

GAO

Testimony

Before the Subcommittee on Federal
Financial Management, Government
Information, and International Security,
U.S. Senate

For Release on Delivery
Expected at 2:30 p.m. EDT
Thursday, April 21, 2005

MANAGEMENT REFORM

Assessing the President's Management Agenda

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Highlights of [GAO-05-574T](#), a testimony before the Chairman, Subcommittee on Federal Financial Management, Government Information, and International Security, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

As part of its work to improve the management and performance of the federal government, GAO monitors progress and continuing challenges related to the President's Management Agenda (PMA). The Administration has looked to GAO's high-risk program to help shape various governmentwide initiatives, including the PMA. GAO remains committed to working with the Congress and the Administration to help address these important and complex issues.

What GAO Recommends

We are not making any new recommendations in this testimony. Serious and sustained efforts are needed to improve the management and performance of federal agencies and to ensure accountability. To accomplish this, a governmentwide performance plan could help to institutionalize a focus on planning and managing for results while building on the administration's efforts to assess progress and contribute to efforts to compare results across similar programs. In addition, a governmentwide strategic plan, informed by a set of key national indicators to assess the government's performance, position, and progress, could provide an additional tool for governmentwide reexamination of existing, as well as new, programs. The PMA provides a valuable foundation for a fundamental review needed to address a range of 21st Century challenges.

www.gao.gov/cgi-bin/getrpt?GAO-05-574T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact George Stalcup at (202) 512-6806 or stalcupg@gao.gov.

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What GAO Found

The administration's implementation of the PMA has been a very positive initiative. It has served to raise the visibility of key management challenges, increased attention to achieving outcome-based results, and reinforced the need for agencies to focus on making sustained improvements in addressing long-standing management problems, including items on GAO's high-risk list. Our work shows that agencies have made progress in the areas covered by the PMA, and the Office of Management and Budget (OMB) has indicated it will continue to focus on high-risk areas during the President's second term. Importantly, OMB needs to place additional attention on the Department of Defense's (DOD) many high-risk areas and overall business transformation efforts. While considerable progress has been made in connection with PMA issues, a number of significant challenges remain.

- In the area of financial performance, the PMA recognizes the importance of timely, accurate and useful financial information and sound internal control. Agencies made significant progress in meeting accelerated financial statement reporting deadlines, and OMB has refocused attention on improving internal controls. However, agencies face several challenges—improvement lags on financial management reforms, especially at DOD which must overhaul its financial management and business operations.
- The PMA established a separate initiative for improper payments to ensure that agency managers are held accountable for meeting the goals of the Improper Payments Information Act of 2002. Effective implementation of this Act will be an important step toward addressing this area, which involves tens of billions of dollars.
- The PMA recognizes that people are an important organizational asset. A governmentwide framework for advancing human capital reform is needed to avoid further fragmentation within the civil service, ensure management flexibility as appropriate, allow a reasonable degree of consistency, provide adequate safeguards within the overall civilian workforce, and help maintain a level playing field among federal agencies competing for talent.
- The initiative to integrate management and performance issues with budgeting is critical for progress in government performance and management. OMB's Program Assessment Rating Tool (PART) is designed to use results-oriented information to assess programs in the budget formulation process. However, more should be done to assess how each program fits within the broad portfolio of tools and strategies used to accomplish federal missions.
- Many e-government initiatives are showing tangible results. However, the government continues to face challenges, such as establishing a federal enterprise architecture intended to provide a framework to guide agencies' enterprise architectures and investments.
- The inclusion of real property asset management on the PMA, an executive order, and agencies' actions are all positive steps in an area that had been neglected for years. However, the underlying conditions—such as excess and deteriorating properties—continue to exist. More needs to be done in areas such as improving capital planning among agencies.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the President's Management Agenda (PMA), which has been a very positive initiative. The administration's implementation of the PMA has demonstrated its commitment to improving federal management and performance. It has served to raise the visibility of key management challenges, increased attention to achieving outcome-based results, and reinforced the need for agencies to focus on making sustained improvements in addressing long-standing problems, including items on GAO's high-risk list.¹ I believe the concept of using red, yellow, and green stoplights both to indicate agencies' status and focus on progress made is an innovative approach. By calling attention to successes and needed improvements, the focus that PMA and the scorecards bring is certainly a step in the right direction, and our work shows that progress has been made in a number of important areas over the last several years. Importantly, OMB needs to place additional attention on the Department of Defense's many high-risk areas and business transformation efforts.

Significant challenges remain particularly at the Department of Defense (DOD), where 14 of the 25 high-risk areas exist. GAO identifies areas that are at high risk due to their greater vulnerabilities to fraud, waste, abuse, and mismanagement as well as the need for broad based transformations to address major economy, efficiency, or effectiveness challenges. DOD's current and historical approach to business transformation has not proven effective in achieving meaningful and sustainable progress, and change is necessary in order to expedite a broad-based transformation. For years, we have reported on inefficiencies and the lack of adequate transparency and appropriate accountability across DOD's major business areas, resulting in billions of dollars of wasted resources annually. DOD has not taken the steps it needs to take to overhaul its financial management and related business operations.

The Bush Administration has looked to our high-risk program to help shape various governmentwide initiatives, including the PMA, which has at its base many of the areas we had previously designated as high risk. To its credit, the Office of Management and Budget (OMB) has worked closely with a number of agencies that have high-risk issues, in many cases establishing action plans and milestones for agencies to complete needed

¹ GAO, *High-Risk Series: An Update* (GAO-05-207, January 2005).

actions to address areas that we have designated as high risk. In this regard, Clay Johnson, OMB's Deputy Director for Management, recently reaffirmed the Bush Administration's desire to refocus on GAO's high-risk list in order to make as much progress as possible in the President's second term. This is very encouraging. OMB will need to be engaged seriously on a sustained basis to make progress on a range of challenges that are costing taxpayers billions of dollars each year. Continued oversight by the Congress will also be key, and in the case of some areas, legislative actions will be needed.

In the PMA, the President has identified five governmentwide initiatives that are interrelated and support each other—improved financial performance, strategic management of human capital, budget and performance integration, electronic government, and competitive sourcing. The PMA also includes program initiatives on eliminating improper payments and real property asset management. Today, as agreed with the subcommittee, my statement will focus on the progress made in these five governmentwide and the two program initiatives in PMA and the next steps our work shows will be key to effectively enhance the management and performance of the federal government. I will also highlight the importance of congressional oversight in continuing to provide the attention needed to improve management and performance across the federal government and ensure accountability. This testimony draws upon our wide-ranging work on federal management and transformation issues, including analysis of PMA initiatives and the President's 2006 Budget of the U.S Government. We conducted our work in accordance with generally accepted government auditing standards.

Improved Financial Performance

The PMA initiative to improve financial performance is aimed at ensuring that federal financial systems produce accurate and timely information to support operating, budget, and policy decisions. It focuses on key issues such as data reliability, clean financial statement audit opinions, and effective internal control and financial management systems. Our work in these areas over a number of years demonstrates the importance of the improvement efforts that are underway. The Congress enacted a number of statutory reforms during the 1990s in the area of financial management. Although progress has been made under the PMA, the federal government is a long way from successfully implementing these reforms.

