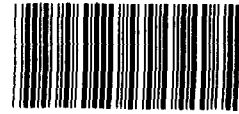


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Service to the Public:
How Effective and Responsive
Is the Government?

Statement of
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Before the
Committee on Ways and Means
House of Representatives



SUMMARY

The drive for economy and efficiency in government has traditionally resulted in measures to improve internal agency operations. Seldom has it been defined as determining and meeting the needs of our customers--the public. The lesson now being learned by American business, and to be learned by government, is that service quality cannot be defined internally, but must be defined as meeting the public's expectations.

To have a government that works well, we must have programs that operate efficiently and effectively in both their internal functions and in their delivery of services to the public. However, we are increasingly finding that (1) neither the Congress nor the agencies have defined what level of service they expect to provide to the public, (2) detailed program evaluations are often unavailable, (3) agency data systems do not provide adequate information with which to manage, and (4) reliable financial information is not available.

Over the past 8 years, we have reviewed the general management of virtually every major federal department and agency. One finding is absolutely consistent--good management requires stable leadership in key positions, and most government institutions fall short of the mark. Because of this, the challenge for government agencies and their leaders is to establish basic management structures--sound financial management systems, a process for strategic planning, and effective management information systems--that endure over time and become the foundation for effective management. The need for a long-range vision for the future in our departments and agencies is linked closely to the need for stable leadership. Accordingly, the Congress needs to help agencies focus more on a long-term strategic view. Simply striving to improve how we do business today is inadequate.

The Congress must become involved in establishing and supporting a common vision. Too often the Congress and agencies have developed different visions of what they believe service should be. Having established a shared vision of service, the Congress and the agencies need to set benchmarks and evaluate performance against them. Without meaningful performance measures, it is difficult to determine whether agencies are spending their resources efficiently and wisely. Top management support and insistence on honest reporting are urgently needed.

As critical as it is to establish a vision and work to achieve quality service to the public, it is equally important to ensure proper stewardship of the public's money. Management deficiencies, program abuses, and illegal activities that cost the taxpayers billions of dollars and undermine their confidence in the government must not continue.

Mr. Chairman and Members of the Committee:

I welcome the opportunity to appear before you today to present our views on the effectiveness of government programs. You have asked us how well the government carries out its responsibilities and whether established programs and policies continue to make sense. One single question seems to best sum up your concerns: Are the American people getting their money's worth from the federal government?

I don't have a direct answer to that question. But I have to admit that I can understand why many people seem to doubt the value of their government.

I suspect that a good part of the frustration directed at government stems from well-publicized reports of scandals like those at the Department of Housing and Urban Development and of the incomprehensible price tag associated with the savings and loan debacle. Moreover, an impression of widespread management deficiencies and program abuses is fostered by reports of federal program payments by one government agency to persons known by another agency to be dead, that our tax collectors are reportedly owed almost \$100 billion in accounts receivable, or that Medicare contractors are failing to bill private insurance companies for billions of dollars of claims that Medicare shouldn't be paying. Finally, our citizens are often frustrated

by their own dealings with the government, by the complexities of trying to comply with the tax code, and the difficulties of understanding the status of their Medicare claims.

Some programs may well have outlived their usefulness, although it will be hard to know which programs these are without a greater investment in systematic program evaluation than has occurred in recent years. Other programs continue to deliver valuable services, but need to be reengineered. Some of them have been using essentially the same operating methods and procedures for several decades. The challenge we face involves modernizing our approaches to program management and investing more in understanding what we are spending our money on and what we are achieving with those expenditures.

This Committee can play an extremely important role in addressing the frustrations of the American people because of the key programs that fall under its jurisdiction. Nobody seriously argues that Social Security or Medicare have outlived their usefulness or that the Internal Revenue Service (IRS) should be abolished. But these are among the handful of federal agencies that touch the lives of millions of Americans each year. Improvements involving these agencies will go a long way toward improving the general image of the federal government.

