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MEETING THE CHALLENGES OF THE MILLENNIUM

HEARING

BEFORE THE

COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

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CONTENTS

	Page
Opening statements:	
Senator Thompson	1
Senator Lieberman	3
Senator Voinovich	4

WITNESS

WEDNESDAY, MARCH 29, 2000

Hon. David M. Walker, Comptroller General, U.S. General Accounting Office, accompanied by Gene Dodaro, Chief Operating Officer	
Testimony	6
Prepared statement	33

APPENDIX

GAO report entitled "Managing for Results, Barriers to Interagency Coordination," March 2000, GAO/GGD–00–106	98

MEETING THE CHALLENGES OF THE MILLENNIUM

WEDNESDAY, MARCH 29, 2000

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 10:40 a.m., in room SD–342, Dirksen Senate Office Building, Hon. Fred Thompson, Chairman of the Committee, presiding.

Present: Senators Thompson, Voinovich, and Lieberman.

OPENING STATEMENT OF CHAIRMAN THOMPSON

Chairman THOMPSON. The Committee will come to order, please.

The Committee on Governmental Affairs is holding this hearing this morning to discuss the major management challenges facing the Federal Government in the 21st Century. We will hear from one witness—the Comptroller General of the United States, Mr. David Walker.

Today we will hear the Comptroller General's view on what issues provide the greatest challenges for the Federal Government. Just last month, he recited an all too familiar litany of duplication, waste, fraud, mismanagement, and other Federal performance problems in testimony before the Senate and House Budget Committees.

The GAO High-Risk List of those Federal activities most vulnerable to waste, fraud, and abuse has gone from 14 problem areas in 1990 to 26 problem areas today. Only one high-risk problem has been removed since 1995. Ten of the 14 original high-risk problems are still on the list today, a full decade later.

Likewise, Inspectors General identify much the same critical performance problems in their agencies year after year.

Collectively, these core performance problems cause Federal taxpayers countless billions of dollars each year in outright waste. They also exact a real toll on the ability of agencies to carry out their missions and serve the needs of our citizens.

Despite these good economic times, polls recently showed that Americans have little trust or confidence in their Federal Government. They want the Federal Government to work, but they do not think that it does. Unfortunately, our citizens have ample reason for concern. Much of what is done in Washington is inefficient and wasteful.

To address this problem, Congress passed the Results Act, a law which is aimed at making government agencies report to Congress and the American people about what works and what does not.

This week, agencies will release their first ever performance reports. These will give Congress a real chance to judge the effectiveness of the programs it put in place.

But there are problems with these performance reports, many of which mirror the challenges that Mr. Walker will describe in his testimony. Agencies do not employ sound financial management practices, so they do not have the information they need to manage programs on a daily basis. Therefore, much of the information in performance reports will not be reliable.

The Executive Branch manages its human capital in a haphazard way. Agencies do not take advantage of the Results Act to tie their human capital management practices to the goals set forth in their plans. Information technology projects in the Federal Government are beset by failure because agencies do not plan appropriately, in Results Act documents and elsewhere, for their procurement implementation as required by the Clinger-Cohen Act.

The Results Act is a tool to better manage the Federal Government, and we need to rely on it more. But poor management is not the only problem. Few would dispute that the government in Washington cannot do effectively all that Congress has asked it to do. The Federal Government of today is a cacophony of agencies and programs, many of which are directed at the same problems.

In conjunction with this hearing, we are releasing a report by GAO that details the many challenges agencies face when coordinating among themselves their duplicative functions. According to this report, mission fragmentation and program overlap are widespread in the Federal Government, and cross-cutting program efforts are not well-coordinated.[1]

In one example, GAO describes 50 programs administered by eight Federal agencies that provide services for the homeless. Of these 50 programs, 16 programs, with over $1.2 billion in obligations, were focused on helping only the homeless. The remaining 34 programs, with about $315 billion in obligations, were focused on helping low-income people in general, including the homeless.

This is just one of the myriad areas where duplication and overlap serve to undermine the missions of the program.

Clearly, the time has come to take a comprehensive and fresh look at what the Federal Government does and how it goes about doing it. There is an obvious need to bring some order out of this chaos.

Senators Lieberman, Voinovich, Brownback, Roth, and I have introduced legislation which establishes a commission to bring the structure and functions of our government in line with the needs of our Nation in the new century. The bill has been carefully crafted to address not just what our government should look like, but the more important question of what our government should do.

Of course, meaningful reform of the Federal Government will not come from simply reshuffling current organizational boxes and redistributing current programs. We need to conduct a fundamental review of what Washington does and why.

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[1] The GAO Report entitled "Managing for Results, Barriers to Interagency Coordination," March 2000, GAO/GGD–00–106 appears in the Appendix on page 98.

The commission will take a hard look at Federal programs, departments, and agencies to ask such questions as: How can we restructure agencies and programs to improve the implementation of their statutory missions, eliminate activities not essential to their statutory missions, reduce the duplication of activities; and how can we improve management to maximize productivity, effectiveness, and accountability for performance results?

I think much of Mr. Walker's testimony will speak to these questions. We look forward to hearing his thoughts on the critical challenges facing the Federal Government of the 21st Century and what we can do to better prepare for it.

Senator Lieberman.

OPENING STATEMENT OF SENATOR LIEBERMAN

Senator LIEBERMAN. Thanks, Mr. Chairman.

Thank you for convening this hearing, and thanks also for your very excellent opening statement.

I hope this will be the first of several hearings that will discuss how we in government can respond to the extraordinary changes that are occurring in our society and in our world, changes brought about particularly by technological advancements, but also by our expanding and increasingly global economy, and in a very different way, by the new and diverse threats to our Nation and to our world.

In order for our government to respond best to these new challenges, we have got to take a hard look at our structure and our organization to see whether, in the new world, in the new century, it is serving our purposes, including the new purposes that government will have to respond to because of changing circumstances and realities in the world.

I am very pleased that the Comptroller General is here today to talk about his plans for ensuring that the General Accounting Office can meet the American public's needs during this period of dramatic change and also for hearing his ideas about how we in government generally, and Congress particularly, can meet those needs.

I hope and I believe he will give us his thoughts on the government for the 21st Century Act which Chairman Thompson, Senator Voinovich and I and a few others in the Senate have introduced, or actually, reintroduced, yesterday.

In the last century, America made stunning progress on many fronts. When you think about it, you can just cite so many—the near universal use of telephones and automobiles, major breakthroughs in civil rights, understanding the structure of DNA. And we suffered through some terrible experiences and developments as well, such as the two world wars, some new and virulent diseases such as AIDS, and the creation of hazards to our lives and our environment that either did not exist or that we were unaware of in previous centuries.

Somebody once said to me: If there is one constant in the world, it is change. We know that the 21st Century will offer its own remarkable, dramatic changes, and with them, opportunities and real challenges.

Just as our society was profoundly influenced by technology in the last century, particularly toward the end, we know that changes in the new millennium will be driven by even more powerful, and in some ways, fantastic technological developments, and those will have a major impact on our country and also on our government and the way we organize it.

So we have an opportunity now, at the beginning of this new century, to look at the architecture of our government and its processes and to make adjustments which are necessary to improve its ability to respond to all of these opportunities and challenges. That is what the commission created under the government for the 21st Century Act is designed to do.

We also, as Senator Thompson has indicated, have to continue to implement reforms previously passed by Congress, such as those required by the Government Performance and Results Act, that will help convert and create agencies that are high-performing organizations, with clearly-defined missions and results-oriented management. These efforts will help agencies make better use of their resources, more efficient use, and also hopefully help them respond more effectively to the subject matter that they are charged with dealing with.

I know that the GAO has been instrumental in evaluating agencies' progress in implementing these reforms, and in another sense, the GAO is looking inward to determine whether its current structure is functioning as well as we would like it to, to meet Congress' needs not just today but in the future.

The agency's strategic plan which we will be discussing today identifies many of the challenges that will confront government in the coming years and sets out a plan for how to deal with them.

So I am very pleased that the Comptroller General is here and that he and GAO generally are focusing on these questions to help us remain as effective as possible in the future, and I look forward to the testimony this morning.

Thanks, Mr. Chairman.

Chairman THOMPSON. Thank you very much.

Senator Voinovich.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. Mr. Chairman, I want to thank you for holding this hearing, and I do not think it could come at a better time.

We have begun a new century, and in less than 10 months, we will welcome a new administration. The time is right for us to step back and really think about what the Federal Government needs to do and what it needs to look like if we are to meet the needs and expectations of the American people in the next century.

Mr. Chairman, the Subcommittee on Oversight of Government Management was fortunate earlier this month to hear from Comptroller General Walker on the importance of human capital. He and I share the view that we cannot have a government that is ready for the 21st Century if we do not have the work force that takes us there.

Years of neglect have taken their toll on the ability of the Federal Government to attract the best and brightest employees. Civil servants already working for the Federal Government are among

the best in the world, but they cannot be expected to thrive when they receive inadequate training and few incentives for excellence.

My Subcommittee has undertaken an effort to evaluate the human capital policies of the Federal Government and to determine how we can better empower Federal employees to do their best for the American people. When you look at the statistics—by the year 2004, 50 percent of the people in the Federal work force could retire—we are in trouble today. The real challenge is the quality and the technology that we can bring to government. If we do not have quality and if we do not have the technology, we are not going to be able to serve and do the job we are supposed to be doing for the American people.

I also want to thank and express my support to Senator Thompson for the legislation establishing a commission to review the Executive Branch and make recommendations for reform. Although I have only been in Washington for a short time, I have served as a mayor and a governor, and I know how important organization is for the successful accomplishment of goals.

I have been frustrated by the overlap and duplication that I have found in Federal agencies and program and, worse, the difficulty of getting at the roots of some of these things. For example, we have 570 education programs, and surely some of those are redundant. I held two hearings in my Subcommittee last year to examine the extent to which the Departments of Education and Health and Human Services were coordinating these programs. To my dismay, GAO testified there was little coordination. Health and Human Services and Education are now making an effort in this area, but it is just a drop in the bucket compared to the pervasive overlap and duplication found across the Federal Government.

I was interested that when we asked GAO to evaluate these programs, we were told that no methodology existed by which to evaluate them.

