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REINVENTING GOVERNMENT

Status of NPR Recommendations at 10 Federal Agencies

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The Honorable George Voinovich
Chairman, Subcommittee on Oversight of Government
  Management, Restructuring, and the District of Columbia
Committee on Governmental Affairs
United States Senate

The Honorable Sam Brownback
United States Senate

Emerging challenges, including globalization, technological innovations, demographic shifts, quality of life issues, and changing security threats, will help shape the United States and its place in the future. The need to successfully address these challenges is driving public sector managers at all levels of government to seek new and creative ways to ensure the economy, efficiency, and effectiveness of government programs.

The administration launched the National Performance Review, now known as the National Partnership for Reinventing Government (NPR) in March 1993, when President Clinton announced a 6-month review of the federal government to be led by Vice President Gore. NPR recognized and supplemented prior and existing management reforms and was the administration's core effort to reform the federal government during most of the last decade.

The first NPR report was released in September 1993 and made recommendations intended to make the government "work better and cost less." NPR's report included a range of general and specific recommendations to reinvent individual agencies' programs and organizations. The report also included governmentwide recommendations covering procurement, information technology, and other crosscutting issues. In September 1995, NPR made additional recommendations that focused on identifying additional programs that could be reinvented, terminated, or privatized as well as on reinventing the federal regulatory process. More recently, NPR has focused on agencies that have the most contact with the public and has encouraged these agencies to focus on customers, employees, and getting results that matter to Americans.

This report is the fifth product we have issued at your request on issues related to NPR.[1] The other products you requested have (1) discussed certain aspects of NPR's reform efforts and the need for continuing attention to improve government performance; (2) highlighted how management and process improvement initiatives, including those that employ the principles of quality management, help to achieve mission-related results; (3) discussed common elements that are important in implementing and sustaining successful management improvement efforts—such as top leadership commitment and accountability, employee involvement, and congressional involvement and oversight; and (4) answered specific questions on management reform initiatives, including total quality management, NPR, and the Government Performance and Results Act (GPRA).

As agreed with your offices, this report provides information on NPR's 1993 and 1995 recommendations that related to 10 federal agencies.[2] These agencies are the Departments of Defense, Energy, Housing and Urban Development, Commerce's National Weather Service (NWS) and Bureau of the Census, Health and Human Service's Health Care Financing Administration (HCFA), Transportation's Federal Aviation Administration (FAA), and Treasury's Internal Revenue Service (IRS); and the Social Security and General Services Administrations. These agencies were selected because they have a high degree of interaction with the public and business. We also selected the Departments of Energy and Housing and Urban Development at the request of the Subcommitee.

For this report, we were asked to focus on three objectives. These objectives are to (1) identify and discuss the factors influencing NPR's reform efforts, (2) provide information on the implementation status of the recommendations NPR made to 10 agencies, and (3) provide information about the effects the 10 agencies reported they achieved by implementing these recommendations.

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[1] See Management Reform: Continuing Attention Is Needed to Improve Government Performance (GAO/T-GGD-00-128, May 4, 2000); Management Reform: Elements of Successful Improvement Initiatives (GAO/T-GGD-00-26, Oct. 15, 1999); Managing for Results: Answers to Hearing Questions on Quality Management (GAO/GGD-99-181R, Sept. 10, 1999); and Management Reform: Using the Results Act and Quality Management to Improve Federal Performance (GAO/T-GGD-99-151, July 29, 1999).

[2] From Red Tape to Results: Creating a Government That Works Better and Costs Less, report of the National Performance Review, Vice President Al Gore, September 7, 1993; and Common Sense Government: Works Better and Costs Less, third report of the National Performance Review, Vice President Al Gore, September 7, 1995.

To meet our first objective of identifying and discussing the factors influencing NPR's reform efforts, we examined the interaction of NPR with other initiatives and the environment in which agencies were operating while they were responding to NPR's recommendations. To meet our second objective of providing information on the implementation status of the recommendations NPR made to 10 agencies, we asked each of these agencies to identify and categorize the status of each recommendation as fully or partially implemented or, if not implemented, whether action had been taken. We asked the agencies to provide information on the implementation status of all of the recommendations NPR made to each of these 10 agencies, with the exception of the Department of Defense (DOD) where, as requested, we focused on the two recommendations NPR made concerning acquisition reform. The 72 recommendations NPR made to the 10 agencies we studied represent about 16 percent of the 440 agency-specific recommendations that NPR made in 1993 and 1995.[3]

To address our third objective of providing information about the effects the 10 agencies reported they achieved by implementing these recommendations, we requested that the agencies identify the effects from each NPR recommendation and provide verifying documentation if available. To further verify these effects, we examined available documentation and the results of our ongoing and completed work related to these NPR recommendations. We followed up with the agencies to clarify their responses, update information, and resolve any inconsistencies.

We conducted our work in Washington, D.C., in accordance with generally accepted government auditing standards. A more detailed description of our scope and methodology and a list of the 72 NPR recommendations that are related to the 10 agencies included in our review are contained in appendix 1. Appendix 2 contains a copy of the data collection instrument that we sent to the agencies to request information on the implementation status and effects for each of the NPR recommendations.

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[3] NPR also made an additional 250 crosscutting recommendations that focused on regulatory issues and government systems such as procurement, personnel, and information management issues that were not specific to individual agencies.

Results in Brief

Reflecting the widespread interest in reforming government to improve effectiveness and service quality while limiting costs, the administration, Congress, and federal agencies have undertaken a number of important, ambitious, and largely consistent reforms in the last decade. As the administration's core effort to reform the federal government during most of the last decade, NPR was one of a number of catalysts that stimulated agencies to become more effective and efficient. At the same time, Congress has put in place a statutory framework intended to improve federal program effectiveness and public accountability by instilling a performance-based approach into the management of federal agencies. For example, in 1993, Congress enacted GPRA to improve federal program effectiveness and public accountability by promoting a new focus on results, service quality, and customer satisfaction. NPR endorsed prior and existing management reforms and operated in an atmosphere in which other factors, such as agencies' ongoing efforts and congressional actions, also influenced the steps taken to address NPR's recommendations. As a result, NPR's effects cannot be isolated from other reform efforts that also contributed to improved government performance.

Of the 72 NPR recommendations covered in our review, the 10 selected agencies considered almost 90 percent of them to be either fully or partially implemented. The agencies characterized 33 of the 72 recommendations as fully implemented, such as the recommendation to authorize federal tax payment by credit card. The agencies also considered another 30 recommendations as partially implemented because the recommended actions could not be done all at once and required time (several years in some cases) to complete them. For example, the agencies interpreted some of the NPR recommendations as calling for continuous improvement, such as the NPR recommendation to the Department of Energy (DOE) to improve contractor performance. In fact, in several instances the agencies indicated that they would continue their efforts related to the recommendations, even when they considered the recommendation to be fully implemented. The remaining nine recommendations included eight where agencies had taken some action and one where no action had been taken.

The agencies reported a wide range of effects, the vast majority of which were positive, in relation to their efforts to implement NPR's recommendations. Agencies had some measures for over one-half of the 54 recommendations where they had identified related effects. We grouped the positive effects agencies reported into five categories: (1) enhanced revenue or reduced costs; (2) improved customer service; (3) improved efficiency, effectiveness, or mission accomplishment; (4) improved agency

processes; and (5) enhanced stewardship or reduced waste, fraud, and abuse.

Our review of NPR's reforms as well as our other related work on federal management issues suggests that successful reform is an ongoing process and that the next Congress and administration will face a series of long-standing management challenges that will continue to demand attention, such as addressing federal functions and programs that are at a high risk to waste, fraud, abuse, and mismanagement. On the basis of lessons learned from past reforms, we have identified several elements that are important in implementing and sustaining management improvement efforts. These include a demonstrated leadership commitment and persistence; performance management systems needed to ensure accountability for change; the need for substantive and rigorous planning to include establishing clear, measurable goals and baseline data; and congressional oversight and involvement.

In commenting on a draft of this report, the agencies included in our review generally agreed with how we presented the effects they reported regarding the 72 recommendations and with our broader observations about management reform efforts.

NPR's Effects Cannot Be Isolated From Other Reform Efforts

As we noted in recent testimony before the Subcommittee,[4] by their very nature, successful management reform efforts often entail (1) concerted efforts on the part of agencies, (2) leadership and follow-through on the part of central management agencies and the administration, and (3) support and oversight from Congress. The presence of all three of these elements are critical to the cultural transformation needed for effective implementation of both governmentwide and agency-specific reforms. The transformation that the federal management reforms of the 1990s entail will not be an easy one, and a significant investment of time and resources is needed to create a government that is better equipped to deliver efficiently, economically, and effectively on its promises to the American people.

Given the interaction of all of these elements, an attempt to isolate the specific contributions that any one entity made to successful management reforms—or to apportion "credit" among entities—is generally not possible. Thus, it is not surprising that the unique effects of the NPR's efforts cannot be readily isolated from the critical contributions that

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[4] GAO/T-GGD-00-26.

agencies, Congress, and others made as well as the effects from the environment in which these reforms were operating.

As we reported in July 1999, NPR attempted to build upon prior management reforms and operated in an atmosphere in which other factors, such as agencies' ongoing efforts and congressional actions, also influenced actions taken to address NPR's recommendations.[5] For example, the effects of NPR's 1993 recommendation to modernize the IRS are intertwined with the effects of the IRS Restructuring and Reform Act of 1998 (Restructuring Act) and with Commissioner Rossotti's own initiatives to modernize the IRS. NPR's recommendation to modernize IRS included actions to (1) support a new business vision, (2) realign the missions of IRS' organizations, and (3) improve taxpayer-focused output measures. Congress remained concerned about the need to modernize IRS and included requirements in the Restructuring Act for IRS to (1) adopt a new mission statement to place greater importance on serving the public and meeting taxpayer needs, (2) develop and implement a reorganization plan to support IRS' new mission, and (3) carry out other actions to enhance taxpayers' rights.

Building on the direction set forth in the Restructuring Act and recommendations from NPR and others, Commissioner Rossotti established a new mission statement and supporting strategic goals for IRS. Recognizing the complex and interdependent nature of its long-standing problems, IRS also initiated a massive modernization effort that encompasses major changes to its organizational structure, business practices, performance management system, and information systems. Although, in many ways, IRS remains as challenged an agency today as it was 2 years ago when the Restructuring Act was passed, this modernization effort is attempting to improve the agency's performance in two key mission areas—taxpayer service and compliance.[6] IRS modernization, however, is a long-term effort that is likely to take another decade or longer to fully implement.

Three examples from the recommendations that NPR made to DOE also illustrate the interrelationship between NPR's recommendations and other initiatives. The 1993 recommendation NPR made to DOE to sell the Alaska

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[5] NPR's Savings: Claimed Agency Savings Cannot All Be Attributed to NPR (GAO/GGD-99-120, July 23, 1999).

[6] See IRS Modernization: Long-term Effort Under Way, but Significant Challenges Remain (GAO/T-GGD/AIMD-00-154, May 3, 2000) and IRS Restructuring Act: Implementation Under Way but Agency Modernization Important to Success (GAO/T-GGD-00-53, Feb. 2, 2000).

Power Administration (APA) was predated by formal proposals that first appeared in the President's Fiscal Year 1986 Federal Budget of the Reagan Administration. In November 1995, 2 years after NPR made its recommendation, Congress passed legislation mandating the sale of APA. Although NPR's recommendation was one of the components that culminated in the sale of APA, it built on efforts that began several years before NPR's recommendation.

NPR made two recommendations to DOE that reflected the political environment following the end of the Cold War. One of NPR's recommendations called for DOE to redirect energy laboratories to post-Cold-War priorities by continuing the reduction of funding for nuclear weapons production, research, testing programs, and infrastructure. NPR also recommended that DOE sell uranium no longer needed for national defense purposes. DOE said that NPR's recommendation was consistent with its existing uranium disposition program, but that the recommendation was not the program's prime motivator. Rather, DOE said that the aftermath of the Cold War resulted in significant quantities of weapons-usable fissile materials (primarily plutonium and highly enriched uranium) becoming surplus to national defense needs, both in the United States and Russia.

Congress Plays an Essential Role in Governmentwide and Agency-Specific Reform Efforts

Congress has sought to reform the fiscal, program, and management performance of the federal government through a statutory framework that includes the Chief Financial Officers Act of 1990 and related financial management legislation; information technology reform legislation, such as the Clinger-Cohen Act of 1996 and the Paperwork Reduction Act of 1995; and GPRA, which was enacted in 1993. At the same time, Congress has taken legislative action consistent with some NPR reforms and initiated other improvements targeted to individual agencies.

The statutory framework provides the basis for developing fully integrated information about agencies' missions and strategic priorities, results-oriented goals that flow from those priorities, performance data to show progress in achieving those goals, the relationship of information technology investments to the achievement of performance goals, and audited financial information about the costs of achieving results. NPR recognized the interrelated nature of these reform efforts in its statement that

"The combination of the reinvention initiative's emphasis on results and the passage of the Government Performance and Results Act of 1993 is turning scores of federal agencies

away from procedure and toward performance, serving people better and, at the same time, reducing the cost of government."[7]

Congress also played an important role in supporting the agencies' implementation of NPR recommendations. The agencies reported that 19 of the 63 recommendations that were fully or partially implemented were helped, or directly authorized, by legislation. For example, HCFA said that congressional support was a key factor in fully implementing NPR's recommendation to protect the Social Security, Disability, and Medicare Trust Fund because Congress removed barriers to funding productive oversight activities. Our 1998 report on HCFA's use of anti-fraud-and-abuse funding and authorities underscored the important role of Congress in implementing this reform.[8] In that report, we noted that with the August 21, 1996, enactment of the Health Insurance Portability and Accountability Act, Congress provided important new resources and tools to fight health care fraud, abuse, and inappropriate payments.

Legislation was also a key factor in efforts to improve the Department of Housing and Urban Development's (HUD) multifamily asset management and disposition programs. In particular, the Multifamily Housing Property Disposition Reform Act of 1994 granted HUD greater authority and provided increased flexibility to improve its note and property sales programs. According to HUD, it has reduced the inventory of HUD-held notes and property and, in doing so, has significantly reduced expenses to the Federal Housing Administration fund for managing those properties.

The agencies said they would continue to seek legislation to help implement eight other recommendations. HCFA, for example, is seeking legislation to increase its flexibility in contracting for Medicare claims processing. Among other things, the legislation would allow HCFA to contract for claims processing with carriers that are not insurance companies, thereby increasing the pool of available entities with which HCFA could contract.

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[7] Common Sense Government: Works Better & Costs Less (NPR, Sept. 7, 1995).

[8] Medicare: HCFA's Use of Anti-Fraud-and-Abuse Funding Authorities (GAO/HEHS-98-160, June 1, 1998).

