



Comptroller General
of the United States

Washington, D.C. 20548

B-282355

March 29, 1999

The Honorable Dan Burton
Chairman
Committee on Government Reform
House of Representatives

Subject: Performance and Accountability and High-Risk Series: Responses to Questions

Dear Mr. Chairman:

Enclosed are responses to the questions that you, Ranking Minority Member Waxman, and Congressman Mica provided to follow up on my testimony during your Committee's February 10, 1999, hearing on our Performance and Accountability and High-Risk Series. Accordingly, we are also providing a copy of this letter to them. Continued improvement in agencies' efforts to address major management challenges and high-risk areas is essential if federal programs are to achieve their expected operating results in an economical and efficient manner.

As agreed with your office, responses to two of your questions are being provided separately. First, we will soon be sending to you a separate letter that discusses open recommendations in high-risk areas. Second, our upcoming briefings to your office will present the results of our analysis of the extent to which high-risk problems are dealt with in agency performance plans.

I look forward to working with you on these and other issues in the future. If you have any further questions or would like to discuss any of the issues in more detail, please call me at (202) 512-5500; Gene Dodaro, Assistant Comptroller General, Accounting and Information Management Division at (202) 512-2600; or Nancy Kingsbury, Acting Assistant Comptroller General, General Government Division, at (202) 512- 2700.

Sincerely yours,

A handwritten signature in black ink, appearing to read "DMW", with a horizontal line extending to the right.

David M. Walker
Comptroller General
of the United States

Enclosures

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**Responses of David M. Walker
Comptroller General of The United States
to Questions From Chairman Burton**

Failure to Resolve High-Risk Problems

1. **Only one problem area has been removed from the GAO “high-risk” list since 1995. Ten problem areas date back to the inception of the high-risk list in 1990. Do you have any general observations on why the Executive Branch has produced such poor results in resolving high-risk problems and what can be done to turn things around?**

In establishing our high-risk program in 1990, and in our periodic updates since then, we have focused on some of the largest and most complex problems facing our government. For the most part, these problems are deep-rooted, often a product of years of neglect, and have evolved over decades. They often involve large, decentralized organizations that are difficult to change. In part, it is a matter of changing organizational cultures and priorities and ensuring accountability for results. Such accountability must reside with top agency leadership and should be reinforced by the Office of Management and Budget (OMB) and congressional oversight.

Identifying effective actions to address these long-standing problems represents a significant challenge. Fully implementing those actions can be even more difficult, and by their nature, will require longer-term efforts. Nonetheless, progress in some areas has been very slow. Further, while it is reasonable to expect that there should be demonstrable short-term improvements, we all too often have not seen them. The sustained attention and commitment of top leadership is key to ensuring that good plans are put in place to get at these high-risk problems and that tenacious follow-through on the difficult task of implementing actions in a detailed, comprehensive manner is completed. Effectively managing an organization’s employees, or human capital, is an essential element of achieving needed improvements. These problems can be turned around but it will require a different level of commitment than has been exhibited in the past.

In summary, many of the remaining high-risk areas were years in the making and will take time to resolve. There should, however, be continuous progress in addressing these challenges. Achieving lasting results will require the sustained involvement, commitment, and attention of top management; workable action plans; appropriate incentives; and ongoing accountability mechanisms.

2. **You report (GAO/HR-99-1, page 7) that for many high-risk areas, “agencies have agreed with GAO recommendations but have not yet fully implemented them.” Please provide for the record a chart showing for each high-risk area: all GAO recommendations that remain outstanding; how long each recommendation has been outstanding; and, to the best of GAO’s knowledge, why the recommendation has not been implemented.**

(See cover letter).

3. **You also report (GAO/HR-99-1, page 7) that “many good plans have been conceived” by agencies to deal with high-risk problems “but the more difficult implementation task of successfully translating those plans into day-to-day management reality lies ahead.” Do you have any general observations on why agencies are having such difficulty translating their plans into reality?**

Agencies are continuing to work on these high-risk areas, and are making some progress. But clearly, development of well-intentioned plans has all too often been followed by serious implementation shortfalls. In some cases, for example, agencies need to implement best practices. Our recommendations are aimed at root causes of problems and often involve building fundamental management and technical capabilities--which continues to be a serious problem. Understanding a problem and agreeing to actions that need to be taken requires sustained follow-through on the part of agency top leadership. Also, in a number of cases, legitimate priorities, including the need to promptly address pressing Year 2000 computer issues, has required agencies to divert some of their attention and resources.

4. **Please provide for the record a chart showing for each high-risk problem area: what specific plans agencies have adopted to deal with the problem; what specific goals and measures each plan contains and how the agency will be accountable for implementing them; whether these goals and measures are part of the agency’s Results Act plans; and, from GAO’s perspective, what barriers exist to implementing the plan.**

(See cover letter).

Failure to Resolve Even the Less Challenging High-Risk Areas

- 5. While many high-risk areas are complex and challenging, surely others should have been resolved by now. Two examples are NASA contract management and management of forfeited assets by the Justice and Treasury Departments. Can you see any acceptable reason why the responsible agencies have allowed these two areas to languish on the high-risk list since 1990?**

We see no acceptable reason for the long delays in completing remaining actions needed to remove these high-risk designations.

