

GAO

Testimony

Before the Committee on Government Reform,  
House of Representatives

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**EXECUTIVE  
REORGANIZATION  
AUTHORITY**

**Balancing Executive and  
Congressional Roles in  
Shaping the Federal  
Government's Structure**

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Highlights of [GAO-03-624T](#), testimony before the Committee on Government Reform, House of Representatives

## Why GAO Did This Study

GAO has sought to assist the Congress and the executive branch in considering the actions needed to support the transition to a more high performing, results-oriented, and accountable federal government. At the Committee's request, GAO provided perspective on the proposal to reinstate the authority for the President to submit government restructuring plans to the Congress for expedited review.

## What GAO Recommends

The President and the Congress may wish to consider alternative provisions geared toward whether policy or operational issues are being considered. Further, they may wish to consider establishing processes (e.g., a commission) that provide for the involvement of key players and a means to help reach consensus on any specific restructuring proposals that would be submitted for consideration by the Congress.

[www.gao.gov/cgi-bin/getrpt?GAO-03-624T](http://www.gao.gov/cgi-bin/getrpt?GAO-03-624T).

To view the full report, including the scope and methodology, click on the link above. For more information, contact Patricia A. Dalton at (202) 512-6806 or [daltonp@gao.gov](mailto:daltonp@gao.gov).

# EXECUTIVE REORGANIZATION AUTHORITY

## Balancing Executive and Congressional Roles in Shaping the Federal Government's Structure

### What GAO Found

In view of the overarching trends and the growing fiscal challenges facing our nation, there is a need to consider the proper role of the federal government, how the government should do business in the future, and in some instances, who should do the government's business in the 21st century.

The fundamental issue raised by the proposal to grant reorganization authority to the President is not whether the government's organization can and should be restructured, but rather, whether and how the Congress wishes to change the nature of its normal deliberative process when addressing proposals to restructure the federal government. This testimony makes the following key points:

- Given current trends and increasing fiscal challenges, a comprehensive review, reassessment, and reprioritization of what the government does and how it does it is clearly warranted. This is especially vital in view of changing priorities and the compelling need to examine the base of government programs, policies, and operations since, given GAO's long-term budget simulations, the status quo is unsustainable over time.
- While the intent of such a review is desirable and some expedited congressional consideration may well be appropriate for specific issues, the Congress also has an important role to play in government reform initiatives, especially from an authorization and oversight perspective. In contrast to the past "one-size-fits-all" approaches in developing new executive reorganization authority, the Congress may want to consider different tracks for proposals that propose significant policy changes versus those that focus more narrowly on government operations. Further, Congress may want to consider establishing appropriate processes to ensure the involvement of key players, particularly in the legislative and executive branches, to help facilitate reaching consensus on specific restructuring proposals that would be submitted for consideration, should the Congress enact a new executive reorganization authority.
- Modern management practices can provide a framework for developing successful restructuring proposals. Such practices include: establishing clear goals, following an integrated approach, developing an effective human capital strategy, considering alternative program delivery mechanisms, and planning for both initial and long-term implementation issues to achieve a successful transformation. Furthermore, successful implementation will depend in part on continuing congressional oversight. The Congress could significantly enhance its efficiency and effectiveness by adapting its own organization to mirror changes in the executive branch.

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Mr. Chairman and Members of the Committee:

Good morning. I appreciate the opportunity to discuss the proposal to reinstate the authority for the President to submit government restructuring plans to the Congress and obtain expedited review. Both the Congress and the administration are to be complimented for stating their intent to increase the focus on how to improve the efficiency and effectiveness of the federal government as we begin the 21st century. This hearing is evidence of such increased commitment.

GAO has sought to assist the Congress and the executive branch in considering the actions needed to support the transition to a more high performing, results-oriented, and accountable federal government. We believe that it is crucial for both the Congress and the executive branch to work together in a constructive manner on “good government” issues that are designed to improve the economy, efficiency and effectiveness of government on a continual basis. At the same time, the Congress has important constitutional authorization, appropriation, and oversight roles that must be considered.

The fundamental issue raised by the proposal to grant executive reorganization authority to the President is not whether the government’s organization can and should be restructured, but rather how best to deal with this issue. In this regard, the recent Volcker Commission<sup>1</sup> and GAO have noted the need to review and revise the current federal government structure. Given that historically executive reorganization authority has included certain “fast track” provisions for congressional review, the question at hand is whether and how the Congress wishes to change the nature of its normal deliberative process when addressing proposals to restructure the federal government.

