percent of GDP

- Revenue

- 2000
- 2030
- 2050

- Net Interest
- Medicare & Medicaid
- Social Security
- All other spending
August 2001 Projection—Composition of Spending Under Eliminate the Unified Surpluses Simulation

Revenue

Percent of GDP

2000

2030

2050

Net Interest

Social Security

Medicare & Medicaid

All other spending
The Federal Workforce Shortage

Very Serious problem

Fairly serious problem

Just somewhat serious problem

Not a serious problem

Not sure

58% of non-federal workers are aware of federal recruitment problems; 49% know about retention problems.

(Hart/Teeter)
President’s Management Agenda

Government-wide Initiatives

• Strategic Management of Human Capital
• Competitive Sourcing
• Improved Financial Management
• Expanded Electronic Government
• Budget and Performance Integration
Who?

Government agencies, Entities, Functions and Standards

- GAO
- JFMIP
- Human Capital
- Sourcing
- Accounting/Auditing Standards

Professional Related Organizations

- CPAs and other accountability professionals
- AICPA
- INTOSAI
- Intergovernmental Audit Forum
- AGA
Key Enablers for Effective Performance Management

- People
- Process
- Technology

The most important of the three is **PEOPLE** — an agency’s human capital.
Revamp Human Capital Planning and Management Practices

• In January 2001, GAO cited strategic human capital management as a high-risk issue for the federal government.

• In August 2001, President Bush declared strategic human capital management as the first of five government-wide initiatives on his management agenda for FY 2002.

• Human capital challenges threaten the capacity of some agencies to perform missions economically, efficiently, and effectively both now and in the future.

• Government employees are not the problem. The problem is a lack of strategic planning, along with outdated policies and practices.

• GAO, OMB, OPM, and Congress have underscored the importance of this issue and we are starting to see progress in addressing this challenge, but much more needs to be done.
Effects of Responses to Budgetary Cuts, Downsizing, and Outsourcing

- Lack of strategic alignment
- Inadequate accountability for performance
- Skills imbalances
- Workload imbalances for remaining skilled workers
- Major succession planning challenges
- Outdated performance appraisal systems
- Reduced investments in people
Cultural Transformation: A New Model for Government Organizations

• Government organizations will need to become less hierarchical, process-oriented, stovepiped, and inwardly focused.
• They will need to become more partnerial, results-oriented, integrated, and externally focused.
• They will need to achieve a better balance between results, client/customer, and employee issues.
• They will need to work better with other governmental organizations, non-governmental organizations, and the private sector, both domestically and internationally, to achieve results.
Agencies With Lowest and Highest Percentages of Federal Managers Who Agreed on Selected Statements About Their Agencies’ Climates

Note: Percentage responding to a "great" or "very great" extent from the 28 agencies included in GAO survey.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Highest</th>
<th>Mean for all agencies</th>
<th>Lowest</th>
</tr>
</thead>
<tbody>
<tr>
<td>NSF</td>
<td>69</td>
<td>53</td>
<td>23</td>
</tr>
<tr>
<td>GSA</td>
<td>52</td>
<td>31</td>
<td>12</td>
</tr>
<tr>
<td>OPM</td>
<td>58</td>
<td>36</td>
<td>15</td>
</tr>
<tr>
<td>IRS</td>
<td>40</td>
<td>63</td>
<td>40</td>
</tr>
<tr>
<td>Forest Service</td>
<td>79</td>
<td>63</td>
<td>40</td>
</tr>
</tbody>
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Keys to Making Change Happen

• Commitment and sustained leadership
• Demonstrated need for change
• Process (e.g., employee involvement)
• Identifiable and measurable progress over time
• Communication, communication, communication

• Several other actions needed:
  • Organizational alignment
  • Core values
  • Strategic Plan
  • Recruiting, development, and succession planning strategies
  • Performance measurement and reward systems
GAO: Leading by Example

(Change, Performance, and Human Capital Management)

- Mission and vision clarification
- Core values: accountability, integrity, reliability
- Strategic planning
- Organizational realignment
- Multi-tasking and matrix management
- Procurement, contracting, and acquisition
- Human capital
- Information technology
- Knowledge management
- Financial management
- Client service/external agency relations
- Enhanced products and services
- Constructive engagement with agencies
- Partnering with other accountability organizations
Efforts to Address GAO’s Human Capital Challenges

Administrative

- Self-assessment checklist
- Human capital profile
- Workforce & succession planning
- Employee feedback survey & suggestion program
- Employee Advisory Council
- Enhanced employee communications & participation
- Skills & knowledge inventory
- Employee preference survey
- HQ realignment & field office restructuring

- Recruiting & college relations
- Training/development
- Recognition & rewards
- Flexitime & flexiplace
- Business casual dress & business cards
- Enabling technologies
- Opportunity/inclusiveness
- Mentor/buddy programs
- Commuting subsidy
- Competency-based employee appraisal system
- College loan repayment (pending)
Efforts to Address GAO’s Human Capital Challenges

Legislative

• Broadbanding system for mission staff
• Expedited hiring authority (e.g., internship program)
• Frequent flyer miles
• Special pay rates
• Senior level for technical staff
• Targeted early out and buyout authority
• Revised RIF rules
Competency-Based Performance Appraisal

Objectives of new system are to provide a:

• Clear link to our strategic plan and core values

• Fair, honest, accurate, and non-discriminatory assessment of performance based on standards that are valid, properly applied, and transparent to employees

• Sound basis for enhancing the performance capacity of all staff, rewarding high-performing staff, and dealing with “below expected” performers
Competency-Based Performance Management System

Succession Planning

Training

Promotions

Career Planning

Recruitment

Pay Decisions

Work Assignments

Performance Management

Competency Model

Achieving Results
Maintaining Client and Customer Focus
Developing People
Thinking Critically
Improving Professional Competence
Collaborating with Others
Presenting Information Orally
Presenting Information in Writing
Facilitating and Implementing Change
Representing GAO
Investing Resources
Leading Others
Strategic Human Capital Management: Next Steps

• Establish human capital as a top priority
• Transition to a modern and high performance oriented human capital system
• Develop and implement updated human capital policies, practices, and information systems

Employ a three-phased approach:

• Do everything administratively possible
• Seek incremental legislative changes when necessary and base them on a sound business case
• Begin to build a consensus for comprehensive civil service reform based on an analysis of existing workforce challenges and selected demonstration projects
JFMIP Principals Group

• **Members**
  - David M. Walker, Comptroller General of the United States (Chair)
  - Paul H. O’Neill, Secretary of the Treasury
  - Mitchell E. Daniels Jr., Director, Office of Management & Budget
  - Kay Coles James, Director, Office of Personnel Management

• **Major Recent Actions**
  - Definition of success in financial management
  - Composition of the FASAB
  - Accelerating Financial Statement Reporting
  - Social Insurance Issues
  - Audit Opinion Impediments
  - Other
Selected Areas for Review in Light of Enron

- Accounting/Reporting
- Auditing
- Corporate Governance
- Pensions
- Oversight
- Other
Yellowbook Independence Standards

- **Key Principles**
  - Auditors should not perform management functions or make management decisions
  - Auditors should not audit their own work or provide nonaudit services if such services are material to the subject matter of the audit

- **Additional Safeguards**
  - Personnel
  - Audit scope
  - Documentation
  - Quality assurance

- **Further Actions**
  - Audit committees
  - Financial statement disclosures
  - Other
When? Carpe Diem

The time to act is now!