I also think the Federal Government could benefit from some fresh eyes looking at its operations and organizational structure. When I was governor and as mayor, we set up an Operations Improvement Task Force. At the State level, we had over 300 people, experts in their field, volunteer 150,000 hours to look at every nook and cranny of State Government and to make recommendations for improvement, including the elimination of departments. And I want to say this to my colleagues on this Committee, what we are talking about is a very, very difficult task. We eliminated two departments and eliminated overlap, and it was like pulling teeth to get anything done. If you think we can change some of these Federal departments with some group coming in and making recommendations, without staying on it day in and day out, it will never happen.

The Chairman and I were talking coming back from voting this morning, and it is going to take a President who will get up early in the morning and go to bed late at night to stay on top of it to make some of these changes.

As an editorial comment, Mr. Chairman, I would like to say wouldn't it be nice if in this Presidential election, we could be talking about some real problems confronting America, including the fact that if we do not get busy, we will be in deep trouble in terms

of providing the services that the American people want and need and functioning in this new economy in which we find ourselves.

So I am looking forward to your testimony, Mr. Walker, but I hope everybody understands that a commission with good members—the best members—will get nowhere unless it becomes a cause celebre for the next President and for this Congress to stay on top of it on a regular basis, indicating that we understand how important it is for the future of our country.

Thank you.

Chairman THOMPSON. Thank you very much. Mr. Walker.

TESTIMONY OF HON. DAVID M. WALKER,[1] COMPTROLLER GENERAL, U.S. GENERAL ACCOUNTING OFFICE, WASHINGTON, DC, ACCOMPANIED BY GENE DODARO, CHIEF OPERATING OFFICER

Mr. WALKER. Thank you, Mr. Chairman, Senators Lieberman and Voinovich. I appreciate the opportunity to appear before you on this very important topic.

I would like to note at the outset that Gene Dodaro, who is our chief operating officer, is accompanying me. Gene is No. 2 at GAO, and he has led an extensive team in putting together our strategic plan. He has led the day-to-day efforts in putting together the plan which providers the framework for my testimony today. It is out of recognition for his efforts and those of others that he deserves to be here with me.

Second, I would like to note that this is the first hearing I have actually had before this full Committee since being confirmed as Comptroller General in October 1998 and that my wife, Mary, is observing this hearing. She is the attractive brunette in the second row back to my right and your left.

Senator LIEBERMAN. The attractive and long-suffering brunette. [Laughter.]

Mr. WALKER. Well, we have been married for over 28 years, Senator——

Chairman THOMPSON. It is a good thing there is only one brunette in that row. [Laughter.]

Mr. WALKER. As you know, Mr. Chairman, I have a fairly lengthy statement that I would like to have submitted for the record, and I would now like to summarize that information for you.

Chairman THOMPSON. Yes, I have read through it over the last 3 days. [Laughter.]

Mr. WALKER. Thank you, Senator.

Up on the right, I would like to draw your attention to three charts. The chart on the left deals with managing in the new millennium. It presents an outline of my oral remarks this morning.

In the middle is a one-page summary of our new strategic plan that was referred to by Senator Lieberman. Obviously, there is a lot more detail behind it, but this summary is a touchstone for what I am going to be speaking about today.

The chart on the far right presents an excerpt from the report that you mentioned, Mr. Chairman, which is going to be released

[1] The prepared statement of Mr. Walker appears in the Appendix on page 33.

today: "Managing for Results: Barriers to Interagency Coordination."

I am also going to use some powerpoint materials as a tool to help facilitate our discussion. I think it is only appropriate that this Committee be a leader in technology and also able to look at cross-governmental issues as we now focus on the challenges that face us in the 21st Century.

With that, I would like to make a few opening remarks before I start the powerpoint presentation. Our Nation stands at an important crossroads. There have been significant changes both from a national security standpoint and from an economic security perspective.

From a national security perspective, the cold war is over, and we won. From an economic security perspective, after years and years of annual battles over budget deficits, we, at least for the short term appear to have slain the deficit dragon. We now have both unified surplus and an operating surplus.

However, we are not out of the woods yet. Our long-range budget simulations, as you will see, clearly demonstrate that America faces serious fiscal challenges in the future, due to known demographic trends.

In addition, we know that there are rising public expectations for government, and yet, lower public opinions of government.

We need to focus at this important crossroads on what government does and how government does it. In that regard, the six key themes that are outlined in our strategic plan provide a framework for discussing where we are and the challenges that confront us.

These six key themes, importantly, have no boundaries. They have no boundaries globally, domestically, within government, or within GAO. As a result, one of the things that we are seeing is a greater need to take a longer, broader, more integrated, and more horizontally look across different levels of government to address these challenges.

The first theme is globalization. This graph demonstrates that world exports doubled over the past 35 years from about 12 percent to 24 percent. Foreign investment in the United States has increased to over $200 billion. The recent financial crises in Thailand, Indonesia, Korea, Russia, and Brazil have served to demonstrate how we really are in one world from an economic sense and how things that happen all around the globe can have significant ripple effects here in the United States.

From a security perspective, we no longer have a single major adversary. We have new, diverse, and diffuse threats to our national security. For example, there are a number of countries that possess weapons of mass destruction, whether they be nuclear, chemical, biological or otherwise. At least nine countries have weapons of mass destruction that are of concern to the United States. As a result, the United States is spending more and more on such matters as anti-terrorism, on which we spend at least $10 billion a year and have at least 40 departments and agencies engaged in related activities.

The size of active duty personnel for the military has been reduced dramatically over the last 10 years. It is down by approximately a third. Yet we are now starting to experience recruitment

and retention problems for a variety of reasons, including the tempo, and frequency of deployments, other quality of life considerations, and the fact that in our very strong economy with very low unemployment, and opportunities abound for a variety of individuals, including those in the military. Increased spending has been proposed in light of years of decline, but we do face a number of other challenges with regard to national security.

From a demographic perspective, since 1950, there has been a 50 percent increase in the percentage of the proportion that is over 65. The proportion will increase by 70 percent between now and the year 2030. This has very serious financial repercussions for the solvency and sustainability of entitlement programs and also has significant implications with regard to the ripple effect on the Federal budget for the future.

Another demographic issue is the dependency ratio—the number of workers supporting retirees. In 1955, there were approximately eight individuals working for each person over 65. The ratio is now down to 3.4 to 1, and is expected to decline to approximately 2 to 1 by the year 2030.

The first baby boomer turns 65 in the year 2011, and that will represent the beginning of our approching demographic tidal wave.

There are a variety of quality of life considerations that we have to focus on. Yes, quality of life has improved for many Americans: People are living longer; life expectancy has risen; and, people generally are living better. Unemployment has fallen to 4.3 percent. However, not all Americans have shared in this prosperity.

Our work force has changed fundamentally. The proportion of women and minorities in the work force has grown, and the nature of work itself has changed such part-time and flexible work arrangements that are becoming prevalent in our society.

Many challenges remain, such as the increased gap between the haves and the have-nots, as evidenced by net worth, and the 40 million Americans who lack health insurance.

Prosperity itself, in certain regards, is creating a whole set of new stresses. Economic activity increases concerns about congestion, safety and environmental quality—urban sprawl being one example where all three of these come together. Our more technologically-based economy raises concerns about the adequacy of our education system to enable us to compete on a global basis. Obviously, the ability to balance work and family considerations is of increasing concern given the number of dual-income and single-parent families.

On the technology front, the number of internet users worldwide has almost doubled in the last 2 years and is expected to double again in the next 3 years. Businesses that produce computers, software, semiconductors and communications equipment have accounted for more than one-third of the entire growth in the U.S. economy since 1992. This can not only transform our economy, but can also transform the ways that government does business and serves our citizens.

With regard to the fiscal front, this chart demonstrates that we have moved from a period of continued deficits to a period of projected surpluses. However, these surplus projections are based upon assumptions with regard to the level of discretionary spend-

ing and with regard to the level of health care inflation. Because of the inherent uncertainty in these assumptions, CBO now has three projections of our potential fiscal posture for the next 10 years. A return to increases in discretionary spending along the lines of historical patterns and an increase in health care inflation by a mere one percent a year would transform these surpluses to growing deficits. Therefore, we have to view them with a sense of caution.

But what about the longer term? Where do we look in the longer term—which is extremely important because of the demographic changes occurring in our country and the related challenges which must be addressed.

In this regard, this next chart talks about the composition of spending as a percentage of gross domestic product. The line that goes across the top horizontally represents the revenue coming in to the Federal Government as a percentage of gross domestic product. It is about 21.5 percent, roughly. That is close to, but not at the historical maximum. One can determine the composition of the revenue, but historically, there has been a limit to how much the Federal Government has taxed its citizenry—or, stated differently, how much its citizenry has allowed itself to be taxed.

The bar underneath that line shows, for 1999, the composition of Social Security, Medicare and Medicaid, net interest and all other spending. As you can see, there is a gap between the revenue line and that bar. Therefore, we have had a surplus.

Unfortunately, if you look ahead and assume that we save every dime of the Social Security surplus, but spend the on-budget surplus through either additional spending, "investments," tax cuts, or some combination thereof, this is what our fiscal future will look like based upon the economic assumptions of CBO and based upon the best estimate projections of Social Security and Medicare trustees as to the growth of those programs.

By the year 2030, we will significantly haircut discretionary spending. By the year 2050, we will not have any money for discretionary spending and will not even be able to pay interest on what will then be a mounting Federal debt.

This is of significant concern because discretionary spending includes some items that are in the Constitution of the United States. I will come back to that.

There has been a significant change in the composition of Federal spending over the last several decades. There has been a huge reduction in the percentage of the Federal budget going to defense, and this has largely funded the increase in health care and other costs.

How low can defense spending go? What about the escalating entitlement costs that constitute mandatory spending? When will we begin to address these known demographic challenges?

As this bar graph shows, there has been a significant change in the composition of the mandatory versus discretionary portion of the budget. When John F. Kennedy was President, 70 percent of the Federal budget was discretionary. Today, only about 30 percent is discretionary. The proportion has reversed and the mandatory portion is projected to increase further, which decreases the amount of our future fiscal flexibility in the future and the choices

and options that future generations will have to ask what government can do for them.

In that regard, what I would now like to do, Mr. Chairman is to move onto some other issues. Things have changed dramatically in the last several decades, but it is important to recognize that many existing departments, agencies and programs were started decades ago, based upon past needs and wants. These may or may not still make sense today. In fact they may or may not be as high of a priority as many of the other challenges that we must face in the future.