For example, while NASA has completed many actions, it still has not begun to implement its integrated financial management system, which we have informed NASA is key to resolving the remaining problems in this high-risk area. Repeated slippages in the implementation schedule for this system continue to cause lingering uncertainties as to when this implementation will start. (See response to question 6.) Regarding seized assets, both Justice and Treasury continue to question efficiencies to be gained, and therefore do not have any plans for consolidating asset management and disposition functions, initially called for by the Congress in 1988, recommended by us in 1991, and called for again in a 1995 House Appropriations Committee report. We continue to believe that both departments should pursue consolidation options. (See response to question 7.)

- 6. We understand from GAO that NASA has been on the verge of solving its problem for some time but can't get over the top. What's the holdup?**

Last July, we informed the National Aeronautics and Space Administration (NASA) that while it had developed plans for actions needed to remove the high-risk designation, our decision to do so would be based on a record of implementation. NASA is starting to build such a record. It is focusing, as it should be, on removing the uncertainty about the implementation schedule of its integrated financial management system. This system is key to fixing NASA's problems, which include having decentralized nonintegrated systems with policies, procedures, and practices that are unique to its field centers. Initial implementation at two centers was recently delayed because the system's contractor was having difficulty in integrating the software for the core financial and procurement systems. Agencywide implementation has now been delayed until June 1, 2000. Accordingly, uncertainties about the software integration and implementation schedule of its financial management system make such removal of the high-risk designation premature at this time.

7. According to GAO, one barrier to improving forfeited asset management is that Justice and Treasury refuse to work with each other in operating their similar forfeited asset funds. What can be done to get these agencies to cooperate with each other? Will it take intervention by OMB or the President?

Consolidating the management of seized assets could lead to improvements. For example, both the Departments of Justice and Treasury have contractors in the same geographical areas that manage the cars, boats, and other real property that have been seized by the U.S. Customs Service, the Federal Bureau of Investigation, etc. Efficiencies of scale could be realized if both departments used a single contractor.

One aspect of the asset forfeiture problem is that both agencies have relatively new systems. These new systems continue to experience problems that both agencies are attempting to rectify. But both agencies continue to question the efficiencies to be gained from consolidating management of seized assets. The departments' asset forfeiture officials, while acknowledging that management costs likely vary between contractors, have not committed any funds to determine whether savings are possible. The prudence of combining the management of these activities has not been reiterated by policy makers above the agency level. Intervention OMB, acting on behalf of the President, might be helpful.

Lack of Commitment or Incentives?

8. The persistence of the high-risk problems suggests to me that agency heads may simply lack the interest or incentive to resolve them. Could this be a problem?

Yes. Over time, the lack of top-level attention has been a problem. Sustained follow-through and accountability for results will be essential to achieving needed improvements in high-risk problem areas.

9. In your judgment, what can be done to provide agencies with greater incentives and motivation to take action on their problems?

First, continued congressional oversight is important. The work we have done under our high-risk program has served as the basis for numerous congressional hearings, which have helped in maintaining focus on these serious problems. Similarly, the executive branch's setting of priorities is key. A number of recent actions are positive steps. For example, most of the 26 areas now on GAO's high-risk list have been covered directly or indirectly by the Priority Management Objectives (PMOs) included in each of the President's two most recent budget submissions. Also, the President's Council on Year 2000 Conversion is increasing the awareness of the risks associated with and actions needed to address this problem. In the area of financial management, the President has also required certain agency heads to submit plans to OMB for correcting identified deficiencies. Finally, there must be accountability for results with department heads held responsible for resolving these problems in accordance with timetables agreed to with the Congress.

10. Is there anything more that Congress needs to do?

The Congress needs to continue to conduct regular oversight over agencies and link resolution of these high-risk and other management problems to decisions made on appropriations and other legislation, as well as to other actions (such as Senate confirmations.) In other words, hold agencies and key leaders accountable. It should also track the progress being made in implementing major management reforms contained in legislation, including the Chief Financial Officers Act, the Clinger-Cohen Act, and the Government Performance and Results Act (Results Act). We anticipate that the information coming about from this legislative framework, as well as from our Performance and Accountability and High-Risk Series, which we plan to continue to issue to each new incoming Congress, will be helpful in this regard.

Use of the Results Act

11. You point out that Congress has equipped agencies with a number of statutory tools to help them resolve their high-risk and other major management problems, one of the most important being the Government Performance and Results Act. However, information compiled for us by GAO indicates that few agencies have adopted Results Act performance goals and measures that specifically target these problems.

a. Do you agree that agencies should make specific commitments in their Results Act performance plans to deal with these problems?

Annual performance plans are principally intended to focus on the results agencies' programs are intended to achieve and how progress toward these results will be measured. Nonetheless, setting goals for mission-critical management problems or other management-related issues that could significantly impede achievement of program goals should be an important part of an agency's performance plan. Agencies should also identify strategies for resolving mission-critical management problems—either directly in their performance plans or by referring to other documents.

b. Do you have any suggestions on how they can be encouraged to do this?

A critical responsibility for improving agency management rests with the top agency leadership. Agency heads need to use the strategic and annual performance planning processes under the Results Act as vehicles to articulate their organization's goals, performance measures, and strategies to address mission-critical management problems. The congressional confirmation process also provides an important opportunity for the Congress to ensure that the political leadership in the executive branch has the necessary commitment. OMB also has a key role in providing consistent attention to management issues as part of its budget and program reviews. The PMOs that OMB has included in the

governmentwide performance plans for fiscal years 1999 and 2000 have highlighted the major management issues that will receive the administration's priority attention. Fully integrating these objectives into agency performance planning will provide a basis for subsequent accountability. Congressional use of the Results Act in oversight and in helping to make appropriation, authorization, and budget decisions will further foster agencies' attention to management issues.

c. Do you think the Results Act should be amended to require this?

