

GAO

Testimony

Before the Committee on Government Reform and  
Oversight  
House of Representatives

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Not to Be Released  
Before 2:00 p.m. EST  
Thursday  
October 30, 1997

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MANAGING FOR RESULTS

Building on Agencies'  
Strategic Plans to Improve  
Federal Management

Statement for the Record by James F. Hinchman  
Acting Comptroller General of the United States



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# Managing for Results: Building on Agencies' Strategic Plans to Improve Federal Management

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Mr. Chairman and Members of the Committee:

I am pleased to be here today to discuss the strategic plans that agencies submitted to Congress and the Office of Management and Budget (OMB) in September and how Congress and the agencies can build on those plans to more effectively implement the Government Performance and Results Act, which is known as the Results Act or GPRA.

In recent years, governments around the world, including ours, have faced a citizenry that is demanding that government become at once more effective and less costly.<sup>1</sup> These twin demands are the broad forces behind the move to a performance-based approach to management in public sector organizations—the most important effort to improve government management in over a generation.

In my appearance before this Committee last February, I discussed the statutory framework that Congress has established as part of the federal government's response to the public's demands for improved federal management.<sup>2</sup> That framework, which was enacted under the leadership of this Committee and the Senate Committee on Governmental Affairs, includes as its essential elements the Chief Financial Officers (CFO) Act; information technology reform legislation, including the Paperwork Reduction Act of 1995 and the Clinger-Cohen Act of 1996; and the Results Act. If effectively implemented, this statutory framework promises to bring a more disciplined approach to federal management and to provide Congress and agency decisionmakers with vital information to better assess the performance and costs of federal programs.

I said in February that the agency strategic planning and congressional consultation process, which was just beginning at that point, provided an important opportunity to establish the foundation for making the needed improvements in federal management. Over the last several months, as agencies were developing their strategic plans, Congress and agencies have taken advantage of the consultation process to work together. Congress clearly underscored its commitment to the Results Act in the correspondence between the Speaker of the House, the Majority Leaders

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<sup>1</sup>See, for example, *Managing for Results: Experiences Abroad Suggest Insights for Federal Management Reform* (GAO/GGD-95-120, May 2, 1995); *Managing for Results: State Experiences Provide Insights for Federal Management Reforms* (GAO/GGD-95-22, Dec. 21, 1994); and *Government Reform: Goal-Setting and Performance* (GAO/AIMD/GGD-95-130R, Mar. 27, 1995).

<sup>2</sup>*Managing for Results: Using GPRA to Assist Congressional and Executive Branch Decisionmaking* (GAO/T-GGD-97-43, Feb. 12, 1997).

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**Statement  
Managing for Results: Building on Agencies'  
Strategic Plans to Improve Federal  
Management**

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of the Senate and House, and other senior Members of Congress and the Director of OMB on the Majority's expectations for consultation.

In addition to the many consultations and the feedback provided to agencies, congressional committees, particularly in the House, conducted numerous oversight hearings on agencies' progress in developing strategic plans. Signalling their commitment to improving federal management and implementing the Results Act, the Appropriations Committees have clearly indicated their intention to support and extend the use of agency goals and performance measures during the appropriations process. This should allow the Appropriations Committees to reap the byproducts of better management and better data for guiding budget decisions.

The active bipartisan engagement of Members and congressional staff unquestionably contributed to the progress that agencies have made in developing strategic plans. On the whole, these plans should prove useful to Congress in undertaking the full range of its appropriation, budget, authorization, and oversight responsibilities and to agencies in setting a general direction for their efforts. Nonetheless, agencies' strategic planning efforts, and more generally the implementation of the Results Act, are still very much a work in progress. The strategic plans that agencies recently provided to Congress and OMB are only the starting points for the broad transformation that is needed to successfully implement performance-based management, and, as expected, difficult implementation issues remain to be addressed.