Agencies Reported That Most of NPR's Recommendations Were Fully or Partially Implemented

The 10 agencies reported that 33 of the NPR recommendations were fully implemented and another 30 recommendations were partially implemented, as shown on table 1. The agencies said that nine recommendations had not been implemented, including one where no action had been taken. In several instances the agencies indicated that they would continue their efforts related to the recommendations, even when they considered the recommendation to be fully implemented. This illustrates both the continuing nature of management reforms as well as the long-standing and difficult nature of some of the problems agencies are attempting to address.

Table 1: Implementation Status of NPR Recommendations

Implementation status	Definition	Number of recommendations
Fully implemented	The entire recommendation and/or all action items[a] have been fulfilled.	33
Partially implemented	The recommendation and/or associated action items have been implemented in part but not in total. The recommendation is also partially implemented if it has either a single associated action item or no associated action items, but nonetheless requires multiple, significant steps to implement, and at least one of those steps has been implemented.	30
Not implemented—action taken	No part of the recommendation or associated action items has been implemented, but some action has been taken to implement the recommendation and/or the action items. For example, if legislation has been introduced that would address the recommendation but has not been enacted into law, the recommendation is categorized as "not implemented—action taken."	8
Not implemented—no action taken	No part of the recommendation or associated action items has been implemented, and no action has occurred toward the implementation of the recommendation or the action items.	1

[a]NPR identified specific action items for many of the recommendations made in its September 1993 report. For example, NPR identified four actions that the Department of Defense should take to purchase best value common supplies and services.

Source: GAO analysis of agencies' responses to the Data Collection Instrument.

Although no agency in our review reported fully implementing all of the recommendations that NPR made to it, as shown in table 2, each of the agencies reported at least one fully implemented recommendation. Table 2 also shows that the recommendations NPR made to these agencies ranged from 2 to 14 per agency.

Table 2: Implementation Status of NPR Recommendations for Selected Agencies

Agency	NPR recommendations				
	Fully implemented	Partially implemented	Not implemented, action taken	Not implemented, no action taken	Total
Bureau of the Census	1	1	1	1	4
Department of Defense	1	1	0	0	2
Department of Energy	5	8	1	0	14
Federal Aviation Administration	6	2	0	0	8
General Services Administration	4	1	0	0	5
Health Care Financing Administration	1	2	0	0	3
Department of Housing and Urban Development	6	7	0	0	13
Internal Revenue Service	2	4	2	0	8
National Weather Service	1	0	1	0	2
Social Security Administration	6	4	3	0	13
Total	**33**	**30**	**8**	**1**	**72**

Source: GAO analysis of agencies' responses to the Data Collection Instrument.

The following provides examples of the reasons that agencies gave for categorizing the NPR recommendations' status:

Fully Implemented

The agencies reported that 33 recommendations had been fully implemented. Using our criteria (described in table 1), the agencies determined that the entire recommendation and/or all of the action items had been fulfilled. For example:

- NPR recommended that IRS allow taxpayers to make federal tax payments by credit card as part of its strategy to improve its operations by encouraging electronic filing and provide the public with added convenience. IRS considers this recommendation fully implemented because taxpayers can now use credit cards to pay their taxes in certain situations. IRS has obtained authority from Congress, issued regulations, competitively solicited partnerships with private industry, and modified its information systems.

- The recommendation to streamline HUD's field operations was designed to address criticism by us, HUD's Inspector General, and HUD's customers that its organizational structure was fragmented, lacked accountability, and resulted in overlapping authority among headquarters, its 10 regions, and 70 field offices. HUD considers this recommendation fully

implemented because it (1) completed a field reorganization in 1995 that eliminated a regional tier of management and (2) initiated additional field reorganizations during 1997 and 1998 to structure its field operations by function, rather than strictly by program. HUD also said it has consolidated, centralized, or privatized functions and responsibilities where needed. Although HUD considers this recommendation fully implemented, it is too soon to tell whether HUD's reforms will resolve the major deficiencies that we and others have identified. Our January 1999 update of high-risk issues expressed concern that organizational and staffing problems, taken together with other problems, such as weak internal controls, placed the integrity and accountability of HUD's programs at high risk.[9] More recently, our work indicates that HUD is making credible progress toward resolving its material internal control weaknesses, and we plan to update HUD's high-risk status in January 2001.[10] Among other things, HUD has developed a standard physical inspection process and has substantially completed the first ever physical inspection and financial assessment of HUD's multifamily housing inventory.

Partially Implemented

Using the criteria we established for determining the implementation status (described in table 1), agencies considered recommendations to be partially implemented when one or more action items or significant steps had not yet been completed. Some of the 30 recommendations that the agencies considered partially implemented called for continuous improvement and others reflected timing factors. For example:

- Regarding the recommendation to improve environmental contract management, DOE stated that ". . . the overall objective of improving contractor performance through sharing of lessons learned and ensuring that contractors perform more efficiently and effectively is an ongoing activity. Implementation has been accomplished in an iterative process and as lessons are learned and fed back into procurement strategies, continued improvement is expected." Therefore, DOE may never consider this recommendation to be fully implemented.

- According to FAA, the recommendation to terminate grant funding for the Airway Science Higher Education Program remains partially implemented

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[9] High Risk Series: An Update (GAO/HR-99-1, Jan. 1999).

[10] Determining Performance and Accountability Challenges and High Risks (GAO/OCG-00-12, Aug. 2000).

because, although funding has been terminated, colleges and universities have not yet spent all of the funds that had previously been allocated under the program.

Not Implemented, Action Taken

Agencies identified eight recommendations that had not been implemented, although actions had been taken. For five of the eight recommendations, the agencies said that they plan to continue their efforts to implement NPR's suggestions. For example:

- The recommendation that the Social Security Administration (SSA) provide one-stop service for aliens applying for Social Security cards requires that SSA and the Immigration and Naturalization Service (INS) reach agreement on the data that INS will provide to SSA and sign a Memorandum of Understanding. Although NPR made its recommendation in 1995 and both INS and SSA agreed to implement it, the two agencies have been unable to reach agreement after nearly 5 years on what information INS will provide to SSA. Moreover, according to INS, after the memorandum is signed, INS will need additional time to complete the information system changes and enhancements necessary to provide the information to SSA.

Two agencies said they do not plan to continue their efforts to implement three recommendations that had not been implemented, although actions had been taken. For one of these recommendations, the agency found that the benefits of implementing the recommendation would have been reduced as the result of changing circumstances. For example:

- In 1996, the Department of Commerce proposed legislation to expedite closure of 200 NWS offices, as recommended by NPR. However, by July 28, 2000, NWS had completed the approval process to close 184 offices without using an expedited process. Because there were only 16 offices remaining that could have been affected by the legislation, the benefits of implementing the recommendation had been reduced and NWS said it did not plan to continue efforts to expedite additional office closures.

Not Implemented, No Action Taken

The Census Bureau identified one recommendation where no action had been taken and external events led them to reconsider the recommendation.

- The Census Bureau had planned to implement the NPR recommendation to "increase entrepreneurship" by entering into a partnership with a private sector firm to develop a new foreign trade statistics product. However, the potential private sector partner determined that the market potential for the product did not meet its standards and elected to discontinue the project. According to the Census Bureau, although it has not implemented this recommendation, it remains open to considering future opportunities to partner with the private sector.

Agencies Reported Effects Related to NPR Recommendations

The agencies reported a wide range of effects relating to the 72 NPR recommendations. Agencies reported having at least some measures for over one-half of the 54 recommendations with effects, and most of the effects they identified were positive. We grouped the effects that the agencies identified into five categories: (1) enhanced revenue or reduced costs; (2) improved customer service; (3) improved efficiency, effectiveness, or mission accomplishment; (4) improved agency processes; and (5) enhanced stewardship or reduced waste, fraud, and abuse.

Agencies Reported a Variety of Effects Related to NPR's Recommendations

Agencies reported a variety of effects from most of NPR's recommendations, and they often cited several effects from the same recommendations. Of the 72 recommendations in our review, agencies reported 1 or more effects for 54 of the recommendations, as shown in table 3. For the remaining 18 recommendations, agencies indicated that 7 recommendations had no effects, did not directly address the effects for 6 recommendations, and said that it was too early to determine the effects for 5 recommendations.

Table 3: Effects of NPR Recommendations Reported by Agencies

Effects reported by agencies	Number of recommendations
One or more effect(s)	54
No effects	7
Not directly addressed	6
Too early to determine	5
Total	**72**

Source: GAO analysis of agencies' responses to the Data Collection Instrument.

Although the agencies and NPR focused, at least initially, on tracking whether recommendations had been implemented, their efforts to measure the recommendations' effects were inconsistent. Of the 54 recommendations with reported effects, agencies had measured all of the effects they reported for only 9 recommendations. Agencies measured

some of the effects they reported for 21 recommendations, but had no measures of the effects from the remaining 24 recommendations.

The agencies listed over 100 effects from these 54 recommendations. Each of the 10 agencies described at least one positive effect, with the largest number of positive effects (34) reported by DOE. We grouped the positive effects the agencies reported into five broad categories, as shown in table 4. For each of these categories, we have provided some examples to illustrate the types of effects that the agencies reported from NPR's recommendations.

Table 4: Types of Effects Reported by Agencies

Reported effects	Number of effects
Enhanced revenue or reduced costs	29
Improved customer service	25
Improved efficiency, effectiveness, or mission accomplishment	23
Improved agency processes	21
Enhanced stewardship or reduced waste, fraud, or abuse	6

Source: GAO analysis of agencies' responses to the Data Collection Instrument.

In addition, agencies provided some information about some negative or uncertain effects. For example, SSA considered both the positive and negative effects on agency performance from its action to improve its 800-number telephone service by using staff from the program service centers to answer more calls. Moving these staff adversely affected the program service center workloads and increased processing times. As a result, SSA had larger backlogs in claims processed and increased overtime costs after it shifted employees from claims processing to telephone service operations.[11]

SSA has also cited positive effects from this recommendation to improve its 800- number telephone service and it has established measures of these effects. One of SSA's performance measures was the percentage of callers who got through to the 800 number—that is, did not get a busy signal—within 5 minutes of their first try. This measure represented a considerable improvement from 1991, when SSA's measure was the percentage of 800-number callers who got through within 24 hours of their first try. In fiscal year 1999, according to SSA, it exceeded its goal that 95 percent of its callers successfully access its 800 number within 5 minutes of their first call. Although SSA has made progress in achieving goals for its 800-number

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[11] Social Security Administration: More Cost-Effective Approaches Exist to Further Improve 800-Number Service (GAO/HEHS-97-79, June 11, 1997).

customer service, telephone and information systems limitations have prevented SSA from developing more meaningful measures that include the time customers spend on hold waiting to speak to a service representative.

Agencies Reported That Some Recommendations Enhanced Revenues or Reduced Costs

The effect that the agencies most commonly reported was that NPR's recommendations resulted in enhanced revenue or reduced costs.

- FAA reported, but did not quantify, enhanced revenues from fully implementing NPR's recommendation to increase charges for certification and surveillance of foreign repair facilities to ensure full cost recovery. Legislation was passed in 1994 that enabled FAA to implement the recommendation and on April 19, 1995, FAA issued regulations updating its fees to reflect the costs of providing services. FAA said that implementing the recommendation provided a source of revenue from the foreign-based users of its services.

- DOD said that it reduced costs by its efforts to implement the NPR recommendation to outsource non-core Department of Defense functions. The Department completed 53 competitions involving 5,757 positions between October 1995 and March 1998. DOD data indicated savings from these competitions averaged 42 percent and totaled $528 million over the life of the contracts. However, we found the data were too limited to reach any conclusions about the precision and consistency of savings estimates, and limitations exist in DOD databases used to record savings from A-76 competitions and their usefulness for tracking completed competitions over time.[12]

Agencies Said They Had Improved Customer Service

Agencies reported several examples of improved customer service resulting from NPR's recommendations. Although agencies sometimes reported improved service for internal customers or customers in other federal agencies, most of the reported customer service improvements benefited the American public.

- The Census Bureau reported that it improved customer service by implementing NPR's recommendation to expand the electronic availability of census data. According to the Bureau, the recommendation was developed in response to its customers' growing interest in electronic access to census data. The Census Bureau opened its Internet site to the public in early 1994 and, since then, has used it as a means for

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[12] <u>DOD Competitive Sourcing: Results of Recent Competitions</u> (GAO/NSIAD-99-44, Feb. 23, 1999).

disseminating virtually every number released to the public. The Bureau reports that its customers are responding positively, as indicated by the significant growth in the number of times they visit the Census Internet site, from about 10,000 hits per day in 1994 to more than 850,000 per day in 1999.

- SSA reported that it reduced the public reporting burden by 300,000 hours annually by eliminating the requirement that certain Social Security beneficiaries file an annual report of their earnings. SSA accomplished the customer service initiative by changing its regulations to accept W-2s and self-employment tax returns in lieu of separate earnings reports from beneficiaries.

Agencies Reported Improvements in Efficiency, Effectiveness, or Mission Accomplishment

The agencies made general statements that efficiency and effectiveness resulted from many NPR recommendations. They generally did not, however, provide indicators or additional information to explain specifically how the recommendations enhanced efficiency and effectiveness.

- Although the recommendation that NPR made to create a corporation to manage FAA's air traffic services was not implemented, Congress exempted FAA from most procurement and personnel laws and regulations. FAA said that it has used the increased flexibility to promote efficiency. It, however, did not provide additional information or measures elaborating on its statement that efficiency has been enhanced, nor did it explain how it has used the additional flexibility provided by Congress. FAA is currently seeking additional flexibility under a proposal to create a Performance Based Organization to manage FAA's air traffic services.

  In some cases, the agencies identified recommendations that directly affected their ability to accomplish critical aspects of their basic mission and provided examples to illustrate the connection between the recommendation and mission accomplishment.

- The Census Bureau reported that its efforts to reengineer the 2000 Census, as recommended by NPR, should positively affect its ability to accomplish its mission by enhancing the number of people responding to the census. The Census Bureau listed several improvements it made to enhance the number of people responding to the census, including more complete addresses, easier to understand and complete census forms, and strong advertising and community-based publicity programs. Since then, the Bureau has reported that the initial response rate to the 2000 Census was 65 percent, or 4 percentage points higher than expected.

Agencies Said They Improved Their Processes	Agencies also cited process improvements that NPR had recommended. The agencies said that these changes helped them prepare to meet future challenges or better focus on results.

- SSA reported improved agency processes should result from its efforts to provide payment day cycling for new beneficiaries, as recommended by NPR. The recommendation is intended to balance SSA's workload by issuing Old Age, Survivors and Disability Insurance payments evenly at weekly intervals throughout the month rather than issuing payments on the first 3 days of each month. SSA's revised processes are being phased in as new beneficiaries are assigned to additional payment dates. As a result, according to SSA's actuarial estimates, this process change will have its greatest impact in 15 years when the number of payments made on each of the 4 payment days becomes level.