We need to find ways that the executive and legislative branches can work together to improve the operations of our government. I think the two branches can work together more effectively and shall outline briefly some ideas that we have about how they can. I shall first discuss some observations about how we can improve the general quality of the management of government programs and, in particular, make them more responsive to their tax-paying customers. Next I shall share a few observations about the need to better assure proper stewardship of the public's resources and ways to achieve that objective. Finally, I shall say a few words about the need for greater emphasis on program evaluation.

FOUNDATIONS FOR QUALITY

SERVICE TO THE PUBLIC

The challenge facing the Congress and federal agencies is to meet the rising demands for public services in an environment of continual revenue shortages. This challenge is similar to the challenge now confronting our private sector. In the face of stiffening foreign competition, American business has engaged in a soul-searching of its own over how to improve service, increase quality, and regain a competitive advantage. Out of this process, America's best run companies have gained new insights about the elements necessary to deliver quality services efficiently. I believe that it is instructive to use some of

these elements as a framework for discussing ways in which our public sector programs can be improved.

Four common principles are generally found among industry leaders:

- Management continuity and consistency,
- A long-range vision for the future,
- An orientation toward serving customers, and
- A systematic strategy for measuring performance.

I would like to discuss our concerns about government program management and the quality of government services with these principles in mind.

Management Continuity and Consistency

Over the past 8 years, GAO has performed detailed reviews examining the general management of most major federal departments and agencies. One finding is absolutely consistent across those reviews--good management requires stable leadership

in key positions, and most government institutions fall short of the mark.

The nature of our political process dictates turnover at the top. The heads of federal agencies stay in office generally about 18 to 24 months, rarely lasting through a President's term. Such turnover frequently reaches deep into an agency's politically appointed executive staff. Moreover, transition periods can be lengthy, and leadership changes are frequently followed by reorganizations that affect key agency functions.

In this environment of change, the challenge for government agencies and their leaders is to establish basic management structures--sound financial management systems, modern human resource management approaches, a process for strategic planning, and effective management information systems--that endure over time and become the foundation for effective management. The price of not meeting this challenge can be continued ambiguity about an agency's direction.

In our view, executive turnover has slowed the process of modernizing the basic management structures at the Social Security Administration (SSA). Several management initiatives that had been launched in 1987--in response to our recommendations--were altered in 1990 by a new commissioner. More recent adjustments appear to be moderating the effect of the

1990 changes, but the 2-year start-and-stop cycle effectively placed on hold some of the management improvements we found critical in 1987.

Fortunately, turnover does not always slow the pace of management system improvements. At IRS, the current Commissioner has continued to expand on the efforts of his predecessor to bring new financial and information systems leadership into the agency. This has strengthened the agency's strategic management process and begun to improve its service quality.

Executive turnover is probably endemic to our political process. The challenge for those who want to improve the quality of both public service and agency management is to develop strategies that can help to overcome the disruptive effects of these leadership changes.

The Congress can help in several ways. First, it can demand that agencies strengthen their basic management systems through the kind of financial management improvements envisioned in the recent chief financial officer legislation, through more proactive human resource management programs, and through improved information management programs. Second, the Congress can use its oversight responsibilities to encourage greater constancy of purpose. Traditionally, the Congress has greater tenure and stability than does the political level of agency

leadership. By becoming more of a partner in setting the broader agenda of agency leadership, it can promote greater stability from one agency leader to another. Finally, the Congress may want to question the purpose served by having politically appointed leadership extend so deep into many of our agencies, thereby increasing the turmoil associated with executive turnover.

Long-Range Vision
for the Future

A strong lesson coming to us from the best run companies in America is that organizations must be driven by a common corporate vision of the future that starts at the top and is understood and shared at all levels in the organization. Moreover, such a vision must involve more than simply striving to improve how we do today's activities. Our leaders must develop and communicate a vision about how government services need to change in response to new challenges, new technologies, and new possibilities.

