GAO

September 2011

STREAMLINING GOVERNMENT

Key Practices from Select Efficiency Initiatives Should Be Shared Governmentwide

U.S. Government Accountability Office

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GAO-11-908

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Highlights

Highlights of GAO-11-908, a report to the Committee on Homeland Security and Governmental Affairs, and Its Subcommittee on Oversight of Government Management, the Federal Workforce, and District of Columbia, U.S. Senate

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Why GAO Did This Study

Given continuing budget pressures combined with the focus on performance envisioned in the GPRA Modernization Act of 2010, federal agencies need to identify ways to operate more efficiently. GAO was asked to (1) describe selected initiatives that federal departments are implementing to achieve efficiencies; and (2) identify key practices associated with implementing these initiatives, as well as selected state initiatives, that can be applied more broadly in the federal government. GAO reviewed agency documents and interviewed officials from the Departments of Homeland Security (DHS), Veterans Affairs (VA), Defense (DOD), and Housing and Urban Development (HUD), as well as officials from five states—Virginia, Iowa, Texas, Washington, and Georgia.

What GAO Recommends

GAO recommends that OMB share the key practices for implementing efficiency initiatives identified in this report, and develop proposals for funding mechanisms to support up-front investment costs of longer-term efficiency projects that could result in greater cost savings or other efficiencies in the future. OMB staff stated that the report does not give sufficient weight to its sharing of information consistent with the key practices GAO has identified. While the report recognizes a number of OMB's initiatives, GAO is unaware of the extent of OMB's efforts to share the practices identified in this report. DHS, DOD, VA and HUD had no comments on the recommendations.

View GAO-11-908. For more information, contact J. Christopher Mihm at (202) 512-6806 or mihmj@gao.gov.

What GAO Found

Federal departments in our review used different approaches to improve efficiency. Their efficiency initiatives generally fell within two categories—(1) reexamining programs, structures, and functions to determine whether they effectively and efficiently achieved their mission; and (2) streamlining and consolidating operations to make them more cost effective. For example, the Secretary of Defense's Efficiency Initiative, HUD's Transformation Initiative (including HUDStat), and VA's Operational Management Reviews implemented broad examinations of their programs, structures, and related processes. DHS's Efficiency Review, VA's Project Management Accountability System, and DOD's Continuous Process Improvement/Lean Six Sigma Program employed targeted methods to streamline and consolidate processes and systems. Most of the federal initiatives were relatively new; consequently, their overall impact has yet to be determined. However, each of these initiatives, as well as select state initiatives—such as the Virginia Productivity Investment Fund—demonstrated key practices from which federal agencies could learn, as exemplified below.

Key Practices in Select Federal and State Efficiency Initiatives

Key practice	Examples of how practices were implemented
Use change management practices to implement and sustain efficiency initiatives: • Ensure top leadership drives the transformation • Dedicate an implementation team to manage the transformation process • Set implementation goals and a time line to build momentum and show progress from day one • Involve employees to obtain their ideas and gain their ownership of the transformation	• Held regular sessions led by Secretary or Deputy Secretary to track progress of major departmental initiatives (e.g., HUDStat and VA's OMR) • Used COOs or CMOs to lead efficiency efforts (e.g.,involvement of the Army, Navy, and Air Force CMOs in the Secretary of Defense's Efficiency Initiative and HUD Transformation Initiative) • Created a dedicated department-level team to identify, track, and report on efficiencies (e.g.,DHS's ER, VA's OMR, HUD Transformation Initiative, and Texas Sunset Advisory Commission) • Set specific departmentwide cost savings and/or efficiency goals and an implementation time line (e.g., Secretary of Defense's Efficiency Initiative, Washington's Government Management Accountability and Performance) • Created an ongoing formal and collaborative structure that involves employees and leadership in identifying and developing efficiency policies (e.g., DHS's ER, VA's OMR and PMAS) • Provided financial or nonfinancial employee incentives for identifying efficiencies (e.g., DHS's ER, Secretary of Defense's Efficiency Initiative, DOD's CPI/LSS, Virginia's Productivity Investment Fund, and Iowa's Charter Agencies)
Target both short-term and long-term efficiency initiatives	• Identified efficiency initiatives that can generate immediate returns as well as more substantive changes to operating procedures, programs, and organizational structures (e.g., DHS's ER, DOD's CPI/LSS, and Secretary of Defense's Efficiency Initiative) • Identified dedicated funding mechanisms to support the up-front costs associated with long-term efficiency improvements (e.g., Virginia's Productivity Investment Fund, and HUD's Transformation Initiative)
Build capacity for improving efficiency	• Used a department-level office to standardize guidance and training and facilitate sharing best practices (DOD's CPI/LSS) • Identified and shared performance trends and best practices during regular sessions that involved headquarters and regional leaders of major operations and programs (e.g., VA's OMR and HUDStat) • Identified and formally solicited input from experts in business and government operations (e.g., DOD's Secretary of Defense's Efficiency Initiative, Georgia's Commission, and Virginia's Council on the Future)

Source: GAO.

Contents

Abbreviations

CFO	Chief Financial Officer
CIO	Chief Information Officer
CNG	Commission for a New Georgia
CMO	Chief Management Officer
COO	Chief Operating Officer
CPI/LSS	Continuous Process Improvement/Lean Six Sigma
DCMO	Deputy Chief Management Officer
DHS	U. S. Department of Homeland Security
DOD	U. S. Department of Defense
ER	Efficiency Review
FY	Fiscal Year
FIT	Office of Financial Innovation and Transformation
GMAP	Government Management Accountability and Performance
GPRA	Government Performance and Results Act of 1993
GPRAMA	Government Performance Results Modernization Act of 2010
HUD	U. S. Department of Housing and Urban Development
IG	Inspector General
IPERA	Improper Payments Elimination and Recovery Act
IT	Information Technology
OMB	Office of Management and Budget
OOR	Office of Responsibility
OSPM	Office of Strategic Planning and Management
PIC	Performance Improvement Council
PIF	Productivity Investment Fund
PIO	Performance Improvement Officer
PMAB	President's Management Advisory Board
PMAS	Project Management Accountability System
PMC	President's Management Council
SAVE	Securing Americans' Value and Efficiency
TI	Transformation Initiative
TA	Technical Assistance
VA	U. S. Department of Veterans Affairs

United States Government Accountability Office
Washington, DC 20548

September 30, 2011

The Honorable Joseph I. Lieberman
Chairman
The Honorable Susan M. Collins
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Daniel K. Akaka
Chairman
Subcommittee on Oversight of Government Management,
  the Federal Workforce, and District of Columbia
Committee on Homeland Security and Governmental Affairs
United States Senate

Addressing the federal government's long-term fiscal challenge will
require a multipronged approach, including constraining discretionary
spending. The Budget Control Act of 2011, signed on August 2, 2011,
established a 10-year cap on discretionary spending as part of a process
to lead to about $2 trillion in deficit reduction.[1] These spending
constraints combined with the focus on performance envisioned in the
Government Performance and Results Modernization Act of 2010
(GPRAMA) mean that agencies will need to find ways to eliminate
ineffective and wasteful practices and become more efficient with fewer
resources. We recently identified some ways to improve the efficiency
and effectiveness of federal agencies. In March 2011, we reported on
over 80 areas that appear to be outmoded, overlapping, duplicative, or
fragmented, as well as opportunities for potential cost savings or
enhanced revenues.[2] In May 2011, we testified before Congress that all
federal programs and activities—discretionary programs, mandatory
spending, revenues, and tax expenditures—need to be reexamined to

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[1] On August 2, 2011, the President signed the Budget Control Act of 2011, Pub. L. No.
112-25, which raised the federal government's debt limit and established discretionary
spending caps for the next 10 years, among other things.

[2] See GAO, *Opportunities to Reduce Potential Duplication in Government Programs,
Save Tax Dollars, and Enhance Revenue*, GAO-11-318SP (Washington, D.C.: Mar. 1,
2011). A web-based version of this report can be found on our Web site:
http://www.gao.gov/ereport/gao-11-318sp.

determine whether they should be streamlined or corrected, in order to better achieve outcomes for the American public.[3] The administration is aware of these challenges and is directing federal agencies to continue to identify ways to operate more efficiently and effectively. While agency efficiency efforts will not resolve the long-term fiscal imbalance because of the size of that imbalance, they remain important to the federal government's ability to operate with fewer resources while maintaining or improving the critical services and functions that it provides.

You asked us to examine federal and state government efforts to improve efficiency.[4] Specifically, we (1) describe selected initiatives that federal departments are implementing to achieve efficiencies—including the reported or expected results, how these results are being tracked and reported, and the extent to which these initiatives are being institutionalized; and (2) identify key practices associated with implementing these efficiency initiatives in federal departments, as well as selected initiatives in state governments, that can be applied more broadly across the federal government.

For the purposes of this review, we define "efficiency" as maintaining federal government services or outcomes using fewer resources (such as time and money) or improving or increasing the quality or quantity of services or outcomes while maintaining (or reducing) resources.[5] Based on discussions with management experts and federal and state officials, we identified the following primary approaches that agencies can take to improve efficiency:

- reexamining programs and related processes and/or organizational structures to determine whether they effectively or efficiently achieve the mission;
- streamlining or consolidating management or operational processes and functions to make them more cost-effective.

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[3] See GAO, *Managing for Results: GPRA Modernization Act Implementation Provides Important Opportunities to Address Government Challenges,* GAO-11-617T (Washington, D.C.: May 10, 2011).

[4] Other recent reports related to efficiency are listed at the end of this report.

[5] See a similar use of this definition in describing efficiency measures in GAO: *Streamlining Government: Opportunities Exist to Strengthen OMB's Approach to Improving Efficiency*, GAO-10-394 (Washington, D.C.: May 7, 2010).

We selected federal initiatives that are being implemented departmentwide, involved reexamining federal programs and their related processes or structures or streamlining or consolidating existing processes to become more efficient, and were identified by the Office of Management and Budget (OMB) or government management experts as having potentially promising practices, among other things. (For a full list of our criteria, see app. I).

Based on these criteria, we selected the following initiatives within several federal departments for review:

Table 1: Federal Initiatives Selected as Case Studies

Initiative	Date Instituted
Initiatives focused on reexamining federal programs and their related processes and/or structures	
The Secretary of Defense's Efficiency Initiative	2010
Department of Housing and Urban Development's (HUD) Transformation Initiative	2010
Department of Veterans Affairs' (VA) Operational Management Reviews (OMR)	2009
Initiatives focused on streamlining or consolidating existing processes and functions	
Department of Homeland Security's (DHS) Efficiency Review (ER)	2009
VA's Project Management Accountability System (PMAS)	2009
Department of Defense's (DOD) Continuous Process Improvement/Lean Six Sigma Continuous Process Improvement (CPI/LSS) Program	2007

Source: GAO Analysis of Agencies Documents

We highlighted examples of initiatives that offer some potentially promising practices that may be adapted by other federal agencies, but did not review all initiatives that these departments have underway or have completed to improve efficiency. To describe the initiatives, we examined information provided in DOD, HUD, VA, and DHS policies, guidance, reports, budget submissions, strategic plans, and other documents specifically related to the selected initiatives and interviews, as well as recent and ongoing GAO work on efficiency efforts within these departments. We also collected through interviews and document requests information from the agencies on how they estimated, gathered, or calculated cost savings and efficiencies. The amount and level of detail of this information varied greatly across agencies and efficiency

efforts. Because it was not the purpose of this report to assess the anticipated or actual success of efficiency efforts and because the amount and quality of data on how estimated and actual savings were determined varied so much across efforts, we did not attempt to independently verify the reliability of these data or estimates. As a result, the reported estimated or actual cost savings and efficiencies are of undetermined reliability. To identify key practices within our case study initiatives, we synthesized practices identified by federal and state officials and also compared them with leading practices identified in Government Performance and Results Act of 1993 (GPRA) and GPRAMA, relevant literature, and past GAO reports on organizational transformation, management integration, efficiency measures, and tracking and reporting agency results. Along with examining the federal initiatives described above, we obtained reports and other documents from and interviewed officials leading selected statewide efficiency initiatives that involved streamlining or consolidating existing processes and functions or reexamining state programs. For a description of the state examples included in our review, see table 2. We also discussed key practices in improving efficiency with other federal and state government management experts. We selected experts that have experience in reviewing or assisting in the implementation of multiple federal or state efficiency initiatives.

We conducted this performance audit from March 2010 to September 2011, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Further details of our objectives, scope, and methodology are provided in appendix I.

Table 2: Description of State Initiatives Included in the Review[a]

Name of initiative	State	General description and purpose	Implementation time frame	Reported results
Initiatives Focused on Reexamining State Programs and their Related Processes and/or Structures				
Council on Virginia's Future	Virginia	The Council on Virginia's Future was established by legislation to develop a vision and long-term goals for Virginia and to regularly review progress. The Council consists of members of the business community and the state's legislative leadership and acts as an advisory board to the Governor and General Assembly. The Governor chairs the Council.	2003 - present	Variety of results including the implementation of the Productivity Investment Fund and improved performance data used for decision making
Iowa Charter Agencies	Iowa	Iowa's charter agencies were created under the agreement that agencies would receive items such as relief from certain administrative restrictions and access to a charter agency grant fund in exchange for upfront and annual savings and measurable performance improvements.	2003 - 2008	For fiscal years 2004-2006 reported $92 million in savings and improvements in performance such as more tax refunds issued within 45 days and 33 percent more children with health insurance
Texas Sunset Advisory Commission	Texas	The Texas Sunset Advisory Commission is responsible for reviewing more than 150 Texas agencies every 12 years. An independent staff reviews agencies based on a set of criteria and makes recommendations to the legislature for improvement, consolidation, or elimination of agencies no longer needed.	1977 - present	Estimates through 2009 indicate a potential revenue savings of approximately $783.7 million with a return on investment of $27 for every $1 spent
Washington State's Government Management Accountability and Performance (GMAP)	Washington	Washington's GMAP was established to review program performance by policy area, such as education, health care, and government reform. The Governor and her staff regularly meet with the heads of state agencies and departments to evaluate the performance results that these organizations are currently delivering.	2005 - present	GMAP has made important steps toward integrating the major performance and accountability efforts throughout state government
Initiatives Focused on Streamlining or Consolidating Existing Processes and Functions				
Commission for a New Georgia	Georgia	The Commission for a New Georgia was created to engage Georgia's top-level business and professional executives to assist state government in rethinking its bureaucracy's management. 24 Commission Task Forces were created to analyze a wide range of management area operations across state government to make actionable recommendations.	2003 - 2010	Generated 130 recommendations resulting in dozens of pieces of legislation and a reported $700 million in savings

Name of initiative	State	General description and purpose	Implementation time frame	Reported results
Iowa Lean Enterprise Office	Iowa	Iowa's Lean Enterprise Office was created to ensure the use of Lean tools for all executive branch agencies. The initiative includes an annual award given to public sector employees that significantly and measurably increase productivity and promote innovation.	2009 - present	125 Lean events, improving several processes that range from permitting to criminal intelligence processes
Virginia Productivity Investment Fund	Virginia	The Virginia Productivity Investment Fund makes loans and grants to agencies for projects with the overall purpose of raising productivity, increasing efficiency, and making state government more cost effective.	2007 - present	The Fund has funded 38 projects across 23 state agencies with an expected return on investment of $4 for every $1 spent

Source: GAO analysis of Virginia, Iowa, Texas, Washington, and Georgia interviews and documents.

[a]In 2005, we identified performance budgeting practices employed by Virginia, Washington, and Texas that offered useful lessons for the federal government. See GAO, *Performance Budgeting: States' Experiences Can Inform Federal Efforts*, GAO-05-215 (Washington, D.C.: Feb. 28, 2005).

Background

As previously mentioned, the administration has increased its focus on improving the efficiency of federal agencies. For example, in 2009, the President requested that his cabinet departments collectively reduce administrative spending by $100 million—which reportedly led to identifying $243 million in immediate cost saving measures.

In July 2010, the President also announced the administration's Accountable Government Initiative to cut waste and modernize government, which focuses on six key areas.[6] While federal agencies are charged with leading most of the initiatives within their own agencies, OMB is leading some of these efforts:

1. Driving agency top priorities by focusing on priority goals, improving key citizen programs, and evaluating program effectiveness.[7]
2. Cutting waste by ending ineffective programs, reducing and recapturing improper payments, and eliminating excess real property.

[6] GAO reports assessing some of these six governmentwide areas are listed at the end of this report.

[7] Agencies were asked by the President to choose High Priority Performance Goals (Priority Goals) that did not require additional resources or legislative action to achieve within an 18-24-month time frame, but rather hinged on strong execution. OMB conducts quarterly reviews of agency progress on all Priority Goals to find opportunities for improvement and, where problems have arisen, to understand why and make sure agencies are addressing them.

3. Reforming contracting by promoting strategic sourcing and building acquisition workforce capacity.[8]
4. Closing the IT gap by fixing large-scale Information Technology (IT) management through implementing TechStat Accountability Sessions for High-Risk IT projects throughout the federal government[9]; adopting more efficient technologies, such as cloud computing;[10] consolidating data centers; and enhancing federal cyberspace security.
5. Promoting accountability and innovation by casting a wide net for the best ideas, such as engaging the public and federal employees in governmentwide contests for identifying federal improvements and promoting open government initiatives that make federal performance data transparent to the public.
6. Attracting and motivating top talent by improving the hiring process, engaging and retaining top talent, and enhancing leadership development training.