- DOE reported improved agency processes resulted from the recommendation that NPR made to improve environmental contract management. Beginning in 1995, DOE initiated its contract reform initiatives to increase the use of competition and place greater risk of performance on its contractors by converting facility contracts, including environmental restoration contracts, into results-oriented agreements with defined performance objectives and incentives tied to meeting the objectives. DOE described the impact of the recommendation on its Westinghouse contract at Savannah River, as having 21 specific, objective performance measures with 34 percent of the contractors' incentive fees tied to those measures. We and others reported problems with DOE's early efforts to make contracts results-oriented. However, DOE has incorporated lessons learned into its performance incentives and acknowledges that there is room for further improvements in both the process for developing the incentives and in the individual incentives themselves.[13]

Some Recommendations Were Reported to Have Enhanced Stewardship of Assets or Reduced Waste, Fraud, and Abuse	Agencies reported that a few of NPR's recommendations resulted in enhanced stewardship of assets or reduced waste, fraud, and abuse.

- According to HUD, the recommendation NPR made to streamline HUD's field operations resulted in better management oversight, accountability, and customer service. HUD reorganized its field resources by functions, rather than strictly by programs, and consolidated functions and

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[13] Department of Energy: Lessons Learned Incorporated Into Performance-Based Incentive Contracts (GAO/RCED-98-223, July 29, 1998).

responsibilities. HUD also eliminated a management tier and consolidated routine operations into hubs.

- HCFA reported positive effects from its efforts to implement the NPR recommendation to protect the Social Security, Disability, and Medicare Trust Fund assets through increased funding for productive oversight activities. Congress increased funding for federal health care payment safeguard activities, which has allowed the agency to focus on reducing fraud and abuse in the Medicare and Medicaid Programs. The Department of Health and Human Services' reporting and analysis of improper Medicare payments has helped lead to the implementation of several initiatives to identify and reduce improper payments. The estimated Medicare fee-for-service claim payment error rate dropped from 14 percent in fiscal year 1996 to 8 percent in fiscal year 1999. This drop in erroneous payments was attributable largely to better claims documentation by providers, although some of this difference may be attributable to changes in how the error rate was estimated in different years. The bulk of what remains in the estimate of erroneous payments is attributable to such practices as miscoding payments to inappropriately enhance revenues, billing for services that are not medically necessary, and billing for services never rendered. The error rate represents an overall national estimate of improper payments, and HCFA has efforts underway to enhance its estimation methodology so that its improper payment measures are a more useful management tool.

The Need for Reform Efforts Will Continue

As the administration's major effort to reform the federal government during most of the last decade, NPR was one of a number of catalysts that stimulated agencies to become more effective and efficient. NPR operated along with other congressional, administration, and agency actions, all of which concurrently affected federal management reform efforts. Congress developed a statutory framework to instill a performance-based approach into the management of federal agencies, and also provided the needed authorities and resources to help agencies implement some of NPR's recommendations. However, because the recommendations lacked clear and measurable performance goals, it is difficult to assess the level of improvement that agencies achieved.

The issues that provided the impetus for the NPR reform will no doubt continue to challenge future administrations to seek new and creative ways to ensure the economy, efficiency, and effectiveness of government programs. Our review of these NPR recommendations, as well as our other related work on federal management issues, suggests that successful

reinvention is not an end-state, but rather an ongoing process that seeks continuous improvements in performance, efficiency, and effectiveness. Our May 2000 testimony before this Subcommittee pointed out that the next Congress and administration will face a series of long-standing management problems that will continue to demand attention.[14] A few of these important management problems are:

- adopting an effective results orientation,

- coordinating crosscutting programs,

- addressing high-risk federal functions and programs,

- developing and implementing modern performance management and human capital practices,

- strengthening financial management, and

- enhancing computer security.

On the basis of the lessons learned from past reforms, we have identified a number of elements that are particularly important in implementing and sustaining management improvement efforts that can be useful in addressing these management issues and sustaining future reform initiatives. These elements are (1) a demonstrated leadership commitment and accountability for change; (2) the integration of management improvement initiatives into programmatic decisionmaking; (3) the need for substantive and rigorous planning to include establishing clear, measurable goals and baselines; (4) employee involvement to elicit ideas and build commitment and accountability; (5) organizational alignment to streamline operations and clarify accountability; and (6) strong and continuing congressional involvement.

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[14] GAO/T-GGD-00-128.

Agency Comments and Our Evaluation

We obtained written comments on a draft of this report from OMB and the 10 agencies included in our review.[15] GSA, IRS, and FAA also met with us to provide additional information and discuss their comments. Copies of the written comments are included in appendixes III through XII. The agencies generally agreed with how we presented the effects they reported regarding the 72 recommendations and with our broader observations about management reform efforts. All of the agencies commented that they plan to continue their performance improvement efforts and undertake additional reforms in areas related to the NPR's recommendations. Some agencies also pointed out that they have made progress since the time they initially reported information to us. These comments further corroborate our observation from this and other work we have done showing that significant management reforms require continuous attention.

Nine of the 10 agencies credited NPR with helping them move towards more results-focused management and 8 of them noted that NPR has assisted with ongoing improvement efforts beyond the specific recommendations addressed in this report. For example, agencies said that NPR had influenced improvements in customer satisfaction. They also said that NPR had generated a greater awareness of the need to innovate and continually improve program operations. Five of these agencies said that they have ongoing efforts to become more results-oriented and integrate their efforts into a broader framework. For example, two agencies noted that they have incorporated their NPR efforts into their GPRA efforts.

We did not assess the degree to which NPR, in general, facilitated agencies' efforts to be more results-oriented or improve management. As noted in the draft, our report, as requested, focused on the 72 recommendations to 10 agencies, which constituted all of the NPR recommendations specifically made to 9 of the 10. For DOD, we focused on the acquisition reform recommendations. Some of the agencies' comments presented detailed information related to each NPR recommendation to them. For our report, we decided to focus on categories and themes, and therefore we presented examples from the NPR recommendations to these agencies rather than cataloging all of the information we obtained about each recommendation.

The Deputy Director for Management of OMB raised two concerns. OMB pointed out that NPR had a broader scope than the subject of this report

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[15] Comments related to the Bureau of Census and the National Weather Service are contained in the Department of Commerce letter in appendix IV.
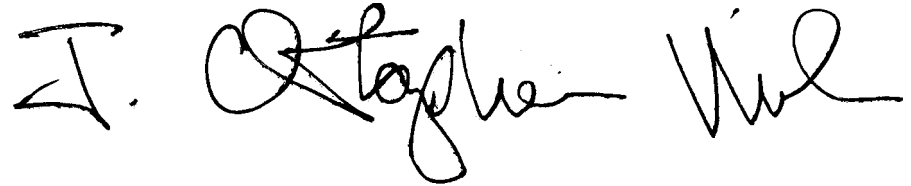
and suggested that we give greater recognition to the significant influence that NPR had on government reform. We state in the report that NPR was one of a number of catalysts that stimulated agencies to become more efficient and effective. However, NPR's effects cannot be isolated from other reform efforts that also contributed to improved government performance. OMB also raised a concern about a section in the draft report regarding the lack of clear and measurable goals. To clarify our point, we decided to address this issue in the section regarding the effects that agencies reported, rather than in a section about the importance of clear and measurable goals for management reform efforts. The information reported to us demonstrated that, consistent with NPR's database on implementation of its recommendations, the agencies tracked implementation steps taken in response to NPR's action items. They could not always report measurable results of having taken those implementation steps. Therefore, we deleted the section about the importance of clear and measurable goals for management reform efforts.

Where applicable we made changes to this report to reflect relevant information provided by the agencies in their comments. These changes are annotated in appendixes III through XII along with our discussion of some specific comments.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will provide copies to Senator Richard J. Durbin, Ranking Minority Member, Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia, and to Senator Fred Thompson, Chairman, and Senator Joseph Lieberman, Ranking Minority Member, Senate Committee on Governmental Affairs. We will also send copies to the Honorable Jacob J. Lew, Director of the Office of Management and Budget; the Honorable Rodney E. Slater, Secretary of Transportation; the Honorable Norman Y. Mineta, Secretary of Commerce; the Honorable David J. Barram, Administrator of GSA; the Honorable William S. Cohen, Secretary of Defense; the Honorable Bill Richardson, Secretary of Energy; the Honorable Andrew Cuomo, Secretary of Housing and Urban Development; the Honorable Kenneth S. Apfel, Commissioner of Social Security; the Honorable Donna E. Shalala, Secretary of Health and Human Services; and the Honorable Charles O. Rossotti, Commissioner of Internal Revenue. We will also make copies available to others on request.

The major contributors to this report were Bill Reinsberg, Justin Brown, Katharine Cunningham, and Susan Ragland.

Please contact me or Ms. Ragland on (202) 512-8676 if you have any questions on the material in this report.

J. Christopher Mihm
Associate Director
Federal Management and Workforce Issues

Contents

Abbreviations

APA	Alaska Power Administration
DOD	Department of Defense
DOE	Department of Energy
FAA	Federal Aviation Administration
GPRA	Government Performance and Results Act
GSA	General Services Administration
HCFA	Health Care Financing Administration
HUD	Department of Housing and Urban Development
INS	Immigration and Naturalization Service
IRS	Internal Revenue Service
NPR	National Performance Review
NWS	National Weather Service
SSA	Social Security Administration

Scope and Methodology

The former and current Chairmen of the Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia, Senate Committee on Governmental Affairs, requested that we review the implementation status and effects of the National Performance Review's (NPR) recommendations at selected agencies.

NPR made 254 recommendations covering 27 federal agencies in its 1993 report and an additional 186 agency-specific recommendations in its 1995 report.[1] In consultation with the Subcommittee, we selected 10 federal agencies and reviewed the 72 recommendations made to them. These recommendations represent about 16 percent of the 440 agency-specific recommendations that NPR made in 1993 and 1995.[2]

We conducted our work at the Departments of Defense, Energy, and Housing and Urban Development; the Social Security, Federal Aviation, General Services, and Health Care Financing Administrations; the Internal Revenue and National Weather Services; and the Bureau of the Census. These agencies were selected because they have a high degree of interaction with the public and business. We also selected the Departments of Energy and Housing and Urban Development as requested by the Subcommittee. We reviewed all of the recommendations NPR made to each of these agencies, with the exception of the Department of Defense (DOD) where, as requested, we focused on NPR's recommendations for acquisition reform. Table I.1, presented at the end of this appendix, lists the NPR recommendations we reviewed.

To obtain information on the status and effects of the recommendations, we developed data collection instruments (DCI)[3] containing a standardized set of questions to be answered for each of the 72 recommendations and sent them to the agencies in our review to be completed. To obtain information on the status of the recommendations, we asked the agencies to identify and categorize the status of each recommendation as fully or partially implemented, or if not implemented, whether any action had been taken. The DCIs asked the agencies to provide the implementation status of the recommendations using the following four categories:

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[1] From Red Tape to Results: Creating a Government That Works Better and Costs Less, report of the National Performance Review, Vice President Al Gore, September 7, 1993; and Common Sense Government: Works Better and Costs Less, third report of the National Performance Review, Vice President Al Gore, September 7, 1995.

[2] NPR also made an additional 250 crosscutting recommendations that focused on regulatory issues and government systems such as procurement, personnel, and information technology issues that were not specific to individual agencies.

[3] A sample DCI is presented in appendix II.

1. Fully Implemented. The entire recommendation and/or all action items have been fulfilled.

2. Partially Implemented. The recommendation and/or associated action items have been implemented in part but not in total. The recommendation is also partially implemented if it has either a single associated action item or no associated action item, but nonetheless requires multiple, significant steps to implement, and at least one of those steps has been implemented.

3. Not Implemented—Action Taken. No part of the recommendation or associated action items has been implemented, but some action has been taken to implement the recommendation and/or the action items.

4. Not Implemented—No Action Taken. No part of the recommendation or associated action items has been implemented, and no action has occurred toward the implementation of the recommendation or the action items.

To obtain information on the effects of the recommendations, we asked agencies to describe the effects that the recommendations had on the agencies' efficiency and effectiveness and what steps the agencies took to implement the recommendations. We asked the agencies to identify key factors that helped or enhanced the implementation of the recommendations; key factors that hindered or detracted from the implementation of the recommendations; and whether legislation was required to implement the recommendations. We also requested the agencies to provide any available documentation to support their statements about the effects of the recommendations.

We received the completed DCIs from the agencies between January 1999 and July 1999. Since then we have followed up with the agencies to clarify and update our information in cases where we had indications, on the basis of ongoing work and other research, that changes had occurred.

Each of the 10 agencies in our review responded for all of the recommendations made to them. We reviewed the completed DCIs and any accompanying documentation. To facilitate our analysis, we developed a database to sort agency responses and categorize them across several dimensions. Where necessary, we have contacted agencies to clarify responses, request additional information, and update the initial responses.

We relied on the information from the agencies and knowledge and information from our completed and ongoing work. We also reviewed NPR's database on the completion status of the recommendations and compared that information with the agencies' responses to the DCI. We cannot generalize our results to all 440 agency-specific recommendations NPR made because of the small number of recommendations we reviewed and the methods used to select them.