We have short-term opportunities to make prudent choices about how the surplus is put to use in order to better prepare us for the future, and we have a number of long-term challenges such as the demographic challenges and associated fiscal pressures that we need to begin to address. We have an obligation to begin to address those.

Now is the perfect time to ask what government does, what is it appropriate for government to do, and how government should go about doing whatever it needs to do.

There are certain things that only government can do, and there are certain things that we must rely upon government to do. While certain functions and activities could be privatized, there is one thing that can never be privatized, and that is the duty of loyalty to the greater good of all rather than the individual interests of a few. Only government can do that.

We need to look, however, at whether these programs still make sense for today and tomorrow and, if they do, how they can be effectively targeted and managed to maximize performance and assure accountability.

We need to look at existing management reforms and make sure they help us to maximize performance and assure the accountability of government for the benefit of the American people. In the case of the Government Performance and Results Act, it must be more than an annual paperwork exercise. It must be a framework and a foundation for how government does business every day.

In addition, the CFO Act is a lot more than getting clean opinions on the financial statements. Agencies can get clean opinions on financial statements by engaging in heroic efforts, spending millions of dollars and months, or in some cases even a year after the end of the year, to be able to get a clean opinion. Yet they may not have the basic information needed to make timely and informed judgments day-to-day.

IT, information technology, is a lot more than Y2K. However, Y2K, I would submit to you, is an example of what government can do in a positive and constructive fashion if it mobilizes and if the legislative and Executive Branches work together to successfully address the challenges that face the U.S. Government, our Nation, and the world.

But in order to be able to make these existing management reforms become a reality, we are going, among other things to have to make human capital, or people, a lot higher priority than it has been in the past. In addition, we are going to have to effectuate a cultural transformation in government. Many government entities today are hierarchial, process-oriented, silohed, and inwardly fo-

cused. Over time and through a number of concerted efforts, we are going to have to convert government, in many cases, to being: More partnerial, which means more empowerment but more accountability; more results-oriented, focused on outcomes rather than outputs; more integrated, transcending glass walls and boundaries to work together to bring together the right skills at the right time to get the job done; and, more externally focused on what the citizens want and need, than it has been historically.

As you can see in the next visual, there has been a significant decline in the past several years in the number of new hires coming into government. Also, as we know, there has been a significant reduction in the size of the Federal work force. In some cases, this made good sense and was needed. But it is not just what is done, it is how it is done. The result today is that you have many departments and agencies that downsized without considering skills, that froze hiring for years, and that cut way back on their training programs in order to make their budget work. Many government agencies focused on doing what they had to do on Y2K but not on what they needed to do to enhance information technology and make it an enabling tool for knowledge-sharing and for getting our job done more efficiently and more effectively.

The missing link in results-oriented government is the human capital/people dimension. We must have modern human capital practices to maximize performance and assure the accountability of the Federal Government. We must link performance management and reward systems to the strategic and performance plans of the respective departments and agencies. If you do not do that, you will never get where you want and need to be.

Looking forward, we need to search for new fiscal paradigms. We need to look longer with regard to time frames, and we need to look for different measures of success, because short-term surpluses can be misleading. Because of the demographic challenges that we face, many of our challenges are going to hit us in 10 to 20 years. Therefore, we need to make sure that we are having a longer-range perspective and that we are asking ourselves not only what is the impact of proposed fiscal actions today, but what is their impact on tomorrow. Do they give us greater ability to effectively deal with future challenges, or do they further restrict the options that future generations will have to make some of their own choices?

In addition, from a performance perspective, we need to change how government does business every day. Also we need to focus more on cross-cutting programs and longer-range strategic issues. This Committee is perfectly positioned to lead the way.

I am also pleased to say that the government for the 21st Century Act that has been mentioned by all of the Senators represents one means to potentially achieve that end. This is the time to engage in a comprehensive review of what government does and how it does it.

Whether we have surpluses or deficits, we have a continued fiduciary responsibility and stewardship obligation to make sure that taxpayers are getting a decent return on their investment. We also have a need to make sure that we are providing ourselves with additional fiscal flexibility to address the known challenges that are on the horizon.

We at GAO, as Senator Lieberman said, are trying to lead by example. We are the leading accountability organization in the United States and one of the leading in the world, if not the leading. As the agency that reviews others, we have a responsibility to be as good or better than others in every key area. We are there in many cases. Where we are not, we are taking steps to get there, and we are going to stay there. Whether it be strategic planning, financial management, information technology, or human capital strategy, we have a responsibility to lead.

We are striving to do so: First, because it is appropriate; second, because it makes business sense; and, third, it enhances our credibility.

In doing our work, we want to engage in a constructive manner with departments and agencies and not just say what is wrong. We want to try to help develop tools, techniques, and to provide information to help them make things better. We want to recognize where progress is being made and to share best practices where they exist.

In closing, we are at an important crossroads in our Nation's history. There is a need to learn from the past but prepare for the future. This is the perfect time to address what government does and how it does it. We must take additional steps to maximize the performance and assure the accountability of government for the benefit of the American people. And hopefully, by doing so, through our collective efforts, we will in time be able to help increase the public's respect for and confidence in their government.

Thank you, Mr. Chairman. I am more than happy to answer any questions you might have.

Chairman THOMPSON. Thank you, Mr. Walker.

I want to compliment you and Mr. Dodaro for your strategic plan and for your testimony today. I joked about the length of your testimony, of course, and I know it was meant to be a document that we can use, and indeed it is very important, because it focuses—you have done what we in government ought to be doing all the time, especially those of us in Congress, and that is focusing on how we ought to spend our time and the problems that deserve our attention.

I guess the importance of that dawned on me as I was going over to vote a few days ago on a "sense of the Senate" resolution to welcome the farmers to town. That took an hour by the time we got over there, we waited—we had to wait on some people—and got back and so forth. That is all too typical of how we spend chunks of our time around here.

But in your key themes, you have set forth all of it, all the things that we ought to be spending our time on up here. Ninety or 95 percent of our time ought to be in these six categories:

Globalization—we all know the ramifications of that. It has to do with trade policies, it has to do with technology in many respects. That is all a part of it.

Security—you talked about our conventional security issues and now the new threats that we have with the rogue nations, and the increased technologies and capabilities that are on the horizon. We do not have the big enemy anymore, but we have several little ones

that are rapidly developing biological, chemical, and nuclear capabilities.

Demographics—that is going to be the tail that is already wagging the dog, and the direction in which we are going—Social Security and Medicare obviously will never go bankrupt. We talk in those terms, but it will not happen. What we will do is raise taxes on working young people, and we will become a Nation where we simply have a younger group of people working for the benefit of an increased retired group of people, and the Federal Government will be the transfer agent, and we will have no money for anything else. That is what is going to happen. And at the time these young people get out and start working and try to buy their first homes and so on, they are going to have astronomical FICA taxes, because the older population will have more and more political clout as there are more and more of them. So that is the direction in which we are headed, and that is what you point out here.

Technological innovation—Government Performance and Accountability—you can distill it down even further; it looks to me like everything falls under the category of peace and prosperity and people's view of their government, on which everything else is based.

Peace—obviously, the security implications; prosperity—globalization and trade; demographics and what will happen if we do not solve that problem. It all fits into those two categories, and underlying all that is people's confidence in their own government.

I guess I think that that is probably the most important one, fundamentally. It seems to me that what is happening is that in this time of peace and prosperity and this rising cynicism—you see it in all the polls and surveys—rising cynicism, especially among young people, young people who have never experienced a war or a depression or even Watergate or any of those other depressing things—cynicism toward government is at an all-time high, and a lot of that has to do with waste, fraud and abuse issues; a lot of it has to do with perceptions of corruption and things like that, which we know are not really true, but that perception is out there.

What concerns me is in the future, when these things turn around as they invariably do, and we do not have peace, we do not have prosperity, a national leader or a group of national leaders will go before the American people and say now we are in the soup, we have a problem, we have a crisis—but here is the solution—we are Americans, and we can do it together, and follow me—who is going to follow anybody in this town with this kind of attitude that we have that we can indulge in now because everything is OK?

So that is what you are talking about. You are talking about all of it here, and what you have shown here should be a training film for anybody coming into government. So thank you for spending your time and laying all this out for us.

I guess my first question is this: You have demonstrated the areas that we ought to be concentrating on, and you have shown the trends on the one hand. And you have talked about it in terms of what government ought to be doing better in terms of programs, in terms of management, in terms of people and so on. How do those two things interrelate? Specifically, what is it about what is happening with regard to globalization, with regard to the demo-

graphic time bomb that we are facing, with regard to the new security threats that we have? What does that tell us? Obviously, without all that, we need to be more efficient, and we need to deliver services better, and we need more responsive programs, better people, and all that. But what is it about the world we live in today and the changes that we are undergoing now that relates to these government management-type problems?

Why is it more important today than it has been in times past, and can you give some examples?

Mr. WALKER. I think it is a new ball game, Mr. Chairman. While we are the only global superpower today, based upon economic, military and political power and the combination of those three, we are down from after World War II. At that time, we were over 50 percent of the entire global economy. Now we are down to a little over 20 percent.

Things are very much interconnected. We are seeing more and more issues that are going to have to be decided on a multilateral basis, and more and more issues that are going to have to be addressed with State and local governments. In addition, there are more and more issues that will transcend whatever boundaries we have between departments, agencies, or programs.

I think the world has changed so much, and our position in the world has changed——

Chairman THOMPSON. Europeans have a bigger demographic time bomb than we do, and how they handle that and what happens with their economies will impact on us, for example—right?

Mr. WALKER. It will. Unfortunately, while they have a greater problem than we do, they are not as transparent about it as we are, and are less likely to be able to deal with it as quickly as, hopefully, we will.

I think that what we have to recognize is that it is a new paradigm. We have to step back from incrementally addressing issues by adding to the baseline, as we currently do. Whether it be budgeting, or oversight, or whatever else, rather than looking at the incremental differences, we need to step back and look comprehensively. We need to ask where we are, where we are going, how we are going to get there, what government should be doing, and how it should go about doing it. I think it is critically important.