Initial implementation of the Results Act is still in progress, and agencies' first program performance reports are not due to the President and the Congress until March 31, 2000. The work we have done to date on implementation of the Results Act has identified some barriers to fully achieving the goals of the Act, but those barriers are implementation, rather than statutory, issues. Until we have completed work on the full cycle of Results Act implementation it may be premature to consider statutory change. At that point, the need for statutory change may be more evident.

Relationship to NPR

12. The Administration's NPR initiatives are designed to "reinvent government" and improve its performance. How is NPR being used to resolve the problem areas on the GAO high-risk list?

The National Partnership for Reinventing Government (NPR) and the high-risk program have somewhat different focuses. The high-risk program focuses on those government operations that our work has shown to be among the most vulnerable to waste, fraud, abuse, and mismanagement. By contrast, one of NPR's major focuses is now on 32 agencies—called "high-impact agencies"—that have a high degree of interaction with the public, business, or the operation of other federal agencies. This initiative is largely targeted at improving federal services to the public rather than at addressing problems on our high-risk list, such as high levels of delinquent debt associated with the Department of Agriculture's farm loan programs.

In its earlier phases, known as NPR I and II, NPR made recommendations in 1993 and 1995, respectively, that addressed some, but not all, of the areas on our high-risk list. NPR I included recommendations to reinvent individual agencies' programs and organization, and also included governmentwide recommendations for reducing the size of the federal bureaucracy, reducing procurement costs through streamlining, and reengineering processes through the better use of information technology. NPR II efforts focused on identifying additional programs that could be reinvented, terminated, or privatized and reinventing the federal regulatory process. While NPR touched upon a wide range of issues in need of improvement, many critical management issues, such as Department of Defense inventory management and weapon systems acquisition, were not a focus of those efforts.

13. What specific NPR actions address what specific high-risk areas?

Making case-by-case assessments about whether specific NPR actions address specific high-risk areas can be difficult because some of NPR's recommendations are very broad. For example, NPR recommended that the Department of Education improve debt collection by implementing a "new and aggressive default management strategy." It is unclear whether, or the extent to which, this recommendation would directly address the specific concerns we have identified about Education's student financial aid programs, such as its information management systems' often lack accurate, complete, and timely data for managing and overseeing these programs. Clarifying recommendations like this one would require researching the assumptions made about what the recommendation was intended to accomplish and conducting extensive work in agencies—which we have not done—to determine the specific actions taken under NPR.

In certain cases, however, the relationship between specific NPR recommendations and our high-risk areas is easier to determine. For example, since 1990 we have identified Internal Revenue Service (IRS) receivables, Department of Energy contract management, and Medicare as high-risk areas and NPR has made recommendations related to these areas. The NPR recommendations were to "increase IRS collections through better compliance efforts," "improve environmental contract management," and "strengthen Medicare program integrity."

Role of OMB

14. Is OMB providing enough leadership, guidance, and support to agencies to help them resolve their high-risk problems?

OMB has provided leadership, guidance, and support in several ways.

As part of the President's two most recent budget submissions, OMB has established a number of PMOs indicating the administration's intent to focus on some of the biggest management problems facing executive agencies. The budget submission for fiscal year 2000 identified 24 PMOs, half of which encompass areas that cut across agency lines, and half of which are specific to a single agency. OMB is to coordinate efforts to ensure that these PMOs receive senior management attention.

A number of the most recently announced PMOs closely align with areas that have been designated by GAO as high-risk. For example, three PMOs—(1) the Year 2000 (Y2K) computer problem, (2) protecting critical information infrastructure, and (3) improving financial management information—align with three issues that head the latest update to our list of high-risk areas. Overall, nearly all the PMOs in the recent budget relate, directly or indirectly, to areas on our high-risk list, including areas involving specific agency programs such as those at the Department of Housing and Urban Development (HUD), contract management at the Department of Energy, and student financial aid at the Department of Education.

OMB also works with groups such as the Chief Financial Officers Council and the Chief Information Officers Council to address governmentwide financial management and information technology issues. Lastly, in its role in the budget process, OMB has the continuing responsibility to see that agencies are directing the necessary resources and have sound strategies in place to eliminate the high-risk and other major management challenges facing agencies today.

15. What more could OMB do?

OMB needs to demonstrate that addressing long-standing management weaknesses across the executive branch remains a top priority and to work with agencies to ensure that needed corrective actions are implemented. Success on this front will be realized only through a sustained effort on the part of senior management within both agencies and OMB. In the financial management arena, for example, OMB must foster full implementation of evolving accounting standards and other requirements, with the ultimate objective of agencies having, on a routine basis, the kinds of financial management information needed to manage agency programs with efficiency and effectiveness while delivering intended results.

Also, moving agencies toward more performance-based management, as called for by the Results Act, is important. This includes agencies better defining program goals and measures, aligning activities to meet demands, rationalizing crosscutting efforts, establishing performance partnerships, and developing and using performance information.

Cost of High-Risk Problems

16. You report (GAO/HR-99-1, page 7) that, collectively, the high-risk problems “affect almost all of the government’s annual \$1.7 trillion in revenue,” and that solving these problems “offer[s] the potential to save billions of dollars.” I know that it is impossible to determine exactly how much these problems cost American taxpayers each year. However, to the extent they are available, please provide specific estimates of the dollar losses and other costs associated with the high-risk areas, individually and collectively.