Reliable information, including cost data, is critical for effective performance measurement to support program management decisions in areas ranging from program efficiency and effectiveness to sourcing and

contract management. For effective management, this information must not only be timely and reliable, but also both useful and used. Under this PMA initiative, agencies are expected to implement integrated financial and performance management systems that routinely produce information that is (1) timely—to measure and affect performance immediately, (2) useful—to make more informed operational and investing decisions, and (3) reliable—to ensure consistent and comparable trend analysis over time and to facilitate better performance measurement and decision making. Producing timely, useful, and reliable information is critical for achieving the goals that the Congress established in the Chief Financial Officers (CFO) Act of 1990 and other federal financial management reform legislation.

The executive branch management scorecard for the financial performance area not only recognizes the importance of achieving an unqualified or “clean” opinion from auditors on financial statements, but also focuses on the fundamental and systemic issues that must be addressed in order to routinely generate timely, accurate, and useful financial information and provide sound internal control and effective compliance systems, which represents the end goal of the CFO Act.²

For fiscal year 2004, OMB accelerated agencies’ financial statement reporting date to November 15, 2004, as compared with January 30, 2004, for fiscal year 2003. Twenty-two of twenty-three CFO Act agencies were able to issue their fiscal year 2004 financial statements by the accelerated reporting date, a significant improvement in the timeliness of these statements. Eighteen of these agencies were able to attain unqualified audit opinions on their financial statements. At the same time, the growing number of CFO Act agencies that restated certain of their financial statements for fiscal year 2003 to correct errors emerged as an issue of concern that merits close scrutiny. Eleven of the twenty-three CFO Act agencies fell into this category in fiscal year 2004, as compared with at least five CFO Act agencies that had restatements of prior year financial statements in fiscal year 2003. Frequent restatements to correct errors can undermine public trust and confidence in both the entity and all responsible parties.

The scorecard also measures whether agencies have any material internal control weaknesses or material noncompliance with laws and regulations,

² 31 U.S.C. §§ 901-903.

and whether agencies meet Federal Financial Management Improvement Act (FFMIA) of 1996 requirements.³ As stated in the PMA, without sound internal controls and accurate and timely financial information, it will not be possible to accomplish the President's agenda to secure the best performance and highest measure of accountability for the American people.

Reinforcing the PMA's emphasis on effective internal controls, OMB revised Circular A-123, Management's Responsibility for Internal Control in December, 2004. These revisions recognize that effective internal control is critical to improving federal agencies' effectiveness and accountability and to achieving the goals that the Congress established in 1950 and reaffirmed in 1982 with passage of the Federal Managers' Financial Integrity Act (FMFIA).⁴ The Circular correctly recognizes that instead of considering internal control as an isolated management tool, agencies should integrate their efforts to meet the FMFIA requirements with other efforts to improve effectiveness and accountability. Internal control should be an integral part of the entire cycle of planning, budgeting, management, accounting, and auditing. It should support the effectiveness and the integrity of every step of the process and provide continual feedback to management.

We support OMB's efforts to revitalize FMFIA, particularly the principles-based approach in the revised Circular A-123 for establishing and reporting on internal control that should increase accountability. This approach provides a floor for expected behavior, rather than a ceiling, and by its nature, calls for greater judgment on the part of those applying the principles. Accordingly, clear articulation of objectives, the criteria for measuring whether the objectives have been successfully achieved and the rigor with which these criteria are applied will be critical. Providing agencies with supplemental guidance and implementation tools, which OMB and the CFO Council are developing, is particularly important in light of the varying levels of maturity in internal control across government as well as the divergence in implementation of a principles-based approach that is typically found across entities with varying capabilities.

A challenge of great complexity that many agencies face is ensuring that underlying financial management processes, procedures, and information

³ Public Law 104-208, §§ 801-808, September 30, 1996.

⁴ 31 U.S.C. §§ 1113, 3512.

systems are in place for effective program management. Agencies need to take steps to (1) continuously improve internal controls and underlying financial and management information systems to ensure that managers and other decision makers have reliable, timely, and useful financial information to ensure accountability; (2) measure, control, and manage costs; (3) manage for results; and (4) make timely and fully informed decisions about allocating limited resources. Meeting FFMIA requirements presents long-standing, significant challenges that will only be met through time, investment, and sustained emphasis on correcting deficiencies in federal financial management systems. The widespread systems problems facing the federal government need sustained management commitment at the highest levels of government to ensure that these needed modernizations come to fruition. PMA provides the visibility needed for sustaining these efforts.

Much work remains to be done across government to improve financial performance, as shown by the December 2004 scorecards. Of the 23 CFO Act agencies that OMB scored, 15 were rated red for financial performance. This is not surprising, considering the well-recognized need to transform financial management and other business processes at agencies such as the Department of Defense (DOD), the results of our analyses under FFMIA, the various financial management operations we have designated as high risk, and known long-standing material weaknesses. Seven agencies improved their scores to green from the initial baseline evaluation for financial performance which was as of September 30, 2001; however, several agencies' scores declined, reflecting increased challenges. Overhauling financial management represents a challenge that goes far beyond financial accounting to the very fiber of an agency's business operations and management culture, particularly at agencies with longstanding problems, such as DOD. For the new Department of Homeland Security (DHS), establishing sound financial management is a critical success factor.

In the area of financial performance, the federal government is a long way from successfully implementing needed financial management reforms. Widespread financial management system weaknesses, poor recordkeeping and documentation, weak internal controls, and the lack of information have prevented the federal government from having the cost information it needs to effectively and efficiently manage operations through measuring the full cost and financial performance of programs and accurately reporting a large portion of its assets, liabilities, and costs. The government's ability to adequately safeguard significant assets has been impaired by these conditions.

Across government, there is a range of financial management improvement initiatives under way that, if effectively implemented, will improve the quality of the government's financial management and reporting. Federal agencies have started to make progress in their efforts to modernize their financial management systems and improve financial management performance as called for in PMA. However, until these challenges are adequately addressed, they will continue to present a number of adverse implications for the federal government and the taxpayers. At the same time, the need for timely, reliable, and useful financial and performance information is greater than ever. Our nation's large and growing long-term fiscal imbalance, which is driven largely by known demographic trends and rising health care costs, coupled with new homeland security and defense commitments and the recent downward trend in revenue as a share of gross domestic product, serves to sharpen the need to fundamentally review and re-examine the base of federal entitlement, discretionary, and other spending and tax policies. Clearly, tough choices will be required to address the resulting structural imbalance.