Chairman THOMPSON. All of that is obviously true in regard to what we need to do from the standpoint of the U.S. Senate and Congress, and that translates in lots of different ways—where we spend our money and so forth. But does it really relate to the management issues of government? Is it any more important now, in light of these changes that are happening, that we get a handle on waste, fraud, abuse, mismanagement, and inefficiency than it has been in times past?

Mr. WALKER. There are several factors. First, as you pointed out, public confidence and respect for government has markedly declined since the early sixties. If we are going to turn that around, we are going to have to be able to demonstrate to the American public that we are doing things that need to be done, and that we are doing them well. In addition, we are going to have to rise above fraud, waste, abuse, and mismanagement. Let me comment on that for a second.

We should have zero tolerance for fraud, waste, abuse, and mismanagement, but they will never be eliminated. The Federal Government is the largest, most complex, most diverse entity on the face of the Earth, bar none. So we should have zero tolerance, and we should do everything we can do to try to deal with them.

On the other hand, we need to be able to change how government does business. Basic management reforms are needed to strategic planning, financial management, information technology, and human capital strategy, and customer service. These are how government does business. The return on investment for basic management reform is multiple times higher than for what we spend on eliminating fraud, waste, abuse, and mismanagement. We still have to fight these problems, but we also have to focus on fundamental management reforms in the way that government does business. Also, we have to get both the Executive Branch and the Legislative Branch to look beyond the silos, to look above them, and to recognize that many of the challenges that these themes relate to transcend borders. They are both multi-jurisdictional and multi-geographic.

Mr. DODARO. Mr. Chairman, the area of technology gives a good example of why you need broader, more integrated approaches. For example, one issue that this Committee just reported out a bill on is computer security.

In computer security, people can enter one agency's system and get into another agency's system. So one agency can be a weak link to being able to enter into other departments' and agencies' systems because there are trusted relationships between agencies. So each agency has to improve computer security themselves, but they also have to work together on an integrated basis across government to protect the sensitivity of records and to be able to provide assurances to the public.

Also, there needs to be a broader look at how, in the digital age, the government needs to interact directly with citizens and provide services in a coordinated fashion. Each agency now is dealing with the public in a way that is trying to use technology effectively, but the government could be much more effective in an integrated basis where the public could enter into web-based applications that could easily transfer them to related departments and agencies rather than having to enter into each department and agency individually.

So the need for integrated approaches across agencies is much more important now, and technology is also making it more urgent that, because of the rapid pace of change, government is more responsive. The whole question of sales on the internet, what to do about electronic commerce—all those issues are breaking down, as the Comptroller General said, barriers, and because those barriers are being broken down, the Federal Government cannot have its own barriers to problem-solving, and that is where we see the problem right now.

Chairman THOMPSON. So we can really use technology to attack the cynicism problem to a certain extent, by being more responsive.

Mr. DODARO. I think that is integral.

Chairman THOMPSON. One more broad general question, and then I will move on, and then maybe we can open it up and be a little more informal with some give and take.

Are you familiar with the writings of Jonathan Rausch, "Demosclerosis," and he has a new one out—he makes the point on the broader issues that we talk about, the demographics and globalization and any of these major issues, that it is not as if we do not understand the nature of the problem. We really do. We really know that what you are saying about what is facing us is the truth. We have all this cynicism and desire for reform in the abstract, but when it comes down to specifically doing something, we are so big, and the government is so pervasive and has created all these constituent groups out there who descend on us to protect what we have given them every time we try to change anything. So you have a handful of people trying to change one little thing, and it is one of many things on their agenda—but you have a great number of people out there whom it affects, and it is everything to them, whether it be their subsidy or whatever. So that every time anybody tries to make a little change, you are running up against insurmountable odds, and therefore, nothing ever changes, and there is no movement for bigger government, but there is really no movement for smaller government, and everybody wants to do something about the demographic problem, but nobody wants to give up anything, even on trade issues. Everything you run into is strong vested interests on each side.

We talk about the people problem here, whether it be employees or unions or whatever, even within the government. Therefore, we wind up never accomplishing anything in terms of change or reform. It is a pretty bleak picture that he lays out.

What do you think about that philosophy and, if you think there is some validity to it, how might we break through it?

Mr. WALKER. There are a lot of vested interests, and whatever departments or agencies or programs or policies that exist, you have people who have interest in assuring that those are perpetuated one way or another.

One of the things needed is a compelling reason to change. You have to educate people as to why the status quo is simply not acceptable, and therefore, change is imperative.

Part of that, I believe, has to do with some of the challenges that we just talked about. Many of the real challenges that we are going to face might not be imminent today. We can pay Social Security benefits today, and we can pay Medicare benefits today. The infrastructure has not crumbled yet. There are a number of areas where we can get by today. On the other hand, we are going to have major problems in the future if we do not address these challenges.

One thing we have to do is help people understand that the status quo is not acceptable. In some cases, quite frankly, it is not just members and people in the Executive Branch—it is the public, especially Generation Xers. They are, in my opinion, standing on the sidelines way too much when decisions are being made that will have major effects on their lives in the future.

And as you properly pointed out, if some of these decisions are not made before 2011–2020 with regard to entitlement reform, it

is going to be even tougher to make them then because of the political enfranchisement of certain groups.

I believe that the one thing that we have not done that we can try, Mr. Chairman—and maybe a commission or something else would—is to help people understand that the status quo is not acceptable and that, therefore, we are going to need to make some changes.

How do we best go about it? There will be winners and losers. It is going to require tough work, but if we are looking out for the greater good, not just for today but for tomorrow, it is something we need to do. It is something that I would say is more of a stewardship approach to issues rather than an ownership approach to issues, which has historically been the case.

Gene, did you want to add to that?

Mr. DODARO. I think that once you convince people to change, the real important dynamic is in what framework do you decide to make changes. Right now, it is compartmentalized in the sense that we look at individual agencies and even within individual committees about how to attack problems, when a lot of times, the solutions transcend departments.

Let us take food safety. We have identified a number of agencies that are involved with food safety, but they are deciding whether they are looking at inspecting meat or some other item; there is not a coordinated view. The same thing in terrorism. We have identified 40 different agencies that are making efforts to counter terrorism. So the framework for making decisions, which is part of the intent of establishing the Commission on Restructuring Government, is to look at new decisionmaking frameworks both within the Executive Branch, and I would think also from an oversight standpoint, from the congressional side.

Chairman THOMPSON. That is one thing we hope this commission that we are introducing will do. Someone said that people are not willing to give up anything in order for another group to get something, but they would be willing to give up something for the benefit of their country if they are convinced that it is the latter and not the former. So it is up to us to articulate that distinction, I think is what you are saying.

Mr. WALKER. Yes—the collective best interest.

Chairman THOMPSON. Thank you very much. Senator Lieberman.

Senator LIEBERMAN. Thanks, Mr. Chairman.

Thanks, Mr. Walker, for a very stimulating testimony. It reminded me of what a colleague of mine in the Connecticut State Senate used to say to us occasionally, which is that you have taken us up onto the mountaintop to look at the green valleys below.

So I am going to go up there for a moment myself and say that one of the thoughts that your testimony and your conversation with Senator Thompson evokes in me is the difficulty and the special obligation that certain people and institutions in government have to bring about change.

In other words, the comparisons to the private sector are often too facile, but one thing—and it is apples and oranges, so it sometimes does not fit—but one thing that is a fact, certainly at a time like this of rapid change, and we have seen it all around us, is if you are not adapting, you are not applying the tools of the new

technology, somebody else will, and you are going to lose your market, and therefore you are going to be in trouble and maybe have to close up shop.

So that the market, while it is not a perfect mechanism—and, as somebody else once said, it is a great mechanism, but it has no conscience—leave that aside, it does keep those who participate in it sharp and relevant.

That is not automatically the case with government, because we are not subject to normal market mechanisms. Now, sometimes, of course, the people whom we serve, the taxpayers, rise up and push us to change. But it seems to me there is a special responsibility—and to put it another way, there is a special pressure on us in Congress who function in some ways as an elected board of directors of this vast and, as you said, most complicated entity/corporation in the world, and also on those like you who have this special oversight and mountaintop function to push us in these directions. Then we have to confront the power of vested interests which exist everywhere. People do not like to change, particularly when they are living off the change, but the marketplace and the private sector just forces those changes whether people like it or not. It is harder to do here.

As Senator Voinovich said earlier from his experience in Ohio, and I can say the same for mine in Connecticut, I remember when I was State Senate majority leader, and we had a new governor in the mid-seventies, Governor Ella Grasso, and we had a budget deficit, and we had to do some tough things including raising taxes for a while, but we wanted to prove that we were efficient, and we had a reorganization of government effort, with a long list of agencies to be either reorganized or phased out. And over time, as the bill worked its way from committee to the floor, the list grew smaller and smaller.

Chairman THOMPSON. How many departments did you wind up adding? [Laughter.]

Senator LIEBERMAN. Of course, this was so long ago that it is hard to recall, but I have a recollection that one of the few agencies was the American and Francophone Cultural Commission, which dealt with the support of Franco-American culture in Connecticut. I do not know how that ended up there. So that is the challenge we face, but you help us, and I think the commission that we are talking about will help us by creating a center of independent, nonpolitical—and I mean that not in a partisan sense, but in the sense of perhaps being too responsive to the interests and to point a way ahead.

I do not know if you want to respond to that monologue, but I invite you to if you would like to.

Mr. WALKER. First, I think the commission can be one means to an end in trying to look at what government does. There have been models in the past where commissions have been effective, and there have been models in the past where they have not been effective. There were two Hoover Commissions. One of the Hoover Commissions focused on good government—how can government do what it does better. The other was really inherently more policy-focused and much more of a lightning rod.

To the extent that the commission focuses on how government does what it does, that is a "good government" issue. It is more difficult to talk about what government does, which raises vested interests. However, the discussion is needed.

I do not believe, however, that we should depend totally on the commission. There is a lot that can and should be done today. For example, Congress can engage in a much more constructive partnership with the GAO from an oversight perspective in addressing known challenges.

For example, at least once a Congress or preferably once a year, this Committee could examine selected major departments and agencies or cross-governmental issues, which this Committee is particularly well-positioned to address, in the light of the results of our annual audits, the annual performance plans, GAO and other strategic plans, our high-risk list, our performance and accountability series, and major outstanding GAO recommendations. GAO could pull together a compendium of information that would provide a powerful basis for effective oversight that would focus on the important issues rather than necessarily the periodic failures of government that sometimes tend to be sensationalized.