My statement today will focus on several key issues:

1. Given current trends and increasing fiscal challenges, a comprehensive review, reassessment, and reprioritization of what the government does and how it does it is clearly warranted. This is especially vital in view of changing priorities and the compelling need to examine the base of

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<sup>1</sup>National Commission on the Public Service, *Urgent Business for America: Revitalizing the Federal Government for the 21st Century* (Washington, D.C.: January 2003).

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government programs, policies and operations since, given GAO's long range budget simulations, the status quo is unsustainable over time.

2. While the intent of such a review is desirable and some expedited congressional consideration may well be appropriate for specific issues, the Congress has an important role to play in management reform initiatives, especially from an authorization and oversight perspective. In the past, the Congress has adopted "fast track" approaches for specific areas. However, depending on the nature of future legislative proposals that will be submitted, they could have profound implications for the relative role the Congress plays in developing legislation and conducting oversight to enhance the performance and ensure the accountability of the executive branch. In contrast to the past "one-size-fits-all" approaches, in developing new executive reorganization authority, the Congress may want to consider different tracks for proposals that propose significant policy changes versus those that focus more narrowly on operations. Further, Congress may want to consider establishing appropriate processes (e.g., a commission) to ensure the involvement of key players to help reach consensus on any specific reorganization proposals that would be submitted for consideration by the Congress, should the Congress enact new executive reorganization authority.
3. Modern management practices can provide a framework for developing successful restructuring proposals. Such practices include: establishing clear goals, following an integrated approach, developing an effective human capital strategy, considering alternative program delivery mechanisms, and planning for both initial as well as long-term implementation issues. Furthermore, successful implementation will depend in part on continuing congressional oversight. The Congress could significantly enhance its efficiency and effectiveness by adapting its own organization to mirror changes in the executive branch.

Presumably, the Congress will want to obtain the input of GAO and other parties before enacting any substantive proposals. As a result, any timeframes for expedited consideration should allow for a reasonable period for this to occur.

This testimony draws upon our wide-ranging ongoing and completed work on government transformation, organization, and management issues. We also reviewed the history of major reorganization efforts as well as the legislative history of executive reorganization authority. We conducted our

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work in accordance with generally accepted government auditing standards.

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## Need to Reexamine Government Structures to Meet 21st Century Challenges

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. As you know, our country's transition into the 21st century is characterized by a number of key trends including:

- the national and global response to terrorism and other threats to personal and national security;
- the increasing interdependence of enterprises, economies, civil society, and national governments, referred to as globalization;
- the shift to market-oriented, knowledge-based economies;
- an aging and more diverse U.S. population;
- advances in science and technology and the opportunities and challenges created by these changes;
- challenges and opportunities to maintain and improve the quality of life for the nation, communities, families, and individuals; and
- the changing and increasingly diverse nature of governance structures and tools.<sup>2</sup>

As the nation and government policymakers grapple with the challenges presented by these evolving trends, they do so in the context of an overwhelming fact: The fiscal pressures created by the retirement of the baby boom generation and rising health care costs threaten to overwhelm the nation's fiscal future. Our latest long-term budget simulations reinforce the need for change in the major cost drivers—Social Security and health care programs. By midcentury, absent reform of these entitlement programs and/or other major tax or spending policy changes, projected federal revenues may be adequate to pay little beyond interest on the debt

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<sup>2</sup>U.S. General Accounting Office, *Strategic Plan 2002-2007* (Washington, D.C.: June 2002).

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and Social Security benefits. Further, our recent shift from surpluses to deficits means that the nation is moving into the future in a weaker fiscal position.

In response to the emerging trends and long-term fiscal challenges the government faces in the coming years, we have an opportunity to create highly effective, performance-based organizations that can strengthen the nation's ability to meet the challenges of the 21st century and reach beyond our current level of achievement. The federal government cannot accept the status quo as a "given"—we need to reexamine the base of government programs, policies, and operations. We must strive to maintain a government that is effective and relevant to a changing society—a government that is as free as possible of outmoded commitments and operations that can inappropriately encumber the future, reduce our fiscal flexibility, and prevent future generations from being able to make choices regarding what roles they think government should play.

Many departments and agencies were created in a different time and in response to problems and priorities very different from today's challenges. Some have achieved their one-time missions and yet they are still in business. Many have accumulated responsibilities beyond their original purposes. Others have not been able to demonstrate how they are making a difference in real and concrete terms. Still others have overlapping or conflicting roles and responsibilities. Redundant, unfocused, and uncoordinated programs waste scarce funds, confuse and frustrate program customers, and limit overall program effectiveness.<sup>3</sup>

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<sup>3</sup>U.S. General Accounting Office, *Managing in the New Millennium: Shaping a More Efficient and Effective Government for the 21st Century*, [GAO/T-OGC-00-9](#) (Washington, D.C.: Mar. 29, 2000).

