United States General Accounting Office

GAO

Testimony

Before the Subcomittee on Government Management, Information and Technology
Committee on Government Reform and Oversight
House of Representatives

For Release on Delivery
Expected at
2:00 p.m. EDT
May 9, 1995

MANAGING FOR RESULTS

Steps for Strengthening Federal Management

Statement of Johnny C. Finch
Assistant Comptroller General
General Government Division
and
Gene L. Dodaro
Assistant Comptroller General
Accounting and Information Management Division

063527 / 154208

GAO/T-GGD/AIMD-95-158

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to discuss actions needed to strengthen management in the federal government. A wealth of GAO reports and testimonies over the last decade have identified numerous opportunities for improving agency and departmental management. While a wide array of issues were raised from this work, four basic management problems consistently emerged. They are the need to

(1) develop more precise program and business goals and better measure performance against these goals,

(2) improve operational effectiveness by taking fuller advantage of reengineering opportunities and investments in modern information technology,

(3) strengthen financial management to instill accountability and control costs, and

(4) build the capacity of the federal workforce to more effectively and efficiently implement and manage programs.

In recent years, Congress has enacted landmark legislation that seeks to greatly improve federal management practices and emphasize accountability for achieving results. The Government Performance and Results Act (GPRA), the Chief Financial Officers (CFO) Act, the Government Management Reform Act, and the forthcoming reauthorization of the Paperwork Reduction Act have established a basic framework that should help agencies to improve their performance and business processes. This framework also will provide managers and other decisionmakers with the critical information needed to make more informed policy and programmatic decisions and achieve more accountability for results.

We are encouraged by this Subcommittee's plan to monitor agencies' progress in implementing these key laws through a series of hearings in the coming months. Such congressional oversight is essential to encouraging sustained attention to and attaining the improvements that we all desire.

IMPROVING RESULTS BY SHARPENING THE FOCUS ON GOALS AND PERFORMANCE MEASURES

Our management and program reviews of departments and large agencies across government have shown that many federal agencies lacked consensus on their mission and the outcomes sought. Most agencies also had not established a systematic process to identify and address critical issues affecting their ability to meet their mission and achieve their desired results. Moreover, reliable program and financial information was not routinely collected and used to gauge progress, improve performance, and establish accountability.

Our March 1994 report on the federal government's 62 programs that provide employment training assistance to the economically disadvantaged illustrates just one example of where better data are needed to determine if federal efforts are effective.[1] It found that most agencies did not collect information on participant outcomes nor did they conduct studies of program effectiveness--both of which are needed to know how well programs are helping participants enter or reenter the workforce. As a result, agencies that manage these 62 programs do not know whether their programs, as currently configured, are providing assistance that results in participants getting jobs.

In passing GPRA in 1993, Congress created a statutory framework for addressing these types of problems. The Senate Committee on Governmental Affairs report that accompanied GPRA noted:

> "At present, congressional policymaking, spending decisions, and oversight are all seriously handicapped by the lack both of sufficiently precise program goals and of adequate program performance information. Federal managers, too, are greatly disadvantaged in their own efforts to improve program efficiency and effectiveness by that same lack of clear goals and information on results. The goal-setting, performance measurement, and results reporting requirements of (GPRA) are intended to address these needs of Congress and of federal program managers."[2]

GPRA's implementation is being phased in, beginning with performance planning and reporting pilots at selected agencies during fiscal years 1994 through 1996. Already, the Office of Management and Budget (OMB) has designated more than 70 programs and agencies as pilots, ranging in size from small programs to entire agencies, such as the Internal Revenue Service (IRS). OMB plans to select a subset of these programs and agencies to further pilot GPRA's managerial flexibility provisions in fiscal years 1995 and 1996 and performance budgeting provisions in fiscal years 1998 and 1999.