In support of the Accountable Government Initiative and other cost-cutting efforts, the President has issued more than 35 executive memos and orders directing agencies to reduce their spending or increase their

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[8] GAO has ongoing work reviewing acquisition savings and high-risk contract reduction efforts of the 24 agencies subject to the Chief Financial Officer's Act as part of an OMB initiative to save $40 billion annually by fiscal year 2011.

[9] OMB's IT dashboard is a public Web site that provides information on federal agencies' major IT investments, including assessments of actual performance against cost and schedule targets. According to OMB, these data are intended to provide both a near real-time and historical perspective of the performance of these investments, as well as budget and other relevant data. OMB also holds related TechStat Accountability Sessions, which are meetings held between the Federal Chief Information Officer and agency chief information officers to examine high-risk IT projects that may be underperforming. The session is designed to enable the government to turn around, halt, or terminate (IT) investments that are not productive. These sessions are now being held within agencies as well. Starting in July 2010, GAO began issuing a series of reports on the IT dashboard. See *Information Technology: OMB Has Made Improvements to Its Dashboard, but Further Work Is Needed by Agencies and OMB to Ensure Data Accuracy,* GAO-11-262, (Washington, D.C.: Mar. 15, 2011). GAO has also issued reports and testified on the related TechStat sessions. See *Information Technology: Continued Improvements in Investment Oversight and Management Can Yield Billions in Savings,* GAO-11-511T (Washington, D.C.: Apr. 12, 2011).

[10] Cloud computing is location-independent computing, whereby shared servers provide resources, software, and data to computers and other devices on demand, as with the electricity grid. In May 2010, GAO issued a report on federal cloud computing efforts. *See Information Security: Federal Guidance Needed to Address Control Issues with Implementing Cloud Computing,* GAO-10-513. (Washington, D.C.: May 27, 2010).

efficiency. This guidance included memos directing nonsecurity agencies to submit discretionary budgets for 2012 that were 5 percent lower than previous estimates for that fiscal year and overall budgets for fiscal year 2013 that are at least 5 percent below their 2011 enacted discretionary appropriation, among other things (see app. II for a list of select efficiency executive orders and memos). As part of the 2012 budget proposal, the President proposed $2 billion in administrative cost savings and a 5-year freeze on nondefense discretionary spending, which would keep about 12 percent of the federal budget from expanding above current levels.[11] As previously mentioned, because of the new caps on discretionary spending that resulted from the agreement to raise the debt limit, agencies will be required to identify additional savings in future budgets.

Federal Departments Reviewed are Implementing a Variety of Initiatives to Improve Efficiency, and Have Reported Some Initial Results

One major approach that agencies can take to improve their efficiency involves a fundamental reexamination of programs and related organizational structures and processes to determine whether they effectively and efficiently achieve the mission—that is examining "what" the agency does. In 2005, we reported that a reexamination of government operations is important to federal efforts to address the nation's growing fiscal imbalance and should include an assessment of the goals, designs, and strategies underlying the portfolio of federal programs.[12] Further, in a May 2010 report on opportunities to strengthen OMB's approach to improving efficiency, we highlighted that such program assessments can also be used to determine the resources needed to achieve outcomes, which can aid in identifying the most cost-effective program designs and that other activities—such as restructuring outmoded government organizations and operations and taking a strategic approach to spending—can contribute to improvements in efficiency.[13] This approach can lead to identification of significant longer-term savings, although it may also require more time and an upfront investment to implement.

[11]According to the President's budget request, the proposed spending freeze will still allow for investments in areas critical for long-term economic growth and job creation.

[12]See GAO, *21st Century Challenges: Reexamining the Base of the Federal Government* GAO-05-325SP, (Washington, D.C.: February 2005).

[13]See GAO-10-394.

Another major approach that agencies may take to improve their efficiency is to streamline or consolidate management or operational processes and functions to make them more cost effective—that is to examine "how" the agency operates. This approach focuses less on whether an agency is engaged in the right mission activities, but rather whether they can implement the existing activities more cost-effectively. It often involves examining administrative or operational processes to make them faster or to use fewer resources. In our May 2010 report, we stated that such process improvements can increase product quality and decrease costs, resulting in improved efficiency, and that various techniques can be employed to achieve this goal.[14] For example, agencies can employ Lean Six Sigma, which is a data-driven approach based on the idea of eliminating defects and errors that contribute to losses of time, money, opportunities, or business. Another tool is Business Process Reengineering, which redesigns the way work is done to better support the organization's mission and reduce costs.[15] Examining processes this way can lead to identifying efficiency projects that take relatively less time and resources to implement and result in immediate incremental efficiency gains that are relatively small individually, but collectively add up to more significant results.

We found that agencies were implementing initiatives that fell within both categories—reexamining their programs, structures, and functions to determine whether they effectively and efficiently achieved their mission and streamlining and consolidating operations to make them more cost effective—and that they used a variety of promising practices and tools to implement them. Some of the initiatives included activities that fell into both categories, but we placed them in the category that reflects most of their activities. In addition, some of the initiatives were specifically focused on finding efficiencies, while others were more focused on improving the effectiveness of programs and operations, with implications for improving efficiency. Most of the initiatives in our review are relatively new; consequently, their overall results have yet to be determined.

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[14] See GAO-10-394.

[15] Reengineering starts with a high-level assessment of the organization's mission, strategic goals, and customers. As a result of the strategic assessment, Business Process Reengineering identifies, analyzes, and redesigns an organization's core business processes with the aim of achieving dramatic improvements in critical performance measures, such as cost, quality, service, and speed.

However, we found that each initiative contained potentially promising practices from which other federal agencies could learn.

Approaches to Reexamine Federal Programs, Structures, and/or Processes

The Secretary of Defense's Efficiency Initiative

In May 2010,[16] the Secretary of Defense directed DOD to undertake a departmentwide initiative to assess how the department is staffed, organized, and operated with the goal of reducing excess overhead costs and reinvesting these savings in sustaining DOD's current force structure[17] and modernizing its weapons portfolio. The Secretary's initiative targeted both shorter and longer-term improvements and set specific goals and targets for achieving cost savings and efficiencies, which are expected to be achieved between fiscal years 2012 to 2016. To guide the initiative, the Secretary established certain parameters. For example, he

- directed the department to identify specific, actionable, and measurable efficiencies and instructed that neither percentage nor across-the-board reductions were acceptable;
- set short deadlines and directed that efficiencies be incorporated into the fiscal year 2012 budget request;
- assigned specific cost savings targets, such as finding savings of about $100 billion in overhead costs and reducing the number of senior military positions by a minimum of 50 positions;
- instructed the military services to keep their overhead costs savings and decide how to reinvest them; and
- identified some specific areas where immediate action could be taken, such as reducing funding for service support contractors by 10 percent per year from fiscal years 2011 to 2013.

The Secretary's initiative was organized along four tracks—each of which had a different focus (see table 3).

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[16] Remarks as delivered by former Secretary of Defense Robert M. Gates, Abilene, Kansas, May 8, 2010.

[17] Force structure is the numbers, size, and composition of the units that comprise U.S. defense forces (e.g., divisions, brigades, ships, air wings, and/or squadrons).

Table 3: Description of the Four Tracks of the Secretary of Defense's Efficiency Initiative

Tracks	Purpose
Track 1	Military services and other components: Tasked to find savings of about $100 billion in overhead costs that are to be reinvested over 5 years, starting with DOD's fiscal year 2012 budget.
Track 2	External and internal suggestions: Sought ideas, suggestions, and proposals for efficiencies from outside normal, official DOD channels (e.g., "think tanks", industry, external boards, and DOD employees).
Track 3	Departmentwide review of certain areas: Assessed personnel and health care policies, logistics, and acquisition to identify efficiencies.
Track 4	Specific areas identified by the Secretary: Focused on specific areas where DOD could take immediate action to reduce inefficiencies and overhead, in particular, to reduce headquarters and support bureaucracies and to instill a culture of cost-consciousness and restraint in the department.

Source: DOD.

Note: Other components include various offices within the Office of the Secretary of Defense, the combatant commands, DOD agencies, and DOD field activities.

To execute the Secretary's initiative, DOD's process involved all components within the department. For example, the Under Secretaries of the Army, Navy, and Air Force—in their capacities as Chief Management Officers (CMOs)—were responsible for leading the initiative within their respective organizations.[18] They relied on existing personnel, organizations, and processes or formed groups to implement the initiative. In addition, senior level officials within the Office of the Secretary of Defense, including the Under Secretary of Defense (Comptroller)/Chief Financial Officer and the Director of the Cost Assessment and Program Evaluation office, were involved in reviewing many of the cost savings ideas. Ultimately, according to multiple DOD officials, these proposals were presented to the Secretary of Defense for his feedback and approval. The department also sought input and received suggestions on efficiencies from DOD employees at all levels. Further, at the direction of the Secretary of Defense, officials from the

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[18] Congress enacted the National Defense Authorization Act for Fiscal Year 2008, Pub. L. No. 110-181, § 904 (2008). Among other things, it designated the Deputy Secretary of Defense position as the Chief Management Officer for DOD; created a deputy chief management officer position to assist the Chief Management Officer; and required the secretaries of the Army, Navy, and Air Force to designate the department under secretaries as Chief Management Officers with primary management responsibility for business operations.

Office of the Under Secretary of Defense (Comptroller), Office of the Under Secretary of Defense for Personnel and Readiness, and the Office of the Under Secretary of Defense for Acquisition, Technology and Logistics conducted front-end assessments in collaboration with the military services to identify savings in key areas of acquisition, logistics, personnel, and health care policy. The Secretary of Defense also established a temporary task force, chaired by his Chief of Staff, to address the specific areas in which immediate action could be taken departmentwide.

As part of its fiscal year 2012 budget request, DOD outlined projected savings of $178 billion to be realized over a 5-year time period beginning in fiscal year 2012. According to DOD, these savings include projected savings of about $154 billion from the Secretary's initiative and about $24 billion from other sources. Specifically,

- The military services and Special Operations Command identified a total of $100 billion in savings as a result of their efforts to find efficiencies to support the Secretary's initiative. A majority of the projected savings identified by the military services (approximately $70 billion out of $100 billion, or 70 percent) will be reinvested in high-priority military needs—such as enhancing weapon systems—while the remainder will be used to address operating costs resulting from areas such as health care and training.
- The department proposed a $78 billion reduction in its overall budget over a 5-year time period, covering fiscal years 2012 through 2016, which reflects a 2.6 percent reduction from DOD's fiscal year 2011 budget submission over the same time period. Of this amount, $54 billion reflected projected savings identified from the health care policy assessment, governmentwide civilian pay freeze, and other specific areas identified by the Secretary where immediate action could be taken departmentwide. The remaining $24 billion reflected revised economic assumptions, projected savings from restructuring the Joint Strike Fighter weapons program, and projected savings from reducing the size of the Army and Marine Corps beginning in fiscal year 2015.

While DOD is reporting these projected savings, we did not independently verify this information, including whether DOD's projections reflected cost savings or cost avoidances. As part of this review, we also did not examine the extent of analysis that DOD performed in selecting these initiatives but we will be addressing this topic in other work.

The budget request catalogued the projected $100 billion in savings from the military services and Special Operations Command into the following four categories.

- Reorganizations, such as restructuring headquarters management and eliminating unneeded task forces.
- Better business practices, such as reducing energy consumption.
- Program reductions and terminations, such as terminating weapon systems programs.
- Reduced lower priority programs, such as shifting funds from military construction projects to base operations.

Table 4 shows the specific amounts of projected cost savings reported for each category and organization.

Table 4: Projected Cost Savings Identified by the Military Services and Special Operations Command Under the Secretary of Defense's Efficiency Initiative (Fiscal Years 2012 to 2016)

Dollars in billions

| Category of reduction | Fiscal years 2012 - 2016 | | | | |
	Army	Navy	Air Force	Special Operations Command	Totals for fiscal years 2012-2016
Reorganizations	5.4	15.4	4.2	0	25
Better business practices	10.3	14.1	20.6	.4	45.4
Program reductions/terminations	11	5.5	3.7	1.3	21.5
Reduced lower priority programs	2.8	0	4.8	.6	8.2
Total	**29.5**	**35**	**33.3**	**2.3**	**100.1**

Source: DOD

Note: While DOD is reporting these projected savings, we did not independently verify this information, including whether DOD's projections reflected cost savings or cost avoidances.

According to DOD officials, after DOD submitted its fiscal year 2012 budget request which reflected the projected savings of the efficiency initiative, the Deputy Chief Management Officer (DCMO) and the Under Secretary of Defense (Comptroller)/Chief Financial Officer were assigned as the co-leads to be involved in developing an approach for tracking and reporting on efforts to implement the initiative. As of July 2011, the DOD DCMOs and the Under Secretary of Defense (Comptroller's) office were still developing the planned approach for tracking and reporting. Officials noted that they intend to use an existing database that the department uses to measure efforts to improve performance, called the DOD Enterprise Performance Management System. The military services and other DOD components have been asked to enter preliminary data, such

as the types of actions needed to implement the efficiency initiative results and any associated metrics into the database. Further, the DOD DCMO anticipates that quarterly reporting on the implementation of the efficiency results will occur. The DOD DCMO and an official from the Under Secretary of Defense (Comptroller's) office noted that the performance management database is not integrated with DOD's financial accounting systems. In addition, officials from the military services stated they are currently examining options for using their financial accounting systems to help track results. Since these efforts are evolving, it is too soon to tell the extent of information that the department will be able to track and report in both the performance management database and financial accounting systems and whether the data will be consistent.

DOD has taken some steps to institutionalize the efficiency initiative, including beginning to integrate efforts to identify efficiencies into the department's planning, programming, budget, and execution process. For example, the initial effort to identify efficiencies was initiated while the department was formulating its fiscal year 2012 budget request and the request was adjusted to reflect the projected savings of the efficiency initiative, including adjustments to programs and reinvesting savings among programs. Further, the Under Secretaries of the Army, Navy, and Air Force in their capacities as CMOs stated they will rely on existing personnel, organizations, and processes to monitor the implementation of the announced initiative results and continue to look for additional efficiencies as they formulate the fiscal year 2013 budget.

Beyond the Secretary of Defense's Efficiency Initiative, DOD is implementing additional efforts to seek efficiencies. For example, in response to the President's efforts to reduce the federal deficit, including his April 2011 announcement to hold the growth in future national security spending which is projected to save $400 billion, the Secretary of Defense directed DOD to undertake a comprehensive review of the department's roles and missions. He directed that the review develop specific program options in four categories, one of which is a continuation of the previous efficiency initiative. As of August 2011, this review was ongoing.

HUD's Transformation Initiative

HUD's Transformation Initiative (TI) is a multifaceted and multiyear effort intended to reexamine how HUD does business by focusing on improving performance, replacing outdated IT systems, evaluating programs, and streamlining processes. In fiscal year 2010 HUD received authorization from Congress to transfer up to 1 percent of the budgets from selected

program offices to contribute to a TI fund.[19] In the same fiscal year, the department also received funding from Congress for a Chief Operating Officer (COO) and the Office of Strategic Planning and Management (OSPM), which both manage the initiative. Congress also oversees the TI fund by requiring congressional approval of plans for expending funds for projects and our review of IT projects supported by the fund.[20] As seen in table 5, the initiative consists of two major components: a set of projects funded by the TI fund to replace outdated IT systems, evaluate programs, and improve technical assistance provided to HUD's customers; and a group of projects that HUD is initiating outside of the fund to improve the management of its operations—including improving HUD's acquisition and performance management processes.

Table 5: HUD Transformation Initiative Projects

Program transformation projects (funded by the TI fund)

IT Systems: Update outdated systems and improve the processes that they support in order to make HUD operate more efficiently. There are currently seven major IT projects funded through the TI fund.

Research, Evaluation, Program Metrics, and Demonstration Projects: Research aspects of programs are expected to result in research-based improvements to programs and identify programs that should be eliminated. There are currently 11 research, evaluation, and program metrics projects and 6 demonstration projects funded through the TI fund.

Technical Assistance: Improve the effectiveness and efficiency of HUD's assistance and thereby make HUD's partners, such as state or local governments, profit and nonprofit organizations, and public housing authorities, more efficient and effective in delivering HUD programs. There are currently 16 Technical Assistance projects funded through the TI fund.

HUD management transformation project examples

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[19] HUD requested a $434 million (or 1 percent of its total program budget) set-aside in its fiscal year 2010 budget for funding efforts to transform the department. The department received authority to transfer $238 million from select programs and obtained $20 million through direct appropriation in order to create the Transformation Initiative Fund, which is the main source of funding for the initiative. The agency received funding for the TI Fund again in fiscal year 2011.

[20] As prescribed by the legislation granting authority to establish this fund, the Secretary of HUD must submit a plan for approval to the Appropriations Committees detailing how funds will be allocated to each of the four categories within the fund, and for what projects and activities the funds will be used. Amendments to the plan also require approval. Further, Congress mandated that not more than 25 percent of funds for IT projects be obligated before the Committee approves a plan for expenditures that, among other things, has been reviewed by GAO.

Human Capital: Reduce the number of days it takes to hire HUD employees, which has required attention to process improvement.

Acquisition: Make HUD's acquisition process more effective, efficient, and transparent through automation.

Customer Service: Decrease the time it takes HUD to deliver funds to grantees.

Performance Management: Institute a data-driven process for performance management, called HUDStat.

