21st Century Transformation Challenges

The Honorable David M. Walker
Comptroller General of the United States

Excellence in Government Conference
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Three Key Change Concepts

**Candor:** To state the facts and speak the truth about the need for change and possible ways forward

**Courage:** To act and do the right thing even though it may be unpopular and counter-cultural

**Commitment:** To persist with the needed change effort until you prevail
The Case for Change

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

- Numerous government performance/accountability and high risk challenges
- Past fiscal trends and significant long-range challenges
- Selected trends and challenges having no boundaries
- Rising public expectations for demonstrable results and enhanced responsiveness
- Additional resource demands due to Iraq, Afghanistan, incremental homeland security needs, and recent natural disasters in the United States
- Outdated federal organizational structures, policies, and practices
## Major Reported Long-Term Fiscal Exposures ($ trillions)

<table>
<thead>
<tr>
<th>Exposures</th>
<th>2000</th>
<th>2006</th>
<th>% Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Explicit liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Publicly held debt</td>
<td>$6.9</td>
<td>$10.4</td>
<td>52</td>
</tr>
<tr>
<td>• Military &amp; civilian pensions &amp; retiree health</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Other</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Commitments &amp; contingencies</strong></td>
<td>0.5</td>
<td>1.3</td>
<td>140</td>
</tr>
<tr>
<td>• E.g., PBGC, undelivered orders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Implicit exposures</strong></td>
<td>13.0</td>
<td>38.8</td>
<td>197</td>
</tr>
<tr>
<td>• Future Social Security benefits</td>
<td>3.8</td>
<td>6.4</td>
<td></td>
</tr>
<tr>
<td>• Future Medicare Part A benefits</td>
<td>2.7</td>
<td>11.3</td>
<td></td>
</tr>
<tr>
<td>• Future Medicare Part B benefits</td>
<td>6.5</td>
<td>13.1</td>
<td></td>
</tr>
<tr>
<td>• Future Medicare Part D benefits</td>
<td>--</td>
<td>7.9</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$20.4</td>
<td>$50.5</td>
<td>147</td>
</tr>
</tbody>
</table>


Note: Estimates for Social Security and Medicare are at present value as of January 1 of each year, and all other data are as of September 30. Totals may not add due to rounding. Percentage increases are based on actual data and may differ from increases calculated from rounded data shown in table.
Potential Fiscal Outcomes


Revenues and Composition of Spending as a Share of GDP

Percent of GDP

Fiscal year

2006 2015 2030 2040

Net interest Social Security Medicare & Medicaid All other spending

Source: GAO’s January 2007 analysis.

Notes: AMT exemption amount is retained at the 2006 level through 2017 and expiring tax provisions are extended. After 2017, revenue as a share of GDP is held constant—implicitly assuming that action is taken to offset increased revenue from real bracket creep, the AMT, and tax-deferred retirement accounts.
# GAO’s High-Risk List 2007

## Addressing Challenges in Broad-based Transformations

<table>
<thead>
<tr>
<th>Challenge</th>
<th>Year Designated</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Strategic Human Capital Management¹</td>
<td>2001</td>
</tr>
<tr>
<td>• Managing Federal Real Property¹</td>
<td>2003</td>
</tr>
<tr>
<td>• Protecting the Federal Government’s Information Systems and the Nations’ Critical Infrastructures</td>
<td>1997</td>
</tr>
<tr>
<td>• Implementing and Transforming the Department of Homeland Security</td>
<td>2003</td>
</tr>
<tr>
<td>• Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security</td>
<td>2005</td>
</tr>
<tr>
<td>• DOD Approach to Business Transformation¹</td>
<td>2005</td>
</tr>
<tr>
<td>• DOD Business Systems Modernization</td>
<td>1995</td>
</tr>
<tr>
<td>• DOD Personnel Security Clearance Program</td>
<td>2005</td>
</tr>
<tr>
<td>• DOD Support Infrastructure Management</td>
<td>1997</td>
</tr>
<tr>
<td>• DOD Financial Management</td>
<td>1995</td>
</tr>
<tr>
<td>• DOD Supply Chain Management</td>
<td>1990</td>
</tr>
<tr>
<td>• DOD Weapon Systems Acquisition</td>
<td>1990</td>
</tr>
<tr>
<td>• FAA Air Traffic Control Modernization</td>
<td>1995</td>
</tr>
<tr>
<td>• Financing the Nation’s Transportation System¹ (New)</td>
<td>2007</td>
</tr>
<tr>
<td>• Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests¹ (New)</td>
<td>2007</td>
</tr>
<tr>
<td>• Transforming Federal Oversight of Food Safety¹ (New)</td>
<td>2007</td>
</tr>
</tbody>
</table>