At the request of this Committee and others in Congress, we have produced a large body of work in recent years that assessed agencies' efforts in beginning to implement the Results Act and highlighted the major implementation challenges that need to be addressed.<sup>3</sup> Most recently, Mr. Chairman, you and others in the Majority Leadership asked us to review agencies' draft strategic plans as well as their September submissions to Congress and OMB. In July and August, we issued separate reports on the draft plans that 27 agencies provided to Congress as part of the consultation process. We then issued a report summarizing our reviews of the draft plans, which highlighted the key planning issues that were most in need of sustained attention.<sup>4</sup> Not surprisingly, many of the key planning issues that emerged, such as the need to coordinate

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<sup>3</sup>See, for example, *The Government Performance And Results Act: 1997 Governmentwide Implementation Will Be Uneven* (GAO/GGD-97-109, June 2, 1997).

<sup>4</sup>*Managing for Results: Critical Issues for Improving Federal Agencies' Strategic Plans* (GAO/GGD-97-180, Sept. 16, 1997).

crosscutting program efforts and ensure that data are sufficiently accurate and reliable, are consistent with the Results Act implementation challenges that we had been reporting on for some time. Our reviews of the September plans found that, while some progress had been made in addressing these issues, they likely will continue to challenge agencies' further efforts to implement the Results Act.

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## September Plans Generally Included Required Elements

The Results Act requires that strategic plans include six broad elements—mission statements, general goals and objectives, strategies for achieving goals, a description of the relationship between general goals and annual performance goals, key external factors, and a description of the actual use and planned use of program evaluations. When we reviewed the draft plans that 27 agencies provided to Congress for consultation, we found that all but six of the plans were missing at least one required element and that about a third were missing two of the six required elements. In addition, just over a fourth of the plans failed to cover at least three of the required elements. Moreover, we found that many of the elements that the plans included contained weaknesses—some that were more significant than others. We noted in our September report that complete strategic plans were crucial if they were to serve as a basis for guiding agencies' operations and help congressional and other policymakers make decisions about activities and programs.<sup>5</sup>

On the basis of our preliminary reviews of major agencies' September plans, it appears that, on the whole, the agencies made a concerted effort during August and September to improve their plans. For example, all of the September plans we reviewed contained at least some discussion of each element required by the Act. And, in many cases, those elements that had been included in the draft plans for consultation were substantially improved. This improvement is in large part a reflection of the dialogue that occurred between the agencies and Congress and is therefore also a reflection of the value of the Results Act requirement for such consultations. These plans appear to provide a workable foundation for the next phase of the Results Act's implementation—annual performance planning and measurement.

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<sup>5</sup>GAO/GGD-97-180, Sept. 16, 1997.

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## **Critical Implementation Issues Remain to Be Addressed as Efforts Under the Results Act Proceed**

As Congress and agencies build on the strategic planning and other Results Act efforts undertaken thus far, our work suggests that several critical issues will have to be addressed if the Results Act is to succeed in improving the management of federal agencies. Among these critical issues are the need to (1) clearly establish a strategic direction for agencies by improving goal-setting and performance measurement; (2) improve the management of crosscutting program efforts by ensuring that those programs are appropriately coordinated; and (3) ensure that agencies have the data systems and analytic capacity in place to better assess program results and costs, improve management and performance, and establish accountability. The forthcoming annual performance planning and measurement and performance-reporting phases of the Results Act provide important opportunities to address these long-standing management issues.

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## **Clarify a Strategic Direction to Guide Daily Operations**

It appears that agencies generally have taken the first steps toward establishing a strategic direction in their September plans, which should be useful to agencies as they move to the next phase of performance-based management—that is, performance planning and measurement. However, the strategic plans are still very much works in progress, and agencies will likely need to revisit their strategic planning efforts as they develop the forthcoming annual performance plans. As agencies develop those plans, they will need to ensure that goals and strategies are appropriate given the current fiscal environment and that goal-setting and performance measurement efforts form the basis for managing program products, services, and daily activities.