---

[1] Multiple Employment Training Programs: Most Federal Agencies Do Not Know If Their Programs Are Working Effectively (GAO/HEHS-94-88, Mar. 2, 1994). More recently, we reported earlier this year that the Department of Health and Human Services does not know whether the Job Opportunities and Basic Skills Training (JOBS) program is reducing welfare dependency because the program does not gather enough critical program information on program outcomes, such as the number of participants entering employment and leaving Aid to Families with Dependent Children. See Welfare to Work: Measuring Outcomes for JOBS Participants (GAO/HEHS-95-86, Apr. 17, 1995).

[2] Committee on Governmental Affairs, United State Senate, Report to Accompany S. 20, Report number 103-58, June 16, 1993.

GPRA is to be implemented governmentwide on September 30, 1997, when virtually all agencies are required to submit 5-year strategic plans, to be based on congressional and stakeholder input, to OMB. Beginning in fiscal year 1999, all agencies will be required to annually submit the performance plans and subsequent performance reports.

On the basis of our discussions with senior officials in 24 departments and large agencies, most departments and agencies have recognized the difficulty of setting the right goals and using performance information to make substantial improvements in agencies' effectiveness and to guide resource allocation decisions. The experiences of state and foreign governments confirm that implementing the changes required by GPRA will not come quickly or easily.[3]

As agencies proceed with implementing GPRA, it will be important to identify and communicate the best practices that are evolving from agencies' efforts. Recognizing this and working with Congress and experts in the public administration community, we developed a methodology to facilitate the identification of best practices in clarifying goals, developing strategic plans for achieving those goals, establishing performance measures that focus on results, and communicating and using performance information. We recently began using our methodology in reviewing a sample of departmental and major agency GPRA implementation efforts. We also are making our methodology available to agencies to use as they assess their own progress in implementing GPRA.

IMPROVING OPERATIONAL EFFECTIVENESS BY TAKING FULLER ADVANTAGE OF REENGINEERING OPPORTUNITIES AND INVESTMENTS IN MODERN INFORMATION TECHNOLOGY

Moving to a smaller, more efficient government that stresses accountability and managing for results will require reengineering federal operations and supporting them with modern information technology. Reengineering inefficient work processes and using modern technology offer unprecedented opportunities to improve the delivery of government services and reduce program costs. Moreover, using technology well is central to enhancing the quality and accessibility of information available to federal managers and the public.

Federal agencies must close the large and widening gap between the public's expectations for efficient, modern service and the government's performance--a gap that

---

[3]See, for example, Managing for Results: Experiences Abroad Suggest Insights for Federal Management Reforms (GAO/GGD-95-120, May 2, 1995); Government Reform: Goal Setting (GAO/AIMD/GGD-95-130R, Mar. 27, 1995); Managing for Results: State Experiences Provide Insights for Federal Management Reforms (GAO/GGD-95-22, Dec. 21, 1994); and Performance Budgeting: State Experiences and Implications for the Federal Government (GAO/AFMD-93-41, Feb. 17, 1993).

is undermining the effectiveness and credibility of our government's institutions. More and more, the American people are enjoying the everyday benefits of technology-driven service improvements in the private sector, such as 24-hour one-stop customer service numbers, automated bank tellers, overnight package delivery, and point-of-sale or telephone credit card payment.

Unfortunately, the federal sector lags leading private firms that have used process improvement and information technology to cut costs, streamline operations, and enhance service levels. After having spent more than $200 billion on information systems over the past 12 years, our work has shown that the federal government is in the worst possible situation--having invested heavily in costly information system projects that often fail to produce dramatic service improvements or significant reductions in personnel and administrative costs.[4]

Information systems projects are frequently developed late, fail to work as planned, and cost millions--evens hundreds of millions--more than expected. In an environment of shrinking resources and a demand for service improvement, the government can ill afford to continue spending such large amounts of money with so few results.