Source: GAO analysis of HUD interviews and documentation.

HUD's TI projects are intended to improve the overall performance of the agency; including a few project areas within this initiative that are specifically expected to improve efficiency. These projects include: centralized technical assistance (TA), acquisition reform, and HUDStat. HUD is centralizing its TA to its partners under the TI, which HUD officials reported will make its TA less duplicative, more efficient, and effective. Officials in OSPM stated that this is intended to also result in more efficient and effective delivery of HUD services by its partners. The acquisition reform effort is expected to directly increase efficiency as HUD replaces outdated, paper-based systems and corresponding processes with an automated system and new processes. Finally, HUDStat, a series of monthly, data-driven meetings led by the Secretary, is an integral part of this initiative's effort to improve HUD's performance, which HUD officials believe may indirectly increase efficiency. According to HUD's COO, the department had held nine HUDStat meetings as of July 2011, each of which focused on one its high-priority performance goals or its internal goal on transforming HUD.

While the department does not track and report on efficiency targets for many of its efforts—partly because many projects are not focused on improving efficiency and others are too new to have results—they have begun tracking and reporting on efficiency targets for IT system projects and related process improvements in key areas, such as acquisition reform. In addition, HUDStat meetings are used to track progress on the department's performance in achieving their High Priority Performance Goals and efforts to transform HUD.[21]

As part of its effort to integrate the TI into HUD operations, the department incorporated the TI into a fifth Performance Goal—"Transform the Way HUD Does Business" —in its draft fiscal year 2010-2015

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[21] High Priority Performance Goals are also now known as agency "Priority Goals".

Strategic Plan. According to officials in the Office of Strategic Planning and Management, HUD originally began the TI before updating its strategic plan under the new Secretary, which made it difficult to link the initial TI projects to the department's current strategic vision and track project results against their goals. However, in HUD's updated Strategic plan, the department incorporated the TI as a fifth Performance Goal to address this challenge. The department is also taking steps to integrate HUDStat data into its budget process. Lastly, a senior official told us that they are trying to institutionalize transformation changes by further developing their career staff in order to build their capacity and desire to carry out the TI projects beyond the current administration.

VA's Operational Management Review

Similar to HUDStat, VA's Operational Management Review (OMR) is a performance management process that involves holding weekly meetings that focus on improving and streamlining VA's operations by assessing the status of the 16 Major Initiatives from VA's 2011-2015 strategic plan, such that each of the Major Initiatives is reviewed at least once a month. Some of these Major Initiatives are linked to the department's high-priority performance goals.[22] For example, eliminating veteran homelessness is a Major Initiative jointly shared with HUD that also appears as a high-priority performance goal. In December 2009, VA began the OMR process in support of the departments' strategic management transformation. As shown in figure 1, the OMR process tracks the progress of Major Initiatives against cost, schedule, and scope baseline and ongoing performance targets through monthly status reports and formal OMR meetings. VA's Deputy Secretary leads the meetings and the Office of Policy and Planning facilitates them. The OMR process also assesses any risks or issues that arise during project execution. Once a Major Initiative transitions from the OMR process to a sustained operations status, progress in meeting milestones is monitored by Monthly Performance Review meetings.[23] VA officials have not attempted to calculate specific savings or efficiency gains under the OMR process.

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[22] VA's high-priority performance goals include: (1) reducing the disability claims backlog, (2) eliminating veteran homelessness, (3) automating the GI Bill benefits system, (4) establishing a Virtual Lifetime Electronic Record, (5) improving mental health care, and (6) deploying a Veterans Relationship Management System.

[23] The Monthly Performance Review process involves monthly meetings to review and track detailed performance data for all of the agencies' performance metrics and to determine whether additional actions are needed to achieve desired results. VA has been using this process since 2001.

However, they believe that the process provides opportunity for efficiency through better accountability and management oversight.

Figure 1: VA's Operational Management Review (OMR) Process

Step A: Major Initiative Activation: Initiative is identified as supporting Strategic Plan and is incorporated into OMR process. Operating Plan Approval.

Step B: Pre-OMR Meeting Actions: Compile monthly status reports and prepare for OMR session

Step C: OMR Review: Attend OMR meeting to brief VA senior leadership on Initiative progress.

Continuous Monitoring and Problem Solving

Step D: Post-OMR Meeting Actions: Finalize meeting notes and action items. Continue Initiative operations.

Step E: Major Initiative Transition: Major Initiative is moved from initiative status to sustained operations.

Source: VA documentation.

According to a VA official in the Office of Policy and Planning, the Deputy Secretary's leadership has provided the highest level of management visibility and support for the Major Initiatives, which drives the OMR process. To further institutionalize and integrate this process, VA has developed standard operating procedures for the process and recently established and staffed the Enterprise Program Management Office which helps to support the OMR process. The Director of this office told us that its purpose is to develop project management standards, methodologies, doctrine, and processes to execute VA's Major Initiatives.

He also said that the Enterprise Program Management Office plans to assist the Major Initiative teams in developing project plans that directly support VA's strategic goals.
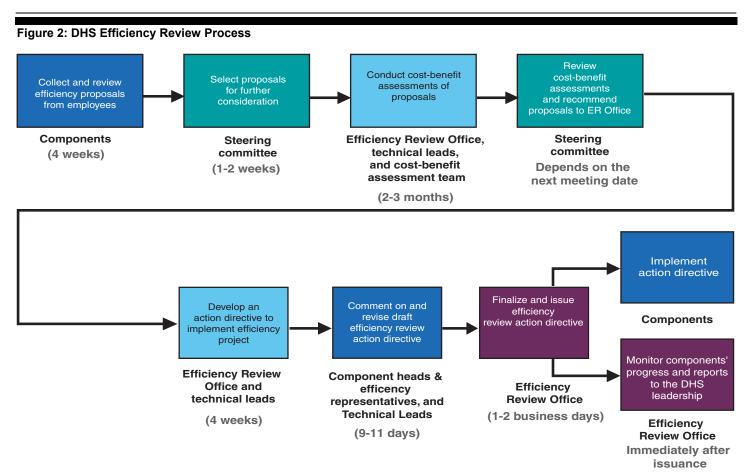
Approaches to Streamline or Consolidate Existing Processes and Functions

DHS' Efficiency Review

DHS established a departmentwide Efficiency Review initiative (ER) in 2009. The focus of the ER is to improve efficiency and streamline decision making through a series of agencywide projects that individually may result in relatively small efficiency improvements, but that the agency expects will collectively result in greater efficiency gains. The ER initiative targets three main categories for improved efficiency: day-to-day expenditures, personnel, and physical assets.[24] The initiative is led by an Efficiency Review Office located within the Office of the Secretary of Homeland Security and implemented throughout the department.

DHS employs both a bottom-up and top-down approach to implementing this ER process. Project ideas come from a variety of sources in the department, including employees, management staff, and the Office of the Secretary of Homeland Security. As a new method of obtaining employee input, in May 2011, DHS launched a "ThinkEfficiency campaign" that allows employees to submit efficiency ideas to an e-mail box that is reviewed through the ER process. Employee-generated proposals and ideas are assessed for their feasibility, appropriateness, and potential departmentwide impact and benefits. If a proposal is approved for departmentwide implementation, a departmentwide Action Directive, with requirements for its execution, is issued. Figure 2 illustrates DHS' Efficiency Review process.

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[24] According to DHS documents, "day-to-day expenditures" include items such as background investigations, communication devices, facilities, office supplies, software licenses, subscriptions, and travel, etc. "Personnel" includes employee orientation and training, hiring and security suitability processes, coordination and decision-making, paperless earning and leave statements, Web systems optimization, workforce assessment, retention, etc. "Physical Assets" include bulk fuel acquisition, energy management, fleet management, hybrid vehicles, and IT and office equipment.

Figure 2: DHS Efficiency Review Process

Collect and review efficiency proposals from employees	Select proposals for further consideration	Conduct cost-benefit assessments of proposals	Review cost-benefit assessments and recommend proposals to ER Office
Components (4 weeks)	**Steering committee** (1-2 weeks)	**Efficiency Review Office, technical leads, and cost-benefit assessment team** (2-3 months)	**Steering committee** Depends on the next meeting date

Develop an action directive to implement efficiency project	Comment on and revise draft efficiency review action directive	Finalize and issue efficiency review action directive	Implement action directive
Efficiency Review Office and technical leads (4 weeks)	**Component heads & efficency representatives, and Technical Leads** (9-11 days)	**Efficiency Review Office** (1-2 business days)	**Components**
			Monitor components' progress and reports to the DHS leadership
			Efficiency Review Office Immediately after issuance

Source: GAO analysis of DHS documents.

The department had 36 ongoing Efficiency Review projects, as of July 2011 (see fig. 3 for list of DHS projects.). The first 20 projects were initiated between April-July 2009. In 2010, the agency approved 13 additional projects for implementation, and added 3 new projects as of July 2011. DHS officials characterized some of the projects as "low-hanging fruit"— those projects that were easily implemented and that reduced costs in the short term, such as elimination of printed documents that could easily be sent electronically or posted on line and the consolidation of subscriptions to professional publications and newspapers. Other projects were intended to improve the department's performance over the longer term, such as energy efficiencies, the standardization of employee training and orientation, and the establishment of a departmentwide contracting vehicle for purchasing bulk fuel for fleet, aircraft, and marine vessels.

Figure 3: List of DHS Ongoing Efficiency Review Projects

April 17, 2009 (30-day initiatives)	May 27, 2009 (60-day initiatives)	June 26, 2009 (90-day initiatives)	July 24, 2009 (120-day initiatives)	Subsequent initiatives (April 7, 2010 - December 20, 2010)		June 1, 2011	July 13, 2011
1 Eliminate non-mission-critical travel	5 Implement electronic fleet usage tracking tool	10 Develop cross-component training	16 Ensure sufficient workforce skills	21 Implement paperless earning and leave statements	27 DHS-wide sourcing for furniture	34 Post property seizure notifications online	35 DHS center for Excellence for energy savings contracts
2 Consolidate subscriptions	6 Conduct workforce assessment	11 Develop preliminary applicant security process	17 Initiate aquisition/ leasing hybrid vehicles	22 Improve personnel security and suitability processes	28 Increase DHS-wide contracting for background investigations		36 Establish and implement an Integrated Facility Assessment Center of Excellence
3 Eliminate printing and distribution of some reports	7 Reutilize refurbished IT equipment	12 Convert multi-functional devices	18 Implement energy efficiencies	23 DHS-wide sourcing for non-military uniforms	29 DHS-wide sourcing for bulk fuel		
4 Maximize government space	8 Leverage software license buying power	13 Streamline decision-making processes	19 Standardize employee orientation and mandatory training	24 DHS-wide sourcing for tactical communications	30 Conduct optimization of communication services		
	9 Eliminate new seals and logo contracts	14 Increase office supply blanket purchase agreement	20 Increase Coordination across DHS	25 DHS-wide sourcing for wireless communication	31 Improve energy management in DHS		
		15 Improve DHS communication		26 DHS-wide sourcing encrypted thumb drives	32 Reduce cost of contractor investigations		
					33 Develop and execute a strategy for web- content management		

Source: DHS.

DHS officials reported that the first 30 ER are expected to result in cost avoidances of approximately $716 million. The components had the authority to reallocate these savings to other mission-critical activities, consistent with congressional appropriations. Although the DHS Secretary required all of the components to identify their ER initiatives' cost avoidance amounts as part of the fiscal year 2012 budget submissions, the ER initiatives did not lead to a decrease in the department's overall budget. Instead, the savings were reallocated to other mission-critical activities. For example, the U.S. Coast Guard and U.S. Customs and Border Protection components reported using efficiency gains from ER initiatives to support mission-critical activities, such as securing the border, while also facilitating the flow of legitimate trade and travel.

The ER office tracks and reports on gains from the 36 ER projects and other component-specific efficiency projects. Components are required to provide an update on the cost savings or other measures of efficiency gains related to the initiatives using an automated data collection system called the Efficiency Review Quarterly Report. This information is combined into a quarterly report that is presented to the Secretary and other DHS leadership.[25] Currently, DHS' components have the responsibility to verify the accuracy of the cost avoidance estimates that they provide to the ER office. However, the ER staff are working with the department's Chief Financial Officer (CFO) to develop a standard cost avoidance verification process that will function as an additional step in validating components' cost avoidance estimates after they are submitted to the ER office.

DHS is taking steps to institutionalize the efficiency improvements resulting from its ER initiative. According to DHS officials, one of the primary ways the department institutionalizes its ER projects is through Action Directives announced by the Secretary's office which provide management guidance and direction to the components. Based on these Action Directives and the management guidance, components develop similar guidance to further ensure improvements resulting from its ER become the new business practices at the department. DHS is also in the early stages of linking its ER initiative to the budget process. The department recently began initiating a base budgeting process that

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[25] As of July 2011, DHS has issued nine of these reports.

incorporates decisions related to their Efficiency Review activities. As previously noted, DHS components reallocate to other mission-critical activities the funds that they avoid spending because of the ER initiative. However, the department did not have a formal departmentwide process or set of criteria for prioritizing which mission-critical activities will receive the reallocated funds and linking this to the budget decision-making process. In recognition of the need to create this linkage, the department is developing a process that is intended to examine the base budget of each component and standardize the procedures that components use to make these resource reallocation decisions, among other things.

VA's Project Management Accountability System (PMAS)

As one of its approaches to improving efficiency, VA has implemented a departmentwide Project Management Accountability System (PMAS), which is a performance-based project management discipline for planning and managing the agency's information and technology projects. In June 2009, VA's Chief Information Officer (CIO) mandated the use of PMAS for all IT development and infrastructure projects, as shown in figure 4 below.
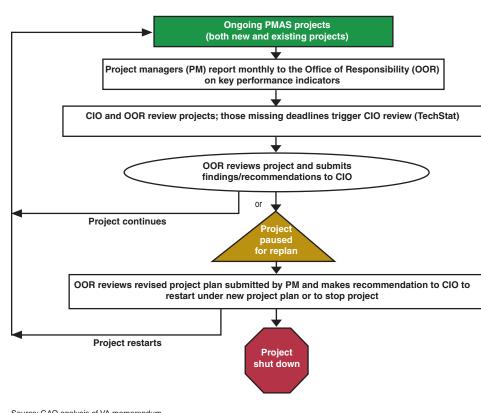
Figure 4: VA's Project Management Accountability System Process


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        ┌─────────────────────────────────────────────┐
        │        Ongoing PMAS projects                 │
        │     (both new and existing projects)         │
        └─────────────────────────────────────────────┘
                          │
        ┌─────────────────────────────────────────────────────────┐
        │ Project managers (PM) report monthly to the Office of    │
        │ Responsibility (OOR) on key performance indicators       │
        └─────────────────────────────────────────────────────────┘
                          │
        ┌─────────────────────────────────────────────────────────┐
        │ CIO and OOR review projects; those missing deadlines     │
        │ trigger CIO review (TechStat)                            │
        └─────────────────────────────────────────────────────────┘
                          │
              OOR reviews project and submits
              findings/recommendations to CIO
                                          or
    Project continues                        Project
                                             paused
                                           for replan
        ┌─────────────────────────────────────────────────────────┐
        │ OOR reviews revised project plan submitted by PM and     │
        │ makes recommendation to CIO to restart under new         │
        │ project plan or to stop project                          │
        └─────────────────────────────────────────────────────────┘
                          │
    Project restarts                         Project
                                            shut down
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Source: GAO analysis of VA memorandum.

According to VA officials from the Office of Information and Technology, since the inception of PMAS, at least 12 projects have been cancelled or restructured, resulting in approximately $129 million in costs avoided from

fiscal year 2010 to fiscal year 2014.[26] For example, VA officials reported that VA's Rights Management Server project was improved because of the PMAS process, and also resulted in cost avoidances. The project was intended to provide security by encrypting e-mail messages and attachments by controlling what recipients could do with the messages and attached documents (i.e., controlling rights for forwarding, copying, printing, etc.). Because of findings from the PMAS review, the project was paused for replanning. The replanning resulted in a solution that better integrated with other VA encryption tools and is vastly simplified from an end-user perspective and resulted in $100,000 in cost avoidance for fiscal year 2010. According to VA officials, they do not yet have an automated system in place to regularly track and document cost avoidances, such as these, that result from the changes made to projects because of PMAS reviews. However, they monitor the PMAS projects using a PMAS Dashboard that tracks "real time data" on the cost, schedule, and other metrics of performance for the projects.

To institutionalize the PMAS process, VA issued standard guidance for the process and has provided training to IT project managers. According to officials, these factors and the support of the CIO have helped to establish the PMAS process as the new standard practice for managing IT projects. In addition, VA's Deputy Secretary and an official from the office of Corporate Analysis and Evaluation reported that the department is in the early stages of integrating the PMAS and other management improvement processes with its budget activities, which would allow them to become better informed about trade-offs when making decisions about

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[26] From July 2010 to June 2011 the VA Inspector General (IG) conducted an audit to determine whether the VA's Office of Information and Technology has planned and implemented PMAS with the management controls needed for effective oversight of the department's IT initiatives. In an August 29, 2011 report, VA's IG reported that key management controls to ensure PMAS data reliability, verify project compliance, and track project costs have not been well established, including detailed guidance on how such controls will be used within the framework of PMAS to manage and oversee IT projects. The IG recommended that the Assistant Secretary establish controls for ensuring data reliability, verifying project compliance, and tracking costs to strengthen PMAS oversight. For the full report "Department of Veterans Affairs Audit of the Project Management Accountability System Implementation" see http://www.va.gov/oig/52/reports/2011/VAOIG-10-03162-262.pdf.