In certain individual areas, dollar estimates have been made. For example, beginning with the financial statement audit for fiscal year 1996 and continuing for fiscal years 1997 and 1998, the Department of Health and Human Services (HHS) Inspector General has developed estimates of the amount of improper Medicare payments. Those estimates were \$23.2 billion for fiscal year 1996, \$20.3 billion for fiscal year 1997, and \$12.6 billion for fiscal year 1998.

Estimates of overpayments have also been made for the Social Security Administration’s (SSA) Supplemental Security Income (SSI) Program. For fiscal year 1998, \$1.2 billion in new overpayments were detected and as of the end of fiscal

year 1998, current and former recipients owed a total of \$3.3 billion in overpayments to SSA.

Many high-risk areas, such as Defense Infrastructure, estimated by the Department of Defense (DOD) to involve about \$147 billion for fiscal year 1998, or troubled information technology initiatives (with tens of billions of dollars in annual outlays), involve large dollar amounts. Correcting problems in these areas also offers the potential for efficiencies that can free up dollars for other priorities. However, for many high-risk areas involving large dollar amounts, no reliable estimates exist of the continuing cost consequences.

Consultations on the High-risk List

17. I applaud your commitment to continue GAO's high-risk list. As you know, we regard the high-risk list an important means of holding agencies accountable and a useful barometer on the general state of management in the federal government. I understand that GAO still plans to refine how it determines and presents high-risk areas. Can we have your commitment to actively consult with Congress on these issues?

Yes. As stated in the recent update to our High-Risk Series, an increasing amount of information is becoming available as a result of implementing various federal management reform initiatives, such as the Results Act and the Chief Financial Officers Act. This information makes it possible and appropriate to periodically reassess the methodologies and criteria used to determine which operations, functions, and entities are considered high-risk. GAO plans to undertake a comprehensive review and reassessment of this area, employing matrix management and other concepts, for use in our next update report, scheduled for 2001. In conducting this review and reassessment, and consistent with our normal practices, we will consult with key stakeholders, including congressional and agency representatives, before finalizing our approach.

This effort will likely result in new ways of determining and presenting risk, especially in connection with selected functions (e.g., strategic planning, organizational alignment, human capital strategies, and contract management) as well as at the overall department and agency level. At the same time, the ultimate determination of what is considered "high-risk" will continue to involve the independent, professional, and objective judgement of GAO professionals.

Need for More Performance-Based Management

18. Instilling performance-based management in agencies is key to resolving their high-risk and other major problems. However, you report (GAO/OCG-99-1, page 26) that progress by agencies in becoming performance-based “has been uneven across agencies” and that “[a] primary difference in the rate of progress is the degree of attention, visibility, and commitment that top agency leadership gives this area.”

- a. Specifically, which agencies are making the most progress in becoming performance-based and which are making the least progress?**

Overall summary statements of the degree to which agencies are becoming performance-based are difficult and must be made with great caution because while an agency may be a leader in one area (for example, financial management or the use of information technology to achieve programmatic results), it may lag in others (for example, implementation of the Results Act or the quality of its human capital initiatives).

In terms of adopting an effective results-orientation, a number of the agencies are making good progress in setting results-oriented goals, developing performance measures to show progress, and changing the way they do business to better meet their goals. For example, we have reported on the notable efforts being made by the Department of Transportation’s Coast Guard and National Highway Traffic Safety Administration, the Department of Commerce’s National Oceanic and Atmospheric Administration, the Department of Health and Human Services’ Office of Child Support Enforcement, and the Federal Emergency Management Agency, among others.

Further, a number of agencies have taken their financial management and reporting improvement efforts a step further and are preparing accountability reports. These accountability reports respond to several legislatively mandated reporting requirements in one package, and they also provide a discussion of the context in which to consider or interpret the information reported. For example, SSA has been one of the leaders in developing an accountability report that discusses how the results reported reflect agency operations and the status of its financial management.

- b. Can you name some agency leaders who are providing the kind of attention, visibility, and commitment to performance-based management that you advocate?**

Generally, the political and career leadership in the agencies noted above as making progress in becoming more performance-based are among those making a commitment to performance-based management. In addition, IRS Commissioner

Rossotti has made a major commitment to this issue as part of his overall reorganization plan.

c. Can you offer some specific examples of what they are doing that their counterparts in other agencies might want to emulate?

Different agencies are taking different steps. As discussed in our 1996 Executive Guide on Results Act implementation, we have identified four practices that leaders use to create high performing organizations.¹ Successful leaders

- (1) devolve operational decisionmaking to line managers and hold them accountable for results;
- (2) ensure that incentives and performance management processes are in place to create organizational incentives and reward team and individual contributions to agency goals;
- (3) adopt a strategic approach to human capital issues and ensure that staff are in place with the skills, expertise, and capabilities needed to achieve results; and
- (4) lead by example by ensuring that management reforms are integrated and are improving performance. Successful leaders in high performing organizations ensure that performance-based management is the way the organization does business and does not become the latest "management fad."

Duplication and overlap

19. Your recent reports detail widespread program fragmentation, duplication and overlap cutting across agency lines. GAO found that crosscutting federal programs efforts are not well coordinated. You report (GAO/OCG-99-1, page 12) that "[i]n program area after program area, we found that unfocused and uncoordinated crosscutting programs waste scarce funds, confuse and frustrate taxpayers and other program customers, and limit overall program effectiveness."

a. Are agencies doing enough to address these coordination problems through their Results Act plans?