In government, more than the agency leadership is involved in establishing and supporting this kind of common organizational vision. The Congress must also be involved in the process since its actions, including the resources it appropriates, will play a major role in determining how the public is served. But too

often neither the Congress nor the agencies have articulated such a vision. Moreover, sometimes it seems that the Congress and the agencies develop different visions or perspectives on what they believe constitutes high-quality service. Clearly, there is a need for a congressional and agency partnership to form around a shared vision of what constitutes quality service, how it can best be delivered, and what resources it will require.

Developments involving the nationwide toll-free telephone service offered by SSA provide one example of the consequences of a lack of shared vision. Ironically, different visions on how best to provide telephone service to the public--the Congress mandating direct telephone access to selected local offices versus SSA offering a toll-free nationwide 800 number--may actually result in poorer rather than better service. A reduction in service quality may occur because routing calls directly to the local offices negates a substantial portion of SSA's vision of using new technology to provide high-quality service with fewer people. But since the local offices no longer have the staff or number of telephone lines in place to accept the workload that may materialize, congressional expectations about the quality of service SSA will give the public may also be frustrated.

Nowhere is the need to expand strategic vision beyond simply improving current business processes more vividly illustrated than in the federal government's acquisition of information

technology. The government has reaped a poor return on its multi-billion dollar investment in information systems. Agencies have created tens of thousands of computer systems that resemble mammoth electronic filing cabinets crammed with disconnected data generated by thousands of individual offices. Typically, data are poorly maintained and cannot be accessed by those who need them. This occurs when agencies simply automate their old ways of doing business rather than asking themselves how they will do business in the future. We cannot continue to use automation to make incremental improvements to current operations if we intend to fundamentally change service delivery in the future.

For example, SSA has greatly modernized its computer systems in the past 10 years, but it has not changed its basic approach to the work it does or determined how it must serve the public in the next century. And IRS still processes tax returns using design concepts from the 1950s--such as batch processing and magnetic tape storage on reels. As a result, retrieval of data often takes weeks, making service to taxpayers and IRS users slow and sometimes unreliable. IRS is undertaking a major modernization to remedy this situation, but it will require most of the next decade to complete.

The need for stable leadership in our departments and agencies is linked closely to the need for a long-range vision for the future. Here again, the Congress can help. In its oversight

role, the Congress can make sure that agencies develop and communicate a longer-term strategic vision of how they will serve the public. And the Congress can make sure that oversight focused on the day-to-day problems our agencies experience does not lose sight of the longer-term strategies for improving service to the American people.

Orientation Toward Serving Customers

Traditionally, efforts to improve the quality of public services have focused on economy and efficiency in internal agency operations. The lesson now being learned by American business is that service quality cannot be defined by focusing only on internal operations; it must be defined with reference to the public's needs and expectations.

Our government agencies have not always served the public well, as is amply illustrated by well-documented problems with garbled government notices full of bureaucratic language, citizen difficulties in getting information, and less than helpful assistance. In recent years, some of the major agencies under this Committee's jurisdiction have made improvements in the quality of their public service, but more improvements are needed before we can be satisfied that we are truly serving the public.

For example, IRS improved the accuracy rate of its telephone responses to taxpayer questions from 66 to 81 percent in fiscal years 1989 to 1990. Unfortunately, the likelihood of a taxpayer successfully contacting an assistor decreased from 61 to 42 percent. From the taxpayer's viewpoint, the definition of acceptable public service would be a successful contact and a correct answer every time. Thus, recent improvements on one dimension are being offset by deterioration on another and both still need improvement. IRS has also taken steps to improve the quality of its correspondence and begun to more closely monitor that quality. IRS reports the rate of serious errors dropped from 38 to 14 percent in fiscal years 1989 to 1990. Notwithstanding the improvement, millions of taxpayers still received erroneous information last year.