DOD's Continuous Process Improvement/ Lean Six Sigma Program

how to improve agency performance and best utilize or reduce agency resources.[27]

The objective of DOD's Continuous Process Improvement/Lean Six Sigma (CPI/LSS) program is to improve how products and services are provided and internal operations are conducted. As a continuous process improvement methodology, LSS uses data and statistical analyses to measure and improve the performance of an organization's operations by identifying and eliminating defects in manufacturing and service-related processes. By DOD policy and practice[28] the CPI/LSS methodology is applied by DOD organizational entities—including the military services, agencies, and field activities. In addition, the military services, DOD agencies, and field activities using CPI/LSS are allowed to retain financial benefits that CPI/LSS activities generate.

In April 2007, the Deputy Secretary of Defense created a program office to provide a departmentwide CPI/LSS focal point. After the establishment of the DOD DCMO position, the Deputy Secretary of Defense assigned oversight responsibility of the CPI/LSS program office to the DCMO in May 2008. Among other things, the program office's director is responsible for (1) developing guidance for CPI/LSS implementation and management; (2) providing DOD components with a centralized database and knowledge-sharing site; (3) developing and maintaining departmentwide CPI/LSS training standards; and (4) overseeing an annual CPI/LSS symposium which is to provide opportunities to exchange ideas, methods, technology solutions, and experiences. The CPI/LSS program office's director also chairs a CPI/LSS Senior Steering Committee that is intended to meet periodically to discuss departmentwide CPI/LSS activities and includes representatives from the

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[27] The August 2011 report by VA's IG stated that the Office of Information and Technology has made progress establishing PMAS by publishing the PMAS Guide, developing a system for monitoring project status, and using an oversight approach to better manage projects. However, PMAS lacked key elements, such as a detailed implementation plan to include performance measures and a designated PMAS office and Director who would be responsible for developing and implementing them. The IG recommended that they develop an implementation plan and assign adequate leadership and staff needed to fully execute PMAS, as well as have the Assistant Secretary provide more detailed guidance on using PMAS to ensure IT project success.

[28] Department of Defense Instruction 5010.43, *Implementation and Management of the DOD-Wide Continuous Process Improvement/Lean Six Sigma (CPI/LSS) Program* (July 17, 2009).

military services, DOD agencies and field activities, and various offices in the Office of Secretary of Defense. Since it was established, the CPI/LSS program office has completed several CPI/LSS activities and has others that are ongoing; however, the bulk of CPI/LSS activities occur within the military services.

According to DOD officials, most of the CPI/LSS activities may not always directly result in cost savings but rather other efficiencies (such as time savings and improved quality in the process). For example, after the completion of a CPI/LSS activity in April 2010, the Marine Corps Logistics Base in Barstow, California, reported doubling the monthly repair and maintenance output for M-16 rifles from 625 rifles to 1,250 rifles.[29] Both the military services and the CPI/LSS program office have centralized systems in place to track and report on their respective CPI/LSS activities. As of July 2011, these systems were not integrated with one another but CPI/LSS program office officials stated that they are working towards establishing this integration. In the meantime, CPI/LSS program office officials indicated that information about CPI/LSS activities across the department are shared during CPI/LSS Senior Steering Committee meetings.

DOD has taken some steps to institutionalize the use of the CPI/LSS methodology within the department. For example, as previously mentioned, it has established a departmentwide program office to be a focal point. DOD has also issued policy guidance for implementing CPI/LSS and has referred to it in its Strategic Management Plan[30]—the department's highest-level plan for improving business operations. Among other things, the policy sets training targets and outlines other procedures for DOD organizational entities to follow to implement the program. For example, the policy sets percentage goals for the workforce in DOD organizational entities to be certified at various levels of expertise. Within DOD, personnel may be trained and certified to have increasing levels of expertise starting with a Green Belt and then progressing to Black Belt, and Master Black Belt levels.[31] For each participating

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[29] We did not verify the completeness of this information.

[30] DOD Fiscal Year 2011 Strategic Management Plan (Dec. 30, 2010).

[31] A Master Black Belt, for example, has completed 280 training hours and is capable of completing complex activities such as those that span across many organizations. In comparison, a Green Belt has completed 40 training hours and is capable of contributing to simpler activities.

organization, DOD has set a goal for 1 percent and 5 percent of its employee population to be Black and Green Belt-certified, respectively. According to CPI/LSS program office officials, in July 2011, there were approximately 32,776 CPI/LSS-trained personnel in DOD.

The department's Strategic Management Plan identifies CPI/LSS as a tool that can be used to improve processes that will improve overall performance. According to CPI/LSS program office officials, they are seeking to more closely align the selection of their CPI/LSS activities with goals that are set forth in the Strategic Management Plan. For example, the CPI/LSS program office officials stated they have conducted a CPI/LSS project to streamline the civilian hiring process in order to reduce the time for hiring DOD civilians from the average cycle time of 155 days to the goal of 80 days or fewer as set by the Office of Personnel Management. Starting in October 2010, the Army piloted the streamlined civilian hiring process at an Army location which resulted in hiring two civilians in less than 80 days. As of July 2011, the Army is planning to expand the pilot to other locations for the remainder of fiscal year 2011 and is planning to implement the streamlined civilian hiring process across the military service in fiscal year 2012. According to these officials, improving civilian hiring would support the goal of "Enhance the Civilian Workforce" in DOD's Strategic Management Plan. The department's DCMO noted a greater number of civilians will need to be hired via the streamlined process in order to confirm the success of the project prior to making any departmentwide policy changes.

Key Practices Show Promise for Implementing Efficiency Efforts Across Government

Key practices used in federal and statewide efficiency initiatives, and examples of how to implement these practices, may provide valuable insights into ways to improve efficiency in the federal government. While some of these practices were applicable to a number of initiatives in our review, we highlight examples from a few of the federal and state initiatives, to illustrate the point (see summary in table 6). Also, see appendix I for details on how we identified these key practices. In addition to these initiatives, the administration is undertaking various governmentwide efforts to improve the effectiveness and efficiency of federal agencies that may provide a platform for building on these key practices.

Table 6: Key Practices in Selected Federal and State Efficiency Initiatives and Illustrative Examples

Key practice	Examples of how practices were implemented
Use change management practices to implement and sustain efficiency initiatives: • Ensure top leadership drives the transformation • Dedicate an implementation team to manage the transformation process • Set implementation goals and a time line to build momentum and show progress from day one • Involve employees to obtain their ideas and gain their ownership of the transformation	• Held regular sessions led by Secretary or Deputy Secretary to track progress of major departmental initiatives (e.g., HUDStat and VA's OMR) • Used COOs or CMOs to lead efficiency efforts (e.g., Involvement of the Army, Navy, and Air Force CMOs in the Secretary of Defense's Efficiency Initiative and HUD Transformation Initiative) • Created a dedicated department-level team to identify, track and report on efficiencies (e.g.,DHS's ER, VA's OMR, HUD TI, and Texas Sunset Advisory Commission) • Set specific departmentwide cost savings and/or efficiency goals and an implementation time line (e.g., Secretary of Defense's Efficiency Initiative, Washington's GMAP) • Created an ongoing formal and collaborative structure that involves employees and leadership in identifying and developing efficiency policies (e.g., DHS's ER, VA's OMR and PMAS) • Provided financial or nonfinancial employee incentives for identifying efficiencies (e.g., DHS's ER, Secretary of Defense's Efficiency Initiative, DOD's CPI/LSS, Virginia's Productivity Investment Fund, and Iowa's Charter Agencies)
Target both short-term and long-term efficiency initiatives	• Identified efficiency initiatives that can generate immediate returns as well as more substantive changes to operating procedures, programs, and organizational structures (e.g., DHS's ER, DOD's CPI/LSS, and Secretary of Defense's Efficiency Initiative) • Identified dedicated funding mechanisms to support the upfront costs associated with long-term efficiency improvements (e.g., Virginia's Productivity Investment Fund, and HUD's Transformation Initiative)
Build capacity for improving efficiency	• Used a department-level office to standardize guidance and training and facilitate sharing best practices (DOD's CPI/LSS) • Identified and shared performance trends and best practices during regular sessions that involved headquarters and regional leaders of major operations and programs (e.g., VA's OMR and HUDStat) • Identified and formally solicited input from experts in business and government operations (e.g., Secretary of Defense's Efficiency Initiative, Georgia's Commission, and Virginia's Council on the Future)

Source: GAO.

Key Practice: Use Change Management Practices to Implement and Sustain Efficiency Initiatives

Top-level leadership: held regular sessions to track progress of major departmental initiatives, led by the Secretary or Deputy Secretary

As we have identified in the past, a leading practice in any change management initiative is having clear and personal top leadership—including the Secretary, Deputy Secretary, or other high-level political appointees—involved in setting the direction, pace, and tone for the agency's major change.[32] HUD and VA officials identified the direct top leadership of regular sessions to track the progress of the agencies' major initiatives as a critical factor in the implementation of their initiatives. As previously noted, HUD is holding regular HUDStat sessions that are led by the HUD Secretary. According to officials in various HUD offices, the Secretary's leadership at these meetings has been instrumental in fulfilling one of HUDStat's purposes, which is to overcome barriers to effective implementation of programs. HUD officials reported that the Secretary forms collaborative groups to develop solutions to problems identified at the HUDStat meetings. Similarly, the Deputy Secretary of VA leads the agency's OMR reviews and is directly briefed on the status of IT projects reviewed under PMAS. Various VA officials that we spoke with stated that this involvement has been critical because the Deputy, who also serves as the COO of VA, also tracks the process for staffing and training for the department's operational initiatives, chairs the department's Strategic Management Council, and leads other key management meetings.[33] Therefore, he has key knowledge about the resources that are available to resolve problems and a strategic view of

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[32] See GAO-03-669.

[33] The Strategic Management Council is chaired by the Deputy Secretary and includes VA's Assistant Secretaries; the Deputy Under Secretaries for Health, Benefits, and Memorial Affairs; the General Counsel; Chair of the Board of Veterans' Appeals; and the Chief of Staff. The Strategic Management Council serves as a collaborative and deliberative body that provides oversight and guidance on key strategic and operational issues that are likely to require action by VA decision makers.

changes that need to occur throughout the department. Similarly, VA's CIO leads PMAS meetings and has central control over VA's IT budget, which allows him to have access to resources that facilitates problem-solving at PMAS meetings.

Top-level leadership: designated COOs and CMOs to lead efficiency efforts

As we have noted in previous reports, COOs and CMOs can play a key role in integrating various key management and transformation efforts within federal agencies.[34] In accordance with the GPRAMA, each agency must designate its deputy head, or the equivalent, as the COO. The COO is to be responsible for leading performance and management reform efforts—such as reducing wasteful or ineffective programs, and for conducting frequent data-driven reviews of agency progress toward goals that are critical to performance improvement across agencies, or that the agency head identifies as top near-term priorities. In DOD, the Under Secretaries of the Army, Navy, and Air Force in their capacities as CMOs, are leading efforts to implement the Secretary of Defense's Efficiency Initiative in their respective organizations and to identify additional efficiencies. These officials stated that they will continue to play a key role in implementing changes resulting from the initiative and identifying additional efficiencies. In January 2011,[35] we reported that opportunities exist for DOD's CMO and DCMO to take on a greater leadership role in implementing the Secretary of Defense's Efficiency Initiative. Specifically, we recommended that the DOD CMO and DCMO be assigned specific roles and responsibilities for integrating the initiative with ongoing reform efforts, overseeing its implementation, and otherwise institutionalizing the effort for the long term. As of August 2011, DOD had taken some actions with respect to assigning roles and responsibilities. For example, according to DOD officials, after DOD submitted its fiscal year 2012 budget request which reflected the projected savings of the efficiency initiative, the DCMO and the Under Secretary of Defense (Comptroller)/CFO were assigned as the co-leads to be involved in developing an approach for tracking and reporting on the results'

[34] See GAO, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies,* GAO-08-34 (Washington, DC: Nov. 1, 2007) and GAO, *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).

[35] See GAO, *Defense Business Transformation: DOD Needs to Take Additional Actions to Further Define Key Management Roles, Develop Measurable Goals, and Align Planning Efforts*, GAO-11-181R (Washington, D.C.: Jan. 26, 2011).

implementation. As of August 2011, these efforts to develop the planned approach were still underway.

Similarly, HUD created a COO position in fiscal year 2010 and dedicated this position to overseeing the operations of the agency on a day-to-day basis, including providing oversight over the department's TI. According to various HUD officials, the COO's involvement has been important to creating cohesion between the senior leaders of operations and establishing accountability for meeting goals. Further, according to the COO and other senior leaders, HUD has historically had limited tracking and accountability for its performance goals. However, the COO has been regularly engaged in helping the department's program offices set new performance goals, holding them accountable for achieving results, and regularly monitoring progress. For example, her office has quarterly meetings with the General Deputy Assistant Secretaries from HUD's various program offices about the status of the budget, personnel, procurement, and IT—some of the discussions are related to the TI, while others are related to general HUD operations.

Dedicated implementation team: created department-level team to identify, track, and report on efficiencies

We and other experts have reported that dedicating a strong and stable implementation or integration team that will be responsible for the day-to-day management of key change efforts is important to ensuring that it receives the focused, full-time attention needed to be sustained and successful. However, it must be given the necessary authority and resources to set priorities, make timely decisions, and move quickly to implement top leadership's decisions regarding the major change.[36] DHS established a formal ER office with a dedicated team of staff who were given the necessary visibility and access to information to facilitate departmentwide efficiency improvements. According to DHS officials, the Secretary of DHS placed the ER Office within the Office of Secretary so that it would have the necessary attention, authority, and access to technical expertise needed to successfully oversee and facilitate departmentwide efficiency improvements. The ER office has access to technical assistance from Under Secretary for Management staff—who often provide technical expertise for ER initiatives—and direct reporting lines to the Secretary. This team plays a central role in informing the Secretary of the progress and challenges of ER efforts through managing

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[36] GAO-03-669.

departmentwide tracking and reporting on ER progress and engaging the Secretary in key ER meetings with components. Based on information provided by this team, the Secretary communicates directly to all DHS staff regarding the status of the efficiency initiative, including highlights of positive results achieved. Components and leaders from the Under Secretary for Management reported that these communications have demonstrated a high level of commitment by the Secretary, which has been an important factor in the successes achieved by the ER initiative.

VA's OMR and HUD's TI also have dedicated staff to work on the initiatives, which the departments' officials reported was important to being able to facilitate identifying, tracking, and reporting on the progress of efficiency efforts.[37] As an example, HUD officials reported that establishing OSPM to lead the TI has been instrumental to the department because it has elevated the status of performance management within HUD, facilitated communication about transformation projects between staff and top-level management, and placed higher qualified individuals in leadership over monitoring the multiple aspects of the transformation.

In a different approach to using a dedicated team, Texas officials told us that having an independent dedicated team of staff to review state programs has allowed the state to more effectively implement reviews of their agencies. By law, most of Texas' state agencies are subject to a sunset review every 12 years.[38] Agencies under Sunset review are automatically abolished unless legislation is adopted to continue them. A 12-member Texas Sunset Advisory Commission is responsible for making recommendations to the legislature on whether to continue an agency or function. According to the Director of the Commission's staff and documentation on the reviews, the state has abolished about 58 agencies since the initiative started in 1977 and has eliminated or consolidated unnecessary or duplicative functions of many others. As an example, in their most recent report issued in February 2011, the

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[37] In its August 2011 report, VA's IG recommended that VA should also establish a dedicated team to implement PMAS, including a director and a central office or group of individuals responsible for fully implementing and executing the initiative.

[38] Texas has a biennial budget cycle so they have biennial congressional sessions. This means that they operate under a 2-year cycle, translating into 6 sunset reviews over a 12-year period. The Texas Sunset Advisory Commission reviews about 20 to 25 agencies every 2 years.

commission recommended abolishing four agencies and merging two others.[39] The commission has 33 staff members that support the members in reviewing each agency. This dedicated team of commission staff analyzes findings from agencies and recommends to the members whether to close an agency or function, which is subsequently decided by the state legislators.[40] The Director of the Texas Sunset Advisory Commission told us that, having an established team of independent and objective staff review the agencies has been important to the success of the state's efforts to become more efficient because these staff offer a more systematic and objective assessment of agency operations. However, he also noted that, even with a dedicated team of staff, the breadth of work required under the sunset provision requires them to be selective about focusing their reviews on the issues that are most critical to improving effectiveness and efficiency.

Set goals and a time line: established specific departmentwide cost savings and efficiency goals and an implementation time line

In the Secretary of Defense's Efficiency Initiative, the Secretary set specific financial and nonfinancial efficiency goals and announced them to the public. We and other management experts have previously reported that by setting and making public implementation goals and a time line, an organization builds momentum and keeps employees motivated about the opportunities change brings and thereby helps to ensure the change initiative's successful completion.[41] The demand for transparency and accountability from stakeholders and interested parties means that they are concerned not only with what results are to be achieved, but also which processes are to be used to achieve those

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[39] The February 2011 Sunset Advisory Report to the 82nd Legislature recommended abolishing the Coastal Coordination Council, Equine Research Account Advisory Committee, On-site Wastewater Treatment Council, and Electronic Government Program Management Office. Two other agencies—the Texas Juvenile Probation Commission and Texas Youth Commission—were recommended for merger into a newly created Texas Juvenile Justice Department. According to the Director of the commission, the commission has not yet experienced a case where an abolished agency or program was needed again and the legislature had to reinstitute the agency or function.