We consistently found huge, complex computer modernizations at great risk from two basic management problems: (1) the failure to adequately select, plan, prioritize, and control system and software projects and (2) the failure to use technology to simplify, direct, and reengineer functional processes in ways that reduce costs, increase productivity, and improve service quality. These problems permeate critical government operations in key agencies, such as the Federal Aviation Administration (FAA), IRS, the Department of Agriculture (USDA), the Department of Veterans Affairs, and the Social Security Administration (SSA). The vast potential for improving government performance through information technology investments cannot be fully realized until these problems are addressed.

To illustrate, let me point to just a few examples of the criticality of information management to reining in costs and improving government programs and service.

-- After investing over 12 years and more than $2.5 billion, FAA chose to cut its losses in its problem-plagued $6 billion Advanced Automation System (AAS) by either cancelling or extensively restructuring elements of this effort to modernize the nation's air traffic control system. The reasons for AAS's problems include FAA's failure to (1) accurately estimate the technical complexity and resource

---

[4]Information Management and Technology Issues (GAO/OCG-93-5TR, Dec. 1992); Government Reform: Using Reengineering and Technology to Improve Government Performance (GAO/T-OCG-95-2, Feb. 2, 1995).

requirements for this effort, (2) stabilize system requirements, and (3) adequately oversee contractor activities.[5]

-- Similarly, our work on IRS' estimated $8 billion Tax System Modernization (TSM) designed to automate selected tax processing functions has identified many management and technical issues that need to be addressed to mitigate critical risks and better position IRS to achieve success. In a May 3, 1995, briefing to the IRS Commissioner on our recent assessment work, we noted that IRS lacks a comprehensive business strategy to cost-effectively reduce paper submissions and has not yet fully developed and institutionalized the requisite management, systems development, and technical infrastructures necessary to successfully implement such an ambitious world class modernization effort. IRS has agreed with the need to put the needed business and technical foundation in place to better achieve TSM's objectives.

-- In 1994, we found that USDA's $2.6 billion Info Share project, designed to improve operations and provide better service to farmers, was being managed primarily as a vehicle to acquire new information technology, rather than an opportunity to fundamentally improve business processes.[6] Key steps in process reengineering had not been followed, including adequately analyzing current business processes and establishing improvement goals. Additionally, we cited the failure of senior USDA officials to integrate Info Share into USDA's structural reorganization efforts as a key accountability shortcoming.

There is much to be done to bring our federal government into the information age. To help federal agencies achieve their potential for improvement, we studied a number of successful private and public sector organizations to learn how they reached their own ambitious improvement goals. In our resulting report,[7] we describe a strategic, integrated set of fundamental management practices that were instrumental in these organizations' success. These practices can be readily adopted by federal agencies.

The most critical factor for success was the leadership and personal commitment of top executives to improve strategic information management. These executives recognized that technology is integral to providing the information for effective decisionmaking and

---

[5]Advanced Automation System: Implications of Problems and Recent Changes (GAO/T-RCED-94-188, Apr. 13, 1994).

[6]USDA Restructuring: Refocus Info Share Program on Business Processes Rather Than Technology (GAO/AIMD-94-156, Aug. 5, 1994).

[7]Executive Guide: Improving Mission Performance Through Strategic Information Management and Technology--Learning From Leading Organizations (GAO/AIMD-94-115, May 1994).

supporting the work processes that accomplish the organization's mission. They actively spent the time to manage down risks and maximize the return on scarce investment funds. These leaders managed through three fundamental areas of practice.

-- ***First, they decided to work differently*** **by quantitatively assessing performance against the best in the world and recognizing that program managers and stakeholders need to be held accountable for using information technology well. In contrast, the federal government frequently fails to benchmark itself against the best, delegates information issues to technical staff, and sustains rates of management turnover that seriously hinder true ownership and accountability.**

-- ***Second, they directed scarce technology resources toward high-value uses*** **by reengineering critical functions and carefully controlling and evaluating the results of information systems spending through specific performance and cost measures. Federal agencies, on the other hand, often buy computer hardware before they evaluate their business functions, lack discipline and accountability for their investments, and fail to rigorously monitor the results produced.**

-- ***Third, they supported major cost reduction and service improvement efforts*** **with the up-to-date professional skills and organizational roles and responsibilities required to do the job. The federal government all too often is held back by an antiquated skill base and confused roles and responsibilities that consistently inhibit the effectiveness of major system development and modernization efforts.**

Figure 1 provides additional detail on the specific practices within these fundamental management areas.