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Our work has documented the widespread existence of fragmentation and overlap from both the broad perspective of federal missions and from the more specific viewpoint of individual federal programs. As new needs are identified, the common response has been a proliferation of responsibilities and roles to federal departments and agencies, perhaps targeted on a newly identified clientele, or involving a new program delivery approach, or, in the worse case scenario, merely layered onto existing systems in response to programs that have failed or performed poorly. Though our work also suggests that some issues may warrant involvement of multiple agencies or more than one approach, fragmentation and overlap adversely impacts the economy, efficiency and effectiveness and of the federal government.<sup>4</sup>

It is obviously important to periodically reexamine whether current programs and activities remain relevant, appropriate, and effective in delivering the government that Americans want, need, and can afford. This includes assessing the sustainability of the programs, as well as the effectiveness of the tools—such as direct spending, loan guarantees, tax incentives, regulation, and enforcement—that these programs embody. Many federal programs—their goals, organizations, processes, and infrastructures—were designed years ago to meet the needs and demands as determined at that time and within the technological capabilities of that earlier era. The recent report of the Volcker Commission similarly observed that “[f]ifty years have passed since the last comprehensive reorganization of the government” and that “[t]he relationship of the federal government to the citizens it services became vastly broader and deeper with each passing decade.”<sup>5</sup> The commission recommended that a fundamental reorganization of the federal government into a limited number of mission-related executive departments was needed to improve its capacity to design and implement public policy.

We now have both an opportunity and an obligation to take a comprehensive look at what the government should be doing and how it should go about doing its work. Based on GAO’s own recent experiences with restructuring, such a fundamental reexamination of government

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<sup>4</sup>U.S. General Accounting Office, *Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap*, [GAO/AIMD-97-146](#) (Washington, D.C.: Aug. 29, 1997).

<sup>5</sup>National Commission on the Public Service, *Urgent Business for America: Revitalizing the Federal Government for the 21st Century* (Washington, D.C.: January 2003).

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missions, functions, and activities could improve government effectiveness and efficiency and enhance accountability by reducing the number of entities managed, thereby broadening spans of control, increasing flexibility, and fully integrating rather than merely coordinating related government activities.

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## Balancing the Roles of the Congress and the Executive Branch in Developing Restructuring Proposals

Given the obvious case for reexamining the government's structure, the major issue for debate today is the question of whether and how to change the Congress' normal deliberative process for reviewing and shaping executive branch restructuring proposals. Such authority can serve to better enable presidential leadership to propose government designs that would be more efficient and effective in meeting existing and emerging challenges.

Presidential leadership is critical to set goals and propose the means—the organizational design and policy tools—needed to achieve the goals. However, it is important to ensure a consensus on identified problems and needs, and to be sure that the solutions our government legislates and implements can effectively remedy the problems we face in a timely manner. Fixing the wrong problems, or even worse, fixing the right problems poorly, could cause more harm than good.

Congressional deliberative processes serve the vital function of both gaining input from a variety of clientele and stakeholders affected by any changes and providing an important constitutional check and counterbalance to the executive branch. The statutory framework for management reform enacted during the 1990s demonstrates the Congress' capacity to deal with governmentwide management reform needs. The Congress sought to improve the fiscal, program, and management performance of federal agencies, programs, and activities. For example, the Government Performance and Results Act (GPRA) is a central component of the existing statutory management framework, which includes other major elements, such as the Chief Financial Officers (CFO) Act, and information resource management improvements, such as the Clinger-Cohen Act. These laws provide information that is pertinent to a broad range of management-related decisions to help promote a more results-oriented management and decision-making process, regardless of what organizational approach is employed.

The normal legislative process, which by design takes time to encourage thorough debate, does help to ensure that any related actions are carefully



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considered and have broad support. The Congress has played a central role in management improvement efforts throughout the executive branch and has acted to address several high-risk areas through both legislative and oversight activities. Traditionally, congressional and executive branch considerations of policy trade-offs are needed to reach a reasonable degree of consensus on the appropriate federal response to any substantive national need.

It is imperative that the Congress and the administration form an effective working relationship on restructuring initiatives. Any systemic changes to federal structures and functions must be approved by the Congress and implemented by the executive branch, so each has a stake in the outcome. Even more importantly, all segments of the public that must regularly deal with their government—individuals, private sector organizations, states, and local governments—must be confident that the changes that are put in place have been thoroughly considered and that the decisions made today will make sense tomorrow.