[40] When commission staff review an agency they examine (1) whether the agency or agency's function is needed (2) is the agency working efficiently and effectively and (3) if there are overlap and duplication in agency functions. For more information on the implementation of these reviews, see the Sunset Advisory Commission: Guide to the Sunset Process listed on http://www.sunset.state.tx.us/guide.pdf. After input from the public and Texas Advisory Sunset Commission, recommendations from these review are incorporated into legislation that is debated in congressional committees.

[41] See GAO-03-669.

results. According to military service and Office of the Secretary of Defense officials, the Secretary's specific directions set clear goals for the department and facilitated getting everyone on board to achieve them. In addition, his public announcement of the goals increased accountability of the department to achieve them. Several DOD officials highlighted the importance of having established targets and time lines to guide the initiative. However, other DOD officials noted that such goals and targets may limit the possibility of realizing additional efficiencies that exist beyond the efficiencies that satisfy the set goals or targets.

In the state of Washington, state officials track and report on several performance measures using a program known as Government Management Accountability and Performance (GMAP). These performance measures include explicit efficiency targets that focus on government reform efforts, such as consolidating similar functions and streamlining processes for services needed by all agencies (personnel, property management, IT support, etc.). The status of progress toward the cost savings efficiency goals is made available to the public on the state's Web site.[42] According to the officials and state performance reports, as a result of setting explicit targets and measures and establishing regular tracking, reporting, and problem-solving discussions, Washington has seen a number of improvements in the performance and efficiency of state services (both within and across departments).[43] For example, the department of social and health services programs implemented changes in their Basic Food program that resulted in a 75 percent reduction in application processing times, including reducing interview wait times by over 99 percent (from 3-4 weeks to 5-30 minutes), which earned the program national recognition. In other cases, the state reduced state costs by millions by streamlining processes in areas such as tax e-filing for businesses, unemployment claim processes, and online healthcare benefit enrollment, among other things.

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[42] For specific efficiency measures and targets tracked for Washington's government reform and related progress, see http://performance.wa.gov/GR/GR061511/ImprovingEfficiency/Pages/Default.aspx

[43] Because of its results, Washington's GMAP program has received a number of awards from various National State Associations and was one of two state programs highlighted by the National Governor's Association in their 2005 report on "Innovative Strategies to Achieve Better Results."

While setting goals can be a helpful tool for achieving efficiencies, some departments did not believe that setting an efficiency target was best for their initiative. In DHS, ER Directors stated that there is no specific financial or nonfinancial target that DHS is trying to reach with the ER initiative. The goal of the ER initiative is broader than just achieving a certain level of cost savings. It exists to create lasting changes to their processes and a culture that encourages employees to regularly focus on ways to become a more efficient department. The officials believed that if they set specific cost avoidance goals in the department, components might assume that they were done improving their processes once they met that goal.

Involve employees to gain their ownership: created an ongoing formal and collaborative structure that involved employees in identifying and implementing efficiencies	As previously mentioned, the DHS ER initiative is based on obtaining input from staff at every level of the organization—from lower-level subject matter experts to leadership officials. We have previously reported that, as a leading practice, successful change initiatives must involve employees from the beginning to gain their ownership for the changes that are occurring in the organization.[44] Employee involvement strengthens the transformation process by including frontline perspectives and experiences. There are a number of ways to build employee buy-in, including using employee teams, involving unions and employees in planning and sharing information, and incorporating employee or union feedback into new policies and procedures. In DHS, employee ideas for improving efficiency are submitted in various ways and ultimately assessed for their feasibility, appropriateness, and potential departmentwide impact and benefits by a departmentwide steering committee consisting of all of the leaders of components and other technical experts. Based on the committee's recommendation, the ER office and a cross-component working group develop a departmentwide Action Directive that is issued by the Secretary and establishes the new standard operating procedures for the department. According to the DHS officials, this collaborative process was important not only because it involved employees who had the expertise needed to identify problems and solutions, but also because once these employees became involved in the decision-making process, they had a stake in ensuring that the changes were implemented. Further, a key part of DHS's success in getting consensus on departmentwide efficiency changes has been not only creating this collaborative process, but also recognizing and

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[44] See GAO-03-669.

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respecting differences between the needs of various component agencies.

Similarly, VA officials stated that involving employees from various levels of leadership in IT and management projects to openly discuss challenges, problems, and resource needs in their PMAS and OMR sessions encouraged employees to more readily identify impediments to their projects and have candid discussions about solutions, which contributed to the success of projects.

Involve employees to gain their ownership: provided financial or nonfinancial incentives for identifying efficiencies	Some federal and state agencies provided financial or nonfinancial incentives by allowing employees in components to reallocate dollars they avoided spending in one area into other priority areas and providing in-kind support or flexibilities in exchange for identifying efficiencies. DOD and DHS officials reported that providing gain-sharing incentives to components in the departments created important incentives for a component's employees to find efficiencies. Multiple DOD officials involved in the Secretary of Defense's efficiency initiative stated that the ability to reinvest identified overhead cost savings found in their organizations into their higher priority areas encouraged leaders in the military services to seek out areas in which savings could be identified and efficiencies could be gained. Similarly, in the CPI/LSS program, DOD officials noted that allowing DOD organizational entities to retain financial benefits that their CPI/LSS activities generate has also been an incentive. DHS officials also reported that DHS components have been more motivated to find efficiencies because they are allowed to keep the savings that they identify and reinvest them in other areas within their components.

State efficiency initiatives illustrate that incentives can be provided in various forms. The Virginia Productivity Investment Fund (PIF), which has been operating since 2007, is a fund that makes loans and grants to agencies for projects intended to raise productivity, increase efficiency, and make state government more cost effective. The commonwealth's Secretary of Finance and officials who administer the PIF told us that the primary impetus for creating the fund was to create an incentive for employees to be more efficient and to keep Virginia's productivity improvements moving forward. Virginia officials reported that the development of the PIF started when the business community expressed concern that there was no reward or incentive system for agency efforts to become more efficient. Previously, any savings achieved by agencies all went to the Commonwealth's general fund without any recognition or |

reward. According to the officials and PIF reports, because the fund provides investment money for efficiency projects and, at times, a percent of the savings that result from PIF projects are shared with the agency, the fund has helped to build employee buy-in for finding efficiencies over the last several years and has also alleviated fears that agencies will lose funding if they report their efficiency-related savings. In addition to financial incentives, Virginia agencies can also request an in-kind gain share, such as temporary staff or equipment.

In another example of approaches to gain-sharing incentives, in Iowa, the state created "charter agencies" from 2003 to 2008, which were agencies that agreed to produce measurable benefits—and improvements in those benefits—for the people they serve in exchange for administrative and regulatory flexibilities.[45] Agencies agreed to take an up-front budget cut that would collectively help to close the state's budget gap through contributed savings or additional entrepreneurial revenues of at least $15 million each year in exchange for flexibilities. These flexibilities included the authority to waive administrative rules in personnel, general services, and IT as well as to retain proceeds from certain sales and revenue streams, and exemptions from full-time-equivalent employee caps, among other things. As a result of the effort, agencies reported collectively achieving the $15 million savings to the state while making a wide range of program and process improvements, such as reducing child welfare stays in shelter care by 20 percent, or 10 days; and improving the rate of individual income tax refunds issued within 45 days from 75 percent to 94 percent, among many other things.[46]

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[45] By signing agreements with Iowa's Governor that specify their status as "chartered," some state agencies agreed to be held strictly accountable for measurable benefits in return for exemption from many of the state's bureaucratic requirements. The state granted six Iowa agencies charter status from 2003-2007: the Department of Revenue, Department of Corrections, Department of Human Services, Department of Natural Resources, the Iowa Veterans Home, and the Alcoholic Beverage Division.

[46] In 2005, Iowa's charter agency program received the "Innovations in American Government Award" from Harvard University's Kennedy School of Government and the Council of State Governments Innovation Award. In February 2011, the Iowa state Auditor's Office issued a report stating that they believe the charter agencies achieved a savings less than the $15 million goal and that agencies did not effectively document savings and, therefore, could not prove a direct correlation between cost savings and this efficiency effort. See the report at http://auditor.iowa.gov/specials/0860-8990-B0P4.pdf. GAO did not evaluate the results achieved or assess the affects of Iowa's waiver of the rules on internal controls. While we highlight this example as an approach to providing

Key Practice: Target Both Short-term and Long-term Efficiency initiatives

Identify easily accomplished initiatives that can generate immediate returns as well as more substantive changes to operating procedures, programs, and organizational structures

Federal and state officials and other government experts included in our review highlighted the importance of identifying easily accomplished initiatives that can generate immediate returns as a means to gain momentum as well as more substantive improvements, such as changes to operating procedures, programs, and organizational structures to achieve longer-term efficiencies. Federal efficiency initiatives in our review illustrated both approaches. For example, DHS's ER initiative primarily targets administrative projects that individually result in relatively small savings and nonfinancial efficiencies, but that collectively added up to more significant efficiency gains. DHS officials reported that focusing on "low-hanging fruit" that can produce early tangible results helps make a case for change, builds momentum for larger efficiency efforts in the future, and leads to attaining employee buy-in. (See table 7 below for a description of reported cost avoidances for ER projects designed to produce financial results).

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incentives that has reportedly led to results, we also maintain that internal controls are necessary to reduce the risk of fraud, waste, or abuse.

Table 7: DHS Efficiency Review Expected Project Cost Avoidances, as of July 2011

DHS ER Initiatives	FY2009	FY2010	FY2011	Outyears	Total[a]
Encrypted Thumb Drives Blank Purchase Agreement	$0	$0	$0	$720,000	**$720,000**
Energy Efficiencies	$44,800	$1,246,800	$54,800	$1,764,200	**$3,110,600**
Facilities Initiative	$3,211,789	$2,130,386	$537,515	$0	**$5,879,690**
Fleet Management	$294,582	$1,066,322	$10,803,150	$26,956,526	**$39,120,580**
Furniture (in the National Capital Region) Blank Purchase Agreement	$0	$0	$0	$6,600,000	**$6,600,000**
IT Equipment Management Initiative	$3,345,019	$2,699,311	$6,976,415	$0	**$13,020,745**
MFDs Initiative	($930,798)	$3,030,207	$679,135	$0	**$2,778,544**
Non-Military Uniforms Blank Purchase Agreement	$0	$0	$0	$11,400,000	**$11,400,000**
Office Supplies Blank Purchase Agreement	$6,622	$1,926,889	$2,037,951	$0	**$3,971,462**
Paperless ELS	$100,900	$260,859	$1,648,000	$249,000	**$2,258,759**
Personal Wireless Communications Devices/Services Optimization	$654,397	$8,394,424	$808,287	$70,000	**$9,927,108**
Printing/Reproduction	$5,222,063	($1,244,348)	($534,100)	$0	**$3,443,615**
Security/Hiring	$11,382,395	$83,547,449	$92,247,697	$0	**$187,177,541**
Software Licenses Blank Purchase Agreement Initiative	$14,583,333	$61,388,459	$33,069,043	$71,359,164	**$180,399,999**
Subscriptions	$7,160	$2,086,292	$2,491,087	$0	**$4,584,539**
Tactical Communications Equipment and Services Blank Purchase Agreement	$0	$0	$0	$90,000,000	**$90,000,000**
Wireless Communications Devices and Services Blank Purchase Agreement	$0	$0	$0	$34,000,000	**$34,000,000**
Workforce Assessment Initiative	$0	$5,280,000	$30,150,000	$81,858,000	**$117,288,000**
Subtotal	**$37,922,262**	**$171,813,050**	**$180,968,980**	**$324,976,890**	**$715,681,182**

Source: DHS.

[a]According to DHS officials, results reported for fiscal year 2009, 2010, and 2011 include both actual and expected cost avoidances. Results for the outyears are expected cost avoidances. These figures were not adjusted for inflation.

Officials from DHS's components highlighted that, while ER's departmentwide administrative projects were valuable, other substantive longer-term projects will likely result in the most significant savings. However, these projects sometimes require a significant up-front investment. Some components have taken on projects outside of the ER to obtain more significant longer-term efficiency improvements. For example, in a December 2009 memo, the Acting Commissioner of the U.S. Customs and Border Protection noted that the agency had engaged

in DHS's departmentwide "efficiency review" for several months and it had demonstrated some true savings. However, the component needed to focus on much larger and more complex cost saving projects than anything they had tackled to date. Consequently, he called for a review of the component's major spend categories to find the potential for larger savings, stating that this was "not just to find 'efficiencies' i.e., those items that can be reduced with zero or minimal operational impact. This is to find solutions for how we operate with a shrinking budget." The department initiated an examination of its staffing and compensations; IT facilities; contractor, contracting, and in-sourcing; travel and training; and asset management, including vehicles among other things. In addition, the Office of Human Resource Management, working with other offices as appropriate, was requested to develop more specific performance measures centered on stewardship and resource management in executives' performance plans. As of July 2011, these review initiatives were still ongoing.

According to DOD officials, DOD's CPI/LSS projects also target some efficiency improvements that can produce immediate results that may, at times, be small efficiency improvements, but that collectively make a more significant difference in productivity and building employee buy-in for larger efficiency efforts. For example, in March 2011, the Army reported that since 2006, it had collectively achieved $18.2 billion in financial benefits from CPI/LSS activities, although we did not independently verify these reported savings. The Secretary of Defense's efficiency initiative targeted both shorter-term and longer-term efficiency improvements. The department was able to identify areas for immediate gain, such as the elimination of boards and commissions, which do not require much time or funding to implement. However, in addition, the department identified larger, more complex means for savings, such as the consolidation of Air Force Air Operations Centers, which will require more time and potentially up-front investment to implement.

Identify funding mechanisms to support the up-front costs associated with longer-term substantive efficiency improvements

To support the up-front costs associated with longer-term efficiency improvements some agencies have obtained authority to use allocated funding mechanisms. For example, Virginia's $5.1 million PIF serves as a mechanism to support the up-front costs associated with longer-term substantive efficiency improvements. As previously mentioned, the fund—which the state still actively uses—provides seed money for projects that need an up-front investment to achieve efficiency results. Collectively, the projects from this fund must return at least what they spend. Funding is provided in three ways: (1) a grant when the project is

not expected to earn a return because it is designed to improve customer service, (2) a loan when the project is designed to create a cost savings or revenue, or (3) a gain share when the agency retains a percentage of the cost savings or revenue associated with the project. The fund is administered by an Oversight Board made up of the Secretaries of Administration, Finance, and Technology as well as other senior leaders of administrative functions in the state.[47] According to the Secretary of Finance and staff that administer the fund and PIF documents, both private and public sector entities propose projects in collaboration with Virginia agencies and the PIF Oversight Board decides on the projects to fund. Since its inception, the Commonwealth of Virginia reported that the fund has invested $5.1 million in 38 projects across 23 agencies, and expects a return on investment of $4 for every $1 lent.[48] These saving returns are used to perpetuate the fund—making it self-sustaining.

In another approach previously mentioned, HUD received authorization from Congress to transfer up to 1 percent of the budgets from selected program offices to contribute to a TI fund in fiscal year 2010. The TI Fund serves as a centralized funding source for initiatives that are intended to improve the department's effectiveness and efficiency. According to HUD officials, through this funding mechanism, efficiency and performance improvement projects that were in need of funding for a number of years were recently initiated. For example, for a number of years HUD desired to replace its outdated, paper-based acquisition system with a more up-to-date system that could improve its procurement processes and has recently begun to do so with funding from the TI. The department expects significant efficiencies to result from this project, including:

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[47] In addition to the three Secretaries, the Oversight Board includes the Chief Information Officer of the Commonwealth, the Chief Applications Officer, the Director of the Department of Human Resource Management, the Director of Planning and Budget, and the Director of the Council on Virginia's Future administer this fund. The board is also supported by an advisory panel that, according to PIF documents, is made up of a broad and diversified group of experts from the public and private sector. Members of the advisory panel offer guidance based on their unique experience or skill set on a program-by-program basis.

[48] See additional reported results from the PIF on http://www.pif.virginia.gov/programs.shtml.We did not independently verify these reported returns on investments.

- increasing transparency and ensuring accountability by providing an integrated system that aligns HUD's business processes throughout the acquisition cycle with time,
- decreasing paper-based processing of HUD's acquisition transactions by 80 percent through the use of the HUD Integrated Acquisition Management System fully electronic environment,
- decreasing the established procurement acquisition lead times for majority of acquisition strategies by 10 percent,
- improving customer satisfaction to a level of at least 65 percent, and
- increasing direct access of contract obligations, expenditures, and reports from 0 to 60 percent.

In our prior work on high-performing organizations, we also highlighted the idea of a governmentwide transformation fund as one proposal for helping federal agencies transition into higher performance.[49] For example, we discussed establishing a governmentwide fund where agencies, based on a well-developed business case, could apply for funds to modernize their performance management systems and ensure that those systems have adequate safeguards to prevent abuse. We pointed out a special funding program in the United Kingdom intended to assist government agencies in implementing reforms, which required the agencies to reimburse the government. We also noted that, in 2004, Congress authorized the Secretary of Defense to implement a pilot program whereby selected DOD organizations were provided incentives to reengineer their operations in order to become high-performing organizations.[50] OMB is implementing a pilot program using a centralized fund to support projects that will improve efficiency and effectiveness of federal programs that are administered by states—which we describe more thoroughly later in this report.