We found that agencies need to continue to make progress in refining goals and objectives to better specify the results that they intend to achieve. For example, the Department of Health and Human Services has made progress over the last few months in developing objectives that, for the most part, are results-oriented and measurable. However, ensuring that goals are as results-oriented as they can be and are expressed in a manner that enables a subsequent assessment of whether the goals were achieved is a continuing challenge for agencies and Congress.<sup>6</sup> As an agency develops its performance plan, which is to contain the annual goals it will use to track progress toward its longer term strategic goals, it likely will identify opportunities to revise and clarify those strategic goals in order to provide a better grounding for the direction of the agency.

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<sup>6</sup>GAO/GGD-97-180, Sept. 16, 1997.

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**Statement  
Managing for Results: Building on Agencies'  
Strategic Plans to Improve Federal  
Management**

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In addition, as an agency seeks to further refine its goals, it also will need to ensure that it can articulate linkages between strategies, programs, and initiatives to achieve those goals.<sup>7</sup> We noted some improvements in the September plans; however, we found that those plans did not always establish clear linkages between goals, objectives, and strategies. The annual performance plans represent the next chance for agencies to establish such linkages so that agency managers and Congress will be better able to judge whether an agency is making annual progress toward achieving strategic goals.

Thus, as agencies and Congress begin to implement annual performance planning, it will be particularly important to reinforce linkages among goals and activities. Specifically, our work has shown that the successful implementation of performance-based management as envisioned by the Results Act will require agencies to link the goals and performance measures of each organizational level to successive levels and ultimately to the strategic plan's long-term goals so that the strategic goals and objectives drive the agencies' day-to-day activities.<sup>8</sup> Therefore, agencies' annual performance plans will be most useful if the annual goals contained in those plans show clear and direct relationships in two directions—to the goals in the strategic plans and to operations and activities within the agency.

Concerning the plans' discussions of agencies' operations and activities, in some cases, the September strategic plans improved on the draft plans and now provide a better basis for understanding how the agency plans to accomplish many of its goals. For example, the plan for the Department of Energy (DOE) contains a section on resource requirements that provides a helpful discussion of the money, staff, workforce skills, and facilities that the agency plans to employ to meet its goals. The plan explains that DOE's strategies for its goal of supporting national security are to include changes in the skills of its workforce and in the construction of new experimental test facilities. On the whole, however, agencies' consideration of the resources necessary to achieve goals is one particular area where continuing improvement efforts are needed. The annual performance planning process offers an opportunity for substantial progress in this area.

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<sup>7</sup>See Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996); Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review (GAO/GGD-10.1.16, May 1997); as well as our reports on agencies' draft strategic plans.

<sup>8</sup>GAO/GGD-96-118, June 1996.

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**Statement  
Managing for Results: Building on Agencies'  
Strategic Plans to Improve Federal  
Management**

---

While some of the plans we reviewed contain separate sections on resources, including financial and human resources, the sections sometimes lack a discussion of information, capital, and other resources that are critical to achieving goals. For example, few plans discuss physical capital resources, such as facilities and equipment. Although many agencies may not rely heavily on physical capital resources, some of those that do, such as the General Services Administration (GSA) and the National Park Service, a component of the Department of the Interior, appear to provide relatively little focused discussion on their capital needs and usage.

Another area that is critical to agencies striving to improve operations is information technology. The government's track record in employing information technology to improve operations and address mission-critical problems is poor, and the strategic plans we reviewed often contain only limited discussions of technology issues. For example, GSA's plan does not explicitly discuss major management problems or identify which problems could have an adverse impact on the agency's meeting its goals and objectives. The plan does not address, for instance, how GSA plans to ensure that its information systems meet computer security requirements. The lack of such a discussion in the GSA and other plans is of particular concern because without it agencies cannot be certain that they are (1) addressing the federal government's information technology problems and (2) better ensuring that technology acquisition and use are targeted squarely on program results.