Only the Congress can decide whether it wishes to limit its powers and role in government reorganizations. As part of the legislative branch, we at GAO obviously have some concerns regarding any serious diminution of congressional authority. In certain circumstances, the Congress may deem limitations appropriate; however, care should be taken regarding the nature, timing, and scope of any related changes. Lessons can be learned from prior approaches to granting reorganization authority to the President. Prior successful reorganization initiatives reinforce the importance of maintaining a balance between executive and legislative roles in undertaking significant organizational changes. Safeguards are needed to ensure congressional input and concurrence on the goals as well as overall restructuring proposals. In the final analysis, the Congress must agree with any restructuring proposals submitted for consideration by the President in order for them to become a reality.

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## Prior Executive Reorganization Authority Reflected Changing Balance between Legislative and Executive Roles

Periodically, between 1932 and 1984, the Congress provided the President one form or another of expedited reorganization authority.<sup>6</sup> Most of the authority granted during this period shared three characteristics.

- First, most previous authorities established rules that allowed the President's plan to go into effect unless either house acted by passing a motion of disapproval within a fixed period. However, in accordance with the 1983 *Chadha* decision,<sup>7</sup> which held the one-house legislative veto unconstitutional, the most recent expedited reorganization authority, granted to President Reagan in 1984, required passage of a joint affirmative resolution by both houses and signed by the President to approve any presidential reorganization plan. Hence, the need for both houses to positively approve a president's plan for it to take effect set a higher bar for success and in essence gave the Congress a stronger role than in the past.
- Second, between 1949 and 1984, the Congress increasingly limited the scope of what the President could propose in a reorganization plan, which also had the effect of enhancing congressional control. For example, whereas in 1949, there were few restrictions on what the President could propose, the Reorganization Act of 1977 prohibited plans that, among other things, established, abolished, transferred, or consolidated departments or independent regulatory agencies.
- Third, expedited reorganization authority during this period limited the period of time during which a President could propose any reorganization plans. Clearly, the extent to which the Congress was willing to cede its authority to oversee the President's reorganization plans has been an important variable in designing such provisions.

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<sup>6</sup>Ronald C. Moe, Congressional Research Service, *The President's Reorganization Authority: Review and Analysis* (Washington, D.C.: Mar. 8, 2001).

<sup>7</sup>*Immigration and Naturalization Service v. Chadha*, 462 U.S. 919 (1983).

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## Successful Government Restructurings Balanced Executive and Legislative Roles

Throughout the 20th century, efforts to structure the federal government to address the economic and political concerns of the time met with varying degrees of success. The first Hoover Commission,<sup>8</sup> which lasted from 1947 to 1949, is considered by many to have been the most successful of government restructuring efforts. The membership was bipartisan, including members of the administration and both houses of the Congress. Half its members were from outside government. The commission had a clear vision, making reorganization proposals that promoted what they referred to as “greater rationality” in the organization and operation of government agencies and enhanced the president's role as the manager of the government—principles that were understood and accepted by both the White House and the Congress.<sup>9</sup> Former President Hoover himself guided the creation of a citizens' committee to build public support for the commission's work. More than 70 percent of the first Hoover Commission's recommendations were implemented, including 26 out of 35 reorganization plans. According to the Congressional Research Service, “the ease with which most of the reorganization plans became effective reflected two factors: the existence of a consensus that the President ought to be given deference and assistance by Congress in meeting his managerial responsibilities and the fact that most of the reorganization plans were pretty straightforward proposals of an organizational character.”<sup>10</sup>

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<sup>8</sup>The commission's formal name was the Commission on Organization of the Executive Branch. Its membership: Former President Herbert Hoover, Dean Acheson, Sen. George Aiken, Rep. Clarence Brown, Arthur Flemming, James A. Forrestal, Joseph P. Kennedy, Rep. Carter Manasco, Sen. John L. McClellan, George Mead, James K. Pollock, and James Rowe.

<sup>9</sup>Ronald C. Moe, *The Hoover Commissions Revisited* (Boulder, Colorado: Westview Press, 1982), 2.

<sup>10</sup>Ronald C. Moe, Congressional Research Service, *The President's Reorganization Authority: Review and Analysis* (Washington, D.C.: Mar. 8, 2001).