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[49] See GAO, *Highlights of a GAO Forum on High-Performing Organizations: Metrics, Means, and Mechanisms for Achieving High Performance in the 21st Century Public Management Environment*, GAO-04-343SP (Washington, D.C.: Feb. 13, 2004).

[50] National Defense Authorization Act for Fiscal Year 2004, Pub. L. No. 108-136, §337 (2003).

Key Practice: Building Capacity for Improving Efficiency through Standardizing Guidance and Sharing Best Practices

Use a department-level office to standardize guidance and training and facilitate sharing best practices

As part of its functions, the department-level CPI/LSS program office has issued standardized CPI/LSS guidance and training and—on a case-by-case basis—helped to facilitate sharing information about efficiency in operations across components. For example, in May 2006, DOD published a guidebook to standardize terminology and present CPI best practices from the private sector's and the department's experience which the program office updated in July 2008. Also, in March 2009, the department's DCMO issued minimum training standards for DOD personnel seeking to be certified in CPI/LSS techniques.

We also found examples of where the CPI/LSS program office reported it helped to facilitate knowledge sharing. Internally, the CPI/LSS program office's civilian hiring reform project, which is being piloted at an Army location, is one example where the program office has facilitated sharing lessons learned with other DOD components. Specifically, CPI/LSS program office officials told us they shared the pilot's results with senior level officials in the military services and the Defense Logistics Agency with the objective of replicating the revised civilian hiring process within the department. According to the department's DCMO, the pilot results have also been shared with the department's civilian human resource policy office for potential implementation in all DOD components. However, the official noted a greater number of civilians will need to be hired via the streamlined process in order to confirm the success of the project prior to making any departmentwide policy changes. In addition to sharing lessons internally, CPI/LSS program office officials told us that they shared lessons learned from this pilot project with VA. According to CPI/LSS program office officials, the office has also shared lessons

through the Performance Improvement Council (PIC) subgroup on LSS.[51] In June 2011, the program office—in collaboration with the PIC—presented a symposium where over 600 staff from DOD and other federal agencies enrolled to share lessons about CPI/LSS, among other topics.

Other initiatives in our review were in beginning stages of using similar mechanisms to build capacity. As previously mentioned, VA recently established and staffed the Enterprise Program Management Office, which is intended to develop project management standards, methodologies, doctrine, and processes to execute the Major Initiatives that are reviewed under the OMR process, as well as to identify and facilitate the use of best practices and industry standards in VA processes throughout the department.

Identified and shared performance trends and best practices during performance review meetings that involve headquarters and regional leaders of major operations and programs

Some departments are also using performance review meetings that involve staff from various offices and regions to identify and share performance trends and best practices throughout the department. While VA's OMR and PMAS sessions are focused on improving agency performance, officials reported that the sessions have also provided the forum for key stakeholders involved in major initiatives and PMAS projects to identify cross-initiative trends, dependencies, and best practices; and to highlight potential challenges and solutions from which others in the department could learn. For example, a VA official from the Office of Information and Technology reported that information collectively shared during PMAS reviews allowed senior officials to notice that the seemingly minor staffing problems in one initiative or project actually had cross-cutting effects that jeopardized the timely completion of other projects and initiatives. According to the official, these cross-cutting interdependencies would have gone unnoticed without PMAS reporting and reviews. As a result, VA senior management initiated a new hiring program, which officials reported resulted in hiring new staff and shifting existing staff to key projects suffering from staffing deficiencies, which contributed to 69 projects moving forward with the staffing levels needed.

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[51] Executive Order 13450 of November 13, 2007, created the Performance Improvement Council. The council serves as home for federal communities of practice, among other things. For example, the LSS subgroup was established to share best practices according to OMB officials. In 2010, GPRAMA formally established this council's information-sharing responsibilities in statute.

Similarly, although HUDStat meetings are focused on tracking performance and identifying solutions to performance challenges, HUD officials reported that they have also used the sessions to identify best practices occurring in some HUD regions and to share them with other regions or offices for replication. For example, because of HUDStat meeting discussions and follow-up, the department learned that one reason they were not successfully meeting their desired goal for getting more families in rental housing units through their rental assistance housing voucher program was because the program did not cover rental deposits that were required by landlords before voucher recipients could move in. However, officials reported that because of the discussion at the HUDstat meeting, one regional office shared its practice for overcoming this barrier with other regional offices, resulting in HUD filling more vacancies and serving more families.[52] In accordance with the Administration's guidance in implementing GPRAMA, all federal agencies will be required to hold data-driven performance meetings, such as these, in the future.

Identified and formally solicited input from experts in the department's mission field or in government operations

Federal and state officials reported that it was valuable to solicit input from knowledgeable outside experts to either confirm areas that agencies should focus on to improve efficiency or provide fresh ideas. For example, as part of the Secretary of Defense's Efficiency Initiative, the Under Secretary of Defense (Comptroller)/CFO solicited ideas for DOD-wide efficiency gains from external groups with knowledge of and interaction with DOD, such as public and private sector research organizations as well as other federal agencies. According to officials in the Office of the Under Secretary of Defense (Comptroller), the input that they received confirmed the areas that the department needed to focus on as part of the Secretary's initiative.

States have utilized commissions and boards of external experts to generate insightful ideas on improving efficiency. In 2003, the Governor of Georgia created the Commission for a New Georgia (CNG) to engage Georgia's top-level business and professional executives in assisting the state government in rethinking its bureaucracy's management. A senior Georgia state official involved in leading the CNG told us that involving members of the business community in the commission brought business

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[52] We did not verify whether HUD has filled more rental vacancies because of this effort.

acumen and professional expertise to improvement efforts. Further, the CNG enlisted hundreds of Georgians with diverse business expertise and experience in a series of 24 short-term task forces, covering a wide range of management areas. The commission ended in 2010 along with the term of the governor leading the effort. However, according to CNG reports, during its 7-year tenure, the task forces analyzed operations across state government and recommended actionable improvements on a fast track, resulting in generating 130 actionable recommendations, 98 percent of which have been implemented. For example, as of December 2010, the Commission's major cost-saving recommendation called for modernizing state procurement, which contracts over $5.7 billion in purchasing a year. According to state officials, as a result of the transformation of their purchasing process, the state cut costs on big contract items like computers, office supplies, and industrial materials. Based on previous spending, they expect savings to exceed $100 million. In other examples, the state reported that it sold its surplus real estate holdings—netting $22 million as of July 2011—and returned the savings to county tax rolls; consolidated and renegotiated leases, reportedly saving $10 million; and renegotiated phone service and utility rates, saving $10 million a year on utility bills. [53]

Similarly, in Virginia, the Governor created a task force in 2003 consisting of leaders from the business community to identify opportunities to improve Virginia's operational efficiency. The task force identified the frequent turnover of Virginia's Governors as a major barrier to the sustainability of improvement efforts in Virginia. (Governors are allowed by the Commonwealth constitution to serve only one 4-year term). To overcome the effects of this turnover and establish continuity in Virginia's government, the task force proposed a mechanism for long-term planning and execution of improvement efforts that led to the formation of the Council on Virginia's Future. The Council now performs several key functions for the Commonwealth, including conducting long-term planning and assessing Virginia's progress toward their long-term goals and overseeing Virginia Performs, an accountability system that requires state agencies to report progress on performance objectives and measures to

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[53] More information, including results, is also outlined on the commission's Web site http://newgeorgia.org/commission.html and in the Governor's Office of Implementation's final report on the commission in December 2010, *IMPLEMENTATION: PROGRESS REPORTS 2004-2010*. We did not independently verify these reported returns on investments.

the Virginia Performs Web site and the General Assembly.[54] The Council also involves members of the business community and the state's legislative leadership.

Governmentwide Initiatives May Provide a Platform for Building on Federal and State Efficiency Practices

As previously discussed, the administration is undertaking various efforts to improve the effectiveness and efficiency of federal agencies, and a law was recently enacted to further support agency efforts to improve performance. GPRAMA requires that agencies establish priority goals and metrics and report on them quarterly. These goals include performance and efficiency improvements to program activities, regulations, policies, and agency management. The act also requires each department to assign a COO and Performance Improvement Officer (PIO) to be responsible for overseeing these management and performance improvements. In a June 13, 2011, an executive order on delivering an effective, efficient, and accountable government, the President also required the COO of each agency to be accountable for conducting frequent data-driven reviews of agency progress toward goals that are critical to performance improvement across agencies or that the agency head identifies as top near-term priorities.[55] Further, in an August 17, 2011, memo, the Director of OMB and the Federal Chief Performance Officer/ Deputy Director for Management directed COO's to set agency priority goals that include improving efficiency and to ensure that a leadership team in their agency reviews the program improvement and cost-saving recommendations identified in our annual report on program duplication, overlap, and fragmentation, as well as areas GAO has identified as high-risk. On August 25, 2011, the Administration launched performance.gov—a public Web site, which, according to OMB, is intended to provide a window on the administration's efforts to deliver a

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[54] We previously identified lessons learned from "Virginia Performs" that may be useful to the federal government in GAO, *Key Indicator Systems: Experiences of Other National and Subnational Systems Offer Insights for the United State*, GAO-11-396 ,(Washington, D.C.: Mar. 31, 2011).

[55] Executive Order 13576 of June 13, 2011 "Delivering an Efficient, Effective, and Accountable Government" also established a Government Accountability and Transparency Board to provide strategic direction for enhancing the transparency of federal spending and advance efforts to detect and remediate fraud, waste, and abuse in federal programs. The Board is intended to be composed of 11 members designated by the President from among agency Inspectors General, agency Chief Financial Officers or Deputy Secretaries, a senior official of OMB, and such other members as the President shall designate.

more effective, smarter, and leaner government, including progress in cutting waste, streamlining government, and improving performance.

In the June 13, 2011, executive order and subsequent guidance issued on June 28, 2011, from the OMB Controller, the Administration also outlined a significant role for CFOs in identifying cost savings. The June 28, 2011, memo issued by the OMB Controller to the CFOs of all agencies entitled "Campaign to Cut Waste" outlined specific steps that CFOs should take to address the President's directive to identify immediate administrative cost savings, including steps to identify and share government practices that cut costs and improve efficiencies. These steps included having CFOs from various departments serve as a steering committee to help coordinate the CFO Council's efforts to establish performance benchmarks that will identify efficiencies and surface areas of potential cost savings.[56] In addition, each CFO was requested to (1) initiate the collection of existing examples, practices, and success stories of efforts to improve efficiency, avoid unnecessary expenditures, and cut costs within their agency; (2) review and rank submissions for improvements within their agency made by federal employees for the President's 2011 Securing Americans' Value and Efficiency (SAVE) Award; and (3) establish within their agency tactics for identifying, discussing, and promoting practical approaches to eliminating unnecessary costs and inefficient practices. The CFOs were further encouraged to explore whether practices are already in place that can be leveraged for this initiative, or concrete steps that can be taken to formalize new common sense cost-cutting measures.

OMB also manages a new dedicated governmentwide fund for improving efficiency in certain programs. This concept of having a dedicated fund to support the up-front investments of efficiency-related projects is similar to other federal and state practices we identified in this report. The Partnership Fund for Program Integrity Innovation (the Partnership Fund) funds pilot projects and evaluations that test ideas for improving federal assistance programs to states through reducing improper payments, improving administrative efficiency, improving service delivery, and protecting and improving program access for eligible beneficiaries. This fund received an appropriation of $32.5 million for fiscal year 2010,

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[56] The memo specifically requested the CFOs from the Departments of Treasury, Justice, HUD, Health and Human Services, as well as the Environmental Protection Agency and Office of Personnel Management to serve on this steering committee.

available for 3 years, to provide seed money for efficiency and integrity projects that collectively are expected to achieve a savings that is equal to or greater than the funding provided by the Partnership Fund.[57] There are currently five pilot projects underway with a total authorized funding of $8.25 million. Some of these projects are intended to achieve actual results, while others are simulations intended to show potential results. In one example, the Partnership Fund is providing $2 million for a project that will help to improve the Earned Income Tax Credit eligibility process, which could potentially lead to an annual return of about $100 million if ultimately implemented in all states. [58] Anyone can submit an idea for a pilot online at partner4solutions.gov. However, OMB selects the final pilot projects after consultation with a forum of state and local government representatives and federal agencies, among others. According to OMB staff, these agencies collaborate regularly to identify opportunities to implement changes that cut across federal agencies or states and share lessons learned from the pilots.[59] Congress also oversees the fund by requiring that OMB and its federal, state, and other stakeholders report to it semiannually on its progress.[60]

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[57] The Partnership Fund was established by the Consolidated Appropriations Act of 2010 (Pub. L. No. 111-117). The initial fiscal year 2010 appropriation for the Partnership Fund was for $37.5 million. This appropriation has been reduced to $32.5 million due to a $5 million rescission in Pub. L. No. 112-10 (2011).

[58] According to the President's 2012 Budget Proposal and OMB officials, the Partnership Fund awarded its first pilot to the Department of the Treasury to test a new way to reduce the annual $12 billion of improper payments associated with the Earned Income Tax Credit program. Treasury believes that there is an opportunity to avoid as much as $100 million or more in improper payments by cooperating with states to access data such as income and child dependency from state-administered benefit programs. Thus, this $2 million investment from the Partnership Fund could ultimately yield a 50 times annual return if the pilot is enacted at scale.

[59] As part of implementing the Partnership Fund, OMB established a Federal Steering Committee, consisting of senior policy officials from federal agencies that administer benefits programs and formed the "Collaborative Forum". The Collaborative Forum is made up of state representatives and stakeholder experts—including federal agencies, nongovernmental organizations, and others—who collaborate to generate, develop, and consult on potential pilot projects. The forum also has a Web site, http://collaborativeforumonline.com, which is used to hold discussions about potential projects and to share lessons and best practices among members.

[60] OMB's most recent report to Congress on the Partnership Fund was issued on May 19, 2011.

OMB staff responsible for the fund described some additional benefits that they believe have resulted from having a centralized multiyear source of dedicated funding for efficiency projects, including:

- enhancing agencies' abilities to undertake efficiency issues that need to be reviewed over time or that are affected by multiple federal agencies (e.g., service areas that involve programs administered by multiple agencies like reducing homelessness or improving health and human service delivery, etc.);
- creating a collaborative environment that enhances agencies' ability to learn from efficiency projects being initiated in other agencies,
- allowing agencies to simulate the benefits that could be gained from improvements in programs in which they do not currently have the authority to make changes, in order to demonstrate results to Congress; and
- piloting projects that could potentially help reduce the federal deficit in the long run by reducing costs resulting from improper payments and wasteful and inefficient government processes, among other things.

Congress and the Administration also are establishing requirements that are intended to better leverage existing interagency councils that can be used to share lessons on how to improve the effectiveness and efficiency of agency operations. In our previous report on strengthening OMB's approach to improving efficiency, OMB agreed with our recommendation that it should collect and disseminate information on strategies and lessons learned from successful efforts to improve efficiency by federal agencies, other governments, and the private sector using various venues that could include the governmentwide management councils, such as the Performance Improvement Council (PIC) and President's Management Council (PMC).[61] The PIC and PMC, which are comprised of PIOs and COOs of agencies respectively, have served as networks for

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[61] See GAO-10-394. We suggested that possible vehicles for sharing lessons on efficiency information could include good practices guides, workshops, Web sites, wikis, and management councils, such as the PMC and the PIC.

sharing information among agencies and OMB.[62] Consistent with our recommendation, Congress and the President formally established additional knowledge-sharing responsibilities for the PIC, PMC, and other governmentwide management councils. GPRAMA requires the PIC to facilitate the exchange among agencies of practices that have led to performance improvements within specific programs, agencies, or across agencies; coordinate with other interagency management councils; seek advice and information from nonmember agencies; and to consider the performance improvement experiences of nongovernmental entities. In addition, according to the President's Fiscal Year 2011 budget submission, the PIC will serve as a home for federal communities of practice that will develop tools and provide expert advice and assistance to their federal colleagues.[63] In an Executive Order issued on June 13, 2011, and in subsequent guidance from OMB, the Administration also directed the Federal Chief Performance Officer and agency CFOs to work with the PMC and the CFO council to share practices across agencies.

Conclusions

Given the pressure to reduce the federal deficit, and in particular federal spending, agencies are obligated to find ways to operate more efficiently now and over the long term. The efficiency initiatives that we reviewed, which focused on reexamining federal programs and organizational structures and streamlining operations, demonstrate agencies' recognition that everything must be considered in order to address fiscal challenges. Yet, these efforts must occur while still ensuring that the federal government can provide the critical services and functions needed. This is a difficult balance, and departments can improve their chances of being successful by learning from each other's experiences as

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[62] The PIC, composed of the Performance Improvement Officers (PIOs) of agencies and departments and senior OMB officials, collaborates to improve the performance of federal programs. The PMC is comprised of the COOs of major executive branch agencies, primarily their Deputy Secretaries and Deputy Administrators, and OMB officials. The PMC provides performance and management leadership throughout the executive branch of the federal government and advises and assists the President on government reform. In addition to the PIC and PMC, various other federal agency management councils exist to share information across agencies.