We are examining the agencies' fiscal year 2000 performance plans, in part, to determine the degree to which agencies have made progress over the last year. Our reviews of agencies' fiscal year 1997 strategic plans and fiscal year 1999 annual performance plans suggested that agencies had begun the difficult process of ensuring crosscutting programs that contribute to the same or similar result are properly coordinated. For example, many agencies' fiscal year 1999 annual plans identified crosscutting efforts, and some listed other agencies with which they

¹Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996).

shared the same or similar results. However, we also found that the substantive work of coordination was not yet apparent. Specifically, few of the plans showed evidence of the work necessary to ensure that crosscutting programs have mutually reinforcing goals, complementary strategies, and, as appropriate, common performance measures. Not surprisingly given the amount of coordination that still needs to take place, our review of the fiscal year 1999 governmentwide performance plan found that substantial opportunities exist for enhancing the discussion of crosscutting efforts in that plan as well.

b. If not, what other steps could they take to improve interagency coordination and reduce duplication and overlap?

A number of steps appear to be particularly important, including the following

- (1) Agencies with responsibility for similar national issues need to be identified.
- (2) Complementary performance goals need to be developed that show how the efforts of different agencies will come together to achieve results.
- (3) Intermediate goals that clarify the agency's specific contribution to the common result need to be established.
- (4) Approaches to coordinate efforts with other agencies to ensure that strategies are complementary need to be developed.
- (5) Individual annual performance plans need to reference relevant interagency coordination efforts.

Finally, because of the still early state of coordination of crosscutting programs, plans that describe an agency's coordination efforts can provide a base of "lessons learned" for other agencies to consider.

20. OMB has shown little if any interest in providing leadership, guidance, and support to agencies in this area. OMB also seems unwilling to use Results Act plans (even the government-wide performance plan) as a vehicle for addressing duplication and fragmentation issues.

a. Do you believe the Results Act should be amended to explicitly require attention to the subject of cross-cutting programs?

The work we have done on crosscutting programs indicates that identification of program fragmentation, duplication and overlap is difficult. Further, determining how to address crosscutting program issues poses an even greater challenge because they involve discussions and consultations outside of agencies' normal communications channels. Our work looking at interagency coordination mechanisms is a first step in attempting to learn what potential solutions can overcome barriers to dealing with crosscutting program issues.

b. Do you believe amendments to the Results Act and/or other legislative changes are needed to require OMB to deal with these issues?

Initial implementation of the Results Act is still in progress, and agencies' first program performance reports are not due to the President and the Congress until March 31, 2000. The work we have done to date on implementation of the Results Act has identified some barriers to fully achieving the goals of the Act, but those barriers are implementation, rather than statutory, issues. Until we have completed work on the full cycle of Results Act implementation it may be premature to consider statutory change. At that point, the need for statutory change may be more evident.

c. What other steps can be taken to encourage agencies and OMB to improve coordination of cross-cutting programs and reduce unnecessary overlap, fragmentation, and inconsistencies among programs?

To focus attention and promote accountability in addressing governmentwide performance concerns, OMB can analyze crosscutting program design, implementation, and organizational issues as part of the budget process. In addition, we have recommended that OMB do the following:

- (1) Ensure that agencies incorporate appropriate goals and strategies in their annual performance plans and describe their relevance to achieving objectives described in the governmentwide performance plan.
- (2) Present a more cohesive picture of federal missions in the governmentwide plan by broadening discussions beyond those of specific budget functional categories where necessary to capture the full range of government players and activities aimed at advancing broad federal goals.²

The Congress also has a key role to play by maintaining its oversight of the federal government's implementation of the Results Act, including the coordination of crosscutting programs. One way that the Congress could demonstrate the importance it places on this coordination is to hold hearings that include testimony from all relevant partners of a crosscutting area. For example, on March 16, 1999, the Senate Committee on Veterans' Affairs and the Senate Appropriations' Subcommittee on Labor, Health and Related Agencies held a joint hearing on the roles and preparedness of HHS and the Department of Veterans Affairs to react to a domestic chemical or biological weapons attack. Witnesses included representatives from HHS, the Department of Veterans Affairs, GAO, the Rockefeller University, the Johns Hopkins University, and the BioPort Corporation.

²The Results Act: Assessment of the Governmentwide Performance Plan for Fiscal Year 1999 (GAO/AIMD/GGD-98-159, Sept. 8, 1998).

21. Duplication, fragmentation, and overlap often are rooted in program statutes themselves. As was discussed at the hearing, however, a variety of political factors pose barriers to statutory reforms. One proposal to overcome these barriers is the creation of a “BRAC” (Base Realignment and Closure Commission) type government restructuring commission that would examine areas of duplication and fragmentation and then submit a comprehensive package of legislative recommendations for Congress to vote up or down.

a. What do you think of this proposal in concept?

We believe that eliminating excess military capacity and addressing mission fragmentation and program overlap are conceptually two different problems requiring different solutions. The Base Realignment and Closure Commission was established because the Congress, the administration, and the Department of Defense were in agreement that military operations would be more efficient if excess capacity were eliminated and savings generated from this action were channeled to other uses. Once agreement was reached on the nature of the problem and its solution, the Commission was set up to implement politically difficult decisions.