Figure 1: Key Management Areas and Fundamental Practices

Decide to Change	Direct Change	Support Change
1 Recognize and communicate the urgency to change information management practices	4 Anchor strategic planning in customer needs and mission goals	9 Establish customer/supplier relationships between line and information management professionals
2 Get line management involved and create ownership	5 Measure the performance of key mission delivery processes	10 Position a Chief Information Officer as a senior management partner
3 Take action and maintain momentum	6 Focus on process improvement in the context of an architecture	11 Upgrade skills and knowledge of line and information management professionals
	7 Manage information systems projects as investments	
	8 Integrate the planning, budgeting, and evaluation processes	

We have found that many agencies need and want help to close the cost and performance gap with the leading organizations. Over 14,000 copies of our report on best practices of leading organizations have been requested, and we have given 120 briefings to over 2,000 federal decisionmakers to explain our work. OMB has also incorporated the essence of these practices into its revision of Circular A-130--the basic policy circular for federal information resources management.

The following additional steps are needed to get these practices implemented in the government, not just talked about.

-- Agencies should benchmark their current information management practices against the practices of successful, leading organizations to (1) understand where they are deficient and (2) develop an action plan for putting the leading practices in place. We have developed a methodology for agencies to use in doing self-assessments and are working with several agencies, such as IRS, Coast Guard, and Pension Benefit Guaranty Corporation, to help them do this.

-- Agencies need to identify and prioritize reengineering and technology improvement initiatives that can offer tremendous improvements in service delivery and reduced costs. Current efforts at IRS, Defense, Agriculture, SSA, and Veterans Affairs all have tremendous potential if properly designed and managed. For example, SSA has recognized the need to improve service and has initiated an effort to reengineer its disability determination process. SSA reports that the average claimant waits up to 4 months from first contact with SSA for an initial decision, although less than 10 hours of this time are actually spent working on a claim. The remainder of the time is associated with waiting for medical evidence, handing off the case to the next step in the process, and waiting between processing steps.

-- Agencies' top executives must assert control over technology investment decisions and ensure that improvement efforts are well-managed and directed toward achieving maximum value in improving operations. The vital area of information technology expenditure warrants a new level of scrutiny--governmentwide--to determine just where the risks are highest and how they can be managed more effectively. To this end, we are working with OMB and the General Services Administration to infuse more discipline and accountability into the government's decisions regarding information technology expenditures. For example, OMB, with our assistance, is developing guidance for agency officials and OMB analysts to bring more rigorous evaluations of technology investments.

Congress can play an important leadership role in building governmentwide consensus on the need for adopting proven practices for effective strategic information management. Recent congressional reauthorization of the Paperwork Reduction Act of 1995 incorporated essential changes in line with the principles and practices we have identified from our research. For example, the law now provides a clear focus on applying technology to improve the productivity, efficiency, and effectiveness of government programs, including improvements in the delivery of services to the public. It also requires agencies to assume responsibility and accountability for maximizing the value and assessing and managing the risks of major information systems initiatives through well-defined processes used to select, control, and evaluate technology investment decisions.

STRENGTHENING FINANCIAL MANAGEMENT

Reliable financial information is a fundamental prerequisite to improving management of government programs and providing needed accountability for program results. But our work shows that most government financial systems are yet unable to routinely perform the most rudimentary bookkeeping functions. Without accurate and timely financial information, government leaders continue to be hampered in their ability to control costs, measure performance, or achieve needed management improvements. Also, without better information on the costs and consequences of government programs and activities, tough budget decisions will continue to be compromised.