[63] The PIC also sponsors the President's Management Advisory Board (PMAB) which is a board of private sector leaders who are responsible for developing recommendations on effective strategies for the implementation of best business practices on matters related to federal government management and operation. The board was established by Executive Order on April 19, 2010, and had its first meeting in March 2011.

well as those of the states. How these initiatives are implemented will be critical to their success.

Some federal and state experiences in implementing efficiency initiatives reinforce key change management practices we have highlighted in our prior work, such as having direct leadership involvement and increasing employee buy-in for implementing change. Other practices highlight more tactical ways to achieve efficiency results by focusing both on the immediate projects to help build momentum, and the more complex projects that are likely to result in longer-term and more significant efficiency gains. OMB can play an important role in ensuring that agencies learn from and coordinate with each other on ways to improve efficiency. If effectively implemented, the new responsibilities of the COOs, PIOs, PMC, and the PIC under GPRAMA and the President's Executive Order and related memos on delivering efficient, effective, and accountable government, provide an opportunity for OMB and departments to facilitate sharing the practices that we and others have identified that will assist agencies in transforming into more efficient organizations.

To help address the long-term fiscal challenge, agencies must undertake fundamental reexaminations of their operations, programs, and organizational structures—which may require an up-front investment of resources. However, the need to implement these types of reforms will continue to compete with the need to identify immediate savings in the current budget environment. Key efficiency practices and examples we identified indicate that efficiency projects can be funded using allocated funding mechanisms that have the potential to save more than they cost. OMB may want to work with Congress, as well as federal agencies, to consider similar funding mechanisms as it identifies ways to encourage department efforts to make transformational changes to the way they operate. Such mechanisms could include expanding the Partnership Fund for Program Innovation pilot program or creating a separate pilot program to fund efficiency projects that have a substantial up-front investment, but that demonstrate that they can increase the productivity of agencies and return a cost savings of more or at least the amount of the assistance they were given. Another approach could be to authorize more agencies to allocate a portion of their budget for projects that are expected to improve their long-term efficiency, similar to HUD's TI Fund. In any case, there needs to be rigorous continued oversight requiring the investor to ensure that the intended long-term savings are achieved.

Recommendations for Executive Action

In order to assist federal agencies' efforts to improve their efficiency, we recommend that the Director of the OMB, through the Deputy Director for Management/ Federal Chief Performance Officer, take the following two actions.

- Building on our prior recommendation to use governmentwide management councils and other venues to share lessons learned from efforts to improve efficiency, work with these councils to share the specific key efficiency practices that we have identified in this report.
- Work with Congress and federal agencies to develop proposals for funding mechanisms that assist federal agencies with the up-front costs associated with some longer-term efficiency improvement projects that are expected to result in more significant cost savings or other efficiencies in the future. If such proposals are implemented, collectively, the projects should return more than or at least the amount of the assistance provided.

Agency Comments and Our Evaluation

We provided a draft of this report for review and comment to the Director of OMB, the Secretaries of Defense, Homeland Security, Housing and Urban Development, and Veterans Affairs. The Department of Defense, Department of Housing and Urban Affairs, and Department of Veterans Affairs stated that they had no comments. In written comments, the Director of the DHS GAO/Office of the Inspector General Liaison Office responded that DHS was pleased that the report recognizes the achievements of the DHS ER initiative. DHS also provided technical comments, which we incorporated into the report. DHS's comments are reprinted in appendix IV.

In a September 12, 2011 e-mail, OMB staff provided comments related to our recommendation that OMB work with the governmentwide management councils to share key practices that we identified in this report. OMB staff stated that the report does not give sufficient weight to efforts that it is undertaking that are consistent with the practices we identify, and that, at a minimum, the report title and highlights page should reflect that OMB has been sharing and will continue to share these practices. Among other efforts, OMB reported that it has held quarterly reviews of progress on priority goals for over a year, conducted SAVE award competitions to involve employees in contributing ideas, and coordinated with the General Services Administration to work with management councils to share best practices. Our report recognizes a number of these governmentwide activities, and we also modified the report with additional information on new initiatives. We are also already

evaluating some of these governmentwide efforts, such as contracting reforms, in other reports and ongoing reviews. However, we do not describe all of the efforts that OMB is undertaking because the purpose of our review was to assess specific federal agency and state government efficiency initiatives, and the lessons that could be learned from them. Further, we are unaware of the extent to which lessons on these practices are being shared, since OMB did not provide this information to us during our audit. OMB did not comment on our second recommendation that it develop proposals for funding mechanisms that can assist federal agencies with the upfront costs associated with some longer-term efficiency improvement projects. OMB provided other technical comments, which we incorporated as appropriate.

We are sending copies of this report to the appropriate congressional committees and other interested parties. The report will also be available at no charge on the GAO Web site at http://www.gao.gov. If you have any questions concerning this report, please contact J. Christopher Mihm at (202) 512-6806 or mihmj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of the report. Key contributors to this report are listed in appendix V.

J. Christopher Mihm
Managing Director
Strategic Issues

Appendix I: Objectives, Scope, and Methodology

You asked us to examine federal and state government efforts to improve efficiency. Specifically, we (1) describe selected initiatives that federal departments are implementing to achieve efficiencies—including the reported or expected results, how these results are being tracked and reported, and the extent to which these initiatives are being institutionalized; and (2) identify key practices from implementing these efficiency initiatives in federal departments, as well as selected initiatives in state governments, that can be applied more broadly across the federal government.

For the purposes of this review, we define "efficiency" as maintaining federal government services or outcomes using fewer resources (such as time and money) or improving or increasing the quality or quantity of services or outcomes while maintaining (or reducing) resources.[1] Based on discussions with management experts and federal and state officials, we identified the following primary approaches that agencies can take to improve efficiency:

- reexamining programs and related processes and/or organizational structures to determine whether they effectively or efficiently achieve the mission, and
- streamlining or consolidating management or operational processes and functions to make them more cost effective; and

To respond to the first objective, we selected specific efficiency initiatives within federal departments that:

- are being implemented departmentwide;
- demonstrate the two major approaches to improving efficiency identified by experts and officials:

  - reexamining federal programs that do not effectively or efficiently achieve a department's mission and their related processes and/or structures; or
  - streamlining or consolidating existing processes and functions to make them more cost effective;

- are within departments that identified themselves as having the potential to gain efficiencies in their administrative operations. These

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[1] See GAO, *Streamlining Government: Opportunities Exist to Strengthen OMB's Approach to Improving Efficiency*, GAO-10-394 (Washington, D.C.: May 7, 2010).

departments identified over $40 million in administrative cost savings
in the Terminations, Reductions, and Savings portion of either the
President's 2010 or 2011 fiscal year budget proposals;
- were identified by GAO in 2010 as having opportunities for major cost
savings; and
- were identified by Office of Management and Budget or government
management experts as having potentially promising practices.

Based on these criteria, we selected the following initiatives within several
federal departments for review:

Table 8: Federal Initiatives Selected as Case Studies

Initiative	Date Instituted
Initiatives focused on reexamining federal programs and their related processes and/or structures	
Secretary of Defense's Efficiency Initiative	2010
Department of Housing and Urban Development's (HUD) Transformation Initiative	2010
Department of Veterans Affairs' (VA) Operational Management Reviews (OMR)	2009
Initiatives focused on streamlining or consolidating existing processes and functions	
Department of Homeland Security's (DHS) Efficiency Review	2009
VA's Project Management Accountability System (PMAS)	2009
Department of Defense's (DOD) Continuous Process Improvement/Lean Six Sigma Continuous Process Improvement (CPI/LSS) Process	2007

Source: GAO Analysis of Agencies Documentation

We highlighted examples of initiatives that offer potentially promising
practices that may be adapted by other federal agencies, but did not
review all initiatives that these departments are completing or have
completed to improve efficiency. To describe these initiatives, we
examined information provided in Department of Defense, Department of
Housing and Urban Development, Department of Veterans Affairs, and
Department of Homeland Security policies, guidance, reports, budget
submissions, strategic plans, and other documents specifically related to
the selected initiatives and in interviews, as well as our recent and
ongoing work on efficiency efforts within these departments. As part of
this assessment, we asked agencies to describe the process that they are
using to identify and implement efficiency improvements and efficiency

results that they have achieved or expect to achieve. We also collected through interviews and document requests information from the agencies on how they estimated, gathered, or calculated cost savings and efficiencies. The amount and level of detail of this information varied greatly across agencies and efficiency efforts. Because it was not the purpose of this report to assess the anticipated or actual success of efficiency efforts and because the amount and quality of data on how estimated and actual savings were determined varied so much across efforts, we did not attempt to independently verify the reliability of these data or estimates. As a result, the reported estimated or actual cost savings and efficiencies are of undetermined reliability. We did examine the extent to which the departments are tracking and reporting on these efficiencies, as well as institutionalizing efficiency improvements by incorporating them into structured and formalized departmental processes and systems—including strategic planning and budget processes and standard operating procedures.

To examine the selected initiatives, we met with federal officials from various offices and components in the departments included in our review.

- To discuss DOD's initiatives, we met with officials and reviewed key documents from the offices of the DOD DCMO including the DCMO; Under Secretary of Defense (Comptroller); Under Secretary of Defense for Acquisition, Technology, and Logistics; Under Secretary of Defense for Personnel and Readiness, Cost Assessment and Program Evaluation; and Air Force, Army, Marine Corps, and Navy headquarters including the Under Secretaries of the Air Force, Army, and Navy in their capacities as CMOs.

- To discuss HUD's Transformation Initiative, we met with and reviewed key documents from officials within the Offices of: Strategic Planning and Management, Policy Development and Research, Chief Procurement Officer, Chief Financial Officer, and Chief Information Officer, the Deputy Secretary, and the Secretary.

- To discuss VA's Project Management Accountability System and Operational Management Review processes, we met with and reviewed key documents provided by officials within the Offices of Information and Technology, Policy and Planning, Corporate Analysis and Evaluation, and the Secretary. We also observed a session of VA's OMR which was led by VA's Deputy Secretary.

- To discuss DHS's Efficiency Review, we met with and reviewed key documents from officials in the Efficiency Review Office, Directorate for Management (including the Chief Administrative Officer and Chief Financial Officer), and two component agencies—the U.S. Coast Guard and U.S. Customs and Border Protection.

- To provide context on efficiency initiatives being implemented more broadly across the government, including efforts under the Accountable Government Initiative, we also met with and reviewed key documents from officials within the Offices of: Performance and Personnel Management, E-Government and Information Technology, and Federal Financial Management within OMB as well as the Office of Citizen Services and Innovative Technologies in the General Services Administration.

To identify key practices within our case study initiatives, we synthesized practices identified by federal and state officials and also compared them with leading practices identified in the 1993 Government Performance and Results Act (GPRA) and GPRA Modernization Act of 2010 (GPRAMA), relevant literature, and past GAO reports on organizational transformation, management integration, efficiency measures, and transparently tracking and reporting agency results. Along with examining the federal initiatives described above, we selected statewide efficiency initiatives that demonstrated one of the two of the major approaches to improving efficiency—reexamining state programs or streamlining or consolidating existing processes—and that were identified by OMB and government management experts as having potentially promising practices. We assessed the initiatives to identify illustrative examples of promising key practices that may be transferable to the federal government. We met with officials or staff currently or formerly involved in: Virginia's Productivity Investment Fund and Council on Virginia's Future; the Commission for a New Georgia; Iowa's Lean Six Sigma and Charter Agencies; Washington Government Management and Accountability Program; and the Texas Sunset Advisory Commission. For a description of the state examples included in our review, see table 9. We also discussed key practices in improving efficiency with other federal and state government management experts in McKinsey and Co., the Center for American Progress, the IBM Center for the Business of Government, OMB Watch, the Pew Center on States, the National Governors Association, National Association of State Budget Officers, Public Works LLC, Public Strategies Group, and others.

We conducted this performance audit from March 2010 to August 2011, in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Table 9: Description of State Initiatives Included in the Review[a]

Name of initiative	State	General description and purpose	Implementation time frame	Reported results
Initiatives Focused on Reexamining State Programs and their Related Processes and/or Structures				
Council on Virginia's Future	Virginia	The Council on Virginia's Future was established by legislation to develop a vision and long-term goals for Virginia and to regularly review progress. The Council consists of members of the business community and the state's legislative leadership and acts as an advisory board to the Governor and General Assembly. The Governor chairs the Council.	2003 - present	Variety of results including the implementation of the Productivity Investment Fund and improved performance data used for decision making
Iowa Charter Agencies	Iowa	Iowa's charter agencies were created under the agreement that agencies would receive items such as relief from certain administrative restrictions and access to a charter agency grant fund in exchange for upfront and annual savings and measurable performance improvements.	2003 - 2008	For fiscal years 2004-2006 reported $92 million in savings and improvements in performance such as more tax refunds issued within 45 days and 33 percent more children with health insurance
Texas Sunset Advisory Commission	Texas	The Texas Sunset Advisory Commission is responsible for reviewing more than 150 Texas agencies every 12 years. An independent staff reviews agencies based on a set of criteria and makes recommendations to the legislature for improvement, consolidation, or elimination of agencies no longer needed.	1977 - present	Estimates through 2009 indicate a potential revenue savings of approximately $783.7 million with a return on investment of $27 for every $1 spent
Washington State's Government Management Accountability and Performance (GMAP)	Washington	Washington's GMAP was established to review program performance by policy area, such as education, health care, and government reform. The Governor and her staff regularly meet with the heads of state agencies and departments to evaluate the performance results that these organizations are currently delivering.	2005 - present	GMAP has made important steps toward integrating the major performance and accountability efforts throughout state government

Name of initiative	State	General description and purpose	Implementation time frame	Reported results
Initiatives Focused on Streamlining or Consolidating Existing Processes and Functions				
Commission for a New Georgia	Georgia	The Commission for a New Georgia was created to engage Georgia's top-level business and professional executives to assist state government in rethinking its bureaucracy's management. 24 Commission Task Forces were created to analyze a wide range of management area operations across state government to make actionable recommendations.	2003 - 2010	Generated 130 recommendations resulting in dozens of pieces of legislation and a reported $700 million in savings
Iowa Lean Enterprise Office	Iowa	Iowa's Lean Enterprise Office was created to ensure the use of Lean tools for all executive branch agencies. The initiative includes an annual award given to public sector employees that significantly and measurably increase productivity and promote innovation.	2009 - present	125 Lean events, improving several processes that range from permitting to criminal intelligence processes
Virginia Productivity Investment Fund	Virginia	The Virginia Productivity Investment Fund using gain sharing by makeing loans and grants to agencies for projects with the overall purpose of raising productivity, increasing efficiency, and making state government more cost effective.	2007 - present	The Fund has funded 38 projects across 23 state agencies with an expected return on investment of $4 for every $1 spent

Source: GAO analysis of Virginia, Iowa, Texas, Washington, and Georgia interviews and documents

[a]In 2005, we identified performance budgeting practices employed by Virginia, Washington, and Texas that offered useful lessons for the federal government. See GAO, *Performance Budgeting: States' Experiences Can Inform Federal Efforts,* GAO-05-215 (Washington, D.C.: Feb. 28, 2005).