Eliminating Improper Payments

Improper payments are a longstanding, widespread, and significant problem in the federal government. The Congress enacted the Improper Payments Information Act (IPIA) of 2002 to address this issue of improper payments.⁵ The separate improper payments PMA program initiative began in the first quarter of fiscal year 2005. Previously, agency efforts related to improper payments were tracked along with other financial management activities as part of the Improved Financial Performance initiative. The objective of establishing a separate initiative for improper payments was to ensure that agency managers are held accountable for meeting the goals of the IPIA and are therefore dedicating the necessary attention and resources to meeting IPIA requirements.

Across the federal government, improper payments occur in a variety of programs and activities, including those related to health care, contract management, federal financial assistance, and tax refunds. Improper payments include inadvertent errors, such as duplicate payments and miscalculations, payments for unsupported or inadequately supported claims, payments for services not rendered, payments to ineligible beneficiaries, and payments resulting from fraud and abuse by program

⁵ 31 U.S.C. § 3321 note.

participants and/or federal employees. Many improper payments occur in federal programs that are administered by entities other than the federal government, such as states, municipalities, and intermediaries such as insurance companies. Generally, improper payments result from a lack of or an inadequate system of internal control, but some result from program design issues.

Federal agencies' estimates of improper payments based on available information for fiscal year 2004 exceeded \$45 billion. This estimate could increase significantly over the next several years as agencies become more effective at estimating and reporting improper payment amounts for programs and activities that are susceptible to significant improper payments. Of the 15 agencies identified for this PMA initiative, no agencies were rated green and 10 were rated red in the first scores for this initiative as of December 31, 2004.

These results are consistent with our previous work both agencywide and in specific program areas. For example, our preliminary reviews of 29 federal agencies' fiscal year 2004 PARs suggest that a number of agencies were not well positioned to meet the reporting requirements of IPIA. Additionally, improper payments for specific programs have been identified as a high-risk area. For example, the Centers for Medicare & Medicaid Services has made improvements in assessing the level of improper payments, collecting overpayments from providers, and building the foundation for modernizing its information technology. Nevertheless, much work remains to be done given the magnitude of its challenges in safeguarding program payments. This includes more effectively overseeing Medicare's claims administration contractors, managing the agency's information technology initiatives, and strengthening financial management processes across multiple contractors and agency units. In light of these challenges and the program's size and fiscal significance, Medicare remains on our list of high-risk programs. For Medicaid, an estimate of improper payments was not reported for fiscal year 2004.

Our prior work has demonstrated that attacking improper payments requires a strategy appropriate to the organization and its particular risks. We have found that entities using successful strategies to help address their improper payments shared a common focus of improving the internal control system—the first line of defense in safeguarding assets and preventing and detecting errors and fraud. As discussed in the Comptroller

General's Standards for Internal Control in the Federal Government,⁶ the components of any control system are:

- control environment—creating a culture of accountability,
- risk assessment—performing analyses of program operations to determine if risks exist,
- control activities—taking actions to address identified risk areas,
- information and communications—using and sharing relevant, reliable, and timely information, and
- monitoring—tracking improvement initiatives and identifying additional actions needed to further improve program efficiency and effectiveness.

Effective implementation of the IPIA will be an important step towards addressing the longstanding, significant issue of improper payments. OMB has an important role, and we support their efforts to call attention to this issue. Fiscal year 2004 represents the first year that federal agencies were required to report improper payment information required by the IPIA in their Performance and Accountability Reports (PAR). IPIA raised improper payments to a new level of importance by requiring federal agencies to annually review all programs and activities and identify those that may be susceptible to significant improper payments. Federal agencies are required to estimate the annual amount of improper payments for those programs and activities identified as susceptible to significant improper payments. The law further requires federal agencies to report to the Congress the improper payment estimates and information on the actions the agency is taking to reduce the improper payments. OMB implementation guidance required that estimates and, if applicable, the corrective action report, be included in federal agencies' PARs beginning with fiscal year 2004.⁷

OMB's guidance addresses the specific reporting requirements called for in the act and lays out the general steps agencies are to perform to meet those requirements. The guidance defines key terms used in the law, such as programs and activities, and offers criterion that clarify the meaning of the term significant improper payments. It requires that agencies use statistical sampling when estimating improper payments and sets statistical sampling confidence and precision levels for estimation purposes. It also requires that agencies report the results of their improper

⁶ [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

⁷ OMB Memorandum M-03-13, May 21, 2003.

payment activities in their annual PAR. The ultimate success of the legislation and the PMA initiative hinges on each agency's diligence and commitment in identifying, estimating, determining the causes of, taking corrective actions, and measuring progress in reducing all improper payments. Designating this area as a separate program initiative under the PMA, will bring visibility to this problem that we hope will lead to action and further progress.

Strategic Human Capital Management

The PMA recognizes that people are an important organizational asset to an agency. Under the PMA, agencies are to implement a comprehensive human capital plan that aligns with agency mission and goals. Considerable progress has been made in strategic human capital management since we designated it as high risk in 2001.⁸ For example, OMB recently reported that agencies are making improvements in addressing key human capital challenges. Nevertheless, ample opportunities exist for agencies to improve their strategic human capital management to achieve results and respond to current and emerging challenges. Specifically, agencies continue to face challenges in four key areas:

- **Leadership:** Agencies need sustained leadership to provide the focused attention essential to completing multiyear transformations.
- **Strategic Human Capital Planning:** Agencies need effective strategic workforce plans to identify and focus their human capital investments on the long-term issues that best contribute to results.
- **Acquiring, Developing, and Retaining Talent:** Agencies need to continue to create effective hiring processes and use flexibilities and incentives to retain critical talent and reshape their workforces.
- **Results-Oriented Organizational Cultures:** Agencies need to reform their performance management systems so that pay and awards are linked to performance and organizational results.

Going forward, federal agencies need to develop and effectively implement the human capital approaches that best meet their needs, resources, context, and authorities. While these approaches will depend on each organization's specific situation, leading public sector organizations build an infrastructure that at a minimum, includes (1) a

⁸GAO, *High-Risk Series: An Update* (GAO-01-263, January 2001).

human capital planning process that integrates the agency's human capital policies, strategies, and programs with its program goals, mission, and desired outcomes; (2) the capabilities to effectively develop and implement a new human capital system; and importantly, (3) the existence of a modern, effective, and credible performance management system that includes adequate safeguards (such as reviews and appeal processes) to ensure fair, effective, non-discriminatory, and credible implementation of the new system. Our observations follow.

Conducting strategic human capital planning: Such planning aligns human capital programs with programmatic goals and develops strategies to acquire, develop, and retain staff to achieve these goals.⁹ As part of the PMA, agencies are to implement a workforce planning system to identify and address gaps in mission critical occupations and competencies and develop succession strategies.

Agencies are experiencing significant challenges to deploying the right skills, in the right places, at the right time in the wake of extensive downsizing during the early 1990s that was done largely without sufficient consideration of the strategic consequences. Agencies are also facing a growing number of employees who are eligible for retirement and are finding it difficult to fill certain mission-critical jobs, a situation that could significantly drain agencies' institutional knowledge. For example, the achievement of DOD's mission is dependent in large part on the skills and expertise of its civilian workforce. We recently reported that DOD's future strategic workforce plans may not result in workforces that possess the critical skills and competencies needed.¹⁰ Among other things, DOD and the components do not know what competencies their staff needs to do their work now and in the future and what type of recruitment, retention, and training and professional development workforce strategies should be developed and implemented to meet future organizational goals. It is questionable whether DOD's implementation of its new personnel reforms will result in the maximum effectiveness and value.