Decisions on how to address mission fragmentation and program overlap are varied, multidimensional, and complex. As a result, reaching consensus on whether a problem exists, the nature of that problem, or its solution will be much more difficult to achieve. Even when all parties agree that fragmentation and overlap exist, elimination of agency programs and activities is not always the clear policy choice. As noted in a House Government Reform and Oversight Committee report, “A certain amount of redundancy is understandable and can be beneficial if it occurs by design as part of a management strategy to foster competition, provide better service delivery to customer groups, or provide emergency backup.”³ Our products provide examples of those types of crosscutting programs. For example, although the decentralized structure of federal statistical agencies has been cited as inefficient and contributing to data quality problems, the potential advantages of consolidation must be weighed against other concerns. These concerns include issues such as the potential for abuse and breaches of confidentiality that could occur if extensive data about individuals and businesses were concentrated in one agency.⁴ As this illustrates, these considerations are complex and may require varied expertise, and therefore a single commission may not be appropriate.

³H. Rpt. No. 104-861, p. 6.

⁴Statistical Agencies: Consolidation and Quality Issues (GAO/T-GGD-97-78, Apr. 9, 1997).

b. Do you have any suggestions as to the specifics of such a commission proposal?

Although a single commission may not be appropriate for making the complex decisions required to address mission fragmentation and program overlap, we have identified some useful principles to consider regarding proposals to reorganize federal government programs and operations.⁵ These include the following:

- Reorganization demands an integrated approach. The interconnectedness of federal structures and activities should not be underestimated. Reorganizations that do not consider the broader picture could create unintended consequences.
- Reorganization plans should be designed to achieve specific, identifiable goals. Reorganization efforts are better served if specific goals are identified. Even if decisionmakers find it difficult to reach a shared understanding of goals, certain overarching goals should be kept in mind. These include the need to create a structure that operates efficiently, economically, flexibly, and in a business-like manner with full accountability.
- Once the goals are identified, the right vehicle(s) must be chosen for accomplishing them. Deliberations on government reorganization often include a discussion on the role of the federal government and how that role, if any, should be exercised.
- Implementation (follow-through) is critical to the success of any reorganization. No matter what decisions are made about how to reorganize a function, fulfilling the promise of any new plan will depend on its implementation. Employing effective change management techniques will be key to achieving success in this area. Assessing implementation will require that agencies have the basic program and financial information needed to gauge progress, improve performance, and establish accountability.
- Oversight is needed to ensure effective implementation. The process of reorganizing government should not stop when a plan is adopted. It is important that the Congress continue to play a significant role in both its legislative and oversight capacities to establish, monitor, and maintain government management reforms.

c. Do you have any other suggestions about how the Administration and Congress should address statutory reforms, particularly in light of the “turf” and other political issues?

Although the Results Act cannot provide easy solutions to contentious policy issues concerning crosscutting program efforts, it does provide a framework that the administration and the Congress can use to address mission fragmentation and

⁵Government Reorganization: Issues and Principles (GAO/T-GGD/AIMD-95-166, May 17, 1995).

program overlap. If successfully implemented, the act should lead to an ongoing dialogue between the administration and the Congress. This dialogue can help identify crosscutting program efforts where a consensus exists on how to address fragmentation and overlap. This consensus may lead to new approaches for interagency coordination or statutory reforms that consolidate, streamline, or eliminate federal programs. The Workforce Investment Act of 1998, which addressed the confusing array of employment training programs by establishing three funding streams for the training needs of youth, adults, and dislocated workers, is a recent example of the administration and the Congress reaching consensus about the appropriate response to a crosscutting program effort.

The Congress can use performance information to better inform policy debate and program oversight. This performance information would be of even greater benefit if congressional committees used it to concentrate attention on program oversight across agencies, rather than on the programs and activities of individual agencies. For example, performance information can help identify the performance and cost consequences of program fragmentation and the implications of alternative policy and service delivery options.

Greater reliance on the private sector

22. Many aspects of management reform that amount to severe “culture change” for the Federal Government are second nature for the private sector. These include results-oriented strategic planning and performance accountability, insistence upon reliable financial reporting, making effective use of modern information technology, and restructuring outmoded or inefficient organizations.

a. Do you agree that the Federal Government can do much more to apply private sector thinking and techniques to many of its major management challenges?

Yes, for many activities we believe that the federal government can benefit greatly by learning from, benchmarking against, and/or competing with the private sector. The private sector has been an engine of innovation in this country, and government will always have much to gain from taking advantage of successful concepts that originate there.

b. For example, I understand many banks and real estate companies have systems designed specifically to track mortgage information and the status of properties. Has HUD looked at that at all?

In October 1996, we reported that HUD’s Federal Housing Administration (FHA) was planning to use existing information technology to facilitate some streamlining of single family housing operations and staff reduction initiatives.⁶

⁶Information Technology: Streamlining FHA’s Single Family Housing Operations (GAO/AIMD-97-4, Oct. 17, 1996).

At that time, FHA planned to incorporate information technology initiatives that were similar to, but not as extensive as, those used by other mortgage industry organizations to improve productivity. We also reported that further improvements could be achieved if FHA adopted other automated capabilities used by these organizations. For example, some organizations with more capable systems were able to process a similar volume of loans with about one-fifth of the staff planned for FHA's streamlined loan processing operations. We have not performed additional work on this issue.

c. What suggestions can you offer on how we can go about doing this?

The congressional oversight process can be an effective vehicle to ensure that agencies are learning "best in the business" management practices from one another, other governments, and the private sector. OMB, interagency councils and the NPR, because of their governmentwide perspectives, can also provide valuable information to agencies as they seek to improve management.

d. Are there specific areas where we could make greater use of contracting-out, privatization, public-private partnerships and similar mechanisms to take advantage of private sector capacity and expertise?