Table I.1: NPR Recommendations Included in Our Review

Agency/NPR code	Recommendation text
Bureau of Census	
DOC09	Expand the electronic availability of census data
DOC13	Use sampling to minimize cost of the decennial census
DOC2-07	Reengineer Census 2000
DOC2-08	Increase entrepreneurship at the Census Bureau
Department of Defense	
DOD03	Purchase best value common supplies and services
DOD04	Outsource non-core department of defense functions
Department of Energy	
DOE01	Improve environmental contract management
DOE02	Incorporate land-use planning in clean-up
DOE03	Make field facility contracts outcome-oriented
DOE04	Increase electrical power revenues and study rates
DOE05	Strengthen the federal energy management program
DOE06	Redirect energy laboratories to post-Cold-War priorities
DOE07	Save costs through private power cogeneration
DOE08	Support the sale of the Alaska Power Administration
DOE2-01	Terminate the clean coal technology program when ongoing projects are completed
DOE2-02	Privatize the naval petroleum reserves in Elk Hills, California
DOE2-03	Sell uranium no longer needed for national defense purposes after rendering it suitable for commercial power reactors
DOE2-04	Significantly reduce costs in DOE's applied research programs
DOE2-05	Improve program effectiveness and efficiencies in the environmental management of nuclear waste cleanups
DOE2-06	Strategically align headquarters and field operations
Federal Aviation Administration	
DOT02	Streamline the enforcement process
DOT04	Establish a corporation to provide air traffic control services
DOT07	Examine user fees for international over-flights
DOT08	Increase FAA fees for inspection of foreign repair facilities
DOT09	Contract for level I air traffic control towers
DOT10	Establish a public-private consortium to develop an aeronautical telecommunications network
DOT20	Reduce the annual essential air service subsidies
DOT21	Terminate grant funding for Federal Aviation Administration higher education programs
General Services Administration	
GSA01	Separate policymaking from service delivery and make the General Services Administration a fully competitive, revenue-based organization
GSA2-01	Consider various forms of privatization
GSA2-02	Encourage agencies to franchise activities to avoid duplication and maximize efficiency
GSA2-03	Give agencies expanded authority to acquire services and assets
GSA2-04	Involve employee unions in designing and implementation reinvention details
Health Care Financing Administration	
HHS07	Protect Social Security, Disability, and Medicare trust fund assets by removing barriers to funding productive oversight activities
HHS14	Amend the Health Care Financing Administration's contracting authority to allow for competitive contracting
HHS2-01	Strengthen Medicare program integrity

Agency/NPR code	Recommendation text
Department of Housing and Urban Development	
HUD01	Reinvent public housing
HUD02	Improve multi-family asset management and disposition
HUD03	Improve single-family asset management and disposition
HUD04	Create an assisted-housing/rent subsidy demonstration project
HUD05	Establish a new housing production program
HUD06	Streamline HUD field operations
HUD07	Refinance section 235 mortgages
HUD08	Reduce section 8 contract rent payments
HUD09	Consolidate section 8 certificates and vouchers
HUD10	Reduce operating subsidies for vacancies
HUD2-01	Consolidate 60 programs into 3
HUD2-02	Transform public housing
HUD2-03	Reinvigorate the Federal Housing Administration
Internal Revenue Service	
TRE04	Foster federal/state cooperative initiatives by the IRS
TRE05	Simplify employer wage reporting
TRE09	Modernize the IRS
TRE15	Increase IRS collections through better compliance efforts
TRE16	Improve agency compliance with employment tax reporting requirements
TRE17	Authorize federal tax payment by credit card
TRE2-01	Implement the small business and simplified tax and wage reporting system
TRE2-02	Relieve duplicate filing burden on employers
National Weather Service	
DOC2-06	Expedite closure of National Weather Service field offices
DOC2-10	Privatize portions of the National Weather Service
Social Security Administration	
HHS06	Improve Social Security Administration disability claims processing to better serve people with disabilities and safeguard trust fund assets
HHS08	Coordinate collection and dissemination of Social Security Administration death information to protect federal program assets
HHS09	Take more aggressive actions to collect outstanding debts owed to the Social Security Trust Fund
HHS11	Redesign SSA service delivery and make better use of technology to provide improved access and services to customers
SSA2-01	Provide payment day cycling for new beneficiaries
SSA2-02	Improve 1-800 telephone service
SSA2-03	Increase direct deposit/electronic benefit transfer services
SSA2-04	Promote "one-stop" benefit application
SSA2-05	Stop collecting attorney fees
SSA2-06	Expand employer electronic wage reporting
SSA2-07	Improve the disability adjudication process
SSA2-08	Provide "one-stop" service for aliens applying for Social Security cards
SSA2-09	Reduce burden associated with reporting wages

Sample Data Collection Instrument

Completed by: _____
Title: _____
Phone #:   _____

GAO Data Collection Instrument on DOE2-01:
Terminate the Clean Coal Technology Program
When Ongoing Projects Are Completed

Instructions

Please complete the questions on the following page(s) about DOE2-01's implementation, relevant legislation, and impact.

Using the table on the following page, determine the implementation status of this recommendation. (If necessary, please refer to NPR's 1993 and 1995 annual and status reports for a more detailed description of this recommendation.)

For questions #6, 7, and 8 regarding the impact of this recommendation please attach any documentation that supports your responses. (If documentation has already been provided to GAO for a previous review, please provide a brief description of the document and the name of the person at GAO to whom it was provided. We will contact that person to obtain the document.)

To reduce the information-collection burden on DOE, we have collaborated with other GAO Issue Areas and identified relevant or ongoing GAO work to provide answers to certain questions. Additionally, where GAO is on record as saying the recommendation is fully implemented, we have indicated the recommendation's status.
In either of these cases, we ask that you:
♦ Confirm it is correct as written,
♦ Clarify and update, or
♦ Provide an alternative response.

When you have completed this DCI, please return it, your answers, and supporting documentation to your agency's coordinator who is collecting and submitting this information to GAO.

Please read the implementation status descriptions below and then check the box that indicates the status of the recommendation.

(1) **Fully Implemented**. The entire recommendation and/or all action items have been fulfilled.

(2) **Partially Implemented**. The recommendation and/or associated action items have been implemented in part but not in total. The recommendation is also partially implemented if it has either a single associated action item or no associated action items, but nonetheless requires multiple, significant steps to implement, and at least one of those steps has been implemented.

(3) **Not Implemented--Action Taken**. No part of the recommendation or associated action items has been implemented, but some action has been taken to implement the recommendation and/or the action items. For example, if legislation has been introduced that would address the recommendation but has not been enacted into law, the recommendation should be categorized as "not implemented--action taken."

(4) **Not Implemented--No Action Taken**. No part of the recommendation or associated action items has been implemented, and no action has occurred toward the implementation of the recommendation or the action items.

		Fully Implemented	Partially Implemented	Not Implemented –Action Taken	Not Implemented – No Action Taken
DOE2-01	Terminate the Clean Coal Technology Program When Ongoing Projects Are Completed				

Please answer the questions on the next page on a separate sheet (or sheets) of paper.

QUESTIONS FOR NPR RECOMMENDATION DOE2-01

Please use a separate sheet (or sheets) of paper for your answers. We have provided answers to questions when GAO has relevant work to draw upon. If this is the case, we have provided a preliminary answer, and are asking you to confirm, update, or provide an alternative response to those questions.

1. Please describe the issue this recommendation was designed to address.

2. Describe the steps, if any, your agency took to implement the recommendation.

3. Describe any key factors that helped your agency implement the recommendation.

4. Describe any key factors that hindered your agency's attempts to implement the recommendation.

5. Was legislation required to implement the recommendation? If legislation was required, was it proposed? If legislation was proposed, was it enacted? If legislation was proposed or enacted, please cite and describe the legislation.

For Questions 6, 7, and 8 please provide any documentation that supports your statements. If you cannot provide documentation, please explain why not. If you have already provided documentation to GAO, please provide a brief description of the documents and the name of the individual at GAO to whom they were provided and we will contact that individual for a copy of the document.

6. What has been the impact, thus far, of this recommendation on your agency's efficiency and effectiveness? Please describe both positive and negative impacts.

7. What key factors or actions enhanced the recommendation's impact?

8. What key factors or actions detracted from the recommendation's impact?

If you indicated that this recommendation was **fully implemented**, please skip to question 10, otherwise, please answer **both** questions 9 and 10.

9. Do you plan to continue efforts to implement the recommendation?
    -If yes, when do you anticipate you will fully implement the recommendation?
    -If no, please explain why you are not attempting to further implement the recommendation.

10. Regardless of the implementation status of this recommendation, does the issue you identified in Question #1 require further attention (including additional legislative, statutory, or regulatory actions)? Please explain your answer.

Comments From the Office of Management and Budget

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

August 11, 2000

DEPUTY DIRECTOR
FOR MANAGEMENT

Christopher Mihm
Associate Director
Federal Management and Workforce Issues
U.S. General Accounting Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Mihm:

Thank you for the opportunity to comment on your draft report, *Reinventing Government: Status of NPR Recommendations at 10 Federal Agencies (GAO/GGD-00-145)*. The Director has asked me to respond on his behalf. Your findings corroborate a similar Brookings Institution report that labeled the Administration's initiative to reinvent government "one of the most remarkable reform efforts in American history."[1]

The draft report focused on 72 recommendations that Congress asked GAO to review. We agree with the draft report's conclusion that the vast majority of the effects of the 72 recommendations were positive, as a whole, by: (1) enhancing revenue and reducing costs, (2) improving customer service, (3) improving efficiency, effectiveness, and mission accomplishment, (4) improving agency processes, and (5) enhancing stewardship and reducing fraud, waste and abuse (p. 26).

When the 72 recommendations you reviewed are placed in the broader context of the results from the National Partnership for Reinventing Government's (NPR) 512 other recommendations in 1993-95, the 350 reinvention labs, the almost 1,300 hammer awards, the more than 150 commitments by those agencies that have the most interaction with citizens and businesses, and the thousands of unrecognized efforts by agencies and individual federal workers, it is clear that the Administration is achieving NPR's goal of a government that works better, costs less, and gets results Americans care about.

See comment 1.

Unlike the previous ten government-wide federal reform initiatives of the twentieth century, NPR applied sustained effort in support of its goals, working to help agencies transform their culture. These efforts are clearly working. In 1992, only 32 percent of supervisors felt they had customer service goals. By 1999, this had increased to 79 percent. The University of Michigan's American Customer Service Index shows that some agencies are now delivering services equal to or better than "the best in business." The Veterans Hospital Administration, for example, scored ten points higher, on a hundred-point scale, than private sector hospitals.

These efforts are making a positive impression on the public. A recent National Public Radio/Kaiser Foundation/Kennedy School survey showed that Americans were more confident

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[1] Donald Kettl, *Reinventing Government: A Fifth Year Report Card*, September 1998, Brookings Institution, pg. v.

than they were five years ago that the federal government can be effective and efficient. "In 1995 only 39% of Americans said that when the government in Washington sets out to solve a problem, they are confident the problem will actually be solved. Today that number is 51%."[2]

You have circulated the draft report to the agencies that it mentions. Given that they will discuss the recommendations that apply to them, we will not address those here. We do, however, wish to address two general findings of the report.

See comment 2.
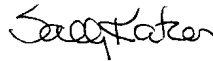
First, we think that the positive role NPR has played in government reform deserves greater express recognition in the report. The draft report observes that "NPR was one of a number of catalysts that stimulated agencies to become more effective and efficient" and it "endorsed prior and existing management reforms and operated in an atmosphere in which other factors, such as Agencies ongoing efforts and congressional actions, also influenced the steps taken to address NPR's recommendations." (p. 7-8) We acknowledge that others have played an important role. To succeed, any large-scale reform effort requires the support of OMB, Congress, Agency heads, and indeed, all federal employees. But the draft report does not discuss NPR's critical role in focusing and directing these efforts, establishing priorities and strategies, and highlighting needed actions. We think this role should be discussed in the report, and rather than a negative statement, e.g., "NPR's effects cannot be isolated from other reform efforts..."(p.8), the finding can and properly should be stated positively: NPR has had a significant influence in government reform.

See comment 3.

Second, the draft report contains a section that states: "Neither NPR nor the agencies established recommendation-specific goals for what was to be achieved and how progress would be measured (p. 30)." Apparently, while the report has looked to the recommendations, it has not considered the specific action items that supported each of NPR's 1993/95 recommendations. Because of the specificity of these action items, we believe that their effects are measurable and we suggest revising the report accordingly.

If these concerns are addressed in the final report, we believe this review of some of NPR's recommendations is a useful exercise in demonstrating their positive effects.

Thank you for your continued interest in reinventing government and NPR's recommendations. We believe creating a government that works better and costs less is crucial to the continuing restoration of Americans' confidence in their government. We look forward to continuing to work with you towards that goal.

Sincerely,

Sally Katzen
Deputy Director for Management

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[2] NPR/Kaiser/Kennedy School Poll Points to Paradox, July 28, 2000, P. 1-2, NPR Online.

GAO Comments

1. The Office of Management and Budget (OMB) noted in its response that the 72 recommendations we reviewed were part of the broader context of NPR's other recommendations and efforts to achieve its goal of a government that works better, costs less, and gets results Americans care about. As noted in our overall analysis of agency comments in this report, our review (as requested) focused specifically on the 72 recommendations NPR made to 10 agencies in 1993 and 1995. This is the fifth product on issues related to NPR that we have issued in response to this request. In addition, we have reported on the savings claimed by NPR on reinvention labs; agencies' downsizing; and, more generally, agencies' improvement initiatives. Collectively, these products provide a broad body of work on NPR and management reforms that exceed the scope of this review.

2. Although we state that NPR was one of a number of catalysts that stimulated agencies to become more efficient and effective, OMB noted in its response that NPR had a significant influence in government reform that deserves greater recognition in our report. Our report discusses in detail the reported status of NPR recommendations and the effects of the implementation of those recommendations. Moreover, OMB acknowledged that Congress, agency heads, and agency employees also have an important role in reforms. Our statement that NPR's effects cannot be isolated from other reform efforts is not intended to understate the importance of NPR. Rather, the statement is intended to recognize that various factors, including agencies' ongoing efforts and congressional actions, contributed to what agencies accomplished in areas related to NPR's recommendations. In some cases, for example, NPR and the agencies worked effectively with congressional stakeholders to obtain legislation needed to implement a recommendation.

3. In responding to a section in the draft report on the need for recommendation-specific goals, the Deputy Director for Management said that although we looked to the recommendations, we apparently did not consider the specific action items that accompanied the recommendations NPR made in 1993—which are specific and measurable. We did consider these action items in doing our analysis and agree that they are generally specific and that their accomplishment can be measured. However, all of the recommendations we reviewed did not have related action items. Further, by focusing on implementation steps, the action items often did not show progress toward the results that the recommendations were intended to achieve—the overall point we were attempting to make in our draft report. As we note in this report, agencies were generally able to report on the status of the action items—the specific implementation steps—but were much less able to show the measurable results of those

steps. To more clearly convey this point, the report now raises this issue only in context of the effects of NPR's recommendations, rather than in a context of the need to set goals for improvement efforts. Therefore, we deleted the section on goals and revised the text of the section on the effects agencies reported to better reflect our message.

Comments From the Department of Commerce

THE DEPUTY SECRETARY OF COMMERCE
Washington, D.C. 20230

AUG 17 2000

Mr. J. Christopher Mihm
Associate Director
Federal Management and Workforce Issues
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Mihm:

Thank you for the opportunity to review and comment on the General Accounting Office's
draft report entitled: Reinventing Government/Status of NPR Recommendations at 10 Federal
Agencies. Enclosed is a copy of the Department of Commerce's comments on the draft report.

These comments were prepared in accordance with the Office of Management and Budget
Circular A-50.

Sincerely yours,

Robert L. Mallett

Enclosure

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U.S. DEPARTMENT OF COMMERCE

COMMENTS ON DRAFT GAO REPORT ENTITLED

Reinventing Government: Status of NPR
Recommendations at 10 Federal Agencies




GAO/GGD-00-145
August 2000
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U.S. Census Bureau Comments

See comment 1.