Building the capability to develop and implement human capital systems: An essential element to acquiring, developing, and retaining a high-quality

⁹ GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, [GAO-04-39](#) (Washington, D.C.: Dec. 11, 2003).

¹⁰ GAO, *DOD Civilian Personnel: Comprehensive Strategic Workforce Plans Needed*, [GAO-04-753](#) (Washington, D.C.: June 30, 2004).

workforce is effective use of human capital flexibilities. These flexibilities represent the policies and practices that an agency has the authority to implement in managing its workforce. As part of the PMA, agencies are to establish goals to accelerate their hiring processes, monitor their progress, and implement needed improvements.

We reported that agencies must take greater responsibility for maximizing the efficiency and effectiveness of their individual hiring processes within the current statutory and regulatory framework that Congress and the Office of Personnel Management (OPM) have provided and recommended that OPM take additional actions to assist agencies in strengthening the federal hiring process.¹¹ We subsequently reported that although Congress, OPM, and agencies have all undertaken efforts to help improve the federal hiring process, agencies appeared to be making limited use of the new hiring flexibilities provided by Congress in 2002—category rating and direct hire.¹²

Consistent with our findings and recommendations, OPM has taken a number of important actions to assist agencies in their use of hiring flexibilities. For example, OPM issued final regulations on the use of category rating and direct-hire authority, providing some clarification in response to various comments it had received in interim regulation. Also, OPM conducted a training symposium to provide federal agencies with further instruction and information on ways to improve the quality and speed of the hiring process.

Implementing modern, effective, and credible performance management systems: Effective performance management systems can help drive internal change and achieve external results. Such systems are not merely used for expectation setting and rating processes, but are also used to facilitate two-way communication so that discussions about individual and organizational performance are integrated and ongoing. Leading public sector organizations have created a clear linkage—“line of sight”—between individual performance and organizational success. Under the

¹¹ GAO, *Human Capital: Opportunities to Improve Executive Agencies' Hiring Processes*, [GAO-03-450](#) (Washington, D.C.: May 30, 2003).

¹² GAO, *Human Capital: Increasing Agencies' Use of New Hiring Flexibilities*, [GAO-04-959T](#) (Washington, D.C.: July 13, 2004); *Human Capital: Additional Collaboration Between OPM and Agencies Is Key to Improved Federal Hiring*, [GAO-04-797](#) (Washington, D.C.: June 7, 2004); and *Human Capital: Status of Efforts to Improve Federal Hiring*, [GAO-04-796T](#) (Washington, D.C.: June 7, 2004).

PMA, agencies are to establish performance appraisal plans for all senior executives and managers that link to agency mission, goals, and outcomes.

Recently, Congress and the administration have sought to modernize senior executive performance management systems by establishing a new performance-based pay system for the Senior Executive Service (SES) that is designed to provide a clear and direct linkage between SES performance and pay.¹³ With the new system, an agency can raise the pay cap for its senior executives if OPM certifies and OMB concurs that the agency's performance management system, as designed and applied, makes meaningful distinctions based on relative performance. However, data suggest that more work is needed in making such distinctions. Agencies rated about 75 percent of senior executives at the highest level their systems permit in fiscal year 2003, the most current year for which data are available, which is about the same percent of executives as fiscal year 2002.

Framework for Human Capital Reform

Congress has recently given agencies such as NASA, DHS, and DOD statutory authorities to help them manage their human capital strategically to achieve results. Consequently, in this environment, the federal government is quickly approaching the point where "standard governmentwide" human capital policies and processes are neither standard nor governmentwide. To be effective, human capital reform needs to avoid further fragmentation within the civil service, ensure reasonable consistency within the overall civilian workforce, and help maintain a reasonably level playing field among federal agencies competing for talent.

To help advance the discussion concerning how governmentwide human capital reform should proceed, GAO and the National Commission on the Public Service Implementation Initiative hosted a forum on whether there should be a governmentwide framework for human capital reform and, if so, what this framework should include.¹⁴ While there were divergent views among the forum participants, there was general agreement on a set

¹³ See section 1322 of Public Law 107-296, November 25, 2002, and section 1125 of Public Law 108-136, November 24, 2003.

¹⁴ GAO and the National Commission on the Public Service Implementation Initiative, *Highlights of a Forum: Human Capital: Principles, Criteria, and Processes for Governmentwide Federal Human Capital Reform*, [GAO-05-69SP](#) (Washington, D.C.: Dec. 1, 2004).

of principles, criteria, and processes that would serve as a starting point for further discussion in developing a governmentwide framework in advancing needed human capital reform, as shown in figure 1.

Figure 1: Principles, Criteria, and Processes

- Principles that the government should retain in a framework for reform because of their inherent, enduring qualities:
 - Merit principles that balance organizational mission, goals, and performance objectives with individual rights and responsibilities
 - Ability to organize, bargain collectively, and participate through labor organizations
 - Certain prohibited personnel practices
 - Guaranteed due process that is fair, fast, and final
- Criteria that agencies should have in place as they plan for and manage their new human capital authorities:
 - Demonstrated business case or readiness for use of targeted authorities
 - An integrated approach to results-oriented strategic planning and human capital planning and management
 - Adequate resources for planning, implementation, training, and evaluation
 - A modern, effective, credible, and integrated performance management system that includes adequate safeguards to help ensure equity and prevent discrimination
- Processes that agencies should follow as they implement new human capital authorities:
 - Prescribing regulations in consultation or jointly with the Office of Personnel Management
 - Establishing appeals processes in consultation with the Merit Systems Protection Board
 - Involving employees and stakeholders in the design and implementation of new human capital systems
 - Phasing in implementation of new human capital systems
 - Committing to transparency, reporting, and evaluation
 - Establishing a communications strategy
 - Assuring adequate training

Source: GAO.

There is general recognition for a need to continue to develop a governmentwide framework for human capital reform that Congress and the administration can implement to enhance performance, ensure accountability, and position the nation for the future. Nevertheless, how it is done, when it is done, and on what basis it is done can make all the difference. Agencies authorized to implement any statutory authority

should demonstrate that they have the capacity, not just the design, to do so. The principles, criteria, and processes suggested above can help ensure consistency when granting both (1) agency-specific human capital authorities so agencies can design and implement effective human capital systems to help them address 21st century challenges and succeed in their transformations and (2) governmentwide reform to provide broad consistency where desirable and appropriate.

