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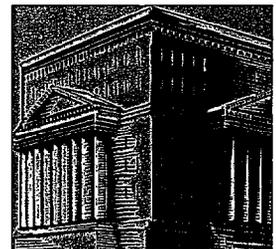
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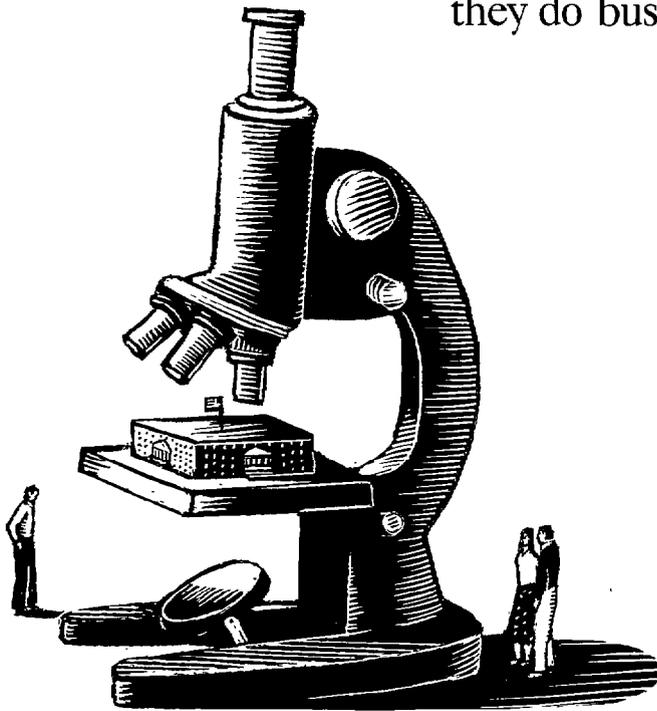
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FOCUSING ON FUNDAMENTALS: GAO'S GENERAL MANAGEMENT REVIEWS

A look at how GAO helps federal agencies focus on long-range improvements in the way they do business.



General management reviews have been the subject of some debate both within and outside GAO. Recently eight GAO managers who have been involved in management reviews gathered to discuss the program and prepare this introduction. They are: Gene L. Dodaro, Associate Director in the General Government Division (GGD); J. William Gadsby, Associate Director in the Human Resources Division (HRD); Sarah F. Jaggard, Deputy Director for Operations, HRD; Suzanne J. McCrory, Project Director, HRD; Flora H. Milans, Associate Director in the Resources, Community, and Economic Development Division; Bernard L. Ungar, Associate Director, GGD; Earl F. Walter, Project Director, GGD; and David R. Warren, Project Director, National Security and International Affairs Division.

WHEN FEDERAL PROGRAMS don't work the way they should — when tax returns are not processed accurately, when procurement problems lead to faulty weapon systems, when retirees can't make sense of notices informing them of changes in their Social Security checks — only then is there a concerted focus on agencies' management. Rarely, however, are villains to be found. Instead, the source of trouble is usually traced to basic management weaknesses. Federal agencies may differ enormously in size, mission, and the scope and complexity of their programs, but when they ignore the fundamentals — the systems, people, processes, and structures required to manage — they are all sooner or later vulnerable to breakdown.

A few years ago, GAO began to complement its customary evaluations of individual programs with a new line of business: reviews of the overall management of agencies. The major goal of these general management reviews (GMRs) was to impress upon the leaders of executive branch agencies the importance of improving their management practices. Regardless of the legislative and political agenda the leadership is charged with advancing, getting it accomplished depends largely on how effectively the agency is run.

There were two other goals. One was to help the Congress oversee federal operations. The other was to improve GAO's own performance. We at GAO hoped that by looking at agencywide operations, we could broaden our knowledge and perspective in order to do more effective audits and evaluations in the future.

Unlike our usual audits and evaluations, which typically are performed at the request of the Congress, management reviews are initiated by GAO and depend very much on the cooperation and sup-

port of the agency heads. Getting action on recommendations that often call for fundamental changes in how an agency operates requires a commitment from the top down. (See the accompanying article, "GMRs: Three Managers' Perspectives".)

Management reviews fall into two categories: line agency reviews, which examine the management practices of individual agencies; and central management agency reviews, which examine the role and the performance of three agencies that are responsible for providing governmentwide leadership — the Office of Management and Budget, the Office of Personnel Management, and the General Services Administration.

Line agency reviews are the cornerstone of the effort. In determining the order and timing of line agency GMRs, we apply criteria that include the size of the agencies, their visibility to and impact on the public, the potential receptivity of agency management, the significance of the issues the agencies are facing, and the degree of congressional interest.

We began with a pilot study at the Department of Housing and Urban Development and moved on to the Departments of Labor, Justice, and Transportation and the Defense Logistics Agency. More management reviews have followed and others are in progress. (See box, page 20.)

When we began, our approach required that in every case we look into a set of functional areas, such as personnel management, policy, budget, and procurement. This approach, however, proved to be time-consuming and hard to relate to agencies' missions and programs. Today, line agency reviews are designed to determine how well an agency's management policies, procedures, and systems contribute to accomplishing its mission. The case-study approach we now take lets us focus on the policy, program, or operational issues of particular importance to the agency head, and has cut the cost of each review in half.