The report refers to the Census Bureau's response to questions on the
data collection instrument provided by the General Accounting Office
(GAO), which cites the dramatic increase in the number of visits to
the Census Bureau's Internet site, from 10,000 hits per day in 1994 to
more than 850,000 per day in 1999, as an indication that customer
service has been improved (page 27). The report goes on to question
whether these figures in and of themselves provide sufficient evidence
that the Census Bureau has fulfilled the National Performance Review's
(NPR's) recommendation to expand electronic availability of census
data.

See comment 2.

We agree that the number of hits on the Census Bureau's web page is
not an effective indicator of the Census Bureau's success in
implementing this recommendation. In addition to providing data on
visits to the web page, the Census Bureau also forwarded to the GAO
the business case for the data dissemination process, which described
plans for developing a new, electronic method of data dissemination.
We believe that a more detailed explanation of this process, now
called the American Fact Finder (AFF), will provide the GAO with a
better understanding of the Census Bureau's success in implementing
this recommendation.

The AFF is a new approach to providing users access to data. The AFF
employs an easy-to-use, friendly user interface and web-based
dissemination capabilities. Data can be provided as web-formatted
versions of existing Census Bureau data products, or the user can
request a Quick Table, a template through which selected data can be
organized and displayed. The AFF allows easy access to Census Bureau
data products for the largest number of people and organizations. The
system sports an easy-to-use, powerful geography-based user interface,
providing instant availability to homeowners and Federal agencies
alike. Rather than focus exclusively on large compilations of
prepackaged tables, the AFF provides customers with different data
options, including the ability to personally select and arrange the
data they want to see. Data can be selected by clicking on a map or
via the system's straightforward textual interface, which uses
understandable labels like "Facts About My Community" and "Maps." The
AFF provides three tiers of data access: compiled tables,
customizable "Quick Tables," and a free-form query capability.
A primary measure of success for the AFF is growth in user base. By
any standard, the AFF has been hugely successful in its first year.
From March 1999 (full deployment of the external system and the first
month statistics were collected) through February 2000, the number of
users per month grew 1,000 percent, from 13,000 to 138,000. Overall
growth rate averaged 6,800 new users per month; more tellingly, the
growth rate accelerated in the second half of the year—from 2,400 new

users to 2,900 new users monthly—after the release of Decennial Census Dress Rehearsal data and extensive Economic Census data became available. In fact, there have been perceptible growth spurts with release of new data—in Spring 1999, Public Law products, using data from the Census Dress Rehearsal, went on the AFF, corresponding to a May/June growth in users of 45 percent; fall saw a significant increase in data from the 1997 Economic Census, as well as the return of students and teachers to schools, and usage grew 46 percent. Likewise, in January/February, new data were added, and usership shot up another 30 percent.

A more qualitative measure is the satisfaction of users. The AFF team monitors customer feedback and help requests, finding better ways to help users and gleaning information on how to improve the system. Users provide comments on their experiences, report problems, or simply ask for advice or assistance. Since the AFF's inception, the Census Bureau has received nearly 2,000 feedback items. Of these, the vast majority (60 percent) are requesting information about the availability of upcoming data products; another 15 percent ask functional questions about data or system operation. The remaining 25 percent comment on the system itself; of those, about 10 percent are complimentary and another 5 percent are noncommital reports of (resolvable) problems. Only about 10 percent are complaints. In the course of AFF's first year in operation, the Census Bureau provided service to 1.1 million individual users; of these, less than 300 complained. While the Census Bureau's AFF team continues to devise ways to better serve our customers, we believe initial user satisfaction is positive.

The Census Bureau is reaping the benefits of its innovations in data dissemination. In November 1999, the Census Bureau received the NPR's Hammer Award for the AFF. In March of this year, the AFF was selected as a semifinalist in Harvard University's Innovations in American Government awards program, joining 95 other candidates out of a field of 1,317; this was a first-time selection for a Census Bureau program.

We trust that the GAO will find this information useful in assessing the Census Bureau's success in implementing NPR's recommendation to expand the electronic availability of census data.

Now on p. 12.

See comment 3.

<u>National Oceanic and Atmospheric Administration Comments</u>

Page 22, last paragraph: The information concerning the number of offices that have been approved for closure should be updated. As of July 28, 2000, the National Weather Service (NWS) has completed the approval process to close 184 of 200 offices. Decisions on ten additional offices are scheduled for this year. The remaining six offices require actions before decisions can be made.

The National Performance Review (NPR) designated the NWS as a high-impact agency in 1997. As a high-impact agency with significant public contact, NWS developed five new goals related to delivering great service and internal reinvention. NWS publishes semiannual progress reports in achieving these goals. A summary of progress based on the August 2000 report is attached.

Attachment

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                         NATIONAL WEATHER SERVICE
                        Reinvention Goals for 2000
                        (Status as of August 1, 2000)


The National Weather Service (NWS) has a direct impact on the well-
being of America and a history of accomplishment as a designated NPR
"High Impact Agency."  The successful completion of a $4.5 billion
investment program in weather service modernization has dramatically
improved NWS performance, especially for warnings of dangerous
weather, and is making a significant contribution to the American
economy.  At the same time, restructuring office operations has
closed 184 offices.  Continued improvements in the context of the
5 reinvention goals for the NWS are reported below.

Delivering Great Service

Goal: NWS-01  Generate annual savings to the economy by improving the
quality and utility of environmental forecasts and services.

Former U.S. Secretary of Commerce William M. Daley said, "Weather is
big business. It can help or hurt a community.  One-seventh of our
economy, about $1 trillion a year, is weather sensitive."  The
innovative use of weather, water and climate information is increasing
our safety and productivity and improving the Nation's competitiveness
to enhance our standard of living.  For example, the highly accurate
long-range predictions issued by our Climate Prediction Center for the
1997-98 El Niño led California to conduct major mitigation efforts
that led to a reduction in losses of about $1 billion.

As an NPR-designated "high-impact agency," the National Weather
Service leads NOAA's participation in the Natural Disaster Reduction
Initiative (NDRI), a program that seeks to reduce the costs of natural
disasters to society and the U.S. economy by improving the quality and
utility of environmental forecasts and services.  Following are
examples of how we support this program:

        Improved Hydrologic Services:  Flood damages average about
        $4.5 billion a year and more than 10 million U.S. households are
        located in high risk flood areas.  This year, the NWS began
        implementing a national program, called Advanced Hyrdrologic
        Prediction Services (AHPS), that will improve river forecasts.
        AHPS  provides emergency and water managers with additional time
        to prepare for floods and droughts with better information and
        improved accuracy reducing the economic impact of floods on
        communities.  AHPS provides new forecast products depicting the
        magnitude and probability of occurrence for river conditions from
        days to several months in the future. Because improved services
        upstream can yield safety and economic benefits downstream, this
```

year we began implementing AHPS on tributaries of the upper
Mississippi, Ohio, and Red River of the North river basins
(portions of West Virginia, Kentucky, Pennsylvania, Michigan,
Iowa, Ohio, Illinois, Minnesota, North Dakota and South Dakota
this year). National implementation of AHPS promises to save
lives and benefit the National economy by $600 million each year
through fewer flood losses and improved water resource management
and will extend current short term river forecasts out to weeks
and months.

Improved Aviation Services: Weather delays within the National
Airspace System (NAS) approach nearly $2.5 billion annually. A
Massachusetts Institute of Technology study for O'Hare Field in
Chicago, found that a 30 minute lead-time for identifying cloud
ceiling or visibility events could minimize the number of weather
delays by 20 to 35 percent. Nationally, this could save between
$500 million to $875 million annually. To meet this need, we
developed a new Collaborative Convective Forecast Product (CCFP)
to enhance air traffic flow on an expedited basis as requested
by the Federal Aviation Administration and air carriers. On
April 1, 2000, our Aviation Weather Center began producing the
CCFP as an operational product. Initially, AWC will produce the
CCFP during the thunderstorm season (March through October). As a
result, Federal Aviation Administration (FAA) Air Traffic Control
System Command Center (ATCSCC) and air carriers can now make
strategic routing and dispatch decisions based, in part, on these
forecasts. These forecast products will continually be improved
in the future.

Improving our Weather Technology: When killer tornados tore
through Oklahoma and Kansas in May 1999, our Norman, Oklahoma,
weather forecast office issued warnings up to 30 minutes in
advance of some of the twisters. The office credits the Advanced
Weather Information Processing System (AWIPS), a powerful data
presentation system, for helping the team quickly and accurately
assess the weather conditions and get out warnings; the media
called our NEXRAD doppler radar a "hero." Together, with the
private sector and the media who helped disseminate our warnings
we saved perhaps 600 lives and countless dollars.

America invested $4.5 billion to modernize its National Weather
Service. Leveraging this technology can maximize the investment:

     Improving NEXRAD Products: This year, the NWS begins full-
     scale development of new NEXRAD products that will better
     detect tornado, severe thunderstorm and flash flood
     conditions. As a result, improved forecasting and lower
     maintenance costs will save the nation millions of dollars.

Sustaining AWIPS operations and maintenance: AWIPS
workstations enable forecasters to synthesize and analyze
weather/environmental data from multiple sources which
results in more accurate and timely forecasts of weather
events, saving lives and money.

Replacing the Radiosonde Observing System: For more than 50
years, twice a day, every day, from 102 locations in the
United States, the National Weather Service launches weather
balloons, carrying instrument packages called radiosondes.
The network launches approximately 75,000 to 80,000
radiosondes annually. These balloon-borne expendable
devices report temperature, humidity, pressure and winds
from the Earth's surface up through an altitude of about
95,000 feet or 30,000 meters, and serve as the basis for
most weather predictions. More than 90 percent of the
system parts are now obsolete. We awarded contracts this
year to demonstrate new system components and a prototype
radiosonde for which uses the Global Positional System to
improve data accuracy.

Improving the National Network of Weather and Flood Warning
and Forecast Services: Recognizing the need for two
additional weather forecast offices, we began constructing
facilities in Caribou, Maine, and Key West, Fla., this year.
Operating 24-hours a day, 7 days a week, these offices will
provide improved critical forecasts and warnings that will
help citizens be safe and better prepare against the
economic impacts of severe weather. These two offices bring
the total number of weather forecast offices in our national
network of coverage to 121.

Goal: NWS-02 Double the average lead time for severe weather events
and achieve a 30 percent increase in pin-pointing landfall of
hurricanes.

Our goal is to deliver a credible, timely and relevant suite of
weather, water and climate products and services which meet our
customer's needs. We are upgrading our products and services to meet
these goals.   When seconds count, additional warning lead times can
mean the difference between life and death. There is still work to
do but our average lead times for severe weather are improving
significantly. For example:

Tornado Warnings: Today's average lead time of 11 minutes for
tornado warnings is nearly triple the three minute lead time of
1977. Our goal for 2005 is to provide American's with a 15 minute
average lead time.

Flash Flood Warnings: Our advancements in flash flood warning
lead time is impressive. Today's average lead time of 51 minutes
compares with eight minutes in 1987. Our goal for 2005 is
65 minutes.

In addition to improving lead times, our customers want more specific
severe weather watches. During this year's spring and summer seasons,
we issued a test product, "Watch by County", along with our
operational watches, to better define and update watch areas. We are
soliciting customer feedback on the utility of this test product.

Hurricanes pose a huge threat to the Nation both in potential loss of
life and economic devastation.   The National Weather Service provides
information that is the country's first line of defense against these
storms. Last year, for the first time, we issued an outlook for the
hurricane season -- and it verified well. For the 2000 North Atlantic
Hurricane Season we also are forecasting an above-average number of
storms. An average season brings 10 tropical storms and six
hurricanes of which two are classified as intense.

We owe it to the public, to the emergency managers and decision
makers, to continue improving our hurricane forecasts. Twenty-four
hour track forecast error 30 years ago was 140 miles; this has been
reduced to 100 miles with a goal of 80 miles by 2005. By 2005, the
NWS also plans to increase hurricane warning lead time from
19 (current) to over 24 hours, and improve hurricane intensity (wind
speed) forecasts by 20 percent.

Goal: NWS-03 Provide improved and timely public access to weather
information ranging from current weather events to long-range seasonal
and inter-annual flood and weather forecasts.

The National Weather Service must do more than simply produce better
products and services. Critical information must get to the people
who need it and get there in a form they can use. For potentially
life-saving warnings, NOAA Weather Radio, the media, and even paging
services remain the best sources for communicating short-fuse warning
situations. For less time-critical forecasts and weather information,
the internet is a key means for delivery .

NOAA Weather Radio (NWR) is the voice of the National Weather Service:

Network Expansion: 151 new NOAA Weather Radio stations have been
added since beginning an expansion program in 1994. 555 stations
now comprise the NWR network. We expect to install 40 new
stations by the end of FY 2000. We have identified 240 new sites
that will allow us to reach the goal of 95 percent population
coverage in each state, depending on funding availability.

NWR Public Information: In partnership with the U.S. Department
of Agriculture (USDA) and the Federal Emergency Management Agency
(FEMA) we published *Saving Lives With An All-Hazard Warning
Network*. This publication describes NWR, promotes its value as a
potential life saver, and recommends steps necessary to make NWR
more viable as the national warning network. This year we
produced two new NWR videos for the public, including a public
service announcement with NASCAR race driver Darrell Waltrip to
raise public awareness and promote the purchase of NWR receivers.

NWR New Formats and Uses: We need to get information to people
in a form they can use. We have begun research to apply new
telecommunications technologies to include text broadcasts on NWR
that may provide access to the hearing impaired. In February
2000, we completed implementing Spanish language broadcast
capability into the automated NWR programming system.
Additionally, transmitters serving a significant Hispanic
population may provide automated generic Spanish translations of
emergency weather and natural hazard messages for the Emergency
Alert System (EAS).

NWR Concatenated Voice: The NWS is evaluating a prototype system,
which uses concatenated human voice, for the broadcast of
warnings and short-fused watches. Concatenation uses human voice
recorded in phrases and words, pieced together by a computer to
match input text. This technology will be tested at two NWS
offices by mid-calendar year 2000.

Consolidated River Data on the Internet: Daily river forecasts and
flood stage information from the Nation's largest river basins are now
available on a single Internet site. The Weather Service's new River
Watch home page is a service even more crucial as various parts of the
Nation are gripped by drought. This new "one stop" Web site provides
almost instant access to river data and ice conditions within the
Illinois, Mississippi, Missouri, and Ohio River Basins. The new site
combines river information from more than a dozen weather service
offices and makes them available to anyone with access to the
Internet. The internet address is http://www.riverwatch.noaa.gov.

Open Dissemination of Radar Data on the Internet: After the
expiration of the NEXRAD Information Dissemination Service agreement
this year, we will provide real-time access to the full range of radar
data products through the Internet. Our goal is to do this without
disrupting any of the existing dissemination paths during the
transition in order to make sure this is a win-win for everyone - for
the NWS, for our customers and partners, for the vendors, private
weather companies and their customers, and ultimately for the
taxpayers.

Emergency Managers Weather Information Network (EMWIN): One example
of how we are focusing efforts on modern wireless web technologies and
designs is the EMWIN system. This satellite based information
delivery system delivers critical weather information to emergency
managers at an affordable price.

StormReady: This new NWS initiative, that originated in Oklahoma,
promises to improve communication and increase weather awareness and
preparedness in communities across the country. *StormReady* prepares
communities to respond to the threat of severe weather and provides
detailed and clear recommendations which communities can use to
improve their public awareness programs. It also gives the community
recognition for their preparedness accomplishments. Local National
Weather Service forecast offices work with communities to complete an
application and review process. To be officially *StormReady*, a
community must:

> Establish a 24-hour warning point and emergency operations
> center;

> Have more than one way to receive severe weather forecasts and
> warnings and to alert the public;

> Create a system that monitors local weather conditions;

> Promote the importance of public readiness through community
> seminars; and

> Develop a formal hazardous weather plan, which includes training
> severe weather spotters and holding emergency exercises.

We currently have 22 *StormReady* communities located in 10 states with
an additional 25 in the application process. Our goal is to identify
at least 20 *StormReady* communities annually through 2005.

New Climate Products: Since last year, the NWS has issued several new
climate products that are available on the web.

U.S. Drought Monitor: During last summer's severe drought in the mid-
Atlantic, we implemented a new Drought Monitor, developed by NOAA and
its Federal partners. This product summarizes the extent and
intensity of droughts nationwide and expected changes in intensity
over the next two weeks. For more information visit:
http://enso.unl.edu/monitor/monitor.html.

Threats Assessment: Last summer we launched this tool to identify
potential for extreme weather events up to two weeks in advance.
These maps can be found at:
http://www.cpc.ncep.noaa.gov/products/predictions/threats.

Excessive Heat Product: When parts of the country experienced a
deadly heatwave last summer, our customers asked for a heat wave
outlook. This summer we began issuing a new excessive heat product
that maps parts of the country where excessive heat may occur up to
14 days in advance. These maps are located on at:
http://www.cpc.ncep.noaa.gov/products/predictions/hi_outlook.html.

Internal Reinvention

Goal: NWS-04 Reduce the cost to the private sector of the collection
and dissemination of near real-time weather data and information
through partnership with the academic community and private sector.

Government agencies, private companies, academia, the media, emergency
managers and the public all rely on National Weather Service data,
products and services. Our data and products form a national
information data base and infrastructure.

By collecting and distributing data and information through more
efficient high speed communications lines and NOAAPORT, which is a
satellite broadcast network, we are reducing costs. For the cost of
essential equipment to down link the information, the public,
universities, and industry now have access to nearly all data
collected by the National Weather Service free of charge.

Goal: NWS-05 Streamline weather service activities which will result
in a more highly trained staff, increased productivity, reduced
management overhead, and reduction of the number of field offices from
over 300 to 121.

Currently, 92 percent of our weather offices scheduled to close have
already closed (184 of 200). Decisions on 10 additional offices are
scheduled for this year. The remaining offices require actions over
the next several years before decisions can be made.

GAO Comments

1. The Department of Commerce sent us additional information on the recommendation NPR made to increase access to Census data. This report notes that the recommendation is fully implemented and describes it as an example of improved customer service. The additional information provided by Commerce gives further support for categorizing the recommendations' status as fully implemented and is consistent with our characterization of the recommendation as an example of improved customer service reported by the agencies we reviewed.

2. The example of increased access to Census data was also included in a draft section on the need for recommendation-specific goals. As we note in this report, agencies were generally able to report on the status of the action items—the specific implementation steps—but were much less able to show the measurable results of those steps. To more clearly convey this point, the report now raises this issue only in context of the effects of NPR's recommendations, rather than in a context of the need to set goals for improvement efforts. Therefore, we deleted the section on goals, including the Census example, and revised the text of the section on the effects agencies reported to better reflect our message.

3. Commerce noted that in 1997, NPR designated the National Weather Service (NWS) as a high-impact agency with significant public contact, and that NWS developed five new goals for performance improvement. We support agencies' efforts to set goals: substantive and rigorous planning that includes clear, measurable goals and baselines is an important element in implementing and sustaining management improvement efforts. We did not specifically address NWS' goals as a high-impact agency in this report because our review (as requested) focused specifically on the 72 recommendations NPR made to 10 agencies in 1993 and 1995.

Comments From the Department of Defense

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION AND
TECHNOLOGY

1 1 AUG 2000

Mr. J. Christopher Mihm
Associate Director
Federal Management and Workforce Issues
General Government Division
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Mihm:

     This is the Department of Defense (DOD) response to the General Accounting Office
(GAO) draft report, "REINVENTING GOVERNMENT: Status of NPR Recommendations at 10
Federal Agencies," dated July 24, 2000 (GAO Code 410396/OSD Case 2057).

     The DoD has reviewed the draft report and partially concurs by offering the following
comments. With regard to the reporting of enhanced revenue or reduced costs associated with
NPR recommendations on page 27, reference should be made under "DoD03 Purchase Best
Value Common Supplies and Equipment" to your previous report "Acquisition Reform Effect on
Weapon System Funding", GAO/NSIAD-98-31, October 1997. In that report you specifically
reported that "Of $29 billion in estimated cost reductions reported by the Services, our analysis
shows that only $7.2 billion, or 25 percent of the reductions, are expected to occur between
1995-2002 from an approved budget."

See comment 1.

     Other than an introductory statement that NPR has recently focused on getting results
that matter to Americans in agencies having the most contact with the public, you also fail to
mention that the Department established 12 NPR High Impact Agency Year 2000 Acquisition
goals, 10 of which were subsequently incorporated into our overall GPRA annual performance
plan. As requested by NPR, progress under these performance goals has been regularly
reported to the public at *www.acq.osd.mil/nprhia/*.

     The Department appreciates the opportunity to comment on the draft report.

Sincerely,

Stan Z. Soloway
Deputy Under Secretary of Defense
(Acquisition Reform)

GAO Comment

1. DOD stated that it partially concurred with our draft report and offered an additional example of an NPR recommendation illustrating enhanced revenue or reduced costs reported by agencies—the recommendation NPR made to DOD to purchase best-value supplies and equipment. DOD also noted in its response that it established 12 NPR High Impact Agency year 2000 acquisition goals, and that 10 of those goals were incorporated into the overall GPRA annual performance plan. We believe that goal setting is an important part of successful reform efforts. However, as noted in our overall analysis of agency comments in the body of this report, our review focused specifically on the 72 recommendations NPR made to 10 agencies. DOD's goal-setting efforts under the High Impact agency initiatives were beyond the scope of our review.

Comments From the Department of Energy

Department of Energy
Washington, DC 20585

AUG 1 0 2000

Mr. J. Christopher Mihm
Associate Director, Federal Management and Workforce Issues
United States General Accounting Office
Washington, DC 20548

Dear Mr. Mihm:

This is in response to your July 25, 2000, letter to the Secretary enclosing a draft report entitled
Reinventing Government: Status of NPR Recommendations at 10 Federal Agencies (GAO/GGD-
00-145, Code 410396). Your draft report refers to 14 NPR recommendations to the Department
made in 1993 and 1995 and status information you received from the Department on March 29,
1999. The draft report includes similar information regarding nine other Federal agencies and
makes general observations about management improvement initiatives.
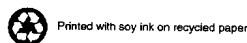
See comment 1.

We agree that your draft report accurately reflects the status information that the Department
provided you in March 1999. Since that time, we have continued to make progress on many of
the 1993 and 1995 NPR improvement recommendations denoted as "Partially Implemented" in
our March 1999 reports. In some cases, the NPR recommendations helped to form the basis for
our long-term goals, and final performance evaluation will need to occur in future years. In other
cases, such as those involving contract management reforms and land use planning, the
Department has instituted a broad range of procedural improvements in response to the NPR
recommendations, which will require continuing management attention to ensure future progress.

See comment 2.

As indicated on pages 25-26, the Department of Energy has benefitted considerably the NPR
recommendations from 1993-95, but we have benefitted from other aspects of the NPR as well.
The Department has adopted Performance-Based Management as our management approach, we
are using the results of the NPR surveys of Federal employees and customers to target
management systems for improvement and, with 77 Hammers to date, DOE offices have been
active participants in the Vice President's "Hammer Award" program. While we agree with your
general observations on page 35 concerning lessons learned from past management reform
observations, we believe that the NPR should be viewed in a broader context than the program-
specific recommendations made in 1993 and 1995.

If you have any questions, you are invited to contact me at (202) 586-8010.

Sincerely,

David M. Klaus
Director of Management
And Administration

Printed with soy ink on recycled paper

GAO Comments

1. The Department of Energy (DOE) agrees that our report accurately reflects the status information reported to us in March 1999. DOE's response indicated that since then, it has continued to make progress on many of the partially implemented recommendations that NPR made in 1993 and 1995. Moreover, DOE indicates that in some cases, the NPR recommendations helped to form long-term goals and will need to be evaluated in future years. DOE's comments underscore a key point of this report—that successful reforms require continuing attention to ensure progress.