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By contrast, the second Hoover Commission, which lasted from 1953 to 1954, had a makeup very similar to that of the first, but it did not have the advance backing of the President and the Congress. Hoover II, as it was called, got into policy areas with the goal of cutting government programs. But it lacked the support of the President, who preferred to use his own advisory group<sup>11</sup> in managing the government. It also lacked the support of the Congress and the public, neither of which cared to cut the government at a time when federally run programs were generally held in high esteem and considered efficient and beneficial.<sup>12</sup> More than 60 percent of Hoover II's recommendations were implemented, but these were mostly drawn from the commission's technical recommendations rather than from its major ones (such as changing the government's policies on lending, subsidies, and water resources) that would have substantively cut federal programs.<sup>13</sup>

The lesson of the two Hoover Commissions is clear: If plans to reorganize government are to move from recommendation to reality, creating a consensus for them is essential to the task. In this regard, both the process employed and the players involved in making any specific reorganization proposals are of critical importance. The success of the first Hoover Commission can be tied to the involvement and commitment of both the Congress and the President. Both the legislative branch and executive branches agreed to the goals. With this agreement, a process was established that provided for wide spread involvement, including citizens, and transparency so that meaningful results could be achieved.

That lesson shows up again in the experience of the Ash Council, which convened in 1969-70. Like the first Hoover Commission, the Ash Council aimed its recommendations at structural changes to enhance the effectiveness of the President as manager of the government. In addition to

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<sup>11</sup>Called PACGO (the President's Advisory Council on Government Organization), it was chaired by Nelson Rockefeller from 1953-1958. PACGO drafted 14 reorganization plans that were presented to the President and accepted by the Congress. Ronald C. Moe, *Reorganizing the Executive Branch in the Twentieth Century: Landmark Commissions*, (Washington, D.C.: Congressional Research Service, Mar. 19, 1992), 34.

<sup>12</sup>Moe, 105.

<sup>13</sup>Summary of the Objectives, *Operations, and Results of the Commissions on Organization of the Executive Branch of the Government (First and Second Hoover Commissions)*, House Committee on Government Operations, (Washington, D.C.: May 1963), 31-33.

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renaming the Bureau of the Budget the Office of Management and Budget, the Ash Council proposed organizing government around broad national purposes by integrating similar functions under major departments. It proposed that four super departments be created—economic affairs, community development, natural resources, and human services—with State, Defense, Treasury, and Justice remaining in place. But the Ash Council could not gain the support of the Congress. Its recommendations would have drastically altered jurisdictions within the Congress and the relationships between committees and the agencies for which they had oversight responsibilities. The Congress was not thoroughly clear on the implications of the four super departments, was not readily willing to change its own structure to parallel the structure proposed by the council, and was not eager to substantially strengthen the authority of the presidency.

Once again, the lesson for today is that reorganizing government is an immensely complex and politically charged activity. Those who would reorganize government must make their rationale clear and must build a consensus for change before specific proposed reorganizations are submitted to Congress if they are to see their efforts bear fruit. It is important that all players, particularly the Congress and the President, reach agreement on restructuring goals and establish a process to achieve their objectives that provides needed transparency if anything substantive is to be achieved. The process may vary depending on the significance of the changes sought. However, the risk of failure is high without having the involvement of key players and a process to help reach consensus on specific reorganization proposals that are submitted to the Congress for its consideration.

A final important lesson from these prior experiences is that a balance must be struck between the need for due deliberation and the need for action. A distinction also needs to be made between policy choices and operational choices. Relatively straightforward reorganization proposals that focus on operational issues appear to have met with greater success than those that addressed more complex policy issues. For example, proposals to eliminate programs, functions, or activities typically involve policy choices. On the other hand, a proposal to consolidate those same activities within a single organization is more focused on management effectiveness and efficiency, than on policy changes. Therefore, in contrast to the past “one-size-fits-all” approaches, in again granting expedited reorganization authority to the President, the Congress may wish to consider different tracks that allow for a longer period for review and

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debate of proposals that include significant policy elements as opposed to operational elements.

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## Modern Management Practices Provide a Framework for Restructuring Proposals

Three years ago, I testified that the challenge for the federal government at the start of the 21st century is to continue to improve and to translate the management reforms enacted by the Congress in the 1990s into a day-to-day management reality across government.<sup>14</sup> Restructuring can be an important tool in this effort. Restructuring efforts must, however, be focused on clear goals. Further, irrespective of the number and nature of federal entities, creating high-performing organizations will require a cultural transformation in government agencies. Hierarchical management approaches will need to yield to partnerial approaches. Process-oriented ways of doing business will need to yield to results-oriented ones. Siloed organizations—burdened with overlapping functions, inefficiencies and turf battles—will need to become more horizontal and integrated organizations if they expect to make the most of the knowledge, skills, and abilities of their people. Internally focused agencies will need to focus externally in order to meet the needs and expectations of their ultimate clients—the American people. In the coming month, I plan to convene a forum to discuss steps federal agencies can take to become high-performing organizations.