Not surprisingly, the most common recommendations emerging from our line agency reviews reinforce management basics, such as developing strategic planning systems to prepare the agency for future challenges; dealing with leadership weaknesses that result from a high rate of turnover and lack of accountability; addressing long-standing problems involving information resources management, financial management, and internal controls; and focusing more on how managers and workers are recruited and trained.

The response from the agencies has been encouraging. At Labor, for example, the Secretary took action to implement 47 of 49 GMR recommendations. Central to many of the improvements was the creation of the Secretary's Management System, which was designed to implement policy and program goals. At the Internal Revenue Service, officials are in the process of implementing over 40 recommendations, including a major organizational realignment that will change the operational culture of the agency and improve the quality of its service to the public. At the Social Security Administration, the Commissioner initiated actions to address all 50 recommendations. One key action was the development of a strategic plan to guide the agency's service-delivery approach into the next century. In responding to numerous GAO recommendations, the Environmental Protection Agency agreed to take a variety of actions, including steps to more clearly communicate its goals and direction, and more effectively measure its efforts to clean up the nation's environment.

These are a few of the important actions taken to date. Only in time, however, will we learn whether management reviews can accomplish what they set out to do. In the past two decades GAO has moved beyond financial auditing into program evaluation. Now, management reviews have been introduced, and to refine this new line of GAO business and assess the results will take time. Also, the effort has raised a fundamental question about the role of GAO: Can we develop the cooperative relationships with executive branch agencies that management reviews require and still maintain the independence and objectivity so important to our work?

Undoubtedly, our response to the question is that we have maintained and will continue to maintain our independence and objectivity. Some observers have seen management reviews as an attempt by GAO to assume the "management consultant" role. But while we may address many of the same issues that management consultants do, we have made it a point to maintain our objectivity — emphasizing that the agencies' operations are the public's business, and that GAO's responsibility is to report its findings to the Congress.

It is, at the very least, an interesting proposition we pose to agency leaders: Trust us to help you better understand the functioning of your agencies. Share information with us. Convince your staffs of the value of cooperating with the management

GAO'S MANAGEMENT REVIEW REPORTS

<i>Increasing the Department of Housing and Urban Development's Effectiveness Through Improved Management</i>	GAO/RCED-84-9, Jan. 10, 1984	<i>Social Security Administration: Stable Leadership and Better Management Needed to Improve Effectiveness</i>	GAO/HRD-87-39, Mar. 18, 1987
<i>Strong Leadership Needed to Improve Management at the Department of Labor</i>	GAO/HRD-86-12, Oct. 21, 1985	<i>Department of Transportation: Enhancing Policy and Program Effectiveness Through Improved Management</i>	GAO/RCED-87-3 and RCED-87-35, Apr. 13, 1987
<i>Improved Management Processes Would Enhance Justice's Operations</i>	GAO/GGD-86-12, Mar. 14, 1986	<i>Followup on the Management Review of the Defense Logistics Agency</i>	GAO/ NSIAD-88-107, Mar. 28, 1988
<i>Progress and Challenges at the Defense Logistics Agency</i>	GAO/ NSIAD-86-64, Apr. 7, 1986	<i>Environmental Protection Agency: Protecting Human Health and the Environment Through Improved Management</i>	GAO/ RCED-88-101, Aug. 16, 1988
<i>Department of Labor: Assessment of Management Improvement Effort</i>	GAO/HRD-87-27, Dec. 31, 1986		

MANAGEMENT REVIEWS IN PROGRESS

Internal Revenue Service	Office of Personnel Management
Reserves and National Guard	General Services Administration
Office of the Secretary of Health and Human Services	Office of Management and Budget
Defense Acquisition Management	Department of Agriculture

review teams. But recognize that while the teams are at work in your agencies, other GAO personnel will continue to pursue the usual audits and evaluations of your programs.

Although openness — the public disclosure of problems — has its risks, there are benefits to be gained. Management reviews offer leaders the opportunity to make clearer to many people the context within which agencies have to function. A broader understanding of that context can help leaders improve their chances for successfully implementing their initiatives.

Another potential gain is that the broader understanding may rub off on GAO as well. We are sometimes told that our recommendations don't display a sophisticated understanding of the environment in which agencies operate and the constraints that agency managers face. If that is true, then it can't hurt to develop a body of GAO staff that better understands how and why agencies do what they do. Therefore, we give much thought to the backgrounds of the GAO personnel who get involved in management reviews, and to the assignments they will have after the reviews are finished. The goal is to incorporate our new insights into GAO's institutional memory and to position ourselves to better serve the Congress and the public in the future.

We are convinced management reviews will

improve government. The key contribution is to provide a long-term framework for improving agency operations — something of real value to the executive branch, where the tenure of political appointees averages less than 2 years, and to the Congress, where the long-range, nuts-and-bolts issues of government operations are often obscured in the rush of political and legislative matters.

In a much broader sense, management reviews eventually may help the Congress and the executive branch better understand each other. While the job of the legislative branch is to design federal programs, fund them, and oversee their operations, many executive branch managers complain of congressional micromanagement, legislatively mandated constraints, regulatory structures, and government-wide systems that tie their hands. Management reviews may help, not only to spotlight these issues, but to allow policymakers the opportunity to think them through again — to decide which constraints on managers may be helpful to the operation of government and which may not. Given the growing needs of the nation, coupled with the difficult choices forced on it by resource constraints, a broader examination of government operations — of the connection between the goals of public programs and the government's ability to deliver on its promises — will clearly be in the public interest. ●