Senator LIEBERMAN. I notice that in your testimony, you have laid out a thoughtful recommendation—and picking up on what you have just said—for greater government-wide planning in order to assure a more coordinated and effective strategy for dealing with serious problems. And when you mentioned that, you suggested that this Committee might play a role in identifying what you call "cross-cutting performance concerns for priority congressional action."

What did you have in mind, a similar deal—how do you envision the Governmental Affairs Committee performing this function?

Mr. WALKER. For example, the Committe could examine issues that are inherently cross-cutting, for example, computer security in the area of technology, human capital strategy, and acquisition reform ensuring that there are effective strategic plans that are linked to human capital strategy, performance measurements and rewards. The Committee could focus on areas that are where you see not only cross-cutting, but where there is a linkage between several of them.

In my view this Committee is uniquely positioned to address issues that cross government.

Chairman THOMPSON. Computer security is one of those situations, I assume.

Senator LIEBERMAN. Computer security is one of those issues, and Mr. Dodaro, I wanted to thank you for giving me a segue. You talked about applying computer technology, and I am working on a bill on E-Government which I am going to start marketing to my colleagues to the left here soon and see if I can engage their interest. But that is another government-wide possibility which again is happening, obviously, with fantastic speed in the private sector. As I am sure you both know, it is happening in some government agencies with real creativity, but the performance here, as I am evaluating it as I go along, is quite mixed, and some agencies are really still way back in the 20th century. That is how far back they are. They are not moving rapidly.

So the notion here would be to put a bill in that would perhaps create some central initiating authority over E-Government, somewhat like government security, and put pressure on agencies to update and to work on cross-government functions, in other words, to see if we could realize over the Net some of the things that we always talk about. For instance, when a business deals with government, isn't there a way to figure out how to go to one site and deal with a host of permits or regulations rather than having to shop all around? Obviously, E-Government allows for 24-hour government. My wife and daughter and even I occasionally are shopping late at night, long after the stores are closed. People could be relating to government long after—and to pick up a point the Chairman mentioned, we have the possibility here for a whole new generation to engage a much greater percentage of our citizenry in interacting with government, even interacting with more confidence and trust than has happened in the past. So I appreciate your comment, but I cut you off on something.

Mr. DODARO. Well, in terms of your question about what else we have in mind for this Committee, one involves the Government Performance and Results Act. In addition to requiring strategic and performance plans of each department and agency, there was a requirement for a government-wide performance plan to be submitted by OMB as part of the President's budget submission, which has been submitted, but there really was not any follow-on mechanism that was put in place for congressional consultation and comment on that plan, as it was for the individual departments and agencies. That plan is organized now around major budget functions, which we thought was a reasonable start, but it needs to be put in a broader, cross-cutting framework.

One of the things that we had suggested was that this Committee consider taking aspects of that government-wide performance plan, with the support of GAO, and targeting and trying to set some performance targets for functions of government as well as individual programs. That would allow the opportunity to revisit the basic purpose of the programs, whether there was still a need for them; it would give this Committee the ability to bring people from different departments and agencies here to talk about the relationship between their various programs rather than just bringing up individual agencies one-by-one to justify their vested interests, as you point out.

That will help create new incentives to substitute in part for the market test that you are talking about, because unless those new incentives are there, it is very difficult. And you put your finger on one of the most difficult problems that we continually face, and that is how to get substitute incentives for market discipline in government, and good oversight and broader oversight we think would be helpful in that regard.

Senator LIEBERMAN. Well-said.

Let me ask one final general question. This really is an attempt to help us understand how to better utilize what you have suggested today. These graphs are very interesting and very helpful. This is one of the few documents I am actually going to take back with me and put on my desk, because it does point the way in a very concise form.

But I am wondering—you have cited the six key themes with profound implications, and you have convinced me—but what do we do with them, then? In other words, take one of them and work it through. When you say these are the six key themes—what, then? What should that lead us to do in relationship to our congressional, and particularly in this Committee our oversight responsibility for government operations and affairs? Could you run through it for me?

Mr. WALKER. We first have to ask ourselves what several of us must do. One of the things I would like to point out right now is that we issued just last week our first accountability report for the General Accounting Office. In the report, as you know, Senator Lieberman, we look at the whole government—everything the government has done, is doing, or is thinking about doing anywhere in the world. This Committee has the ability to look at cross-governmental challenges as well. It is uniquely positioned to do so.

We are reorganizing and realigning GAO, to try to recognize these themes, minimize the number of silos, minimize our layers of management and address a number of these challenges.

OMB needs to do the same thing for the Executive Branch. They need to incorporate a number of themes, whether it be the six I identified or others that they think are appropriate for looking at these issues cross-government and developing performance standards that are focused on those themes.

I suggest that this Committee needs to think about what it can do through oversight and other types of activities to encourage that and to make sure that agencies are taking those issues seriously. For example, I note that this Committee sent out letters to all the major departments and agencies commenting on their last performance plan and that it——

Chairman THOMPSON. We are meeting with them agency-by-agency now.

Mr. WALKER. Exactly. The letters were tailored, that is, customized for each agency. It was a bipartisan effort. The Committee is now bringing in agency officials to talk about the letters in a candid, constructive, and cooperative manner.

All of us have things that we can and should do, in particular with regard to these cross-cutting challenges that face the government.

Senator LIEBERMAN. I know we could go on at length about this, and I want to yield to Senator Voinovich, but just looking at the first one—globalization. If you are telling us—and of course, I agree—that globalization is now a new reality, and you have some very powerful data in here—what should we do with that? What, then? If we acknowledge it is happening, and it is going to continue to happen and probably accelerate, what, then?

Mr. DODARO. There are certain targeted issues, for example, that we are beginning to look at. Take the issue of trade agreements. There are more than 300 trade agreements now that the United States is party to, and there are 17 different agencies that are responsible for monitoring compliance with those trade agreements, and that is expected to increase going forward.

We are concerned about whether the government has the capacity to monitor collectively these trade agreements.

Senator LIEBERMAN. OK, so you think maybe there is too much overlap in those various agencies.

Mr. DODARO. There is overlap, but also looking at it from a government-wide perspective—is the Federal Government investing the proper resources; is it planning as an organizational entity? While each department is trying to plan for their role in monitoring these trade agreements, is the Federal Government collectively looking at the full set of requirements right now for monitoring the trade agreements going forward? That is one example.

Another example could be some of the international organizations like the International Monetary Fund and the World Bank. Are we as a government comfortable with their position, their financial practices, and their roles looking at the full set of available tools?

Mr. WALKER. Senator Lieberman, you might want to take certain sub-issues under globalization and focus on what is being done to address them and make sure we do not have duplication, overlap, or gaps.

Let me tell you one of the things that we have done in light of our strategic plan—and Chairman Thompson knows this because he participated in part of the session. I invited 12 of my colleagues, auditor generals from around the world, to GAO, and we used our strategic plan as a framework for discussion about mutual challenges that we face. In that room over 2½ days, we had 70 percent of global public expenditures represented—a very diverse group. We started identifying opportunities where we have shared challenges and where we can share successes. We also identified areas where we can share knowledge regarding data, experiences, practices, methodologies, and so forth.

I suggest that one thing this Committee can do is to focus on the issues that are most important to you. You might get a start by focusing on a few issues and making progress on those few issues. By doing that, others may seek to emulate your efforts.

Senator LIEBERMAN. Thank you very much. You have both been very helpful.

Chairman THOMPSON. Can I make just one small comment—and Senator Voinovich, I am sorry for taking so long to get to you. But let me make a suggestion with regard to your question, Senator Lieberman, with regard to what we do about these important issues.

My suggestion would be that we spend more time on them. I was looking at the testimony of Virginia Thomas, Senior Fellow, Governmental Studies, at Heritage before the House Rules Subcommittee on Rules and Organization of the House just a few days ago. She had a footnote which referenced our Committee Report. I had not picked up on this particular aspect of it—the Biennial Budgeting and Appropriations Act Report.

She says here that, according to the report, "At least half of all Senate roll call votes for each year since 1991 relate to the annual budget. In 1996, 73 percent of all roll call votes were budget-related."

Senator LIEBERMAN. And I might add, as we all know, that a lot of them—how can I put this gracefully—the budget votes often become an occasion for trotting out your favorite idea just to get a

vote on it and a little exposure, or indulging in partisan combat, so they become vehicles. In other words, that is an extraordinary percentage, and a lot of that is just that they become an occasion for mischief—or advocacy—however you view it, and maybe often a little of both.

Chairman THOMPSON. It consumes our every waking hour for big portions of the year, and plotting and scheming and reacting to—and not just the voting part of it.

Senator Voinovich.

Senator VOINOVICH. Thank you, Mr. Chairman.

I would like to stay on the mountaintop with Senator Lieberman for a moment. First of all, as a relative newcomer to this group, I would like to ask for a GAO study on whether Congress is organized to deal with the challenges, opportunities, and problems of the 21st Century.

Mr. WALKER. We do not need a study, Senator.

Senator VOINOVICH. If you look at the committees, we have as much overlap in our committees and everything else—in fact, it is worse than the Federal Government—starting with our own situation. And logic would dictate that at the beginning of the 2-year session, the most wonderful thing would be to have the leaders spend time on a bipartisan basis identifying five or six things that they should tackle during the Congress that are the most important to the American people, so we do not get off on a lot of these "flavor of the month" or "flavor of the day" things that we spend so much time on and ignore all these other things that really need to be done. I am really sincere about that—are we organized properly to get the job done.

Senator Thompson brought up the budget. Again, it seems to me that ought to be something we should do, and it should be a lay-up shot. God knows if we will ever get to it this year because of everything else that we are dealing with.

That is one observation, and I am really sincere about that. It would be interesting, and maybe we can talk to the leadership about whether we are organized properly. We are starting a new century with a lot of different challenges than we had in the last century—can we handle them?

The other thing, when you start talking about the big picture, is unmet needs. We are talking about reducing taxes and spending more money on new programs, and we really need to have someone sit down and talk about what are the unmet needs. You can start off with technology, and you can talk about the human capital crisis, you can talk about infrastructure needs. In another committee I am on, we have $37 billion worth of projects that have either design or money into them that are funded by the Energy and Water Appropriations Subcommittee, and we only spend about $1.4 billion a year to fund those. So there is all this stuff stacked up out there that we ignore.