GAO is leading by example. To create a world-class professional services organization, we have undertaken a comprehensive transformation effort over the past few years. Our strategic plan, which is developed in consultation with the Congress, is forward looking and built on several key themes that relate to the United States and our position in the world community. We restructured our organization in calendar year 2000 to align with our goals, resulting in significant consolidation—going from 35 to 13 teams, eliminating an extra organizational layer, and reducing the number of field offices from 16 to 11. We have become more strategic, results-oriented, partnerial, integrated, and externally focused. Our scope of activities includes a range of oversight-, insight-, and foresight-related engagements. We have expanded and revised our products to better meet client needs. In addition, we have re-defined success in results-oriented terms and linked our institutional and individual performance measures.

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<sup>14</sup>U.S. General Accounting Office, *Managing In The New Millennium : Shaping a More Efficient and Effective Government for the 21st Century*, [GAO/T-OCG-00-9](#) (Washington, D.C.: Mar. 29, 2000).

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We have strengthened our client relations and employed a “constructive engagement approach” to those we review. The impact on our results has been dramatic. Several of our key performance measures have almost doubled and our client feedback reports satisfaction has also improved.

There are six important elements to consider for a successful reorganization—establishing clear goals, taking an integrated approach, developing a comprehensive human capital strategy, selecting appropriate service delivery mechanisms, managing the implementation, and providing effective oversight.

Clear goals. The key to any reorganization plan is the creation of specific, identifiable goals. The process to define goals will force decision makers to reach a shared understanding of what really needs to be fixed in government, what the federal role really ought to be, how to balance differing objectives, and what steps need to be taken to create not just short-term advantages but long-term gains. The mission and strategic goals of an organization must become the focus of the transformation, define the culture, and serve as a vehicle to build employee and organizational identity and support. Mission clarity and a clear articulation of priorities are critical, and strategic goals must align with and support the mission and serve as continuing guideposts for decision making. New organizations must have a clear set of principles and priorities that serve as a framework for the organization, create a common culture, and establish organizational and individual expectations.

The most recent restructuring, the formation of the Department of Homeland Security (DHS), illuminates this point. There was clear national consensus that a new national goal and priority was homeland security. With agreement on the mission and goals of this new department, the various activities and functions scattered throughout the government could be identified and moved into the new department. Building a framework of clearly articulated goals facilitates any restructuring effort. This is true for both the initial design and the implementation.

The government today is faced with many challenges. In considering restructuring, it is important to focus on not just the present but the future trends and challenges. Identification of goals to address these trends and challenges provides a framework for achieving consensus and organizational design. In fact, the effects of any reorganization are felt more in the future than they are today. The world is not static. Therefore, it is vital to take the long view, positioning the government to meet the

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challenges of the 21st century. Regardless of the immediate objectives, any reorganization should have in mind certain overarching goals: a government that serves the public efficiently and economically, that is run in a sound, businesslike fashion with full accountability, and that is flexible enough to respond to change.

Integrated approach. The importance of seeing the overall picture cannot be overestimated. Reorganization demands a coordinated approach, within and across agency lines, supported by solid consensus for change. One cannot underestimate the interconnectedness of government structure and activities. Make changes here, and you will certainly affect something over there. Our work has certainly illuminated the interconnectedness of federal programs, functions, and activities.

DHS again provides lessons. Though many homeland security responsibilities, functions, and activities have been brought under the umbrella of DHS, many remain outside. DHS will have to form effective partnerships throughout the federal government—on intelligence functions, health issues, science activities. In addition, partnerships will be required outside the federal government—state and local governments, private sector organizations, and the international community, if DHS is to successfully accomplish its mission.

We have previously reported that the Government Performance and Results Act (Results Act) could provide a tool to reexamine roles and structure at the governmentwide level. The Results Act requires the President to include in his annual budget submission a federal government performance plan. The Congress intended that this plan provide a “single cohesive picture of the annual performance goals for the fiscal year.” The governmentwide performance plan could be a unique tool to help the Congress and the executive branch address critical federal performance and management issues. It also could provide a framework for any restructuring efforts. Unfortunately, this provision has not been fully implemented.

Beyond an annual performance plan, a strategic plan for the federal government might be an even more useful tool to provide broad goals and facilitate integration of programs, functions, and activities, by providing a longer planning horizon. In the strategic planning process, it is critical to achieve mission clarity in the context of the environment in which we operate. With the profound changes in the world, a re-examination of the roles and missions of the federal government is certainly needed. From a



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clearly defined mission, goals can be defined and organizations aligned to carrying out the mission and goals. Integration and synergy can be achieved between components of the government and with external partners to provide more focused efforts on goal achievement.