Further, the government's financial systems are aging fast. OMB reports that approximately 70 percent of them were installed over 5 years ago; 39 percent have passed the 10-year mark. Agencies' antiquated financial systems simply do not adequately meet critical user needs for accurate, timely, and comparable data. OMB has reported that only one-third of agency financial management systems comply with federal core financial systems requirements, and less than one-half of those systems meet existing financial data standards. Moreover, almost all of the government's major departments and agencies have not been able to pass the test of an independent financial statement audit.

Our February 1995 reports on areas we have designated as high-risk clearly demonstrate that poor financial management and ineffective management controls in the federal government are, unfortunately, the rule and not the exception.[8] For example:

-- The Department of Defense cannot accurately account for its over $250 billion annual budget and over $1 trillion in assets worldwide. Inventories--valued by Defense at $36 billion but no longer needed for current operating requirements--are being held. Another $29 billion disbursed to vendors cannot be matched to supporting documentation, and Defense has relied on contractors to voluntarily return billions of dollars in duplicate and erroneous payments.

-- Our financial audits at IRS, which collects and accounts for 98 percent of the government's revenues--currently $1.3 trillion--showed that IRS did not know for certain the amount of delinquent taxes included in its inventory of tax debts of about $166 billion and thus little meaningful analysis of what can be collected or of the effectiveness of IRS' collection efforts could be done.

While today's financial systems have no shortage of paper output, they provide agency managers and Congress little meaningful financial information. Greatly improved financial reporting is essential to (1) link program and budget data for use in both management control and planning and (2) report on program cost trends and other performance indicators from which managers can make informed decisions on running government operations effectively and efficiently.

---

[8]GAO High-Risk Series (GAO/HR-95-1 through GAO/HR-95-12).

Before 1990, this information was not required and the reliability of financial information for only a minor part of the government's $1.5 trillion annual spending was independently checked. With passage of the CFO Act, Congress paved the way for the federal government to have the same kind of financial statement reporting as is required in the private sector and by state and local governments.[9] Financial statements for 10 agencies prepared and audited as part of a pilot program under the 1990 act have resulted in:

-- Significantly more accurate and useful information on the government's financial status and its operations. For example, audits have yielded important insights into the collection and accounting for revenues, surfaced million of dollars in unknown liabilities, and provided valuable information on expected future costs.

-- A better understanding of the limited extent to which Congress and program managers can rely on the financial information they receive. Audits have detected hundreds of billions of dollars in accounting errors--mistakes and omissions that can render information provided to managers and Congress virtually useless.

-- Substantial savings through the recovery and more efficient use of funds. In response to an audit of its fiscal year 1992 financial statement, for example, the U. S. Customs Service revamped its debt collection efforts resulting in the collection of $32 million of severely delinquent receivables.

-- A much better understanding of the extent and pervasive nature of internal control and financial management systems problems. For example, about $7.8 million in improper military payroll payments were made primarily because people no longer serving in the Army were not removed from active duty payroll files.

-- Improvement in management's accountability for, and focus on, strong financial management. CFOs and inspectors general, in commenting on results of financial audits, have reported that the process of preparing and auditing financial statements brings much needed rigor to accounting and financial reporting and highlights where the real problems are.

In 1994, the Government Management Reform Act made permanent the CFO Act's requirements for agencies to prepare entitywide annual financial statements and to have those statements audited. Also, the act expanded those requirements to cover, beginning in fiscal year 1996, the 24 major agencies that constitute virtually the entire executive

---

[9]Financial Management: CFO Act Is Achieving Meaningful Progress (GAO/T-AIMD-94-149, June 21, 1994).

branch budget.[10] The act also gave GAO new responsibility, beginning in fiscal year 1997, to audit reports showing the federal government's overall financial status. These comprehensive financial statements will provide a wealth of critical information about the performance of government programs and dramatically increase the government's accountability to the American public.