Budget and Performance Integration

The current administration has taken several steps to strengthen the integration of budget, cost, and performance information for which the Government Performance and Results Act (GPRA), the CFO Act, and the Government Management Reform Act (GMRA) laid the groundwork. The budget and performance integration initiative includes elements such as the Program Assessment Rating Tool (PART) used to review programs, an emphasis on improving outcome measures, and improving monitoring of program performance. Another effort is budget restructuring, which is meant to improve the alignment of resources with performance. None of these efforts are simple or straightforward.

Integrating management and performance issues with budgeting is absolutely critical for progress in government performance and management. Such integration is obviously important to ensuring that management initiatives obtain the resource commitments and sustained leadership commitment throughout government needed to be successful. GPRA was enacted to provide a greater focus on performance in the federal government with the expectation that this would be linked and integrated with the budget. GPRA has succeeded in 10 years in expanding the supply of information and institutionalizing a culture of performance.¹⁵

In 2002, OMB introduced a formal assessment tool into executive branch budget deliberation: PART is the central element in the performance budgeting piece of the PMA.¹⁶ GPRA expanded the supply of performance information generated by federal agencies. OMB's PART builds on GPRA

¹⁵ 5 U.S.C. § 306, 31 U.S.C. §§ 1115-1119.

¹⁶ PART applies 25 questions to all "programs" under four broad topics: (1) program purpose and design, (2) strategic planning, (3) program management, and (4) program results (i.e., whether a program is meeting its long-term and annual goals) as well as additional questions that are specific to one of seven mechanisms or approaches used to deliver the program.

by actively promoting the use of results-oriented information to assess programs in the budget. It has the potential to promote a more explicit discussion and debate between OMB, the agencies, and the Congress about the performance of selected programs.

The promise of performance budgeting is that it can help shift the focus of budgetary debates and oversight activities by changing the agenda of questions asked. Performance information can help policymakers address a number of questions such as whether programs are (1) contributing to their stated goals, (2) well-coordinated with related initiatives at the federal level or elsewhere, and (3) targeted to those most in need of services or benefits. Results-oriented information is also needed for better day-to-day management and agency decisionmaking. It can provide information on what outcomes are being achieved, whether resource investments have benefits that exceed their costs, and whether program managers have the requisite capacities to achieve promised results. PART reviews are directed towards answering many of these questions; in many cases these reviews illustrated how far we have to go before performance information can be used with complete confidence.

While no data are perfect, agencies need to have sufficiently credible performance data to provide transparency of government operations so that Congress, program managers, and other decision makers can use the information. However, as our work on PART and GPRA implementation shows, limited confidence in the credibility of performance data has been a longstanding weakness.¹⁷

Credible performance information can facilitate a fundamental reassessment of what the government does and how it does business by focusing on the outcomes—or program results—achieved with budgetary resources. Our work has shown that agencies are making progress, but improvement is needed to ensure that agencies measure performance toward a comprehensive set of goals that focus on results.¹⁸ We have previously reported that stakeholder involvement appears critical for

¹⁷ GAO has suggested various approaches to addressing this and other challenges in *The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven*, GAO/GGD-97-109 (Washington, D.C.: June 1997).

¹⁸ GAO, *Performance Reporting: Few Agencies Reported on the Completeness and Reliability of Performance Data*, GAO-02-372 (Washington, D.C.: Apr. 26, 2002); and *Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans*, GAO/GGD/AIMD-99-215 (Washington, D.C.: July 20, 1999).

getting consensus on goals and measures. Although improving outcome measures continues to be a major focus of PART reviews, as we reported in our January 2004 report,¹⁹ these assessments are conducted during the executive branch budget formulation process. An agency's communication with stakeholders, including Congress, about goals and measures created or modified during the formulation of the President's budget is likely to be less than during the development of the agency's own strategic or performance plan.

Moreover, in order for performance information to more fully inform resource allocations, decision makers must also feel comfortable with the appropriateness and accuracy of the performance information and measures associated with these goals. It is unlikely that decision makers will use performance information unless they believe it is credible and reliable and reflects a consensus about performance goals among a community of interested parties. Similarly, the measures used to demonstrate progress toward a goal, no matter how worthwhile, cannot serve the interests of a single stakeholder or purpose without potentially discouraging use of this information by others.

Regarding OMB's budget restructuring effort, this represents more than structural or technical changes. It reflects important trade-offs among different and valid perspectives and needs of these different decision makers. The structure of appropriations accounts and congressional budget justifications reflects fundamental choices and incentives considered most important. As such, changes to the account structure have the potential to change the nature of management and oversight and ultimately the relationship among the primary budget decision makers—Congress, OMB, and agencies.²⁰ This suggests that the goal of enhancing the use of performance information in budgeting is a multifaceted challenge that must build on a foundation of accepted goals, credible measures, reliable cost and performance data, tested models linking resources to outcomes, and performance management systems that hold agencies and managers accountable for performance.

¹⁹ GAO, Performance Budgeting: Observations on the Use of OMB's Program Assessment Rating Tool for the Fiscal Year 2004 Budget, [GAO-04-174](#). (Washington, D.C.: Jan. 30, 2004).

²⁰ GAO, Performance Budgeting: Efforts to Restructure Budgets to Better Align Resources With Performance, [GAO-05-117SP](#) (Washington, D.C.: Feb. 1, 2005).

Understanding performance issues requires an in-depth evaluation of the factors contributing to the program results. Targeted evaluation studies can be designed to detect important program side effects or to assess the comparative advantages of current programs to alternative strategies for achieving a program's goals. Further, although the evaluation of programs in isolation may be revealing, it is often critical to understand how each program fits with a broader portfolio of tools and strategies to accomplish federal missions and performance goals. Such an analysis is necessary to capture whether a program complements and supports other related programs, whether it is duplicative and redundant, or whether it actually works at cross-purposes with other initiatives. Although the administration has taken some steps to use PART for crosscutting reviews, this falls short of the more expansive planning and review process called for in GPRA.

Although clearly much more remains to be done, the statutory reforms of the 1990s have laid the foundation for performance budgeting by establishing infrastructures in the agencies to improve the supply of information on performance and costs. Merely the number of programs "killed" or a measurement of funding changes against performance "grades" cannot measure the success of performance budgeting. Rather, success must be measured in terms of the quality of the discussion, the transparency of the information, the meaningfulness of that information to key stakeholders, and how it is used in the decision-making process. The determination of priorities is a function of competing values and interests that may be informed by performance information but also reflects such factors as equity, unmet needs, and the perceived appropriate role of the federal government in addressing these needs. If members of Congress and the executive branch have better information about the link between resources and results, they can make the trade-offs and choices cognizant of the many and often competing claims on the federal budget.