Linking performance goals to the federal government's budget and appropriations processes is another area where establishing clear linkages will be especially important as agencies and Congress move to implementation of the annual performance planning and measurement phase of the Results Act. Unlike previous federal initiatives, the Results Act requires agencies to plan and measure performance using the same structures that form the basis for their budget requests.<sup>9</sup> This critical design element is meant to ensure a simple, straightforward link among plans, budgets, and performance information and the related congressional oversight and resource allocation processes. However, the extent to which existing budget structures are suitable for Results Act purposes will likely vary widely and therefore will require coordinated and recurring attention by Congress and the agencies.

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<sup>9</sup>Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation (GAO/AIMD-97-46, Mar. 27, 1997).

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## Coordinate Crosscutting Program Efforts

A focus on results, as envisioned by the Results Act, implies that federal programs that contribute to the same or similar results should be closely coordinated to ensure that goals are consistent and, as appropriate, program efforts are mutually reinforcing.<sup>10</sup> This suggests that federal agencies are to look beyond their organizational boundaries and coordinate with other agencies to ensure that their efforts are aligned. We have found that uncoordinated program efforts can waste scarce funds, confuse and frustrate program customers, and limit the overall effectiveness of the federal effort.<sup>11</sup>

During the summer of 1996, in reviewing early strategic planning efforts, OMB alerted agencies that augmented interagency coordination was needed at that time to ensure consistency among goals in crosscutting program areas. It appears that the agencies did not consistently follow OMB's advice because the draft strategic plans we reviewed this summer often lacked evidence that agencies in crosscutting program areas had worked with other agencies to ensure goals were consistent, strategies coordinated, and, as appropriate, performance measures similar.

Since then, however, the agencies appear to have begun the necessary coordination. Some September plans, for example, often contained references to other agencies that shared responsibilities in a crosscutting program area or discussed the need to coordinate their programs with other agencies. For example, the September plan of the Environmental Protection Agency (EPA) contains an appendix that lists the federal agencies with which EPA coordinated. This appendix describes the major steps in the coordination process and lists by strategic goal the agencies with which greater integration and review of efforts will be needed. Similarly, the Department of Transportation's plan contains a table that shows the contributions of other federal agencies to each of its major mission areas.

Presentations such as EPA's and Transportation's could be especially helpful to Congress in identifying program areas to monitor for overlap and duplication. These presentations, and similar ones in other agencies' September plans that identify agencies with crosscutting program responsibilities, provide a foundation for the much more difficult work that lies ahead. That work involves moving agencies that share crosscutting program responsibilities to undertake substantive

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<sup>10</sup>Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap (GAO/AIMD-97-146, Aug. 29, 1997).

<sup>11</sup>GAO/GGD-97-109, June 2, 1997.

coordination to ensure that those responsibilities are being effectively managed.

The next phases of the Results Act implementation continue to offer a structured framework to address crosscutting issues. For example, the Act's emphasis on results-based performance measures as part of the annual performance planning process should lead to more explicit discussions concerning the contributions and accomplishments of crosscutting programs and encourage related programs to develop common performance measures. As agencies work with OMB to develop their annual performance plans, they can consider the extent to which agency goals are complementary and the need for common performance measures to allow for cross-agency evaluations. The Results Act's requirement that OMB prepare a governmentwide performance plan that is based on the agencies' annual performance plans also can be used to facilitate the identification of program overlap, duplication, and fragmentation.

If agencies and OMB use the annual planning process to highlight crosscutting program issues, the individual agency performance plans and the governmentwide performance plan should provide Congress with the information needed to identify agencies and programs addressing similar missions. Once these programs are identified, Congress can consider the associated policy, management, and performance implications of crosscutting program issues. This information should also help identify the performance and cost consequences of program fragmentation and the implications of alternative policy and service delivery options. These options, in turn, can lead to decisions concerning department and agency missions and the allocation of resources among those missions.