We have consistently supported the concept of encouraging competition between government and contractor workforces in the provision of commercial services, and enactment last year of the Federal Activities Inventory Reform Act (FAIR) of 1998 is a long-needed congressional endorsement of the concept. The principal reform instituted by the FAIR legislation—the requirement that agencies create an inventory of commercial activities that are candidates for contracting out to the private sector—is consistent with one of the key issues identified in our 1997 report on privatization.⁷ While certain functions are inherently governmental and should be performed by government employees, competition based on cost, quality, and effectiveness should govern whether the private sector or the government perform other functions. Our report issued last month on public-private partnerships describes some of the conditions that promote effective cooperation between government agencies and private sector partners in providing real estate services.⁸

⁷Privatization: Lessons Learned by State and Local Governments (GAO/GGD-97-48, Mar. 14, 1997).

⁸Public-Private Partnerships: Key Elements of Federal Building and Facility Partnerships (GAO/GGD-99-23, Feb. 3, 1999).

**Responses of David M. Walker
Comptroller General of the United States
to Questions From Representative John L. Mica**

HUD on "High Risk" List

- 1. Mr. Walker, you listed the entire Department of Housing and Urban Development as "high risk." The entire department. There are no other entire departments on the list. I understand that Secretary Cuomo is eager to get HUD off the list and that he has initiated the 2020 Management Reform Plan with that goal in mind. Will Secretary Cuomo be successful in getting HUD off the risk list during his tenure? Based upon the work of GAO over the years, how long do you think it will be before HUD is off the "high risk" list? Are we talking two or three years, or a decade?**

It is difficult to predict when the department's high-risk designation can be removed. The Department of Housing and urban Development (HUD) is making significant changes and has made credible progress since our last report in 1997 in laying the framework for improving its management. HUD's Secretary and leadership team have given top priority to addressing the department's management deficiencies. This top management attention is critical and must be sustained in order to achieve real and lasting change. Importantly, given the nature and extent of the challenges facing the department, it will take time to implement and assess the impact of any related reforms.

We have discussed our criteria for removing the high-risk designation with HUD officials on several occasions. We have pointed out that the programs and agencies from which we have removed our high-risk designation have demonstrated results in overcoming management deficiencies. We have further pointed out that plans for reform, while important, are not sufficient in and of themselves. Rather, the results of such plans are needed to demonstrate that management problems have been corrected. In addition, as discussed with HUD officials, the ultimate determination of what constitutes high-risk will continue to involve the independent, professional, and objective judgment of GAO professionals.

- 2. Mr. Walker, in July 1994 the National Academy of Public Administration issued a report entitled Renewing HUD: A Long-Term Agenda for Effective Performance. In the introduction it stated, "If, after five years, HUD is not operating under a clear legislative mandate and in an effective, accountable manner, the president and Congress should seriously consider dismantling the department and moving its core functions elsewhere." It is now almost five years since this report was issued, and the analysis of GAO and the OIG still identifies major, long-standing problems at HUD. In the opinion of the GAO, should the department be dismantled?**

In 1997, we issued a report on this issue entitled Housing and Urban Development: Potential Implications of Legislation Proposing to Dismantle HUD (GAO/RCED-97-36, Feb. 21, 1997). Our report pointed out that dismantling a department as large as HUD would be a significant undertaking that would fundamentally change the federal role in housing and community

development and could have far-reaching effects on renters, communities, and would-be home buyers. The states and federal agencies that would have received HUD's functions under the legislative proposal being considered at that time generally believed they could assume additional programmatic and administrative responsibilities if they also received additional resources. However, several agencies cautioned us that dismantling HUD would adversely affect the delivery of services to clients and would eliminate the focus on housing and community development provided by a cabinet-level department. In addition, HUD is responsible for complex financial commitments that a resolution agency would need to administer and, in some cases, resolve. At the time of our review, these responsibilities included over \$400 billion in loan insurance and approximately \$464 billion in guarantees of mortgage-backed securities. In either case, for credible progress to continue in improving the way HUD's programs are managed, top management attention is critical and must be sustained in order to achieve real and lasting changes.

Human Resources Problems

- 3. Mr. Walker, human capital is listed in your testimony as one of the four broad areas where Federal Government management has to improve. The testimony described HUD's human resources problems to illustrate the point.**

See answer to number 4.

- 4. Would you say that HUD's human resources problems are the worst in the Federal Government? If not, which department or agency has worse human resources problems? How long does GAO believe it will be before human resources issues at HUD are resolved?**

We did not compare HUD's human resources problems to those of other federal agencies. Such a comparison would be difficult because of differences in agencies' functions, programs, and organizational structures. Our designation of HUD as a high-risk department was based on the existence of four serious, long-standing departmentwide management deficiencies that, taken together, place the integrity and accountability of HUD's programs at high-risk. These deficiencies relate to internal controls, information and financial management systems, organizational structure, and staffing.

It is difficult to estimate when HUD's human resources problems will be resolved. Whether HUD has the right number of staff with the proper skills has been an issue of concern to us, HUD's Inspector General, and others for a number of years. While reforms to address the department's staffing problems are under way, our recent work indicates that these reforms are in the early stages of implementation, and it is too soon to tell whether they will resolve this deficiency.⁹ In our January 1999 report on HUD's major management challenges and program risks, we pointed out that because staffing reforms and workload transfers from field offices to HUD's new consolidated or centralized centers are still in progress, the effectiveness of HUD's changes in correcting staffing deficiencies cannot be determined. In accordance with the Results

⁹Major Management Challenges and Program Risks: Department of Housing and Urban Development (GAO/OCG-99-8, Jan. 1999).