Expanded Electronic Government

Electronic government, or e-government, has been seen as promising a wide range of benefits based largely on harnessing the power of the Internet to facilitate interconnections and information exchange between citizens and their government. Federal agencies have implemented a wide array of e-government applications, including using the Internet to collect and disseminate information and forms; buy and pay for goods and services; submit bids and proposals; and apply for licenses, grants, and

benefits. Although substantial progress has been made, the government continues to face challenges in fully reaching its potential in this area.²¹

Recognizing the magnitude of challenges facing the federal government, Congress has enacted important legislation to guide the development of e-government. Specifically, in December 2002, Congress enacted the E-Government Act of 2002 with the general purpose of promoting better use of the Internet and other information technologies to improve government services for citizens, internal government operations, and opportunities for citizen participation in government.²² Among other things, the act required the establishment of an Office of Electronic Government within OMB to oversee implementation of the act's provisions. The act also mandated additional actions to strengthen e-government activities in a number of specific areas, including accessibility and usability of government information, protection of personal privacy, coordination of information related to disaster response and recovery, and common protocols for geographic information systems. Additionally, title III of the act includes provisions to strengthen agency information security, known as the Federal Information Security Management Act of 2002.

To implement the PMA initiative, OMB has taken a number of actions. The centerpiece of the effort has been oversight of 25 high-profile e-government projects covering a wide spectrum of government activities, ranging from the establishment of centralized portals on government information to eliminating redundant, nonintegrated business operations and systems.²³ For example, Grants.gov is a Web portal for all federal grant customers to find, apply for, and ultimately manage federal grants online. Other e-government efforts, such as the e-payroll initiative to consolidate federal payroll systems, do not necessarily rely on the Internet. The results of these e-government initiatives, according to OMB, could produce several billion dollars in savings from improved operational efficiency. More recently, OMB has initiated efforts to develop common business-

²¹ GAO, *Electronic Government: Initiatives Sponsored by the Office of Management and Budget Have Made Mixed Progress*, [GAO-04-561T](#) (Washington, D.C., March 24, 2004) and GAO, *Electronic Government: Proposal Addresses Critical Challenges*, [GAO-02-1083T](#) (Washington, D.C., Sept. 18, 2002).

²² Public Law 107-347, December 17, 2002.

²³ For more information about the selection of initiatives, see GAO, *Electronic Government: Selection and Implementation of the Office of Management and Budget's 24 Initiatives*, [GAO-03-229](#) (Washington, D.C., Nov. 22, 2002).

driven, government-wide solutions in five e-government “lines of business”: case management, federal health architecture, grants management, human resources management, and financial management. These efforts are also expected to reap cost savings and gains in efficiency.

While many e-government initiatives are showing tangible results, we found, in March 2004, that overall progress on the 25 OMB-sponsored e-government initiatives was mixed. At that time we reported that, of the 91 objectives originally defined in the initiatives’ work plans, 33 had been fully or substantially achieved; 38 had been partially achieved; and for 17, no significant progress had been made. In addition, three of the objectives were no longer being pursued, because they had been found to be impractical or inappropriate. We found that the extent to which the 25 initiatives had met their original objectives could be linked to a common set of challenges that they all faced, including (1) focusing on achievable objectives that address customer needs, (2) maintaining management stability through executive commitment, (3) collaborating effectively with partner agencies and stakeholders, (4) driving transformational changes in business processes, and (5) implementing effective funding strategies. Initiatives that had overcome these challenges generally met with success in achieving their objectives, whereas initiatives that had problems dealing with these challenges made less progress.

Additionally, as we reported in December 2004, in most cases, OMB and federal agencies have taken positive steps toward implementing major provisions of the E-Government Act of 2002.²⁴ For example, OMB established the Office of E-Government in April 2003, and published guidance to federal agencies on implementing the act in August 2003. Apart from general requirements applicable to all agencies (which we did not review), we found that in most cases, OMB and designated federal agencies had taken action to address the act’s requirements within stipulated timeframes. To help ensure that the act’s objectives are achieved, we made recommendations to OMB regarding implementation of the act in the areas of e-government approaches to crisis preparedness, contractor innovation, and federally funded research and development.

²⁴ GAO, *Electronic Government: Federal Agencies Have Made Progress Implementing the E-Government Act of 2002*, [GAO-05-12](#), (Washington, D.C., Dec. 10, 2004).

OMB's PMA scorecard for the expanded electronic government initiative reflects a broad view of the many components of an effective program for expanding electronic government. For example, the scorecard assesses whether an agency has an enterprise architecture²⁵ in place that is linked to the Federal Enterprise Architecture, which is intended to provide a government wide framework to guide and constrain federal agencies' enterprise architectures and information technology investments. The federal government's efforts in this area are still maturing. In May 2004, we reported that the Federal Enterprise Architecture remained very much a work in progress and that agencies' enterprise architectures were likewise still maturing.²⁶ When we surveyed agencies in 2003, we found that only 20 of 96 agencies had established at least the foundation for effective architecture management and that the level of maturity had not changed much over the previous years.²⁷

In addition, OMB's e-government scorecard requires agencies to properly secure their information technology systems, a task that has been daunting for many government agencies. We recently reported that although agencies were generally reporting an increasing number of systems meeting key statutory information security requirements, challenges nevertheless remained.²⁸ For example, only 7 of 24 agencies reported that they had tested contingency plans for 90 percent or more of their systems. Contingency plans provide specific instructions for restoring critical systems in case the usual facilities are significantly damaged or cannot be accessed due to unexpected events, and testing of these plans is essential to determining whether they will function as intended in an emergency situation.

²⁵ An enterprise architecture is a blue print, defined largely by interrelated models, that describes (in both business and technology terms) an entity's "as is" or current environment, its "to be" or future environment, and its investment plan for transitioning from the current to the future environment.

²⁶ GAO, *Information Technology: The Federal Enterprise Architecture and Agencies' Enterprise Architectures Are Still Maturing*, [GAO-04-798T](#) (Washington, D.C.: May 19, 2004).

²⁷ GAO, *Information Technology: Leadership Remains Key to Agencies Making Progress on Enterprise Architecture Efforts*, [GAO-04-40](#) (Washington, D.C.: Nov. 17, 2003).

²⁸ GAO, *Information Security: Continued Efforts Needed to Sustain Progress in Implementing Statutory Requirements*, [GAO-05-483T](#) (Washington, D.C.: Apr. 7, 2005).

Competitive Sourcing

The federal government needs to undertake a fundamental review of who will do the government's business in the 21st Century. In this regard, agencies are assessing what functions and transactions the private sector could perform, and in many cases they are asking agency employees to compete with private entities for this business. The objectives of the PMA initiative on competitive sourcing are to improve quality and reduce costs.

Aspects of the government's process for making sourcing decisions had been criticized as cumbersome, complicated, and slow. Against this backdrop, and in response to a requirement in the National Defense Authorization Act for fiscal year 2001, I convened a panel of experts to study the process. The Commercial Activities Panel, consisting of representatives from agencies, federal labor unions, private industry, and other individuals with expertise in this area, conducted a yearlong study. The panel members heard repeatedly about the importance of competition and its central role in fostering economy, efficiency, and continuous performance improvement. The panel strongly supported continued emphasis on competition and concluded that whenever the government is considering converting work from one sector to another, public-private competitions should be the norm, consistent with the 10 overarching principles adopted unanimously by the panel.²⁹

As part of the administration's efforts to advance this PMA initiative and implement the recommendations of the Commercial Activities Panel, OMB revised circular A-76, which sets forth federal policy for determining whether federal employees or private contractors will perform commercial activities. The revisions are broadly consistent with the principles and recommendations of the Panel. In particular, the revised circular stresses the use of competition in making sourcing decisions and, through reliance on procedures contained in the Federal Acquisition Regulation, should result in a more transparent, expeditious, fair, and consistently applied competitive process. We continue to review various aspects of this initiative.