If fully developed, a governmentwide strategic plan can potentially provide a cohesive perspective on the long-term goals for a wide array of federal activities. Successful strategic planning requires the involvement of key stakeholders. Thus, it could serve as a mechanism for building consensus. The process of developing the plan could prompt a more integrated and focused discussion between the Congress and the administration about long-term priorities and how agencies interact in implementing those priorities. Further, it could provide a vehicle for the President to articulate long-term goals and a road map for achieving them. In the process, key national performance indicators associated with the long-term goals could be identified and measured.

In addition, a strategic plan can provide a much needed framework for considering any organizational changes and making resource allocation decisions. Essentially, organizations and resources (e.g., human, financial, and technological) are the ways and means of achieving the goals articulated by the strategic plan. Organizations should be aligned to be consistent with the goals and objectives of the strategic plan. Clear linkages should exist between the missions and functions of an organization and the goals and objectives it is trying to achieve. In making the trade-offs in resource decisions, a strategic plan identifies clear priorities and forms a basis for allocating limited resources for maximum effect.

The process of developing a strategic plan that is comprehensive, integrated, and reflects the challenges of our changing world will not be easy. However, the end result could be a government that serves the public efficiently and economically, that is run more efficiently and effectively with full accountability, and that is flexible enough to respond to our rapidly changing world.

Human capital strategy. People are an organization's most important asset, and strategic human capital management should be the centerpiece of any transformation or organizational change initiative. An organization's people define its character, affect its capacity to perform, and represent the knowledge base of the organization.

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Since 2001, we have designated human capital management as a governmentwide high risk. The Congress and the executive branch have taken a number of steps to address the federal government's human capital shortfalls. However, serious human capital challenges continue to erode the ability of many agencies, and threaten the ability of others, to economically, efficiently, and effectively perform their missions. A consistent, strategic approach to maximize government performance and ensure its accountability is vital to the success of any reorganization efforts as well as to existing organizations.

A high-performance organization focuses on human capital. Human capital approaches are aligned with mission and goal accomplishment. Strategies are designed, implemented, and assessed based on their ability to achieve results and contribute to the organization's mission. Leaders and managers stay alert to emerging mission demands and human capital challenges. They reevaluate their human capital approaches through the use of valid, reliable, and current data, including an inventory of employee skills and competencies. Recruiting, hiring, professional development, and retention strategies are focused on having the needed talent to meet organizational goals. Individual performance is clearly linked with organizational performance. Effective performance management systems provide a "line of sight" showing how unit, team, and individual performance can contribute to overall organizational goals.

Human capital strategies need to be built into any restructuring efforts. The Congress has recognized the importance of human capital in recent restructuring efforts. For example, in the creation of DHS and the Transportation Security Agency (TSA), human capital issues were addressed directly with the granting of flexibilities to improve the effectiveness of their workforces. Thus, human capital issues need to be addressed in both the design and implementation of any organization.

Service delivery mechanisms. Once goals are defined, attention must be paid not only to how the government organizes itself but also to the tools it uses to achieve national goals. The tools for implementing federal programs include, for example, direct spending, loans and loan guarantees, tax expenditures, and regulations. A hallmark of a responsive and effective government is the ability to mix public/private structures and tools in ways that are consistent with overriding goals and principles while providing the best match with the nature of the program or service. The choice of tools will affect the results the government can achieve. Therefore,

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organizations must be designed to effectively use the tools they will employ.

In most federal mission areas—from low-income housing to food safety to higher education assistance—national goals are achieved through the use of a variety of tools and, increasingly, through the participation of many organizations that are beyond the direct control of the federal government. This environment provides unprecedented opportunities to change the way federal agencies are structured to do business internally and across boundaries with state and local governments, nongovernmental organizations, private businesses, and individual citizens.

Implementation. No matter what plans are made to reorganize the government, fulfilling the promise of these plans will depend on their effective implementation. The creation of a new organization may vary in terms of size and complexity. However, building an effective organization requires consistent and sustained leadership from top management to ensure the needed transformation of disparate agencies, programs, functions, and activities into an integrated organization. To achieve success, the end result should not simply be a collection of component units, but the transformation to an integrated, high-performance organization. The implementation of a new organization is an extremely complex task that can take years to accomplish. It is instructive to note that the 1947 legislation creating the Department of Defense was further changed four times by the Congress in order to improve the effectiveness of the department. Despite these changes, DOD continues to face a range of major management challenges, with six agency-specific challenges on our 2003 list and three governmentwide challenges. Start-up problems under any reorganization are inevitable but can be mitigated by comprehensive planning and strong leadership.

An implementation plan anchored by an organization's mission, goals and core values is critical to success.<sup>15</sup> An implementation plan should address the complete transition period, not just the first day or the first year. It must go beyond simply the timetable for the organization's creation, consolidation, or elimination. Effective implementation planning requires identification of key activities and milestones to transform the organization

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<sup>15</sup>U.S. General Accounting Office, *Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, GAO-03-293SP (Washington, D.C.: Nov. 14, 2002).