The CFO Act is landmark in establishing accountability and is central to achieving broader management reforms. Effectively implementing this legislation must be a top priority and continuing congressional oversight will be important to ensure results. Key implementation issues include:

-- Foremost, agency CFOs and inspectors general must ensure that the CFO Act's time frame for preparing audited financial statements for fiscal year 1996 does not slip.

-- Agencies must give short-term priority to implementing basic accounting practices, such as reconciling agency accounting records with Department of the Treasury accounts.

-- Over the longer term, agencies must upgrade their financial systems and operations to meet reporting requirements and provide reliable performance data.

To meet its statutory requirement, GAO, as auditor of record for the governmentwide financial statements, must ensure the adequacy of inspector general agency-level financial audits. This is a fundamental requirement of government auditing standards and will be met by working with the inspectors general and in some instances independently reviewing and testing the their work. Part of this assurance will be provided through the continuing help GAO gives to inspectors general in building their capacity to do the required financial audits. GAO will also be required to audit major operations that will materially affect our opinion on governmentwide financial reports but would not be done by inspectors general such as the Treasury's central accounting functions and debt management operations.

Together, the CFO Act and GPRA requirements provide a powerful incentive to improve data and management controls and an important means to transform the way the federal government is managed. Ultimately, full implementation of the CFO Act in tandem with the actions being taken under GPRA will heighten emphasis on effective program management and help restore citizens' confidence in government.

---

[10]The attachment includes a listing of the 24 CFO Act agencies and their fiscal year 1994 outlays.

However, to produce effective change both accounting and performance measurement information ultimately must be brought to bear on budget decisions. Some have suggested that the structure of the federal budget itself has a bearing on how decisions are made concerning the federal government's investments. The lack of distinction in the federal budget between a dollar spent on consumption is often cited as a fundamental weakness. We have addressed this issue over the years, most recently in a report that discusses how an investment component might be incorporated into the unified corporate budget.[11]

In an environment of budgetary constraint, it is important to ensure that structural obstacles to reengineering are removed. In this vein, we are now beginning an effort examining historical trends in federal capital spending and reviewing current capital planning and budgeting practices at selected federal agencies. As part of our work, we will explore how budget process and scorekeeping rules affect capital decisions and whether recent OMB guidance on capital planning has made a difference at the agency level.

BUILDING AND MAINTAINING A MORE CAPABLE WORKFORCE

While clearer goals, better strategic planning, improved performance measures, enhanced use of technology, and more useful financial information can lead to improved management, a capable workforce is essential to successfully implement these improvements. We support efforts to move to a smaller and more efficient government. We believe that this can best be accomplished through outcome-based goals and sound workforce plans. Agencies must reengineer outdated systems and structures and enhance the quality of the remaining staff to ensure that downsizing does not diminish program performance or increase the potential for fraud, waste, and abuse. Without such changes, it will not be possible to correct other management problems. In fact, those problems may be exacerbated.

Unfortunately, agencies' workforce planning processes do not always work well, and this has impacted adversely on mission effectiveness and critical management support functions. For example, in the 1980s we reported on workforce planning problems that affected mission effectiveness in FAA's air traffic control system, SSA's automated data processing operations, the Environmental Protection Agency's Superfund program, and

[11]Budget Issues: Incorporating an Investment Component in the Federal Budget (GAO/AIMD-94-40, Nov. 9, 1993).

in various parts of USDA and the Department of Labor.[12] As a more recent example, in 1993 we reported on how the Department of Veterans Affairs lack of workforce planning affected its health care system. A major component of the Department's strategic vision involved moving from inpatient to outpatient care. However, decisions on the staffing allocations did not keep pace with the shift from inpatient to outpatient. Data on the best mix of skills, occupations, and levels to staff Veterans Affairs' outpatient clinics was lacking, and resulted in inconsistency in planning and implementing staffing decisions. Improper allocation of staff and skills can contribute to unneeded, costly admissions and readmissions to acute care facilities.[13]

