



Highlights of [GAO-03-95](#), a report to Congress included as part of GAO's Performance and Accountability Series

## Why GAO Did This Report

In its 2001 Governmentwide Perspective, GAO identified operational challenges, such as the continuing need to implement management reforms, and discussed the need to address human capital and other strategic challenges, particularly the longer-term budget outlook. The information GAO presents in this report is intended to help sustain congressional attention in addressing the challenges government faces in doing business in the 21<sup>st</sup> century. This report is part of a special series of reports on governmentwide and agency-specific issues.

## What Remains to Be Done

To prepare for the future, the role of the federal government and how it does business must be transformed. The federal government must reexamine existing entitlement programs, other spending policies, and tax preferences, in order to help address its long-term fiscal challenges and create additional budgetary flexibility to meet current and emerging needs. Agencies must continue to build their fundamental management capabilities, resolve high-risk areas, and address their major management challenges in order to effectively address the nation's most pressing priorities and take advantage of emerging opportunities. For example, various parties should work together to continue to enact needed human capital reforms.

[www.gao.gov/cgi-bin/getrpt?GAO-03-95](http://www.gao.gov/cgi-bin/getrpt?GAO-03-95).

To view the full report, click on the link above. For more information, contact Victor S. Rezendes at (202) 512-6806 or [rezendesv@gao.gov](mailto:rezendesv@gao.gov).

## A Governmentwide Perspective

### What GAO Found

The federal government is in a period of profound transition and faces an array of challenges and opportunities to enhance performance, ensure accountability, and position the nation for the future. Several major trends, including diffuse security threats and national preparedness, globalization, a shift to knowledge-based economies, and advances in science and technology, drive the need for federal agencies to transform their cultures and operations. Any examination of what the federal government can accomplish also must consider long-range fiscal and demographic pressures that affect the long-term outlook. The retirement of the baby boom generation and rising health care costs threaten to overwhelm our nation's finances. A fundamental reassessment of government programs and activities can help address our long-range fiscal challenges and weed out programs that are outdated or ineffective and update needed programs so that they are better aligned, well targeted, and efficient.

Some agencies have begun transformation efforts to fundamentally change their cultures to become more results-oriented, customer-focused, and collaborative in nature. For example, the U.S. Postal Service in its long-term outlook and transformation, which continue to be high risk, faces challenges in managing its finances, human capital, and infrastructure. In addition, the Internal Revenue Service has a multifaceted effort to transform its operations under way and the Department of Defense is in the process of transforming and improving its business operations.

Establishing the Department of Homeland Security (DHS) also provides a unique challenge and opportunity to transform government. GAO has designated implementing and transforming DHS as high risk for three reasons. First, the implementation and transformation of DHS is an enormous undertaking that will take time to achieve in an effective and efficient manner. Second, components being merged into DHS already face a wide array of existing challenges. Finally, failure to effectively carry out its mission would expose the nation to potentially very serious consequences.

Successful transformation efforts build upon the principals of effective management, including strategic planning; organizational alignment; human capital strategies; performance-based management and budgeting focused on results; and sound financial, information technology, acquisition, change, and knowledge management practices. The President's Management Agenda has focused agencies' efforts on achieving key management and performance improvements, and our work shows that agencies have made progress, although more needs to be done. There is no more important management reform than for agencies to transform their cultures to respond to the transition that is taking place in the role of government in the 21<sup>st</sup> century. Building on lessons learned, major programs and operations need urgent attention and transformation to ensure that the government functions in the most economical, efficient, and effective manner possible.