2. DOE discussed how it has benefited from other aspects of NPR, in addition to the NPR recommendations. As noted in our overall analysis of agency comments in this report, our review (as requested) focused specifically on the 72 recommendations NPR made to 10 agencies in 1993 and 1995. This is the fifth product on issues related to NPR that we have issued in response to this request. In addition, we have reported on the savings claimed by NPR; reinvention labs; agencies' downsizing; and, more generally, agencies' improvement initiatives. Collectively, these products provide a broad body of work on NPR and management reforms that exceed the scope of this review. This work on selected NPR initiatives, as well as our other related work on federal management issues, suggests an overriding theme—that successful reinvention is not an end state, but rather an ongoing process that seeks continuous improvements in performance, efficiency, and effectiveness.

Comments From the General Services Administration

GSA

GSA Office of the Administrator

August 14, 2000

Mr. J. Christopher Mihm
Associate Director
Federal Management and Workforce Issues
U.S. General Accounting Office
441 G Street, NW - Room 2908
Washington, DC 20548

Dear Mr. Mihm:

See comment 1.

The General Services Administration has undergone profound changes during the last
seven years. The National Performance Review has been a powerful catalyst in this
process, providing framework, energy, and techniques as well as encouraging an
important new level of risk taking and celebrating victories, big and small.

The original recommendations highlighted in the GAO review are dwarfed by the
subsequent progress. At GSA, for example, we focused on forming the Office of
Governmentwide Policy, accomplishing that target promptly. Reorganizations are
always a dramatic shift and that was an important step. Yet, this first step was soon
taken over with rapid and more important accomplishments. OGP went on to champion
procurement reform, anticipate IT policy, and reform travel and expense management.
This work changed the way the entire federal government handles portions of its affairs.

The GAO report does not capture another pivotal piece of work. The most powerful of
NPR "signals" to GSA was to move away from being a mandated source of supply. As
we applied this philosophy, agencies had more freedom to choose their procurement
vehicles, and regulations were changed to emphasize commercial buying instead.
Importantly, as a result, GSA saw increases in business because of the ensuing
improvement in quality and service which occurred in the newly competitive arena.
Agencies got what they needed quicker and at lower cost. GSA thrives. The taxpayer
gained.

It is our belief at GSA that the NPR set things in motion that had been long waiting for
change. The notion of sanctioning NPR "labs" in which sub-organizations could shed
unnecessary rules and seek more effective levels of risk and creativity turned out to be
a powerful idea. Whole regions declared themselves labs, gained a new sense of
excitement about work, progress, customers, and measurements. Best practices
emerged. Healthy and friendly "competition" among regions sprang up and allowed for
truly massive reform of performance standards and rewards systems, particularly in our
Public Building Service.

U.S. General Services Administration
1800 F Street, NW
Washington, DC 20405-0002
www.gsa.gov

GAO Comment

1. The General Services Administration (GSA) commented that it accomplished significant reforms subsequent to the recommendations NPR made in 1993 and 1995. GSA said that NPR encouraged broad changes, beyond the recommendations we reviewed, through strategies such as promoting reinvention labs and a changing view of GSA's mission. As noted in our overall analysis of agency comments in this report, our review (as requested) focused specifically on the 72 recommendations NPR made to 10 agencies in 1993 and 1995.

Comments From the Department of Health and Human Services

DEPARTMENT OF HEALTH & HUMAN SERVICES   Health Care Financing Administration

Office of the Administrator
Washington, D.C. 20201

DATE: AUG - 7 2000

TO: J. Christopher Mihm
                 Associate Director
                 Federal Management and Workforce Issues
                 General Accounting Office (GAO)

FROM: Nancy-Ann Min DeParle
                 Administrator

SUBJECT: GAO Draft Report: "Reinventing Government: Status of NPR
                 Recommendations at 10 Federal Agencies" (GAO/GGD-00-145)

Thank you for the opportunity to review and comment on this draft report concerning the status and impact of recommendations presented by the National Partnership for Reinventing Government (NPR).

The people who work at Health Care Financing Administration (HCFA) care deeply about serving the 74 million American who rely on health care coverage through Medicare, Medicaid, and the State Children's Health Insurance Program. HCFA is the largest health insurer in the nation, paying about $370 billion for health care services in 1999. We are very proud of our record of accomplishments.

HCFA is committed to maintaining and improving the efficiency and modernization of our programs while ensuring access to high-quality services for all beneficiaries. Through our work with the NPR, under the Vice-President's leadership, HCFA developed and implemented a strong plan reinventing how we do business. Our work has paid dividends.

- Our successes in improving oversight contributed to the strongest projection of Medicare Trust Fund solvency in the program's history. The Part A Hospital Insurance Trust Fund, which was projected to become insolvent in 1999 when President Clinton took office, is instead now projected to remain solvent until 2025.
- For the first time, independent auditors issued a clean opinion of HCFA's financial statements for Fiscal Year 1999.
- From April through September 1998, we stopped about $5.3 billion from being paid to providers for inappropriate claims. Our anti-fraud and anti-waste efforts returned nearly $500 million to the federal government, a 65 percent increase over the previous year.
- We have reduced the Medicare payment error rate by almost half since 1996, and maintained that progress in 1999. And, Medicare integrity program savings in fiscal year 1999 totaled $9.9 billion.

Page 2 – J. Christopher Mihm

However, our success goes well beyond our improvements in the financial security of the trust fund and in program integrity. Not only are we saving money, but we are also accomplishing more and improving services. As indicated by the awards we have won, HCFA has made great strides in customer service and government innovation.

- The 1999 American Customer Satisfaction Index showed that our agency has excellent customer relations skills. The index found that beneficiaries' actual experience with us far surpassed the national norm in terms of the courteous and professional customer service we provide.
- HCFA staff, for the first time in the agency's history, were finalists for 1999 in the prestigious, "Innovations in American Government" competition sponsored by the Ford Foundation and Harvard University.
- HCFA's medicare.gov website, designed to provide information to Medicare beneficiaries, won the first place Gold Award for the best government health care website in the first annual Healthcare World awards competition, which recognizes excellence in online health care services. Medicare.gov receives over 175,000 "hits" per day.
- Medicare.gov also won the second place Silver Award for best site for seniors and baby boomers.

See comment 1.

Enclosed is an updated status review highlighting some of our major initiatives, followed by a more detailed discussion of how we have achieved the goals of the NPR. While we are proud of our success, we will continue to work towards the NPR goals of Medicare trust fund protection, contracting authority, and Medicare program integrity.

We appreciate the effort that went into this report and the opportunity to review and comment on the issues raised. We look forward to continuing our work with GAO on this and other issues.

Enclosure

<u>Comments of the Health Care Financing Administration on the</u>
<u>General Accounting Office Draft Report: "Reinventing Government: Status of NPR</u>
<u>Recommendations at 10 Federal Agencies"</u>

The Health Care Financing Administration (HCFA) has worked hard to meet the National Performance Review's (NPR's) overarching goals of creating a government that "works better and costs less." We have also worked to achieve the three specific goals set by the NPR. These specific goals are:

1. Protect Social Security, Disability, and Medicare trust fund assets by removing barriers to funding productive oversight activities;
2. Amend the Health Care Financing Administration's contracting authority to allow for competitive contracting; and,
3. Strengthen Medicare Program Integrity.

We are pleased to report that that the first of these three goals has been fully implemented and that we have made significant progress on the other two. We are proud of our success, and we have plans in place to do even better. In addition, we have already improved, and will continue to improve, HCFA's overall operations by:

- *Strengthening Customer Service Program.* We have worked hard to make sure that our beneficiaries have the information they need to make accurate decisions about their health care options. This has included the creation of the award winning medicare.gov website. In addition, we have created 1-800-MEDICARE so that beneficiaries can obtain information on their health options 24 hours a day. Finally, we have continued to work to standardize the information on Medicare+Choice plans in a way that makes it much easier for beneficiaries to compare and contrast plans. We have also improved our National Medicare Education Campaign by listening to beneficiaries tell us what it is they want know. The result is that we are now providing the information that beneficiaries really want in a way that they can use.

- *Making the Medicare Coverage Process More Open.* This new process guarantees that the coverage decision process will be more open, more accountable, and more explicit in every respect. More specifically, the process guarantees that every beneficiary and every member of the public can: request a national coverage policy decision; submit new data for review when decisions are being made; and, receive a response in a timely way. The process also brings in outside expertise through the new Medicare Coverage Advisory Committee.

- *Enrolling Children in Health Insurance Coverage.* Beginning immediately after enactment of the State Children's Health Insurance Program (S-CHIP), HCFA worked with the States to approve S-CHIP plans in all 56 states and territories. We have achieved that goal, and we have approved more than two dozen expansions of state's original plans. So far, there are more than 2 million children that have been enrolled in S-CHIP. We continue to work in a meaningful partnership with States to

Page 2 -- Comments of the Health Care Financing Administration

ensure that every eligible child whose family leaves welfare continues to have the coverage they are entitled to from either Medicaid or SCHIP.

- *Helping to Successfully Mediate Disputes.* We also have helped states build meaningful partnerships with drug companies in the Medicaid prescription drug rebate program. This work has been so successful that HCFA staff were finalists in the Innovations in American Government competition in 1999. Through this program, we were able to have states and drug companies sit down together to resolve disputes constructively and efficiently. The result is faster access for beneficiaries to the drugs they need, and some 400 million dollars in savings for taxpayers.

- *Protecting Beneficiaries from Unsafe Providers.* HCFA is committed to ensuring that beneficiaries are provided the high level of care that they need and deserve. To that end, we launched a major effort to ensure that nursing homes are safe. We have also worked with States to step-up our review of other facilities. Through this work, we have closed a number of unsafe providers.

- *Developing Appropriate Partnerships with Industry.* For several years, HCFA has worked towards developing our relationships with the various sectors of the health care industry. Perhaps the best example of this is the work we have done with the hospital industry on the outpatient prospective payment system. We have created an unprecedented partnership with the hospital industry in order to implement this complicated payment system. In addition, we also have held many town hall meetings, satellite forums, and attended other events to hear directly from providers on a wide variety of issues. This has helped us to be more responsive to their concerns and help them serve our beneficiaries better.

- *Reducing Physician Burden.* HCFA recently began testing of new guidelines for physician evaluation and management of patients to clarify and reduce the documentation needed to receive Medicare payment. We also have formed a Physicians Regulatory Issues Team to review, clarify, and simplify rules, and ensure that clinician concerns are heard as we develop policies and guidance.

- *Improving Training Opportunities for Staff.* Some of our brightest up and coming managers are participating in the Council on Excellence in Government's Fellows program.

These are just a few of the achievements we have had during the past several years.

Detailed Comments

With regard to the specific NPR goals, I am pleased by our progress to date and our plans to continue this success in the future. Taken together, all of these activities have resulted in a series of major achievements for HCFA in terms of improving the financial condition of the Medicare program as well as reducing waste, fraud, and abuse.

Page 3 -- Comments of the Health Care Financing Administration

- Our activities have contributed to creating the strongest projection of Medicare Trust Fund solvency in the program's history. The Part A Hospital Insurance Trust Fund, which was projected to become insolvent in 1999 when President Clinton took office, is instead now projected to remain solvent until 2025.
- For the first time, independent auditors issued a clean opinion of HCFA's financial statements for Fiscal Year 1999.
- From April through September 1998, we stopped about $5.3 billion from being paid to providers for inappropriate claims. Our anti-fraud efforts returned nearly $500 million to the federal government, a 65 percent increase over the previous year.
- We have reduced the Medicare payment error rate by almost half since 1996, and maintained that progress in 1999. And, Medicare integrity program savings in fiscal year 1999 totaled $9.9 billion.

1. Protect Social Security, Disability, and Medicare trust fund assets by removing barriers to funding productive oversight activities.

Safeguarding Medicare program funds is one of our highest priorities and we have made great strides in improving program integrity in the past several years. I am pleased to say that this goal has been fully implemented.

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) established the Medicare Integrity Program (MIP), which created a stable source of funding for program safeguard activities. MIP has aided us immeasurably in our program integrity activities. Among other things, it allows HCFA to competitively bid out contracts for Medicare program safeguard activities. Medicare Program Safeguard Contractors perform activities that include the following: review of provider activities, including medical, utilization, and fraud reviews; cost report audits; Medicare secondary payer determinations; provider and beneficiary education regarding program integrity; and developing and updating a list of durable medical equipment that is frequently subject to unnecessary utilization.

We are making other great strides in improving HCFA's financial management and accounting systems. In the past year we:
- **Implemented** our comprehensive program integrity plan, which details our overall strategy to reduce waste, fraud and abuse;
- **Hired** independent Certified Public Accounting firms to analyze internal control systems at 25 of the largest and highest-risk Medicare contractors, representing 80 percent of Medicare fee-for-service payments;
- **Developed** an integrated ledger system to standardize the accounting systems used by all contractors;
- **Hired** our first-ever national contractor to ensure Medicare does not pay claims that private insurance companies should pay;
- **Initiated steps** to develop an integrated general ledger system to standardize the accounting systems used by all contractors; and

Page 4 -- Comments of the Health Care Financing Administration

- **Created and filled** a new high-level management position to coordinate the agency's business plans to further strengthen financial controls.

2. Amend the Health Care Financing Administration's contracting authority to allow for competitive contracting.

In our March 1999 response to GAO's NPR recommendation status questionnaire, we indicated that congressional action was necessary for HCFA to be able to fully implement NPR's recommendation on contracting authority. Unfortunately, Congress has not acted. HCFA's ability to contract with companies is constrained by Medicare law that requires HCFA to contract only with entities "nominated" by institutional providers to process Medicare bills, and to contract with health insuring organizations to process the Part B claims submitted to the program by physicians and other suppliers. When Medicare contractors decide to non-renew their contracts or HCFA ends contracts based on performance problems, the result is an ever-shrinking pool of available entities with which to contract.

For the past several years, the President has proposed to reform Medicare contracting rules. Our proposal would bring Medicare contracting in line with standard contracting procedures used throughout the Federal government. While we are making strides in strengthening oversight of the private insurance companies who, by law, process Medicare claims, the General Accounting Office and Health and Human Services' (HHS') Office of Inspector General have agreed with us that we need an open marketplace so we do not have to rely on a steadily shrinking pool of insurance companies. We will continue to work with the Congress and others to fully implement this NPR goal.

Despite statutory barriers, we have worked hard to improve contractor functions within the existing legal framework. In 1998, HCFA began an intensive effort to strengthen its oversight by hiring a high-level manager with experience fighting fraud, waste and abuse to coordinate our contractor efforts and established an oversight board at HCFA to set contractor-management policies. Additional steps include:

- **Developing contractor-specific error rates.** HCFA is developing error rates to measure and track the payment accuracy for each claims-processing contractor. The results will guide contractors' plans to reduce errors much as the Inspector General's national Medicare error rate has guided HCFA's improvement efforts. HCFA will begin by determining error rates for the companies that process medical equipment claims nationally.

- **Creating a new national performance evaluation strategy.** In May 1999, HCFA implemented a new strategy to ensure consistency and to focus on key contractors and high-risk areas. HCFA continues to develop additional defined, measurable standards to support more targeted and consistent reviews of specific areas of contractor performance.

Page 5 -- Comments of the Health Care Financing Administration

- **Using national teams to review performance.** In 1999, HCFA created national review teams to evaluate contractors' fraud and abuse efforts and other key functions, using standardized reporting and evaluation protocols. These teams cut across regions and use their specific expertise to assure more effective evaluations of contractor performance.

- **Issuing contractor report cards.** HCFA is working with the HHS Inspector General to create report cards that measure each contractor's performance against specific goals and criteria. Contractors that perform poorly and fail to improve risk losing their Medicare claims-processing business.

While we are proud of these efforts, we believe additional funding is needed for overseeing contractors. HCFA's appropriations request for 2001 included $48 million for additional contractor oversight activities with the resources they need to strengthen their internal controls.

3. Strengthen Medicare Program Integrity.

The primary goal of program integrity is to "pay it right" – the right amount for a medically necessary service which is appropriately documented. Today, our efforts to identify fraud, waste, and abuse in all of our programs are more effective than ever before. We will continue to find new and better ways to achieve our program integrity goals.

In February 1999, HCFA released the Comprehensive Plan for Program Integrity, with ten priorities. These priorities included:

- *Increasing the Effectiveness of Medical Review and Benefit Integrity Activities.* Medical review activities, where we review medical records to ensure that claims are correct, include all actions taken by contractors to determine whether a particular service was medically necessary, properly coded, and documented. Benefit integrity activities, such as data analysis and complaint investigation, allow us to identify and pursue billers suspected of outright fraud.

- *Implementing the Medicare Integrity Program.* This allows us to hire special contractors who focus solely on program integrity, as authorized under HIPAA. Until now, only insurance companies who process Medicare claims have been able to conduct audits, medical reviews, and other program integrity activities. Under the new authority, we can and have started to contract with many more firms who can bring new energy and ideas to this essential task.

- *Proactively Addressing the Balanced Budget Act of 1997 (BBA).* The BBA created several new programs, benefits, and payment systems. We continue to work to address potential program integrity problems these changes could raise before they occur.

Page 6 -- Comments of the Health Care Financing Administration

- *Promoting Provider Integrity.* We have made clear that we do not simply pay bills, but enter into agreements to do business with providers. We have stepped up efforts to educate providers on how to comply with program rules; supported the development of compliance plans; increased the number of onsite visits we make; and are working to publish a proposed regulation to establish clear enrollment requirements, including conditions under which we will deny or revoke billing privileges.

- *Focusing on specific parts of the program.* These include inpatient hospital care, managed care, nursing homes, and community mental health centers. We have focused on these areas to reduce payment errors and ensure protection of beneficiaries.