The other thing is what is the role of the Federal Government. People constantly come to me, and I am sure they come to you also, and they say we want an increase in this, or we want you to do that, and I stop them, and I say hold on a minute. We are having a tough time taking care of the things that we are supposed to be taking care of.

The next thing they say—and I think this is something that needs to be unmasked—is you have this surplus.

And then I say to them if you look at the numbers, in 10 years, 70 to 73 percent of the money is going to be used for entitlements. That means that that is all that is left to deal with nondiscretionary, defense, and paying the interest—and that gets into another favorite subject of mine, and that is to take the money we have and get the interest cost down, because if we do not get the interest cost down, we are not going to have money for some of these other programs.

And then I ask them what the Federal Government should be doing. In education, we are spending billions of dollars, which is an important issue here, at the top of the polls, but what role do we play in that issue?

I am talking about these bigger things, and the public needs to be educated about them, and that should start to color the judgments that we make. If the public really understood the problems we face, I think it would be easier for us to deal with those problems.

For example, on the surplus, I happen to believe that we have to reform Social Security. The thing that frustrates me is that when the Social Security surplus comes in, we either use it to reduce the debt or spend it. Most people think you can put it in a box and lock it up like they do with their 401(k)s. But the fact is that if we are going to deal with Social Security, in all probability we are going to have to allow people to keep a lot more of their money. In other words, they will put it in an account, but they will not give it to us; if they do not give it to us, we cannot use it to reduce the national debt or spend it.

These are some of the fundamental things that I think need to be shared, the big picture things, because you are right, we deal with this and that, but so often we do not step back from where we are. I think this is a tremendous opportunity.

It is the same way with this Committee, Mr. Chairman. We know there is a lot of stuff out there—my gosh, I hold hearings, you hold hearings—but it would be great to work with Mr. Walker and sit down and set some priorities and say these are the priorities that we are going to work on, and maybe there will only be three of them, but we are going to saw away at these things—and in addition to that, the people who are dealing with us know that we are going to saw away; it is not one of these deals where we come in and have a hearing and everybody says "I understand," and they leave, and nothing happens.

We could set the example. We have all these great reports. The question is where do we focus our attention. And I think that would be a challenge, and you are right that if we could do that in this Committee, maybe we could set an example for some other committees doing oversight and spend our time where we are going to get the biggest return on the expenditure of our effort.

Mr. WALKER. Senator, several comments. First, there are several reasons why we did our strategic plan. One is that—as you know, we are not covered by the Results Act—we voluntarily did it because we believe we should lead by example. We believe it makes business sense. We did it because the GAO needs to look at things

differently, at how we can best serve our client, the Congress; best serve the country; and, recognize the reality that it is a whole new ball game and that, more and more, we have to look longer, more broadly, more integrated, cross-functionally in order to address challenges.

Frankly, I am hoping that the Congress will see this as a tool for the Congress. In many ways, since we are a Legislative Branch agency, this is something that we have the ability to do that the Congress may not have the ability to do itself. It can not only help us but it might be able to help the Congress focus on more strategic issues. Since 90 percent-plus of the work that we do is based on either congressional mandate or congressional request, hopefully this document will help to reform some of those mandates and requests such that we are asked to do work in the areas where we can make the most difference.

I think it is also important to look at how you organize. We are looking at how we are organized because we can control that. The Congress may need to ask itself, and probably should ask itself, if it is organized to effectively address these issues in the future. That discussion should be bipartisan and bicameral, before we would get involved.

The Executive Branch needs to do the same thing. Is the Executive Branch organized in a manner that makes sense for the future? We talk about unmet wants. I think it is more important to focus on unmet needs. I also think it is important to focus on the baseline, because part of the problem is that you are presented constantly with: Well, we want to keep everything we have already got, but we have all these unmet needs. Therefore, we are just talking about adding. Although we have the surplus, it may or may not happen in the longer term, and it is going to go away eventually because of the demographic challenges. Therefore, we need to focus not just on the incremental needs. We have to focus on the baseline. In many cases, the baseline made a lot of sense at the time those decisions were made—20 years, 40 years, 60 years ago. One of the greatest debates we need to engage in right now is not only on the role of government but the fundamental difference between wants, needs, and what we can afford.

Let me give you two examples, one on the domestic side and one on the defense side. On the domestic side, we are spending a tremendous amount of money on health care. It is not just Medicare, not just Medicaid, and not just veterans health. It is also tax incentives which involves a tremendous amount of money. Also, there are regulatory burdens and costs associated with health care. Yet, health care costs are on an ever-charging path upward.

Chairman THOMPSON. And we are talking about adding new entitlements.

Mr. WALKER. And we are talking about possibly adding to it.

We need to recognize that wants in health care are unlimited. Everybody wants as much as they can get, and they prefer to pay little or nothing for it.

Needs are very different. People need to have access to health care at group rates, arguably. People arguably need to be protected against financial ruin due to an unexpected catastrophic illness. They may want more than that. They need inoculations for their

children and so on. There are certain needs. So are we focusing on the needs? What about the wants, how much we can afford, and what should the relative priorities be?

Another example is provided by weapons systems. What do we need versus what we want to assure our security? We have the technological ability, if given the money and the time, to do just about whatever we want; but, do we need all the different platforms that we are building? Also, whom are we going to use them against? What is the price from the standpoint of readiness, quality of life, and other considerations, greater needs versus wants?

I think these are very serious debates. I would agree with you that this Committee could take a few issues and say we want to focus on—for example, E-Government or human capital. You could pick a handful of issues that cross boundaries that relate to this strategic plan to lead by example and make a difference. Somebody has got to start.

Chairman THOMPSON. Tell me your thoughts about the Results Act and where we stand now—not our hopes and aspirations and possibilities, but realistically, where are we? Performance plans are coming out on March 31. The initial plans that came out were not overwhelming, to say the least. Many of the real problem areas, the high-risk areas, were not even addressed.

Where do you think we are?

Mr. WALKER. First, we have had mixed reviews with regard to implementation of GPRA. On one hand, you have agencies like the Social Security Administration and the Department of Transportation that in our view are two of the better agencies with regard to taking GPRA seriously and focusing on these plans.

On the other hand, there are others like HHS, State and DOD that apparently are not taking it as seriously. It is more of an annual paperwork exercise. It should be a foundation for how they do business and how they hold people accountable for results.

I think we do have an opportunity. I mentioned our accountability report. Others will have to be issuing theirs this week. This provides us with a new data source, new information that could be a valuable tool in trying to help focus congressional oversight efforts and OMB activities, etc.

I think that ultimately, in addition to trying to make sure the Results Act works the way it is intended, we are going to have to link it to institutional, team, and individual performance measures through the human capital area.

People do what they are measured on and what they are evaluated on. Based on my experiences, we have major problems in the government as it relates to human capital, in particular with regard to performance management. If we have good plans focused on the right things, with meaningful measures, and can link that into how people are measured and rewarded to some degree, then you will really start getting results.

Chairman THOMPSON. You talk about the people and the personnel problem, and those are obviously points well-taken, but at the heart of that, there is a management problem. When we looked at the computer situation which we just passed out of Committee, GAO has been telling us for years and years that at its heart, it is a management problem. It is not as if we did not have the tech-

nical capability or, presumably, the right people in place. But we have not had anybody cracking the whip, and that gets to another problem. OMB has done a terrible job, in my opinion, with regard to management issues. All the emphasis is on the budget now, and there is just no emphasis on the management part. We have people come up here who want to go over there, and instead of a realistic plan to address the problems, they do not even acknowledge there is one. Everything is public relations and touting so-called successes, and nobody is cracking the whip, and there is no accountability with regard to all this.

So that sure, we have a people problem, but it is not just the technical aspect of it; it has to do with management and motivation—and I do not know what in the world you do about that. Hopefully, the next administration, whichever it is, will do a better job of addressing these management issues.

Senator VOINOVICH. Mr. Chairman, just to build on what you are talking about, the issue is what is the structure within the government that is necessary for government to start paying attention to the human capital needs that are so important to our future—or, let us say, from a technological, management information, what vehicle is in place to deal with that. I grappled with that as Governor of Ohio, because the thing was all over the place. How do you organize your management information within the framework of government so that it becomes a priority that cuts across all the departments, and how do you get coordination among all of them?

My observation, just building on what you have said, is that it does not appear that it is being done today, and the issue is how do you get it done. Is it OMB, is it personnel, or do you have some particular group that just works on this day in and day out?

Mr. WALKER. First, it starts at the top. In any organization, whether it is public sector, private sector or whatever, you have to have the commitment of the person at the top in order to get it done.

Then, it is a matter of who ends up leading that effort. OMB is O, big B, little M, but it has been that way for a while. They do not have nearly as many resources focused on the "M" as on the "B." They need more attention, more focus, and more resources focused on the "M.".

Chairman THOMPSON. Kind of like us, as I think about it.

Mr. WALKER. They also have some open slots that they need to fill. They need more focus, especially with regard to cross-cutting issues. Now, they have done some things. They have the Presidential Management Objectives and the Priority Management Objectives. Some of those are cross-cutting, and many relate to our high-risk list. However, the issue of management needs to be much higher on the agenda. There needs to be much more concerted focus across government. Even in the area of human capital, while OPM can help, OMB has got to be involved. They have got to be involved in a major way because they tie directly to the President.

Chairman THOMPSON. No question about it.

One more thing specifically. I know we have had some discussions about this that have been ongoing, but I want you to work with us and majority/minority staff, and let us really give some attention—when these reports come out on March 31, let us give

some attention to what we do now. This may be our last hope for a while, this Results Act. I have mixed feelings about it. We have been passing laws around here for a long time, and I guess some of them have done some good, and I am a little bit skeptical about it, but some people think that we really have an opportunity with the Results Act to make a difference. And it is a part of an almost global movement to become more results-oriented. Everybody is kind of wising up to the fact that you have got to look at performance. So we have to assume that there is a real possibility there.

Now we need to figure out how do we bring these agencies that are coming in with these bogus documents and plans—what do we do about them; how do we get those plans up and running? They have the audacity to come in here, and they do not even address some of the high-risk list areas. What do we do about that?