Strong workforce planning processes are equally important to ensuring that critical management functions have people with needed skills. For example, managing and operating the wide array of agency management systems requires specialized skills in information technology, process reengineering, financial management, and cost analysis. The federal government continues to pay the price for not having an adequate cadre of professionals in the information and financial management areas who can help make change happen and improve the accountability of agencies. The private sector has learned that reengineering and streamlining projects can easily be delayed or fail, if personnel issues are not addressed. Information technology is becoming more complex and changes rapidly, leading to increasing opportunities to improve business processes. The reengineering of processes changes the status quo, by altering employees roles, responsibilities, and skill needs and by changing or eliminating jobs.

OMB has reported that many agency CFOs believe that staff capabilities need to be strengthened in the areas of financial systems, financial operations, and financial policy. Our financial statement audits in the Department of the Treasury, including IRS and the Customs Service, and the Department of Defense confirm these needs. Further, the growing scope of the financial management function and the ever-increasing move toward automation will make these needs even larger and more complex in the years ahead. Recognizing the limited opportunities to enlarge the size of existing staffs, agencies and their CFOs need to ensure that investments are made in training and other professional development so that existing staffs can increase their professional skills and keep pace with emerging technology and developments in financial management.

---

[12]The Public Service: Issues Affecting Its Quality, Effectiveness, Integrity, and Stewardship (GAO/GGD-89-73, June 6, 1989); U.S. Department of Agriculture: Need for Improved Workforce Planning (GAO/RCED-90-97, Mar. 6, 1990); Strong Leadership Needed to Improve Management at the Department of Labor (GAO/HRD-86-12, Oct. 21, 1985).

[13]Management of VA: Improved Human Resource Planning Needed To Achieve Strategic Goals (GAO/HRD 93-10, Mar. 18, 1993).

The scope of the workforce capacity challenges confronting the federal government are reinforced by the experiences of state governments and private sector organizations that have undergone significant downsizings. In a recent review, most of the private companies and state governments we contacted regarding their downsizing strategies emphasized the importance of workforce planning to target the right positions for elimination. We were told that strategic planning decisions about what an organization does and why it does it is an essential first step that should be taken before any decisions on the appropriate size and composition of the workforce are attempted.[14]

Private sector and state officials told us that difficulties arose in the downsizings where workforce planning did not occur or was not effectively implemented. One company, for example, said that in an earlier downsizing effort, the company decided to use across-the-board personnel cuts but did not base this decision on sound workforce planning. The result was a loss of key employees whom the company had to rehire or replace. In a later restructuring, the company evaluated its workforce and found three major human resource problems: (1) excess people, (2) shortage of skills, and (3) poor distribution of talent. Company officials said that they now recognize the need for good workforce planning. Their earlier experiences showed them that an across-the-board cut can solve a problem of excess people but will not necessarily address shortages of skills or talent distribution problems.

Our work has shown that effective workforce planning encompasses (1) continually monitoring and assessing emerging workforce issues in the context of external and internal trends; (2) projecting workforce requirements by identifying the number of people and types of skills needed to accomplish agency goals, both short-term and long-term and comparing these requirements against the current workforce; (3) developing broad human resource goals and related action plans to address identified gaps between future requirements and the current capability; and (4) assigning accountability for plan accomplishment, including linking the plan to the budget, implementing planned activities, and evaluating results.

When federal agencies began the current downsizing effort, OMB initially expressed disappointment with the quality of agencies' workforce planning efforts. OMB has since issued additional guidance on workforce planning and now believes the quality of agencies' planning efforts has improved. We plan to monitor the agencies' downsizing plans as they are developed and implemented.

---

[14]Workforce Reductions: Downsizing Strategies Used in Selected Organizations (GAO/GGD-95-54, Mar. 13, 1995).