A similar situation exists with Medicare's administrative budget, which has not kept pace with rapid growth and change in recent years. The Medicare program has a long history of problems communicating with beneficiaries and providers. The Administration's request for less than half as much funding for beneficiaries and provider services as the Congress appropriated in 1991 does not bode well. It comes at a time when major changes in the program's physician payment method are occurring, and these changes will likely increase demand for services.

Finally, the taxpayers' ability to comply and IRS's ability to carry out its responsibilities are affected, in no small part, by the complexities of the law. Areas we have examined recently include:

- the federal tax deposit (FTD) requirements for withheld income and social security taxes, where complexity makes it difficult for employers to comply with the requirements and for IRS to administer the FTD penalty; and
- other sections of the Internal Revenue Code that are particularly troublesome for IRS and corporations, such as those relating to amortizing the price of intangible assets purchased in a corporate acquisition or merger and reallocating income between foreign and domestic corporate subsidiaries.

The Congress has a long history of interest in service to the public, although frequently its focus is on the problems of individual constituents. Obviously, that perspective should and will continue. But we think a broader view is also important. For example, tax simplification needs to be a major consideration in every review of the tax code because simplification is critical to improve taxpayer compliance with the nation's tax laws.

Oversight activities, such as these hearings, provide a vehicle for focusing on broader service questions. Through such efforts, the Congress can help executive branch agencies focus on these broader questions, come to agreement with the Congress on the definition of what high-quality service is, debate the means and strategies for achieving that quality of service, and determine the resource commitments necessary for quality improvements.

Structures for Measuring Performance

One of the most important elements in improving service quality is the development and implementation of valid measures of performance. These measures allow an organization to define its objectives and track progress toward meeting them. Moreover, the very act of measuring something encourages the behavior of providing it.

In addition to establishing a shared vision of what constitutes high-quality service to the public, the Congress and the agencies need to work together to set benchmarks and evaluate performance against them. GAO has long advocated the use of performance measures in the government because they help clearly establish accountability for program results. Performance measures allow policymakers to assess the results of alternative policies. Trade-offs can be more clearly made to maximize the use of limited resources to achieve public benefits. The benefits of

governmental activity also can be more clearly demonstrated to the public. Performance measures allow agency managers to manage their organizations and processes better. They also allow the public to see what they are getting from their government.

Performance measures also supply a vital link between agency programs and the information systems built to support the programs. Without good performance measures, it is difficult to develop systems that will provide the information needed to determine whether agencies are spending their resources efficiently and wisely. All too often, for example, agencies contract for information systems costing hundreds of millions or billions of dollars over their life cycle without a clear understanding of exactly what these systems are supposed to do, how they are to contribute to agency effectiveness, how they should be built, or how the information they produce will help decisionmakers evaluate the effectiveness of government programs and policies.

The Chief Financial Officers (CFO) Act of 1990 requires executive branch agencies to develop and regularly report performance indicators. This process will give the Congress the opportunity to discuss with agency leadership the priorities to be afforded different agency activities and the measures best suited to monitoring them. Also, the regular reports will provide a framework for periodic oversight.

ENSURING STEWARDSHIP
OF THE PUBLIC'S FUNDS

As critical as it is to establish a vision and work to achieve quality service to the public, it is equally important to ensure proper stewardship for the public's money. Management deficiencies, program abuses, and illegal activities cost the taxpayers billions of dollars and undermine their confidence in the government. This situation is unacceptable under any circumstance, but becomes even more serious in light of the other critical needs for scarce government resources.

Probably the most publicized of the scandals in the recent past have been those at the Department of Housing and Urban Development. But, as I noted earlier, our work indicates problems in many other areas as well.