How do we integrate what we are getting with the appropriations process? How do we make sure that all this is—and I know that in one way or another, it will be brought to the attention of the appropriators, but there needs to be some interaction, it seems to me, between this Committee and the appropriators. There needs to be a procedure and a mechanism, I think—an annual series of hearings where we choose certain agencies to highlight or put the spotlight on certainly would be a part of that. But how do we set up a procedure where we can take what we are getting, go backward and improve and encourage and cajole when necessary to get the input right, because if it is garbage in, it is going to be garbage out. These people are essentially, lest we forget, judging themselves, and we are going to have to ride herd on that, or else all the grades are going to be "A". And then, how do we go forward and make sure there is some accountability and make sure there are some results for bad performance—budgetary or otherwise—and on a systematic basis where we have an integrated approach to dealing with this.

Mr. WALKER. Mr. Chairman, we would be happy to work with this Committee on a bipartisan basis to try to do that. You have mentioned possibly holding hearings once a year on several issues or with regard to certain departments or agencies or programs, which is important. It would be important to make sure that those are balanced, including not just the departments and agencies that are not doing well, but also maybe some that are doing well, so that we can share some best practices.

Chairman THOMPSON. And how much time should we realistically be devoting to that in terms of public hearings? Our staff is already meeting with these agencies one-on-one. What kind of things—just really getting down into the details—what kinds of things should we be looking for? What should we be doing from a staffing standpoint? What should we be issuing reports on versus what should we be holding hearings on? We cannot hold hearings all the time on just one issue.

Mr. WALKER. I understand. We would be happy to work with you to come up with a proposed approach that would make sense for this Committee as well as for us.

Chairman THOMPSON. I would think that a good deal of our effort in the beginning stages of this is going to have to be going back

to some of these agencies and pointing out to them where their plans are deficient and their methodology is deficient.

Mr. DODARO. In that regard, Mr. Chairman, the meetings which have been held so far on a bipartisan basis are really resonating with the agencies. Because they are in-depth, they are bringing all the major management challenges together, and there is follow-through, and as a result, agencies see that the Committee is serious about these issues. That is one of the incentives that substitutes for market tests in the government is really sustained follow-through. That is very important.

Mr. WALKER. What you may want to do as well, Mr. Chairman, piggybacking on that bipartisan initiative that seems to be working fairly well so far, is to pick some examples out of that effort. You may want to pick one or two good examples of departments or agencies that are doing a great job.

Senator LIEBERMAN. That is a great idea.

Mr. WALKER. And pick one or two examples where they are not taking it seriously. Call them up on a targeted basis. It is balanced then. You are talking about some that are doing a better job and how are they going about it and why are they doing a better job, and yet you are talking about some that are not.

Senator LIEBERMAN. Maybe we ought to ask you to award some gold stars as well as noting where the high-risk agencies are, to say who is performing well. I remember once when your predecessor was here, he gave us his testimony on the high-risk agencies, and I think that has been very helpful progress. And I agree with you—sometimes I get frustrated because I see the same agencies appearing—but on the other hand, as you said in your last high-risk report in January of last year, overall, agencies are taking the problem seriously and making progress to correct the problems.

But I remember asking him was anybody really standing out, and at that time, Mr. Bowsher said the U.S. Army he thought had been superb. I guess the answer would be different today.

Mr. WALKER. Yes. Times change.

Senator LIEBERMAN. It is a little bit like the effect of the Baldridge Prize for private sector success in innovation. Maybe we ought to be giving out some blue ribbons as well.

Mr. WALKER. Senator, one of the things that we really try to do in going about doing our work is to follow our three core values of accountability, integrity and reliability. Accountability is what we do; integrity is how we do it; reliability is how we want it to be received. Moreover, how we do our work directly relates to what you are talking about. We want to be professional, objective, fact-based, nonpartisan, nonideological, fair, and balanced. If somebody is making progress, we want to acknowledge that. If somebody has created a best practice, we want to share that.

I believe that that is important. In addition to maximizing the performance and assuring the accountability of government, we need to be concerned about public trust in government. If we do not provide a more balanced report card on what these agencies are doing and how they are doing, and if all we do is focus on the negative, it is no wonder that the public does not have much respect or confidence in their government.

Senator LIEBERMAN. That is a good point.

Mr. WALKER. So we need to achieve results, but we need to be constructive about how we go about it. We need to hold people accountable where they need to be held accountable.

Senator LIEBERMAN. You are right. A part of accountability—and I am dealing with this as I work with a bill on education—is to be prepared to sanction those who are performing below generally-embraced standards, but also to in some sense reward those who are performing not just at the standards but well above them, to set models for both.

Mr. WALKER. Let me give you one example of where there has been a fundamental breakdown in accountability, and that is in weapon systems development and acquisition. The Defense Department does not follow commercial best practices. We are doing some work to help them understand what they are so that hopefully they will. But the result of not following commercial best practices is wasted money, compromised performance standards, and questionable cost-benefit on a number of platforms.

Yet, they assign people to these projects for 2 or 3 years, and by the time it blows up, you have diffuse accountability. In many cases, nobody is held accountable. In fact, people have punched tickets and have gotten promoted because they have punched tickets, because they have been through this particular developmental effort.

That is one example. There are many others that exist. What we are trying to do there is help them understand what commercial best practices are. I suggest that the Congress is going to have to decide whether they ought to be required rather than encouraged to follow these practices, given the stakes and the amount of funds involved.

Senator LIEBERMAN. That is a very good example.

Mr. Chairman, if I may, I was really struck by the chart here showing the distribution of Federal spending. I am on the Armed Services Committee, and this really does show how defense spending has declined dramatically as a percentage of overall outlays even while our responsibilities have grown. So there is a strong case to be made on this graphic for more defense spending—but that is not the end of it. Obviously, you have got to spend smart. I am a big supporter of the Pentagon, but that is the largest single organization in the world, a subpart of the U.S. Government, and there are lots of ways in which they could be spending more smartly. So your work there is very, very important and very helpful.

Chairman THOMPSON. You need to keep telling us, too, what your own manpower needs are. I know that sometimes, there has been an issue raised as to whether or not you are being overtaxed by us, some of your folks, in terms of trying to get some of this information on a timely basis.

The other thing I would suggest is that you have a fine line to walk, and I think you do it well, in being nonpartisan and being optimistic where things merit it. That is a problem that we have as Members and as a Committee. Always talking about the negative, you increase the cynicism. But you are not going to do anything about the cynicism until you solve the problem, and you are

not going to solve the problem until you have some accountability for those who are not doing the job.

I would encourage you—you are always very frank, but in some of the reports that I have seen, it is a little bit like, "on the one hand this, on the one hand that," and you have an egregious situation there that you know the writer of the report knows is an egregious situation but will not say it. Where the facts merit it, where we have a problem, bite the bullet—but where you do not have a problem, my goodness, if you can come up here and praise some people, we will bring them up here and shine a spotlight on them and use them to embarrass the others. We are not just trying to be negative. But where you have a real problem—just like you were talking about with the weapons acquisition thing—that just says it; that is just the way it is—where it is clear, encourage your people to call it like it is and be able to justify it when you come up here.

It is a fine line that you have to walk, but we really have to do something to break through this massive resistance to change that we all know about.

One final thing. You were talking about our people and our personnel problem and the downsizing that we have seen in terms of numbers. Of course, we also know that a part of that has to do with the military downsizing. We also know that the numbers are difficult to track because we have outsourced more and more stuff. We have a shadow government now of contractors who are doing work that Federal employees used to be doing.

What is the significance of that? Are we hurting ourselves by doing that? Are we going in that direction so we can all point toward the fact that we are downsizing government, or is it based on a need that we have to move in that direction?

What have been the consequences of these things?

Mr. WALKER. Clearly, there was some need, but the need should be based on a considered analysis, and that considered analysis should be done on an agency-by-agency basis. Otherwise, you end up having a circumstance where the people who do a good job get penalized, and the people who do not do a good job maybe get off lightly.

As I mentioned before, government has been downsized significantly, but in some cases, it is a matter of who is doing the work. It is being done by the private sector through contracting rather than through full-time equivalents or employees of the Federal Government. I think one of the challenges that we have there is that even if you are going to outsource a function, you cannot forget about your responsibilities to the public. You have to have the skills internally that can manage cost and quality, and in some cases, the agencies have not retained the skills internally to manage the cost and quality of the contractors.

In addition, we face a situation where a very significant percentage of the Federal work force is eligible to retire within the next 5 years. We have related succession planning challenges and challenges with regard to skills imbalances that exist in certain departments and agencies. I think we need to start addressing those.

You know that we have asked for legislation in the case of GAO, to help us be able to more effectively meet Congress' needs and the

needs of the American people within existing resource levels by giving us more flexibility, while protecting against abuse of individuals, which is incredibly important.

Like any other agency that is a professional services firm, we have to be able to make more decisions based on skills, knowledge, and performance. That is the foundation for making sound decisions while providing protections against abuse as it relates to individuals.

So this is a very important area, Mr. Chairman, not just for GAO, but for the government, and we are hoping that you all will help us to help you.

Chairman THOMPSON. Thank you very much. This has been extremely helpful, and we look forward to working with you on these problems.

The record will remain open for a week after the close of the hearing for any further submissions.

Mr. WALKER. Thank you, Mr. Chairman.

Chairman THOMPSON. We are adjourned.

[Whereupon, at 12:35 p.m., the Committee was adjourned.]

APPENDIX

United States General Accounting Office

GAO

Testimony

Before the Committee on Governmental Affairs
U.S. Senate

For Release on Delivery
at 10:30 a.m. EST
Wednesday
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MANAGING IN THE NEW MILLENNIUM

Shaping a More Efficient and Effective Government for the 21st Century

Statement of David M. Walker
Comptroller General of the United States

GAO/T-GGD-00-121

Statement

Managing in the New Millennium: Shaping a More Efficient and Effective Government for the 21st Century

Mr. Chairman, Senator Lieberman, and Members of the Senate Committee on Governmental Affairs:

I appreciate the opportunity to be here this morning to discuss the unique budget and oversight issues that face you and other Members of Congress at this time in better positioning our national government to meet current and emerging challenges.