NEED FOR EFFECTIVE OVERSIGHT

The management weaknesses and lack of sufficient workforce capacity in agencies across the federal government are long-standing problems that will require the sustained efforts of agencies and Congress to make needed improvements. Agencies have the primary responsibility for ensuring that their programs are well-managed, funds are properly spent, and initiatives are achieving the intended results. However, agencies have had difficulty in effectively dealing with this responsibility due, in part, to a lack of continuity in leadership.

In a report prepared for this Committee in April of last year, we raised concerns about the frequent turnover of senior appointees in executive branch agencies.[15] Among other things, we pointed out that the median length of tenure of such appointees was just over 2 years, that some key positions had as many as five different appointees serving in the same position within a 10-year period, and that some positions remained vacant for years. Generally, the median length of service of appointees in cabinet departments was below the governmentwide median. Cabinet departments also generally had higher-than-average turnover rates. Earlier assessments of the lack of management continuity by observers, both in and out of government, such as the National Academy of Public Administration and the National Commission on the Public Service (the Volcker Commission), had similar findings.[16]

The lack of leadership continuity in the executive branch makes continuing congressional oversight even more important. Congress, as a prime user of performance and financial information, has a major interest in ensuring that agencies give the proper attention to addressing critical management issues. In this regard, we believe that Chairman Clinger and the Committee on Government Reform and Oversight took an important step earlier this year when they recommended that House committees conduct oversight to help ensure that GPRA and the CFO Act are being aggressively implemented and use the financial and program information required by these acts in overseeing agencies within their jurisdiction.

\- - - - -

[15]Political Appointees: Turnover Rates in Executive Schedule Positions Requiring Senate Confirmation (GAO/GGD-94-115FS, Apr. 21, 1994).

[16]See, for example, Leadership in Jeopardy: The Fraying of the Presidential Appointments System National Academy of Public Administration, Washington, D.C.: November 1985 and Report and Recommendations of the National Commission on the Public Service, The National Commission on the Public Service, Washington, D.C.: 1989.

In summary, Congress through GPRA, the CFO Act, the Paperwork Reduction Act, and other initiatives has legislated a basic management framework for focusing federal management and accountability on the outcomes of federal programs. The key now, as agencies seek to streamline their programs and processes to improve effectiveness while spending less, is to do so in a focused and planned way that reinforces accountability for modern management systems that produce results.

Mr. Chairman, we look forward to working with you and your Subcommittee in your efforts to improve the management of federal programs. This concludes our prepared statement. We would be pleased to answer any questions.

AGENCIES REQUIRED TO HAVE ANNUAL AUDITED FINANCIAL STATEMENTS

Agency/Department	1994 Outlays (in billions)	Percent of total
HHS	$278.9	17.6%
Defense	299.0	18.9
Treasury	307.6	19.4
SSA	345.8	21.8
USDA	60.8	3.8
Labor	37.0	2.3
OPM	38.6	2.4
Veterans Affairs	37.4	2.4
Transportation	37.2	2.3
Education	24.7	1.6
HUD	25.8	1.6
Energy	17.8	1.1
NASA	13.7	0.9
Justice	10.0	0.6
Interior	6.9	0.4
EPA	5.9	0.4
AID	2.5	0.2
State	5.7	0.4
FEMA	4.2	0.3
Commerce	2.9	0.2
NSF	2.6	0.2
SBA	0.8	0.1
GSA	0.3	0.0
NRC	0.05	0.0
Total CFO entities	$1,566.15	98.8%
Non-CFO entities	18.23	1.2
Total government	$1,584.38	100.0%

Source: High Risk Overview (GAO/HR-95-1, Feb. 1995).

(246085)

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are $2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20884-6015

or visit:

Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC

Orders may also be placed by calling (202) 512-6000
or by using fax number (301) 258-4066, or TDD (301) 413-0006.

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (301) 258-4097 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

United States
General Accounting Office
Washington, D.C. 20548-0001

Bulk Mail
Postage & Fees Paid
GAO
Permit No. G100

Official Business
Penalty for Private Use $300

Address Correction Requested