Table 10: Select Key Executive Orders and Memos Related to Efficiency Improvement or Cost Savings

Memo	Brief description
Budget, regulatory, and performance management	
Memo M-II-31 (8/17/2011)	Memo providing additional guidance to agencies on (1) implementing responsibilities required by the GPRA Modernization Act, including specific responsibilities for Chief Operating Officers and Performance Improvement Officers, and (2) agency responsibilities in implementing efforts to cut waste, as required by Executive Order 13576, "Delivering an Efficient, Effective and Accountable Government," which established the "Campaign to Cut Waste." http://www.whitehouse.gov/sites/default/files/omb/memoranda/2011/m11-31.pdf
Memo M-II-30 (8/17/2011)	Memorandum providing fiscal year 2013 budget guidance requesting agencies to (1) submit an overall budget request for 2013 that is at least 5 percent below their 2011 enacted discretionary appropriation, and (2) identify additional discretionary funding reductions that would bring their request to a level that is at least 10 percent below their 2011 enacted discretionary appropriation. http://www.whitehouse.gov/sites/default/files/omb/memoranda/2011/m11-30.pdf
Executive Memo (6/28/2011)	Memorandum outlining additional guidance for agency Chief Financial Officers to implement previous guidance from the Administration on steps to cut costs and drive efficiencies governmentwide, including steps to execute the President's June 13 Executive Order to identify, execute, and report on administrative cost savings within the agencies. http://www.whitehouse.gov/sites/default/files/omb/financial/campaign-to-cut-waste.pdf
Executive Order (6/13/ 2011)	Executive Order—"Delivering an Efficient, Effective, and Accountable Government" outlining steps that agencies will take to cut waste, streamline government operations, and reinforce performance and management reform, including (among other things): (1) systematically identifying additional reforms necessary to eliminate wasteful, duplicative, or otherwise inefficient programs and sharing them across the federal government; (2) convening periodic meetings with the Vice President, Cabinet members, and the director of the Office of Management and Budget (OMB) to report on improvements from the Accountable Government Initiative; (3) requiring the federal Chief Performance Officer to work with the President's Management Council to identify practices that should be adopted across agencies; (4) requiring the Chief Operating Officer of each agency to be accountable for conducting frequent data-driven reviews of agency progress toward OMB-identified goals; (5) requiring the Director of OMB to provide guidance to agencies as part of the fiscal year 2013 budget process for identifying areas of program overlap and duplication within and across agencies, and for proposing consolidations and reductions; and (6) requiring the Chief Financial Officers to be responsible for achieving agency cost savings in various areas, including discretionary travel, the use of consultants, and other administrative expenses and reporting this information to the President's Management Council and on performance.gov. http://www.whitehouse.gov/the-press-office/2011/06/13/executive-order-delivering-efficient-effective-and-accountable-governmen

Memo	Brief description
Memo (6/10/11)	Memo provides guidance on awards for fiscal years 2011 and 2012. Office of Personnel Management and OMB issued this memorandum on budgetary limits on individual awards during these 2 fiscal years. The guidance directs agencies to adopt more rigorous employee performance management processes that incorporate consistent supervisor communication and feedback, establish accountability at all levels, and provide transparent and credible appraisal systems. Agencies must also reduce total spending on individual performance awards for members of the Senior Executive Service (SES) and senior-level and scientific and professional employees (SL/ST) to no more than 5 percent of aggregate salaries. Agencies were also directed to reduce award spending for nonSES/SL/ST performance awards and individual contribution awards (e.g., special act) for all employees to no more than 1 percent of their aggregate salaries. http://www.chcoc.gov/Transmittals/TransmittalDetails.aspx?TransmittalID=3997
Memo M-11-17 (04/14/2011)	OMB memo alerting agencies to key requirements from GPRAMA and the related immediate actions required of agency leaders. These include identification of the agency's Chief Operating Officer (Deputy Secretary or equivalent) by May 2, 2011, naming a senior executive to be the agency's Performance Improvement Officer by June 1, 2011, and beginning data-driven progress reviews on near-term Priority Goals (High Priority Performance Goals identified in the fiscal year 2011 Budget) by agency leaders or COOs no later than June 30, 2011. In addition, the attachment asks agencies to begin selecting these goals for fiscal years 2012-2013, to be submitted to OMB concurrent with submission of the fiscal year 2013 Budget. http://www.whitehouse.gov/sites/default/files/omb/memoranda/2011/m11-17.pdf
Memo (2/28/11)	Presidential memo on administrative flexibility, lower costs, and better results for federal, state, and local governments. The memo instructs federal agencies to work closely with state, local, and tribal governments to identify administrative, regulatory, and legislative barriers in federally funded programs that currently prevent states, localities, and tribes from efficiently using tax dollars to achieve the best results for their constituents. http://www.whitehouse.gov/the-press-office/2011/02/28/presidential-memorandum-administrative-flexibility
Executive Order (01/18/2011)	Executive Order that sets forth a regulatory strategy calling for (1) public participation; (2) greater coordination across agencies to reduce costs, simplify and harmonize rules, and promote innovation; (3) flexibility and freedom of choice for the public; (4) objectivity of any scientific and technological information and processes used to support the agency's regulatory actions; and (5) retrospective analyses of existing rules that may be outmoded, ineffective, insufficient, or excessively burdensome. The strategy is supplemental to and reaffirms the principles, structures, and definitions governing contemporary regulatory review that were established in Executive Order 12866 of September 30, 1993. http://www.whitehouse.gov/the-press-office/2011/01/18/improving-regulation-and-regulatory-review-executive-order

Memo	Brief description
Memo M-11-01 (10/19/2010)	Presidential memo outlines the purpose and agency responsibilities for the new Partnership Fund for Program Integrity Innovation (the Partnership Fund) established by the Consolidated Appropriations Act of 2010 (P.L. 111-117). The program is intended to fund pilot projects to improve delivery of federal assistance programs administered through state and local governments, or where federal-state cooperation could be beneficial. The memorandum includes: (1) the Partnership Fund's purpose and goals; (2) the respective roles of OMB, federal agencies, and other stakeholders in the Partnership Fund; (3) the selection process for pilot projects; and (4) the template and process agencies should use to submit ideas for pilot projects. http://www.whitehouse.gov/sites/default/files/omb/memoranda/2011/m11-01.pdf
Memo (09/14/2010)	OMB Memo for the SES Service that lays out the administration's approach to performance management, details their strategy and key initiatives, and describes the early progress they have achieved. http://www.whitehouse.gov/the-press-office/2010/09/14/presidential-memorandum-accountable-government-initiative
Memo 10-32 (07/29/2010)	OMB guidance on evaluating programs for efficacy and cost-efficiency to aid in meeting the President's request for agencies to submit a budget request 5 percent below the agency's fiscal year 2012 discretionary total in the fiscal year 2011 Budget . http://www.whitehouse.gov/sites/default/files/omb/memoranda/2010/m10-32.pdf
Memo 10-20 (06/08/2010)	OMB memo requiring agencies to identify programs and subprograms that have the lowest impact on their agency's mission and constitute at least 5 percent of their agency's discretionary budget, and specifications on whether the programs are proposed for termination or reduction in fiscal year 2012 budget requests. http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-20.pdf
Memo 10-09 (12/21/2009)	OMB memorandum addressing some of the suggestions from the President's Securing Americans' Value and Efficiency (SAVE) Award by directing agencies to respond with a series of immediate and longer-term steps. Agencies are directed to undertake two specific sets of activities, including: (1) implementing a series of immediate, concrete changes to address simple inefficiencies; and (2) evaluating existing agency and departmental policies and practices to assess compliance with existing Administration priorities. http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-09.pdf
Memo (07/27/2009)	OMB briefing memo to the president updating him on administrative savings proposals that would amount to $243 million in savings through 2010. The memo highlighted the source of savings in each agency. http://www.whitehouse.gov/sites/default/files/omb/assets/blog/admin_savings_memo_—_final.pdf
Memo 09-20 (06/11/2009)	OMB memo providing guidance on: (1) identification of a limited number of high-priority performance goals; (2) submission of the fiscal year 2011 budget; (3) steps to reform agency hiring processes; and (4) steps to improve employee satisfaction and wellness. http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_fy2009/m09-20.pdf

Memo	Brief description
Contracting, procurement, property and acquisitions management	
Memo 11-04 (11/16/2010)	OMB memo providing instructions for agencies on intensifying and expanding payment recapture audit reviews that will serve as interim guidance for the broader program of payment recapture audits established under the Improper Payments Elimination and Recovery Act (IPERA). All agencies are required to submit one payment recapture audit plan that describes their current payment recapture efforts under authorities that predate IPERA and their planned recapture efforts based on new authorities contained within IPERA. http://www.whitehouse.gov/sites/default/files/omb/memoranda/2011/m11-04.pdf
Memo (06/18/2010)	Presidential memo establishing "Do Not Pay List" and directing agencies to review prepayment and reward procedures and ensure that a thorough review of available databases with relevant information on eligibility occurs before the release of any federal funds. http://www.whitehouse.gov/the-press-office/presidential-memorandum-enhancing-payment-accuracy-through-a-do-not-pay-list
Memo (06/10/2010)	Presidential memo directing executive departments and agencies to identify and eliminate excess properties, cut operating costs, and improve energy efficiency. http://www.whitehouse.gov/the-press-office/presidential-memorandum-disposing-unneeded-federal-real-estate
Executive Order 13520 - (11/23/2009)	Executive order directing agencies to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the federal government, while continuing to ensure that federal programs serve and provide access to their intended beneficiaries. No single step will fully achieve these goals. Therefore, this order adopts a comprehensive set of policies, including transparency and public scrutiny of significant payment errors throughout the federal government; a focus on identifying and eliminating the highest improper payments; accountability for reducing improper payments among executive branch agencies and officials; and coordinated federal, state, and local government action in identifying and eliminating improper payments. http://www.whitehouse.gov/the-press-office/executive-order-reducing-improper-payments
Memo 09-25 (07/29/2009)	OMB memo calling on federal agencies to improve effectiveness of their acquisition practices and the results achieved from their contracts. The Administration set a net savings target of $40 billion a year through acquisition and acquisition-related program practices. http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_fy2009/m-09-25.pdf
Memo (03/04/2009)	Presidential memo directing OMB to develop and issue by July 1, 2009, governmentwide guidance to assist agencies in reviewing, and creating processes for ongoing review of contracts. Also directs OMB to develop and issue by September 30, 2009, governmentwide guidance on contract and acquisition management. http://www.whitehouse.gov/the-press-office/memorandum-heads-executive-departments-and-agencies-subject-government-contracting

Memo	Brief description
Financial systems management	
Memo 10-26 (06/28/2010)	OMB guidance that requires all CFO Act agencies to immediately halt the issuance of new task orders or new procurements for all financial system projects pending review and approval from OMB. Guidance also: (1) sets forth the guiding principles for the acquisition and project management of new financial systems; (2) specifies the procedures for an immediate review and evaluation of current financial system modernization projects; and (3) clarifies and updates OMB policies on financial management shared services, financial system standards, and financial software testing and certification. http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m-10-26.pdf
Memo (3/30/2010)	OMB memo establishing the Office of Financial Innovation and Transformation (FIT) within Treasury to identify and facilitate the acquisition or development of initial operating capabilities for automated solutions for transaction capture and processing as well as financial report production that would greatly reduce duplicate work at individual agencies. http://www.whitehouse.gov/sites/default/files/omb/assets/financial_pdf/OFIT_Memo_03302010.pdf
Memo (03/16/2010)	OMB memo from the Controller on the role of the Financial Systems Integration Office and the status of the objectives achieved under the financial management line of business. http://www.whitehouse.gov/sites/default/files/omb/assets/financial_pdf/2010_FMLoB_FSIO_Update.pdf
IT management	
Memo 10-31 (07/28/2010)	OMB memo calling for the immediate review of IT projects to: (1) identify high-risk projects, (2) develop improvement plans for them, and 3) present improvement plans in TechStat sessions. http://www.whitehouse.gov/sites/default/files/omb/memoranda/2010/m10-31.pdf
Memo 10-28 (07/06/2010)	OMB memo "Clarifying Cybersecurity Responsibilities and Activities of the Executive Office of the President and DHS". http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-28.pdf
Memo 10-27 (6/28/2010)	OMB memo providing policy direction for development of agency IT investment baseline management policies with the goal of improving transparency, performance management, and effective investment oversight. http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-27.pdf
Memo (02/26/10)	OMB memo describing the goals of the Federal Data Center Consolidation Initiative. http://cio.gov/documents/Federal-Data-Center-Consolidation-Initiative-02-26-2010.pdf

Source: GAO analysis of OMB memos.

Figure 5: List of DHS Ongoing Efficiency Review Projects

April 17, 2009 (30-day initiatives)	May 27, 2009 (60-day initiatives	June 26, 2009 (90-day initiatives)	June 24, 2009 (120-day initiatives	Subsequent initiatives (April 7, 2010 - December 20, 2010)		June 1, 2011	July 13, 2011
1 Eliminate non-mission-critical travel; maximize use of conference calls and Web-based training and meetings	**5** Implement an electronic tracking tool for fleet usage data to identify opportunities for alternative fuel usage and optimize fleet management	**10** Develop cross-component training opportunities for employees	**16** Establish a plan to ensure that the DHS workforce has employees sufficient in number and skill to deliver the core mission	**21** Implement paperless earning and leave statements DHS-wide	**27** Establish a DHS-wide sourcing vehicle for the acquisition of furniture in the National Capital Region	**34** Establish a system and supporting processes for posting all notifications of seizedproperty pending forfeiture online rather than in print media.	**35** Establish a DHS Center of Excellence responsible for administation of alternatively financed energy savings contracts within the Department.
2 Consolidate subscriptions to professional publications and newspapers	**6** Conduct an assessment of the number of full-time and part-time employees and contractors to better manage DHS workforce	**11** Develop a process for obtaining preliminary applicant security background data for candidates referred for final consideration	**17** Initiate leasing of hybrid vehicles for administrative use and alternative-fuel vehicles in cases where hybrids are not feasibile	**22** Implement improvements and efficiencies to the personnel security and suitability processes	**28** Increase usage of DHS-wide contracting vehicles for background investigations		**36** Establish and implement a DHS Integrated Facility Assessment (IFA) center of Excellence (COE) to develop and manage an integrated approach to facility condition assessments, systems lifecycle assessments, facility energy audits and analyses, water conservation assessments, and building and systems commissioning/recommissioning across DHS Component facilities.
3 Eliminate printing and distribution of all reports and documents that can be sent electronically or posted online	**7** Utilize refurbished IT equipment and redeploy the current inventory throughout DHS	**12** As replacements are needed, convert new printers/faxes/copiers into all-in-one machines	**18** Implement energy efficiencies in all facility management projects	**23** Establish a DHS-wide sourcing vehicle for the acquisition of nonmilitary uniforms	**29** Establish a DHS-wide vehicle for purchasing bulk fuel for fleet, aircraft, and marine vessels		
4 Maximize usage of government office space for meetings and conferences in place of renting facilities	**8** Leverage buying power to acquire software licenses for departmentwide usage	**13** Streamline decision-making processes in headquarters offices to eliminate redundancies	**19** Standardize content for new employee orientation and mandatory annual training modules DHS-wide	**24** Establish a DHS-wide sourcing vehicle for the acquisition of tactical communications equipment and services	**30** Conduct annual optimization and validation of personal wireless communication services and devices DHS-wide		
	9 Eliminate all external contracts for the design and production of new seals and logos	**14** Increase usage of DHS-wide blanket purchase agreements for office supplies	**20** Increase coordination across all headquarters and operating components	**25** Establish a DHS-wide sourcing vehicle for the acquisition of wireless communication devices and services	**31** Improve energy management by maximizing opportunities to reduce energy consumption at DHS-owned facilities		
		15 Improve DHS communications by ensuring consistency and coordination		**26** Establish a DHS-wide sourcing vehicle for the acquisition of encrypted thumb drives	**32** Reduce DHS expenditures on DHS contractor background investigations		
					33 Develop and execute a customer-focused strategy for Web content management and Web hosting services for all DHS public-facing Web sites		

Source: DHS.

Appendix IV: Comments from the Department of Homeland Security

Homeland
Security

September 13, 2011

J. Christopher Mihm
Managing Director, Strategic Issues
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: Draft Report GAO-11-908, "STREAMLINING GOVERNMENT: Key Practices from
    Select Efficiency Initiatives Should Be Shared Government-wide"

Dear Mr. Mihm:

Thank you for the opportunity to review and comment on this draft report. The U.S.
Department of Homeland Security (DHS) appreciates the U.S. Government Accountability
Office's (GAO's) work in planning and conducting its review and issuing of this report. The
Department is pleased to note the report recognizes achievements of the DHS Efficiency Review
(ER) initiative.

In March 2009, Secretary Napolitano launched the Department-wide ER, which has
changed the way DHS does business by streamlining operations and fostering a culture of greater
transparency, accountability, and fiscal discipline. To date, the DHS ER has launched 36
initiatives designed to reduce costs, improve communication, and streamline processes. The
DHS ER develops initiatives on the basis of employee input, including ideas submitted to the
President's Securing Americans' Value and Efficiency award competition, and successful
initiatives implemented at the Component level.

We are proud to say that we have identified more than $2.5 billion in cost avoidances
through the ER as well as other cost-saving initiatives, including the Department's Fiscal Year
2012 budget request, which included more than $800 million in reductions. These savings have
enabled us to sustain frontline operations and become a leaner, smarter agency better equipped to
protect the Nation. They also reflect the dedication of the hard-working men and women
throughout DHS. From saving $180 million through enterprise software licensing agreements to
avoiding more than $15 million by transferring excess IT equipment within the Department,
rather than buying new equipment. DHS is working hard to maximize the effectiveness and
efficiency of its resources to best support frontline operations.

Again, thank you for the opportunity to review and comment on this draft report. We note the report does not contain any recommendations for DHS. Technical comments were submitted under separate cover. We look forward to working with you on future homeland security issues.

Sincerely,

Jim H. Crumpacker
Director
Departmental GAO-OIG Liaison Office

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Appendix V: Contact and Staff Acknowledgments

GAO Contact

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Acknowledgments

In addition to the contact named above, Sarah E. Veale, Assistant Director; Bernice Steinhardt; Sharon L. Pickup; James A. Reynolds; Latesha A. Love; Gabrielle A. Carrington; Shvetal Khanna; Veronica O. Mayhand; Crystal Robinson; Amy C. Friedlander; Brendan Kretzchmar; Andrew C. Moore; Teakoe S. Coleman; Jennifer C. Madison; and Marquita N. Campbell made key contributions to this report.

Related GAO Reports

Managing For Results: GPRA Modernization Act Implementation Provides Important Opportunities to Address Government Challenges. GAO-11-617T. Washington, D.C.: May 10, 2011.

Information Technology: OMB Has Made Improvements to Its Dashboard, but Further Work Is Needed by Agencies and OMB to Ensure Date Accuracy. GAO-11-262. Washington, D.C.: March 15, 2011.

Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars and Enhance Revenue. GAO-11-318SP. Washington, D.C.: March 1, 2011.

High-Risk Series: An Update. GAO-11-278. Washington, D.C.: February 16, 2011.

Defense Business Transformation: DOD Needs to Take Additional Actions to Further Define Key Management Roles, Develop Measurable Goals, and Align Planning Efforts. GAO-11-181R. Washington, D.C.: January, 26, 2011.

Financial Management Systems: Experience with Prior Migration and Modernization Efforts Provide Lessons Learned for New Approach. GAO-10-808. Washington, D.C.: September 8, 2010.

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Information Security: Federal Guidance Needed to Address Control Issues with Implementing Cloud Computing. GAO-10-513. Washington, D.C. May 27, 2010.

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