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**Build the Capacity to  
Gather, Process, and  
Analyze Performance and  
Program Cost Information**

To efficiently and effectively operate, manage, and oversee programs and activities, agencies need reliable, timely program performance and cost information and the analytic capacity to use that information. For example, agencies need to have reliable data during their planning efforts to set realistic goals and later, as programs are being implemented, to gauge their progress toward achieving those goals. In addition, in combination with an agency's performance measurement system, a strong program evaluation capacity is needed to provide feedback on how well an agency's activities and programs contributed to achieving its goals. Systematic evaluation of how a program was implemented can also

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**Statement  
Managing for Results: Building on Agencies'  
Strategic Plans to Improve Federal  
Management**

---

provide important information about why the program did or did not succeed as planned and suggest ways to improve it.

We have cited a 1994 survey that reported on the widespread absence of a program evaluation capacity within the federal government.<sup>12</sup> Therefore, it is not surprising that agencies did not consistently discuss in their September plans how they intended to use program evaluations to help develop those plans. However, of greater concern, many agencies also did not discuss how they planned to use evaluations in the future to assess progress and did not offer a schedule for future evaluations as envisioned by the Results Act. The National Science Foundation's September plan contains a noteworthy exception to this trend. The plan discusses how the agency used evaluations to develop key investment strategies, action plans, and its annual performance plan. It also discusses future evaluations and provides a general schedule for their implementation.

The absence of sound program performance and cost data and the capacity to use those data to improve performance are among the major barriers to the effective implementation of the Results Act. Efforts under the CFO Act have shown that most agencies are still years away from generating reliable, useful, relevant, and timely financial information, which is urgently needed to make our government fiscally responsible. The widespread lack of available program performance information is equally troubling. For example, we surveyed managers in the largest federal agencies and found that fewer than one-third of those managers reported that results-oriented performance measures existed to a great or very great extent for their programs.<sup>13</sup>

Our work also suggests that even when performance information exists, its reliability is frequently questionable. For example, the reliability of performance data currently available to a number of agencies is suspect because the agencies must rely on data collected by parties outside the federal government. In a recent report, we noted that the fact that data were largely collected by others was the most frequent explanation offered by agency officials for why determining the accuracy and quality of performance data was a challenge.<sup>14</sup> In our June 1997 report on the implementation of the Results Act, we also reported on the difficulties that

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<sup>12</sup>Managing for Results: Analytic Challenges in Measuring Performance (GAO/HEHS/GGD-97-138, May 30, 1997).

<sup>13</sup>GAO/GGD-97-109, June 2, 1997.

<sup>14</sup>GAO/HEHS/GGD-97-138, May 30, 1997.

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**Statement  
Managing for Results: Building on Agencies'  
Strategic Plans to Improve Federal  
Management**

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agencies were experiencing as a result of their reliance on outside parties for performance information.<sup>15</sup>

Agencies are required under the Results Act to describe in their annual performance plans how they will verify and validate the performance information that will be collected. This section of the performance plan can provide important contextual information for Congress and agencies. For example, this section can provide an agency with the opportunity to alert Congress to the problems the agency has had or anticipates having in collecting needed results-oriented performance information and the cost and data quality trade-offs associated with various collection strategies. The discussion in this section can also provide Congress with a mechanism for examining whether the agency currently has the data to confidently set performance improvement targets and will later have the ability to report on its performance.

More broadly, continuing efforts to implement the CFO Act also are central for ensuring that agencies resolve their long-standing problems in generating vital information for decisionmakers. In that regard, the Federal Accounting Standards Advisory Board (FASAB) has developed a new set of accounting concepts and standards that underpin OMB's guidance to agencies on the form and content of their agencywide financial statements.<sup>16</sup> As part of that effort, FASAB developed managerial cost accounting standards that were to be effective for fiscal year 1997. However, because of serious agency shortfalls in cost accounting systems, the CFO Council—an interagency council of the CFOs of the major agencies—requested an additional 2 years before the standard would be effective. FASAB recommended extending the date by 1 year, to fiscal year 1998, with a clear expectation that there would be no further delays.