We are fully committed to safeguarding the trust fund and America's taxpayers through our program integrity activities. But, we also realize that to do so, we must have cooperation from the providers and physicians delivering services to Medicare beneficiaries. To this end, we have launched several initiatives. We have:

- **Launched** a wide-ranging education initiative to help providers understand Medicare policies and how to bill correctly, and to prepare them for the new payment systems mandated by the law;

- **Worked** with the HHS Inspector General to develop compliance guidance for providers, including those issued just this month for physicians, and are inviting public comments on this guidance;

- **Studied** payment error rates at the contractor level so we can focus education and error prevention efforts more sharply;

- **Required** all claims processing contractors to establish toll-free lines for providers to call with billing questions;

- **Informed** more than 800,000 providers, through a letter sent earlier this year, on how to address the most common documentation problems; and,

- **Conducted** an increasing number of town meetings and other endeavors to communicate directly with providers about their concerns.

See comment 2.

Now on page 18.

Technical Comments

Page 30 - Bullet Two - In its discussion of the NPR's recommendations that resulted in enhanced stewardship of assets or reduced waste, fraud and abuse, the GAO notes that, according to HCFA, increased funding for payment safeguard activities has allowed the agency to focus on reducing fraud and abuse in the Medicare and Medicaid Programs.

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(Page 30) The report correctly states that the claim payment error rate was reduced from 14 percent in 1996 to 8 percent in 1999. The report then states:

Although this represents an improvement, the difference was almost entirely attributable to better documentation, rather than substantive reductions in improper payments.

We recommend that this sentence be deleted. It indicates a misconception regarding a basic requirement for proper claims payment processing. A fundamental prerequisite for payment to be proper is that documentation be available and that the documentation be sufficient to determine if the claim has been properly coded and the services are covered. Appropriate and sufficient documentation, therefore, is a crucial element of proper payment. Reducing the error rate by obtaining better documentation is a significant advance in ensuring proper payments and thus is a substantive reduction in improper payments.

GAO Comments

1.The Health Care Financing Administration (HCFA) enclosed an updated status review that provides additional information on the actions that it took related to its NPR recommendations, thereby providing an update and additional support for the implementation status that it originally reported to us in January 1999. HCFA's response also discusses its plans to undertake additional reforms in areas related to the NPR recommendations, and its continuing performance improvement efforts that go beyond the scope of the NPR recommendations discussed in this report. These comments further corroborate our observation that significant management reforms require continuous attention.

2. We agree with HCFA that proper and sufficient documentation is a key element in reducing the error rate for improper Medicare payments. We clarified the example in the report by also specifying other elements that contribute to much of the remaining estimate of erroneous payments, such as billing for services that are not medically necessary or for services that were never received. We also point out that the error rate estimates may differ because of changes in estimation methodologies, and recognize that HCFA has efforts under way to enhance its estimation methodology.

Comments From the U.S. Department of Housing and Urban Development

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U. S. Department of Housing and Urban Development
Washington, D.C. 20410-0003

AUG 1 1 2000

OFFICE OF DEPARTMENTAL OPERATIONS
AND COORDINATION

J. Christopher Mihm
Associate Director, Federal Management and
    Workforce Issues
U. S. General Accounting Office
441 G Street, NW, Room 2908
Washington, DC 20548

Dear. Mr. Mihm

See comment 1.

Thank you for the opportunity to comment on the draft report, <u>Reinventing Government Status of NPR Recommendations at 10 Federal Agencies</u>. The trailblazing work and recommendations of the National Performance Review (NPR) provided the impetus for the development and implementation of an even broader agenda for change which became the HUD 2020 Management Reform Plan.

This landmark plan was unveiled by Secretary Cuomo in June 1997 and, in the ensuing three years its accomplishments have received recognition from the likes of David Osborne, author of <u>Reinventing Government</u> and the noted management consulting firms of PricewaterhoiuseCoopers and Booz-Allen Hamilton. The HUD 2020 Management Reform Plan has also been endorsed by HUD's labor unions, praised by President Clinton, Vice President Gore and government reinvention experts. It has been successfully implemented by HUD staff. Significant accomplishments of the Management Reform Plan include:

- The consolidation of HUD's single family insurance endorsement processing into four Singlefamily Homeownership Centers. This consolidation combined with the innovative use of technology has resulted in a substantial reduction in the time required to process applications.
- An independent report by Deloitte & Touche, issued in March 2000, found that the **Federal Housing Administration (FHA) Mutual Mortgage Insurance Fund was in its strongest financial condition since its creation in 1934 with an $16.6 billion economic value.** Ten years ago the fund had a negative value of $2.7 billion.
- The development of an award-winning website (http://www.hud.gov) which reaches out to the public to provide valuable information on HUD and its programs. Visitors can learn everything from where HUD funds are being utilized in their community to where and how to obtain housing counseling for first time home buyers. The site also provides information on how to buy a "HUD" home and empowers individuals and families to file housing discrimination complaints on-line.

- The establishment of the Real Estate Assessment Center, which conducted **the first nation-wide physical inspections of all affordable housing insured or subsidized by the Department.**
- The creation of an Enforcement Center, headed by an FBI agent, and assisted by U. S. Attorney's offices to crackdown on landlords who improperly receive HUD funds.
- The first clean audit of HUD financial statements in the history of the Department in March of 1999. The Office of Inspector General stated that it "represents a considerable achievement for HUD, and it further reflects continuing improvements in HUD's commitment and ability to properly account for the funds entrusted to Department".
- The National Academy of Public Administration in a report issued in April 1999, stated that "HUD has made substantial progress toward the goal of developing and implementing a model procurement system."

These are but a few of the achievements the Department can claim as a result of the HUD 2020 Management Reforms. Significantly, the General Accounting Office, in a report issued in 1999, acknowledged that HUD has made credible progress in overhauling its operations to correct managment deficiencies and called the Management Reform Plan "a major contributor to this progress". These reforms have not only enabled the Department to make progress in addressing long-standing management and internal control weaknesses, but have also enabled HUD to fulfill the NPR goal of making government "work better and cost less".

The efforts to reform HUD have been so significant that a 1998 survey of HUD staff, conducted by the NPR, found that **70 percent believed that reinvention was an important priority. This is the highest percentage of any of the 22 agencies surveyed**. There is no doubt that the National Partnership for Reinventing Government led the way for HUD's reform and was instrumental in giving us the flexibility to develop and implement the HUD 2020 Management Reform Plan.

The draft report states that the Department did not report on the implementation of one NPR recommendation. This recommendation, HUD04, was put into effect by the comprehensive changes wrought in the Administration's Public housing Reform Act signed into law in 1998. The Public Housing Reform Act:

- reduces the concentration of poverty in public housing;
- protects access to housing assistance for the poorest families;
- supports families making the transition from welfare to work;
- raises performance standards for public housing agencies and rewarding high performance;
- provides tenants with the option of flat rents or income-based rents;
- transforms the public housing stock through new policies and procedures for demolition and replacement and mixed finance projects, and through authorizing the HOPE VI revitalization program;
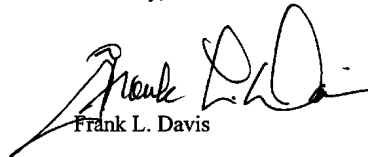
- merges and reforms the Section 8 certificate and voucher programs, and allowing public housing agencies to implement a Section 8 Homeownership program; and
- supports HUD management reform efficiencies through deregulation and streamlining and program consolidation.

Other provisions of the Public Housing Reform Act permitted Public Housing Authorities to enter joint ventures to maximize management actions, purchasing and operations, to develop mixed finance complexes, to voluntarily convert public housing to tenant based assistance and to use site based waiting lists.

Finally, HUD's Section 8 certificates have been portable since July 1995, when the program merger rule was published. The intent was to enable tenants to move closer to work or work opportunities, child care or family for increased family support to increase tenant self-sufficiency. Although Section 8 Vouchers have been portable since the program's inception in the early 1980's, a 1999 appropriation provided increased impetus for voucher portability in support of the Welfare to Work Program. Therefore, the experiments recommended in HUD04, intended to begin the process of reforming public housing were included and, indeed, expanded by Public Housing Reform supported and implemented by the Department.

While the work of reform and improvement is not over, one legacy of the NPR is that there is now a greater awareness in HUD, and the government in general, of the need to examine new policies, new business practices and new technologies with a view to continually improving program operations and service to the public. This will assure that the movement for improvement and reform will become a permanent part of our governmental management perspective. To provide you with more detailed explanation of the HUD Management Reforms and their impact I am enclosing a copy of the Department's most recent HUD 2020 progress review and accomplishments report.

Sincerely,

Frank L. Davis

Enclosure

GAO Comment

1. The Department of Housing and Urban Development (HUD) commented that NPR provided the impetus for a broader agenda for change, which became the HUD 2020 Management Reform Plan, initiated in June 1997 by the Secretary of Housing and Urban Development. HUD enclosed a copy of the most recent 2020 progress review, which lists several actions HUD has completed as part of that reform. As noted in our overall analysis of agency comments in this report, our review (as requested) focused specifically on the 72 recommendations NPR made to 10 agencies in 1993 and 1995. We have reported separately, and in greater detail, on HUD's efforts under its 2020 Management Reform reforms.[1]

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[1] HUD Management: Information on HUD's 2020 Management Reform Plan (GAO/RCED-98-86, Mar. 1998).

Comments From the U.S. Department of Transportation

**U.S. Department of
Transportation**

Assistant Secretary
for Administration

400 Seventh St., S.W.
Washington, D.C. 20590

August 11, 2000

Mr. J. Christopher Mihm
Associate Director, Federal Management
 and Workforce Issues
U.S. General Accounting Office
441 G Street N.W.
Washington, D.C. 20548

Dear Mr. Mihm:

Thank you for the opportunity to comment on the GAO draft report, "Reinventing
Government: Status of NPR Recommendations at 10 Federal Agencies." FAA has
embraced the principles of the NPR to help ensure that it delivers on its mission of
ensuring aviation safety, while at the same time working to provide an efficient
system to handle record numbers of travelers. It has done this by putting the
customer first. FAA has achieved results by listening to, and understanding its
customers and by working effectively with its employees and partnering with industry.

FAA has achieved significant accomplishments as a result of its actions that were
initiated in response to the NPR recommendations discussed in the report, as well as
the overarching governmentwide recommendations identified in the original NPR
report. Throughout the process, FAA's overall objective has been to deliver great
service, foster partnerships to accomplish positive changes and community solutions,
and reinventing processes to get the job done better, faster, and more efficiently.
We have done this, and our efforts will continue. FAA's procurement process has
been streamlined, laying the basis for FAA to move more quickly to obtain the
technologies necessary to effectively contend with ever increasing volumes of air
traffic. The personnel system has been reformed in order to ensure that FAA can
compete in the market place for the talent it needs to accomplish its many complex,
technical tasks.

FAA has done everything possible to fully implement the original set of NPR
recommendations that were the subject of the GAO draft report. We are pleased to
see that the GAO draft report recognizes that FAA was able to fully implement the
vast majority of recommendations and essentially complete action on the remaining
recommendations. For the two recommendations listed in the report as partially
implemented, FAA has taken effective action to comply with the intent of these
recommendations.

See comment 1.

Beyond the specifics of accomplishing the objectives of the individual NPR recommendations, NPR helped to create a results-driven environment for FAA to pursue its mission. FAA continues to listen to its customers and work constructively with industry to achieve ever higher levels of safety and efficiency. It will continue to move ahead and achieve further progress in its effectiveness and efficiency by focusing on results and achieving the goals and objectives outlined in the strategic plan.

Once again, we appreciate the opportunity to comment on this report. Please contact Martin Gertel, at 202-366-5145 with any questions.

Sincerely,

Melissa J. Allen

GAO Comment

1. The Federal Aviation Administration (FAA) commented that NPR went beyond the specific recommendations it made to FAA by helping to create a results-driven environment for FAA to pursue its mission. As stated in this report, NPR was one of a number of catalysts that stimulated agencies to become more efficient and effective. NPR recognized that it could contribute to improved agency performance by promoting a focus on results consistent with the statutory framework provided by Congress.

Comments From the Internal Revenue Service

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

DEPUTY COMMISSIONER

August 3, 2000

Mr. J. Christopher Mihm
Associate Director, Federal Management and Workforce Issues
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Mihm:

Thank you for the opportunity to review and comment on your recent draft report entitled Reinventing Government: Status of NPR Recommendations at 10 Federal Agencies (GAO/GGD-00-145, Code 410396). I agree with the content of the report as it applies to the Internal Revenue Service, and also with your general observations about the elements that are particularly important in implementing and sustaining agency improvements. I am pleased to say that these elements (leadership commitment, integration of improvement initiatives into programmatic decision making, rigorous planning, employee involvement and organizational alignment to streamline operations) are an integral part of the way we work now and are key to achieving and sustaining our modernization vision.

See comment 1.

On a more specific note, this report covered only selected NPR-related recommendations in the 1993-95 time frame. However, I would like to stress that NPR has provided ongoing support to us in our continuing efforts to improve service. A prime example was the 1997 Customer Service Task Force, which was a joint effort of the Treasury Department, the Internal Revenue Service and NPR. The recommendations resulting from this effort have been an important part of our foundation in building a more customer focused IRS. While it may be difficult, as you point out in the report, to isolate specific contributions to successful reforms, we do consider NPR to be a valuable resource as we pursue the enormous task of modernizing America's tax agency.

If you have any questions or require additional information, please let me know or you may contact Judith B. Tomaso, Director, Office of Tax Administration Coordination at (202) 622-7194.

Sincerely,

Bob Wenzel
Deputy Commissioner Operations

cc: Director, Legislative Affairs

GAO Comment

1. The Internal Revenue Service (IRS) noted in its comments that our report covered only the recommendations that NPR made in 1993 and 1995, and that NPR has provided ongoing support to IRS' continuing efforts to improve service. We are aware that NPR undertook other actions designed to stimulate improved performance; however, our review (as requested) focused specifically on the 72 recommendations NPR made to 10 agencies in 1993 and 1995. Our work on selected NPR initiatives, as well as our other related work on federal management issues, suggests an overriding theme—that successful reinvention is not an end state, but rather an ongoing process that seeks continuous improvements in performance, efficiency, and effectiveness.

Comments From the Social Security Administration

SOCIAL SECURITY

Office of the Commissioner

August 7, 2000

Mr. J Christopher Mihm
Associate Director, Federal Management and Workforce Issues
U. S. General Accounting Office
441 G Street NW, Room 7100
Washington, D.C. 20548

We have reviewed your draft report on Reinventing Government: Status of NPR
Recommendations at 10 Federal Agencies and appreciate the opportunity to comment on
this important issue.

Your report states that "...NPR was one of the catalysts that stimulated agencies to
become more effective and efficient." We could not agree more. We have worked
closely with NPR on improving and reinventing the way we do business. Since
becoming Commissioner, I have made it clear that all of us at SSA must take to heart the
central NPR tenets –putting people first, adopting best-in-business service standards, and
pursuing innovative changes that enable us to "work better and cost less." Customer-
responsive service, and maintaining program integrity, figure prominently in our Agency
strategic goals, and are supported by numerous specific objectives and measures.

See comment 1.

For example, because more people interact with us over our toll-free 800 number than by
any other mode of service delivery, we have targeted our toll-free 800 number service for
a vast array of improvements. Specifically, customers have told us that prompt access to
courteous and knowledgeable service is what they desire most when they call us.
Additionally, customers want to complete all of their business in one contact whenever
possible. We have responded to the customer voice on several fronts, including the
addition of human resources to our 800 number service, the improvement of automated
scripts, extensive courtesy training for our telephone representatives and the immediate
processing of retirement claims over the phone. We have seen these initiatives pay off in
terms of individual public satisfaction with our 800 number service.

There are many other examples of NPR's influence on our service improvement:

- SSA has played an integral role in, and has learned considerably from, several NPR
  benchmarking efforts in the customer service area – including complaint handling,
  and one-stop shopping.

- We have made many technological improvements, an area of major emphasis for
  NPR, designed to maximize efficiencies and respond to customers' requests for
  additional, faster, service options.

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

2

At the same time that we have pursued NPR recommendations to improve customer service, we have attempted to address equally important initiatives related to program integrity. For example, we have pursued initiatives related to improving debt collection, sharing information with our Federal partners, and improving the accuracy of our disability claims adjudication.

Reinvention has served as the foundation to rebuild public trust in government. Our efforts at SSA have received broad and visible recognition from a variety of sources. We are considered one of the best agencies in the delivery of customer service. In addition, the Maxwell School of Citizenship and Public Affairs at Syracuse University, which reviewed 15 Federal agencies to assess overall management, gave SSA an "A" grade in 1999, the highest grade given to any Federal agency. This is an example of the recognition that we have received for our accomplishments over the past few years. We are proud of our accomplishments, and continue to work closely with NPR to reinvent our agency.

Finally, I should point out that we have received these accolades during a period of serious stress during which workloads increased and resources became tighter. This, in my view, makes our accomplishments even more significant.

Thank you for the opportunity to comment.

Sincerely,

Kenneth S. Apfel
Commissioner
 of Social Security

GAO Comment

1. The Social Security Administration (SSA) agreed with our statement that NPR was one of the catalysts that stimulated agencies to become more effective and efficient. To underscore that point, SSA provided examples of NPR's efforts to help improve customer service and program integrity. Although we recognize that improving customer service was another of NPR's initiatives, this report focused on the implementation of the agency-specific recommendations NPR made to selected agencies in 1993 and 1995, as requested.

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