Act, HUD needs to closely monitor the implementation of its staffing reforms to ensure that the field offices and staff have the resources and skills to carry out the work assigned, including the monitoring of programs and activities and the assessment of outcomes. We expect that our next Performance an Accountability and High-Risk Series, scheduled for 2001, will place more emphasis on human capital issues. This will enable us to provide additional information on HUD's efforts and how they compare to those of other government agencies.

Fragmentation and Overlap Among Federal Programs

- 5. In your testimony there is a list of the areas in which there is fragmentation and overlap among Federal agencies and programs. Included in this list are housing, community and economic development programs. Can you specifically identify any of the agencies or programs that overlap in those areas?**

We have issued two reports, one on homeownership and another on economic development, that relate to this issue--GAO/RCED-96-123, Aug. 13, 1996, and GAO/RCED-95-251R, July 28, 1995.

Our report on homeownership pointed out that at least 12 federal programs promote affordable homeownership through agencies such as HUD, the Department of Veterans Affairs, and the Department of Agriculture's Rural Housing Service.

Our report on economic development pointed out that there are 342 programs related to economic development, most of which are administered by the Departments of Agriculture, Commerce, and Health and Human Services, HUD, and by the Small Business Administration. In addition, 13 of the 14 executive departments and many agencies and administrations have economic development programs.

Public Affairs Office

- 6. Mr. Walker, has GAO conducted an audit or investigation of the budget and expenditures of the Office of the Assistant Secretary for Public Affairs? If so, what have your findings been?**

We have not reviewed the budget and expenditures of the Department's Office of Public Affairs. However, this office, which, among other things, advises the Secretary and HUD staff on public and media relations and coordinates efforts to keep the public informed of departmental actions, is expanding its coverage of electronic news resources. This expansion has created a need for additional contract funds.

**Responses of David M. Walker
Comptroller General of the United States
to Questions From Ranking Minority Member Waxman**

1. Mr. Walker, in your response to a question from Mr. Ose you commented about having two sets of numbers for the census. In 1990 two sets of numbers were used. One set of numbers, which included military and Federal civilian employees stationed abroad and their dependents living with them, was used for apportionment. A second set, which did not include this population, was used for all other purposes.

a. What work did GAO conduct on the impact of a two number census in 1990? Has the GAO issued any reports on the results of its work: Do you have any evidence that issuing two sets of numbers for the 1990 census caused problems?

We did not conduct any work assessing the impact of including the count of overseas military and federal civilian employees in 1990 apportionment totals.

2. Given our experience with the Gulf War, when over a half a million people were moved overseas almost overnight, would you recommend that the Census Bureau continue the practice of counting overseas military personnel for apportionment purposes, but excluding them from all other counts?

The question of whether to include overseas military and federal civilian employees in apportionment totals and/or other census tabulations is a policy decision on which we have not done relevant work. A Census Bureau official told us, however, that they plan on conducting the overseas enumeration of military personnel and federal civilian employees in 2000 the same way as in 1990. They will allocate this population by home state of residence on a state-level, rather than block-level, basis because military records are not available to provide precise block-level designations. Since the Bureau is limited to counting this population on a state-level basis, the Bureau official told us that the numbers will only be used for apportionment purposes.

3. If in 2000 a complete census under the law results in one set of numbers for apportionment, and a second set for everything else, do you have any evidence to suggest that would cause problems?

Our work on the adjustment question during the 1990 census raised a number of issues that are relevant for 2000. In 1990, the first set was the traditional head count produced by the statutory deadlines of December 31, 1990, for state level counts and April 1, 1991, for more geographically detailed data. The second set of adjusted numbers attempted to compensate for the undercount and was reported in July 1991. On July 15, 1991, after deliberating on whether to make a statistical adjustment to the

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1990 census using the second set of numbers, the Secretary of Commerce announced his decision not to adjust. In his decision, the Secretary noted there was general agreement that adjusted counts are more accurate than the census at the national level, but there was disagreement about which set of numbers was more accurate at lower levels of geography.¹⁰ In March 1993, we testified that the 1990 strategy of producing two sets of numbers consumed considerable resources and planning efforts, affected the overall operation of the census, and provoked considerable controversy and litigation.¹¹ With barely a year's time until Census Day 2000, the Bureau must quickly prepare for and implement plans to accomplish its commitment to produce two sets of numbers as accurately as possible and on schedule. We plan to review the Bureau's final plan for the 2000 Census once it is issued.

Other GAO work that addresses the impact of the 1990 two number census includes a 1991 report which discussed the challenges the Bureau encountered in attempting to adjust the 1990 census, particularly its record matching operations¹² and several reports on the impact of 1990 adjusted census data on federal funds distributions to states.¹³

(410439/918963)

¹⁰Formula Programs: Adjusted Census Data Would Redistribute Small Percentage of Funds to States (GAO/GGD-92-12, Nov. 7, 1991).

¹¹Decennial Census: Fundamental Reform Jeopardized by Lack of Progress (GAO/T-GGD-93-6, Mar. 2, 1993)

¹²1990 Census Adjustment: Estimating Census Accuracy – A Complex Task (GAO/GGD-91-42, Mar. 11, 1991).

¹³GAO/GGD-92-12, November 7, 1991 and Formula Grants: Effects of Adjusted Population Counts on Federal Funding to States (GAO/HEHS-99-69, Feb. 26, 1999).

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