The FASAB cost accounting standards promise to improve decisionmaking if successfully implemented. These standards are to provide decisionmakers with information on the costs of all resources used and the costs of services provided by others to support activities or programs. Such information would allow for comparisons of costs to various levels of program performance.

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<sup>15</sup>GAO/GGD-97-109, June 2, 1997.

<sup>16</sup>FASAB was created in October 1990 by the Secretary of the Treasury, the Director of OMB, and the Comptroller General to consider and recommend accounting principles for the federal government. If accepted by Treasury, OMB, and GAO, the standards are to be adopted and issued by OMB and GAO.

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**Statement  
Managing for Results: Building on Agencies'  
Strategic Plans to Improve Federal  
Management**

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Over the longer term, the program performance information that agencies are to generate under the Results Act should be a valuable new resource for Congress to use in its program authorization, oversight, budget, and appropriation responsibilities. To be most useful in these various contexts, that information needs to be consolidated with budget data and critical financial and program cost data, which agencies are to produce and have audited under the CFO Act.<sup>17</sup> Accountability reports—building on CFO Act requirements—are to bring together program performance information with audited financial information to provide congressional and other decisionmakers with a more complete picture of the results, operational effectiveness, and costs of agencies' operations. For the first time, decisionmakers are to be provided with annual “report cards” on the costs, management, and effectiveness of federal agencies.

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In summary, Mr. Chairman, because of the progress that agencies have made in developing their strategic plans over the last several months, these plans generally should provide a workable foundation for the agencies' continuing efforts to move to a more performance-based form of management. Much of this progress appears to have been the result of the active participation of Members and congressional staff in consulting on those plans. While difficult implementation challenges remain, by taking advantage of the consultation process, Congress and the agencies established the basis for continued progress in implementing the Results Act and ensuring that efforts under the Act provide the information that agency and congressional decisionmakers need to improve the management of the federal government.

The Results Act establishes an iterative process for performance-based management, with the foundation being the agency's strategic plan. The next step—the annual performance plans—offer the opportunity for Congress and the agencies to continue to clarify goals and ensure that proper strategies are in place to achieve those goals. Agencies' annual plans and the governmentwide performance plan prepared by the President can form the basis for agency and congressional decisionmaking about the best way to manage crosscutting program efforts. Finally, the annual plans, and later accountability reports, provide mechanisms for highlighting and addressing issues centering on the collection and analysis of program performance and cost information.

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<sup>17</sup>Financial Management: Continued Momentum Essential to Achieve CFO Act Goals (GAO/T-AIMD-96-10, Dec. 14, 1995).

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**Statement  
Managing for Results: Building on Agencies'  
Strategic Plans to Improve Federal  
Management**

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We look forward to continuing to support Congress' efforts to improve the management of the federal government. Over the last few years, we have issued a number of products on the key steps and practices needed to improve the management of the federal government.<sup>18</sup> These key steps and practices are based on best practices in private sector and public sector organizations. For example, last May we issued a guide for congressional staff to use as they assessed the strategic plans that agencies provided as part of the consultations required by the Results Act.<sup>19</sup> In the coming months, we will issue a companion guide for reviewing annual performance plans. We also will continue to examine the effectiveness of agencies' efforts under the Results Act and will program work on other issues associated with the implementation of the Act.

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

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<sup>18</sup>See, for example, [GAO/GGD-96-118](#), June 1996; [Financial Management: Momentum Must Be Sustained to Achieve the Reform Goals of the Chief Financial Officers Act \(GAO/T-AIMD-95-204](#), July 25, 1995); and [Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology \(GAO/AIMD-94-115](#), May 1994).

<sup>19</sup>GAO/GGD-10.1.16, May 1997.

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