## Managing Federal Contracting More Effectively

- DOD Contract Management
- DOE Contract Management
- NASA Contract Management
- Management of Interagency Contracting

## Assessing the Efficiency and Effectiveness of Tax Law Administration

- Enforcement of Tax Laws¹
- IRS Business Systems Modernization

## Modernizing and Safeguarding Insurance and Benefit Programs

- Modernizing Federal Disability Programs¹
- Pension Benefit Guaranty Corporation Single-Employer Pension Insurance Program
- Medicare Program¹
- Medicaid Program¹
- National Flood Insurance Program¹

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¹ Legislation is likely to be necessary, as a supplement to actions by the executive branch, in order to effectively address this high-risk area.

Source: GAO.
SERVING THE CONGRESS AND THE NATION
GAO’s STRATEGIC PLAN FRAMEWORK

MISSION

GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

THEMES

- Changing Security Threats
- Sustainability Concerns
- Economic Growth & Competitiveness
- Global Interdependency
- Societal Change
- Quality of Life
- Science & Technology

GOALS & OBJECTIVES

Provide Timely, Quality Service to the Congress and the Federal Government to . . .

- Health care needs
- Lifelong learning
- Work benefits and protections
- Financial security

- Effective system of justice
- Viable communities
- Natural resources use and environmental protection
- Physical infrastructure


- Homeland security
- Military capabilities and readiness

- Advancement of U.S. interests
- Global market forces

Help Transform the Federal Government’s Role and How It Does Business to Meet 21st Century Challenges by assessing . . .

- Roles in achieving federal objectives
- Government transformation

- Key management challenges and program risks
- Fiscal position and financing of the government

Maximize the Value of GAO by Being a Model Federal Agency and a World-Class Professional Services Organization in the areas of . . .

- Client and customer satisfaction
- Strategic leadership
- Institutional knowledge and experience

- Process improvement
- Employer of choice

CORE VALUES

<table>
<thead>
<tr>
<th>Accountability</th>
<th>Integrity</th>
<th>Reliability</th>
</tr>
</thead>
</table>

Source: GAO.
Selected Sustainability Challenges

- Fiscal
- Foreign Policy
- Education
- Energy
- Environment
- Health Care
- Immigration
- Iraq
1. Improve Financial Reporting, Public Education, and Performance Metrics

2. Strengthen Budget and Legislative Processes and Controls

3. Fundamentally Reexamine & Transform for the 21st Century (i.e., entitlement programs, other spending, and tax policy)

Solutions Require Active Involvement from both the Executive and Legislative Branches
Webster’s definition

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

A conversion, revolution, makeover, alteration, or renovation

Source: GAO.
The Objective of Transformation

To create a more positive future by maximizing value and mitigating risk within current and expected resource levels
Transformation: A New Model for Government Organizations

Government organizations will need to:

- Become less hierarchical, process-oriented, stovepiped, and inwardly focused
- Become more partnership-based, results-oriented, integrated, and externally focused
- Achieve a better balance between results, customer, and employee focus
- Work better with other governmental organizations, non-governmental organizations, and the private sector, both domestically and internationally, to achieve results
- Focus on maximizing value, managing risk and enhancing responsiveness within current and expected resource levels
Key Performance Measures

**Dimensions**
- Results
- Clients/customers
- People
- Partnerships

**Context**
- Absolute
- Trend
- Compared to Peers
The Need For Key National Indicators in the U.S.

- Federal spending exceeds $2.7 trillion annually
- Federal revenues reduced by more than $800 billion in tax preferences
- Agencies produce reams of regulations
- Most federal government policies and programs were created years ago
The Need For Key National Indicators in the U.S.

- **WHAT**: A portfolio of economic, social, and environmental outcome-based measures that could be used to help assess the nation’s and other governmental jurisdictions’ position and progress.

- **WHO**: Many countries and several states, regions, and localities have already undertaken related initiatives (e.g., Australia; New Zealand; Canada; United Kingdom; Oregon; Silicon Valley (California); Jacksonville (Florida); Boston (Massachusetts)).