One issue not fully addressed in the revised Circular was the right of federal employees or their representatives to file protests challenging the conduct or the outcomes of public-private competitions. In April 2004, we

²⁹ *Improving the Sourcing Decisions of the Government*. Final report of the Commercial Activities Panel (Washington, D. C.: April 2002).

issued a decision holding that federal employees lacked standing to file such protests under the Competition in Contracting Act (CICA).³⁰ We pointed out that the Congress would have to amend CICA in order to provide that right. Congress amended CICA late last year,³¹ and just last week, after receiving and considering various public comments, we issued final regulations implementing the change.³²

Federal Real Property Asset Management

The federal real property portfolio is vast and diverse—over 30 agencies control hundreds of thousands of real property assets worldwide, including facilities and land worth hundreds of billions of dollars. Unfortunately, much of this vast, valuable portfolio reflects an infrastructure based on the business model and technological environment of the 1950s. Many of these assets are no longer effectively aligned with, or responsive to, agencies' changing missions. Further, many assets are in an alarming state of deterioration; agencies have estimated restoration and repair needs to be in the tens of billions of dollars. Maintaining underused or unneeded federal property is also costly due to day-to-day operational costs, such as regular maintenance, utilities fees, and security expenses. Compounding these problems are the lack of reliable governmentwide data for strategic asset management; a heavy reliance on costly leasing, instead of ownership, to meet new needs; and the cost and challenge of protecting these assets against terrorism. In January 2003, we designated federal real property as a high-risk area due to these longstanding problems.

In February 2004, the President added the Federal Asset Management Initiative to the President's Management Agenda and signed Executive Order 13327 to address challenges in this area. The order requires senior real property officers at all executive branch departments and agencies to, among other things, develop and implement an agency asset management plan; identify and categorize all real property owned, leased, or otherwise managed by the agency; prioritize actions needed to improve the operational and financial management of the agency's real property inventory; and make life-cycle cost estimations associated with the

³⁰ B-293590.2, April 19, 2004, 2004 CPD ¶ 82.

³¹ Public Law 98-369, July 18, 1984, as amended by Public Law 108-375, § 326(d), October 28, 2004.

³² 70 Fed. Reg. 19679-19681 (Apr. 14, 2005).

prioritized actions. In addition, the senior real property officers are responsible, on an ongoing basis, for monitoring the real property assets of the agency. The order also established a new Federal Real Property Council (the Council) at OMB.

In April 2005, OMB officials updated us on the status of the implementation of the executive order. According to these officials, all of the senior real property officers are in place, and the Council has been working to identify common data elements and performance measures to be captured by agencies and ultimately reported to a governmentwide database. In addition, OMB officials reported that agencies are working on their asset management plans. Plans for DOD, the Departments of Veterans Affairs, (VA) and Energy, and the General Services Administration (GSA) have been completed and approved by OMB. The Council has also developed guiding principles for real property asset management. These guiding principles state that real property asset management must, among other things, support agency missions and strategic goals, use public and commercial benchmarks and best practices, employ life-cycle cost-benefit analysis, promote full and appropriate utilization, and dispose of unneeded assets.

In addition to these reform efforts, Public Law 108-447 gave GSA the authority to retain the net proceeds from the disposal of federal property for fiscal year 2005 and to use such proceeds for GSA's real property capital needs.³³ Also, Public Law 108-422 established a capital asset fund and gave VA the authority to retain the proceeds from the disposal of its real property for the use of certain capital asset needs such as demolition, environmental clean-up, and major repairs.³⁴ And, agencies such as DOD and VA have made progress in addressing longstanding federal real property problems and governmentwide efforts in the facility protection area are progressing. For example:

- VA has implemented a process called Capital Asset Realignment for Enhanced Services (CARES) to address its aging and obsolete portfolio of health care facilities. In March 2005, we reported that through CARES, VA identified 136 locations for evaluation of alternative ways to align inpatient services: 99 of these facilities had potential duplication of services with

³³ Division H, § 412, December 8, 2004.

³⁴ Sec. 411, November 30, 2004.

another nearby facility or low acute patient workload.³⁵ VA made decisions to realign inpatient health care services at 30 of these locations. For example, it will close all inpatient services at five facilities. VA's decisions on inpatient alignment and plans for further study of its capital asset needs are tangible steps in improving management of its capital assets and enhancing health care. Accomplishing its goals, however, will depend on VA's success in completing its evaluations and implementing its CARES decisions to ensure that resources now spent on unneeded capital assets are redirected to health care.

- In DOD's support infrastructure management area, which we identified as high-risk in 1997, DOD has made progress and expects to continue making improvements. In April 2005, we testified that DOD's infrastructure costs continue to consume a larger-than-necessary portion of its budget than DOD believes is desirable.³⁶ For several years, DOD has been concerned about its excess facilities infrastructure, which affects its ability to fund weapons system modernization and other critical needs. DOD has achieved some operating efficiencies from such efforts as base realignments and closures, consolidations, and business process reengineering. Despite this progress, much work remains for DOD to transform its support infrastructure so that it can concentrate resources on critical needs. DOD also needs to strengthen its recent efforts to develop and refine its comprehensive long-range plan for its facility infrastructure to ensure adequate funding for facility sustainment, modernization, and recapitalization.
- In light of the need to invest in facility protection since September 11, funding available for repair and restoration and preparing excess property for disposal may be further constrained. The Interagency Security Committee (ISC), which is chaired by DHS, is tasked with coordinating federal agencies' facility protection efforts, developing standards, and overseeing implementation. In November 2004, we reported that ISC had made progress in coordinating the government's facility protection efforts by, for example, developing security standards for leased space and design criteria for security in new construction projects.³⁷ Despite this progress,

³⁵ GAO, *VA Health Care: Important Steps Taken to Enhance Veterans' Care By Aligning Inpatient Services with Projected Needs*, [GAO-05-160](#) (Washington, D.C.: Mar. 2, 2005).

³⁶ GAO, *DOD's High-Risk Areas: Successful Business Transformation Requires Sound Strategic Planning and Sustained Leadership*, [GAO-05-520T](#) (Washington, D.C.: Apr. 13, 2005).

³⁷ GAO, *Homeland Security: Further Actions Needed to Coordinate Federal Agencies' Facility Protection Efforts and Promote Key Practices*, [GAO-05-49](#) (Washington, D.C.: Nov. 30, 2004).

we found that its actions to ensure compliance with security standards and oversee implementation have been limited. Nonetheless, the ISC serves as a forum for addressing security issues, which can have an impact on agencies' efforts to improve real property management.