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into a fully integrated, high-performance organization and establish accountability for results. Careful planning and attention to management practices and key success factors, such as strategic planning, information technology, risk management, and human capital management, are important to overall results. A human capital strategic plan must be developed. It is vital to have key positions filled with people who possess the critical competencies needed by the organization. Further, systems and processes need to be tailored to and integrated within the organization. The experiences of TSA highlight the need for long-term planning. A year after being set up, although great progress has been made, TSA still faces numerous challenges—ensuring adequate funding; establishing adequate cost controls; forming effective partnerships to coordinate activities; ensuring adequate workforce competence and staffing levels; ensuring information systems security; and implementing national security standards.

Top leadership must set priorities and focus on the most critical issues. While top leadership is essential and indispensable, it will be important to have a broad range of agency leaders and managers dedicated to the transformation process to ensure that changes are thoroughly implemented and sustained over time. Dedicated management leadership can free the head of the organization from day-to-day operational and administrative issues, allowing time to focus on mission priorities.

One approach to providing the sustained management attention essential for addressing key infrastructure and stewardship issues while helping facilitate the transition and transformation process is the creation of a chief operating officer (COO) position within selected federal agencies. To be successful, a COO must have a proven track record in a related position and high profile—reporting directly to the agency head, and be vested with sufficient authority to achieve results. Since successful restructurings often take a considerable amount of time, 5 to 7 years being common, a term appointment of up to 7 years might be warranted. To further clarify accountability, the COO should be subject to a clearly defined, results-oriented performance contract with appropriate incentives, rewards, and accountability mechanisms.<sup>16</sup>

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<sup>16</sup>U.S. General Accounting Office, *Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges*, GAO-03-192SP (Washington, D.C.: Oct. 4, 2002).

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Oversight. Congressional involvement is needed not just in the initial design of the organization, but in what can turn out to be a lengthy period of implementation. The Congress has an important role to play—both in its legislative and oversight capacities—in establishing, monitoring, and maintaining progress to attain the goals envisioned by government transformation and reorganization efforts.

Sustained oversight by the Congress is needed to ensure effective implementation. The understanding by the Congress of the various agencies will provide a measure of whether the reorganization is accomplishing its goals and whether it needs further refinement. Assessing progress is important to ensuring implementation is moving in the right direction.

To ensure effective implementation, along with efficient and effective oversight, the Congress will also need to consider realigning its own structure. With changes in the executive branch, the Congress should adapt its own organization in order to improve its efficiency and effectiveness. Most recently, the Congress has undertaken a reexamination of its committee structure, with the implementation of DHS. In fact, the DHS legislation instructed both houses of Congress to review their committee structures in light of the reorganization of homeland security responsibilities within the executive branch.

In summary, the key issue at hand is how to make changes and reforms and what the respective roles of the Congress and the executive branch should be in the process. Only the Congress can decide whether it wishes to limit its powers and role in government reorganizations. As part of the legislative branch, I obviously have some concerns about any serious diminution of your authority. In certain circumstances, the Congress may deem it appropriate. A distinction needs to be made between policy choices and operational choices, and a balance must be struck between the need for due deliberation and the need for action in these different cases. The Congress may wish to consider a longer period for review and debate of proposals that include significant policy elements versus operational elements. Further, the President and the Congress may wish to consider establishing a process (e.g., a commission), that provides for the involvement of the key players and a means to help reach consensus on any specific restructuring proposals that would be submitted for consideration by the Congress.

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In view of the overarching trends and the long-term fiscal challenges facing our nation, there is a need to consider the proper role of the federal government, how the government should do business in the future, and in some instances, who should do the government's business in the 21st century. Evaluating the role of government and the programs it delivers within the context of the major trends facing our nation and our increasing fiscal challenges it faces is key in determining how best to address the country's most pressing priorities. It is increasingly important that federal programs use tools to manage effectively across boundaries and work in conjunction with the priorities and needs of American citizens; international, federal, state, and local governments; and the private and nonprofit sectors. This is an opportune time for the Congress to carefully consider how to make needed changes in the short term to help agencies effectively manage their resources and link resource decisions to results as well as to work toward a comprehensive and fundamental reassessment of what the government does, how it does it, and who should do the government's business.

Mr. Chairman, this concludes my prepared statement. We at GAO look forward to continuing to "lead by example" in connection with government transformation efforts and to assisting the Congress with related matters. I would be pleased to respond to any questions that you or other Members of the Committee may have.