- **WHY**: Development of such a portfolio of indicators could have a number of possible benefits, including:
  - Serving as a framework for related strategic planning efforts.
  - Enhancing performance and accountability reporting.
  - Informing public policy decisions, including much needed baseline reviews of existing government policies, programs, functions, and activities.
  - Facilitating public education and debate as well as an informed electorate.

- **WAY FORWARD**: Key players working through a consortium within a nonprofit organization receiving technical assistance from the National Academies domestically and OECD and others providing assistance internationally on related efforts.
Key National Indicators: Where the United States Ranks

The United States may be the only superpower, but compared to most other OECD countries on selected key economic, social, and environmental indicators, on average, the U.S. ranks 16 OUT OF 28

OECD Categories for Key Indicators
(2006 OECD Factbook)

- Population/Migration
- Energy
- Environment
- Quality of Life
- Macroeconomic Trends
- Labor Market
- Education
- Economic Globalization
- Prices
- Science & Tech.
- Public Finance

Source: 2006 OECD Factbook.
Provides background, framework, and questions to assist in reexamining the base

Covers entitlements and other mandatory spending, discretionary spending, and tax policies and programs

Based on GAO’s work for the Congress

Source: GAO.
Twelve Reexamination Areas

MISSION AREAS

- Defense
- Education & Employment
- Financial Regulation & Housing
- Health Care
- Homeland Security
- International Affairs
- Natural Resources, Energy & Environment
- Retirement & Disability
- Science & Technology
- Transportation

CROSSCUTTING AREAS

- Improving Governance
- Reexamining the Tax System
Generic Reexamination Criteria and Sample Questions

**Relevance of purpose and the federal role**
Why did the federal government initiate this program and what was the government trying to accomplish?

Have there been significant changes in the country or the world that relate to the reason for initiating it?

**Measuring success**
Are there outcome-based measures? If not, why?

If there are outcome-based measures, how successful is it based on these measures?

**Targeting benefits**
Is it well targeted to those with the greatest needs and the least capacity to meet those needs?

**Affordability and cost effectiveness**
Is it using the most cost-effective or net beneficial approaches when compared to other tools and program designs?

**Best practices**
Is the responsible entity employing prevailing best practices to discharge its responsibilities and achieve its mission?
Classification and Compensation System: Key Guiding Principles

- Enables GAO to attract and retain top talent
- Is reflective of the roles and responsibilities that we expect GAO staff to perform
- Is market-based, as well as skills, knowledge, and performance-oriented
- Conforms with applicable statutory limits
- Considers absolute and relative performance
- Tries to assure reasonable consistency in both ratings and related compensation results within and between teams
- Results in equal pay for work of equal value over time
- Helps to better target a finite amount of resources
- Is affordable today and sustainable in the future
## GAO’s Classification and Compensation Changes 1989 vs. 2006

<table>
<thead>
<tr>
<th>Strategy</th>
<th>1989</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guaranteed that no one would lose</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Automatically promoted some staff (e.g., from GS-13 to GS-14)</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Guaranteed across the board raises, even for unacceptable performers</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Gave some people the opportunity to earn more than the prior system</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Considered relative performance to a much greater extent</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Used “roles and responsibilities” studies for comparison</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Used market-based pay compensation studies to ensure competitiveness in markets where GAO has personnel</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Positively correlates pay with performance—within applicable pay caps</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Results in equal pay for work of equal value over time</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Is affordable and sustainable based on current and expected resource levels</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>
GAO’s Band II Restructuring Effort: Lessons To Be Shared

- Study the relative roles and responsibilities of the employees affected before determining the number of bands

- Conduct an independent market-based compensation study instead of relying on GS-pay ranges

- Design and implement a modern, effective, and credible performance management system that makes meaningful distinctions in performance
Keys to Making Change Happen

- Commitment and sustained leadership
- Demonstrated need for change (i.e., burning platform)
- Start at the top and with the new people (transformation takes 7+ years)
- Process matters (e.g., employee involvement)—Don’t fight a two-front war
- 15-percent rule
- Identifiable and measurable progress over time
- Communication, communication, communication
- Figure out what’s right versus what’s popular
- Patience, persistence, perseverance to pain before you prevail
Key Leadership Attributes Needed for These Challenging and Changing Times

• Courage
• Integrity
• Creativity
• Partnership
• Stewardship
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