The inclusion of real property asset management on the President's Management Agenda, the executive order, and agencies' actions are clearly positive steps in an area that had been neglected for many years. However, despite the increased focus on real property issues in recent years, the underlying conditions—such as excess and deteriorating properties and costly leasing—continue to exist and more needs to be done to address various obstacles that led to our high risk designation. For example, the problems have been exacerbated by competing stakeholder interests in real property decisions, various legal and budget related disincentives to businesslike outcomes, and the need for better capital planning among real property-holding agencies. In light of this, we continue to believe that there is a need for a comprehensive and integrated transformation strategy for federal real property. Realigning the government's real property assets with agency missions, taking into account the requirements of the future federal role and workplace, will be critical to improving the government's performance and ensuring accountability within expected resource limits. A transformation strategy could serve as a useful guide for implementing further change and achieving such results.

Continuing Attention Is Needed to Improve Management and Performance Across the Federal Government

As my testimony today has highlighted, serious and disciplined efforts are needed to improve the management and performance of federal agencies and to ensure accountability. Along with OMB's leadership in implementing PMA, it will only be through the attention of Congress, the administration, and federal agencies, that progress can be sustained and, more importantly, accelerated. The stakes associated with federal program performance are large, both for beneficiaries of these programs and the nation's taxpayers. Policymaking institutions will be challenged to shift from the traditional focus on incremental changes in spending or revenues to look more fundamentally at the programs, policies, functions, and activities in addressing current and emerging national needs and problems across levels of government and sectors, including all major areas of the federal budget—discretionary spending, entitlements and other mandatory spending, and tax policies and programs.

Congressional support has proven to be critical in sustaining interest in management initiatives over time. Congress has served as an institutional

champion for many reform initiatives over the years, such as the CFO Act and GPRA. Our March 2004 report on GPRA found that it has established a solid foundation for achieving greater results, but that significant challenges to GPRA implementation still exist.³⁸ Our survey data suggested that more federal managers, especially at the SES level, believed that OMB was paying attention to their agencies' efforts under GPRA. However, we found inconsistent commitment in other areas where OMB could further enhance its leadership. Agencies' plans and reports still suffer from persistent weaknesses and could improve in a number of areas, such as attention to issues that cut across agency lines, and better information about the quality of the data that underlie agency performance goals. We recommended that OMB improve its guidance and oversight of GPRA implementation, as well as develop a governmentwide performance plan.

As discussed earlier, GPRA requires a governmentwide performance plan, but OMB has not issued a distinct plan since 1999. Most recently, the President's fiscal year 2006 budget described agencies' progress in addressing the PMA and the results of PART reviews of agencies' programs. While such information is important and useful, alone it is not adequate to provide a broader and more integrated perspective of planned performance on governmentwide outcomes. The PART focus on individual programs needs to be supplemented by a more crosscutting assessment of the relative contribution of portfolios of programs and tools to broader outcomes. Most key performance goals of importance—ranging from low income housing to food safety to counterterrorism—are addressed by a wide range of discretionary, entitlement, tax, and regulatory approaches that cut across a number of agencies.

Preparing a governmentwide plan could build on the administration's efforts to assess progress across the government as well as contribute to efforts to compare the performance results across similar programs that address common outcomes. Although there has been limited progress, efforts to date have not provided the Congress and others with an integrated perspective on the extent to which programs and tools contribute to national goals and position the government to successfully meet 21st century demands.

³⁸ GAO, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, [GAO-04-38](#) (Washington, D.C., March 10, 2004).

We also suggested that Congress consider amending GPRA to require that the President develop a governmentwide strategic plan. Although it generally agreed with our recommendations, OMB stated that the President's Budget can serve as both a governmentwide strategic and annual plan. However, we believe that the budget provides neither a long-term nor an integrated perspective on the federal government's performance. A strategic plan for the federal government, supported by a set of key national indicators to assess the government's performance, position, and progress, could provide an additional tool for governmentwide reexamination of existing programs, as well as proposals for new programs. Such a plan could be of particular value in linking agencies' long-term performance goals and objectives horizontally across the government and could provide a basis for integrating, rather than merely coordinating, a wide array of federal activities. This raises the issue of the need for a set of key indicators to inform decision makers about the position and progress of the nation as a whole and to help set agency and program goals and priorities.

Further, given the financial constraints we are likely to face for many years to come and the trends at work that are changing the world in which our government operates, a fundamental review of major program and policy areas is needed to update the federal government's programs and priorities to meet current and future challenges. Our recent report on 21st Century Challenges is intended to help the Congress in reviewing and reconsidering the base of federal spending and tax programs.³⁹ As this Subcommittee is well aware, the nature and magnitude of the fiscal, security, and economic and other adjustments that need to be considered are not amenable to "quick fixes;" rather they will likely require an iterative, thoughtful process of disciplined changes and reforms over many years. Therefore, providing an ongoing and consistent focus, such as the PMA has provided on management reform efforts, is an important element in helping to ensure that the federal government is managed effectively to achieve results important to the American people.

Our report on 21st century challenges laid out some of the most pressing issues for policymakers to consider as the government increasingly relies on new networks and partnerships to achieve critical results. A complex network of governmental and nongovernmental entities—such as federal

³⁹ U.S. Government Accountability Office, *21st Century Challenges: Reexamining the Base of the Federal Government*, [GAO-05-325SP](#) (Washington, D.C.: February 2005).

agencies, domestic and international non- or quasi-governmental organizations, for-profit and not-for-profit contractors, and state and local governments—contribute to shaping the actual outcomes achieved. Some of the issues are consistent with those raised by the PMA, such as in the area of real property asset management—focusing on opportunities to more strategically manage the federal government’s assets to make the federal portfolio more relevant to current missions and less costly. Moving forward, some additional questions that are particularly relevant to the focus of this hearing on improving governance include the following:

- In a modern society with advanced telecommunications and electronic information capabilities, which agencies still need a physical presence in all major cities?
- How can agencies more strategically manage their portfolio of tools and adopt more innovative methods to contribute to the achievement of national outcomes?
- How can greater coordination and dialogue be achieved across all levels of government to ensure a concerted effort by the public sector as a whole in addressing key national challenges and problems?
- What are the specific leadership models that can be used to improve agency management and address transformation challenges? For example, should we create chief operating officer or chief management officer positions with term appointments within selected agencies to elevate, integrate, and institutionalize responsibility and authority for business management and transformation efforts?

Mr. Chairman, we are pleased to be able to participate in this hearing today. We have issued a large body of reports, guides, and tools on issues directly relevant to PMA, and plan to continue to actively support congressional and agency actions to address today’s challenges and prepare for the future. As I have discussed in my statement today, although efforts to transform agencies by improving their management and performance are under way, more remains to be done to ensure that the government has the capacity to deliver on its promises meet current and emerging needs, and to remain relevant in the 21st Century. Decisive action and sustained attention will be necessary to make the hard choices needed to reexamine and transform the federal government, maximize its performance, and ensure accountability.

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

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