Our concern about these problems led us to initiate a program to target special attention on a limited number of "high-risk" programs--programs that may be at particular risk of large losses to the taxpayer through mismanagement, fraud, and waste. We are applying substantial resources to an in-depth examination of these program areas. Several of these areas are under the jurisdiction of this Committee, and include tax receivables, questionable Medicare claims, and private pension plans. We have

been working with this Committee as well as others in the Congress to highlight reforms needed in these areas, and will continue to work with the Congress on these issues in the months and years ahead.

No amount of external oversight can replace effective systems for holding management accountable on a regular basis, however. Nor is oversight a substitute for sound financial management and systems. Recognizing this, the Congress has taken two important steps to encourage greater attention in the agencies to building sound financial management systems. First, it enacted the Federal Managers' Financial Integrity Act in 1982; more recently, it adopted the CFO Act. Each is designed to improve the government's ability to manage its programs and ensure agencies' accountability for the stewardship of public funds.

We must implement this legislation effectively and build a modern financial management structure. This will require sustained attention in the Executive Branch, which can best be guaranteed by similar sustained attention in the Congress. I urge this Committee and others to consider regular hearings with agency heads and CFOs, both to stay abreast of developments and to emphasize to these agencies the necessity of diligently implementing this legislation.

HAVE PARTICULAR PROGRAMS OR
POLICIES OUTLIVED THEIR USEFULNESS?

Let me deal briefly with another question you asked us to address: Have particular programs or policies outgrown their usefulness? While no one would suggest that Social Security, Medicare, or the taxes that support them are outmoded, there are clearly policy adjustments that can and should be considered. While we can point to episodic examples of programs that are not fulfilling their charter, like the Administration on Aging and the National Center for Child Abuse and Neglect, it is difficult to determine whether they have truly outlived their usefulness or are merely examples of "hollow government"--programs with expectations that cannot be fulfilled for lack of resources.

In many cases, managers are forced to emphasize short-term reductions in administrative resources that are not always in the best long-term interests of the programs or the people they serve. Unfortunately, one of the first casualties of budget reductions has been good program evaluation, and neither the Congress nor the agencies now have the information available to them to determine whether the public is continuing to receive appropriate value for its investments.

One area that we feel warrants more evaluation attention is the use of our tax system to meet social goals. The tax law is replete with deductions, credits, exemptions, and exclusions--tax expenditures--that represent revenues that could have been raised, but were not. Many of these expenditures were set up years ago to meet particular social goals and, unlike most expenditure programs, are not usually subject to periodic reauthorization or annual appropriations. The relative benefits and costs of these provisions have rarely been analyzed or compared with alternative ways of reaching policy goals. As part of its general oversight of the tax code, this Committee could give renewed emphasis to such an examination.

CONCLUSION

A lot is required of our government and its managers to operate more effectively and efficiently in the years ahead, but positive signs are on the horizon. In general, the problems of the government are its management, not its people.

To improve management, agencies need to develop strategies to overcome disruptive effects of leadership changes, such as long-range plans and sound financial management systems. They also must become accustomed to operating with the customer's needs in mind and measure performance accordingly.

The Congress can play an important role in this type of reform by supporting agency efforts in the following three areas: quality management, stewardship of public funds, and more systematic program evaluation. To support quality management, the Congress should (1) encourage the development of management systems to help cushion the effects of leadership transitions, (2) use oversight to promote constancy of purpose in agencies, (3) review the need for so many layers of political appointees, (4) emphasize longer-term vision as well as short-range concerns in conducting oversight, (5) encourage agency focus on customer service, and (6) work with agencies to develop meaningful performance measures.

To promote stewardship of the public's funds, the Congress should continue oversight of high-risk areas and assure full implementation of the CFO Act.

Finally, the Congress must assure adequate funding of program evaluation activities so that it has available to it the kind of information needed to review program effectiveness.

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Mr. Chairman, let me conclude by complimenting your in-depth look at the important programs and policies under the jurisdiction of your Committee. We stand ready to help you in any way we can.

This completes my prepared statement. I would be pleased to respond to any questions.