The cold war has ended, and we won. In addition, after nearly 30 years of budget deficits, the combination of hard choices and remarkable economic growth has led to budget surpluses. As a result, we transition into this new century with different security concerns and an improved financial position relatively free of the deficit constraints of the recent past. In order to prepare effectively for the future, however, we must fully explore the major dynamics that will shape the United States and its place in the world and adequately prepare the federal government to meet the challenges that lie ahead. The Senate Governmental Affairs Committee is uniquely positioned to consider these broad-based and crosscutting challenges and what needs to be done to address them.

As we stand at these crossroads, I would like today to focus on four topics that are critical to strengthening the performance and accountability of the federal government and are fundamental to improving the American public's respect for and confidence in government.

First, dynamics, such as increased globalization, rapid technological advances, shifting demographics, changing security concerns, and quality of life considerations, are prompting fundamental changes in the environment in which the federal government operates and are placing more of a premium on governmental responsiveness, integrated approaches, results orientation and accountability.

Second, current surpluses provide a tremendous opportunity to rise out of the 1-, 3-, or 5- year budget horizon of recent deficit debates and to focus on longer-term fiscal and management challenges as we move into the 21st century. This is especially important given the significant fiscal demands on health care and other areas that will be engendered by the demographic tidal wave that is due to hit us early in the century, when the "baby boom " generation starts to retire.

Third, we now have an opportunity and obligation to take a comprehensive look at what government should be doing and how it does it. Future fiscal challenges call for prudent stewardship of our national government to

ensure delivery of the services that Americans want, need and can afford. In this regard:

- There is a critical need in the short term to continue to effectively implement the management reform structure that Congress has put in place to provide for more effective and accountable government. This is critical since the government will not be able to maximize its performance and ensure its accountability without modern and effective human capital practices.

- Human capital issues are the missing link in the management framework Congress has provided, and there is an urgent need to develop and implement modern human capital practices for the federal government.

Fourth, this is an opportune time to reconsider the fiscal and performance models, structures, and processes that the Congress uses to fulfill its oversight responsibilities. Addressing the themes that I have outlined calls for hard choices and persistent attention. Real improvement in performance and management calls for a disciplined and determined process by the executive branch, and continued oversight by the Congress.

Throughout this testimony I draw on the breadth of our work at GAO and propose that we continue to strengthen and expand our strategic partnership with Congress to help address the challenges that face the federal government in the 21st century.

The Forces Shaping the United States and Its Place in the World

We have identified six themes that represent dynamics with profound implications for congressional decision-making and government management in the next century:

- Globalization
- Security
- Demographics
- Quality of life
- Technological innovation
- Government performance and accountability

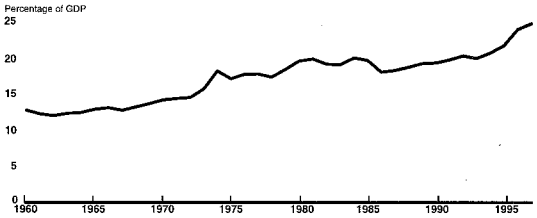
Globalization

Globalization, or the interdependence of enterprises, economies and governments, presents new opportunities for U.S. producers and consumers, but also new challenges for the country.

With rapid advances in technology and the ease with which people, enterprises, and goods can cross borders, the economies and activities of nations have become increasingly interdependent. From 1960 to 1997, world exports increased from about 12 percent to about 24 percent of world GDP (gross domestic product). As shown in figure 1, multinational enterprises are an important part of the trend towards globalization. In 1997, 63 percent of U.S. exports and 40 percent of U.S. imports were associated with U.S. parent corporations or their foreign affiliates.

The U.S. has been a principal architect of an open world trading system and has benefited greatly. However, open trade has increased the complexities of maintaining the U.S. economy. Interdependence of the U.S. and foreign economies is illustrated by foreign investment in U.S. business, which has increased to over $200 billion in 1998, an amount nearly 3 times that invested the year before.

Figure 1: World Exports as Percentage of GDP



Source: World Bank.

As the U.S. economy becomes increasingly linked with the global economy, international trade is growing in importance as a foreign policy issue. At the same time, significant national security issues also need to be considered. The effectiveness of regional and global trade arrangements in achieving their desired outcomes is being questioned at home and abroad. Critics have expressed concern that the United States has not been sufficiently aggressive in monitoring and enforcing over 300 international trade agreements that cover hundreds of billions of dollars in trade and affect millions of U.S. jobs, and that some decisions by the World Trade Organization could compromise U.S. sovereignty.

Recent financial crises in developing nations highlight the implications of the interdependence of economies and financial systems. For example, the emergence of financial difficulties in Thailand in 1997 was followed by financial crises in Indonesia and Korea, and eventually Russia and Brazil. Fear that these crises could severely affect U.S. economic and security interests have (1) focussed attention on the interdependence of U.S. and global economies and (2) raised questions about what can be done to prevent or contain the spread of such crises. The International Monetary Fund is a key organization that the United States and agencies such as the Departments of Treasury and State cooperate with to maintain global economic stability. Prompted by financial crises and government corruption in some countries, questions have been raised regarding their effectiveness and roles in maintaining the health of the global finance and trade systems and resolving countries' financial crises.

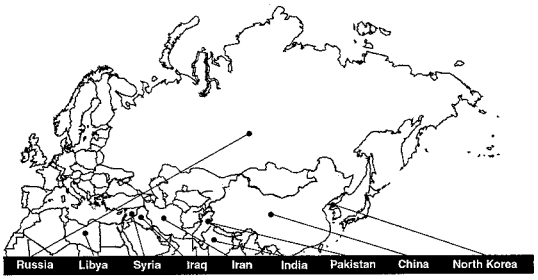
Economic and financial interdependence are not the only global trends with implications for this country. Increased globalization of information technology has resulted in significant new security and privacy threats to our nation's information network. Similarly, the spread of diseases around the world, like AIDS, and the global nature of environmental problems affect us and also call for a coordinated international response. Thus, in the future, federal responses to problems will increasingly have to consider international as well as national dimensions.

Security

The nation's **security** concerns reflect new, diverse, and diffuse threats of national, economic and personal dimensions.

Less restricted trade, expanding democracy and capitalism, and rapidly developing technology have broadened security concerns and changed the way the United States prepares for conflict. In addition to more conventional military threats, the United States is confronting threats from terrorism; the proliferation of weapons of mass destruction; information warfare; the international drug trade; and other more diffuse sources, which are harder to identify, respond to, and contain.

Figure 2: Countries With Weapons of Mass Destruction Posing National Security Concerns



Sources: DOD and State Department.

The bombings in New York City in 1993 and in Oklahoma City in 1995 have elevated concerns about the spread of terrorism to the U.S. At least nine countries posing national security concerns are believed to have weapons of mass destruction (nuclear, biological or chemical). More than 40 federal agencies, offices and bureaus spend over $10 billion a year to combat terrorism.

The structure of U.S. armed forces has been reviewed a number of times since the end of the Cold War, resulting in substantial reductions. The Congress has expressed concern that the forces that remain may not be sufficient to implement the national military strategy and may not be sufficiently prepared to respond to the threats of the 21st century. In February 1999, the President proposed that DOD begin the first sustained increase in defense spending in 15 years, calling for additional resources totaling $112 billion over the next 6 years. In particular, defending the United States against an intercontinental ballistic missile attack from a rogue nation and protecting U.S. and allied deployed forces from theater missile attacks is receiving considerable attention and will result in substantial spending. This year, activities leading to the President's deployment decision on a National Missile Defense system are moving ahead and improvements to key theater missile defense systems, such as the Theater High Altitude Area Defense system, are being instituted. The President has proposed about $24 billion in total funding of national and theater missile defense from 2001 through 2005.

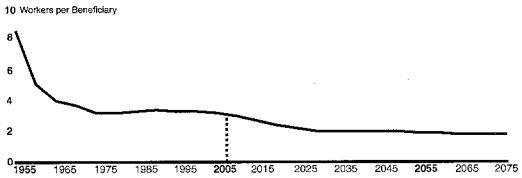
Increasing reliance on complex interconnected computer systems essential to public well being and the economy has created serious new vulnerabilities should disruptions occur. Protection of transportation, energy, emergency services, financial services, and communication systems is becoming increasingly important because they rely heavily on information technology. Criminals, terrorists, and others, working anonymously from remote locations and with relatively limited resources, can now use computers to severely disrupt this infrastructure. An example of disruptions that could occur is provided by recent denial-of-service attacks on popular web-sites.

Demographics

Demographics, or the profound changes forecast in the age and composition of our population, will have enormous consequences for the retirement and health care entitlement programs as well as programs supporting the workforce.

The population is growing older. By 2030, about one-fifth of the U.S. population is projected to be over age 65 compared with about 13 percent in 1998. Also by 2030, Medicare beneficiaries, who include the disabled as well as the elderly, are expected to account for 20 percent of the population. The result will be that fewer workers will be paying into Social Security for every person receiving benefits. In 1955, 9 persons were paying into Social Security for every person receiving benefits. Today, the ratio is down to 3.4 to 1, and, by 2030, it is projected to be about 2 to 1.

Figure 3: Social Security Workers per Beneficiary



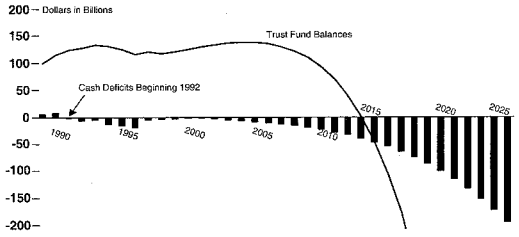
Source: Old Age Survivors and Disability Insurance Trustees.

These trends will have enormous financial repercussions for the solvency and sustainability of federal entitlement programs. The Medicare Hospital Trust Fund operated in the red since 1992 and is projected to face insolvency in 2015. Social Security expenditures are expected to exceed

payroll tax revenues beginning in 2014, with trust funds being depleted by 2034[1].

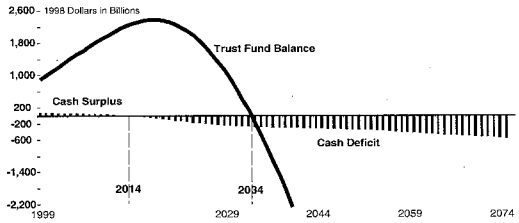
But crafting a solution to financing these entitlement programs involves more than the traditional approach of closing the gap between projected expenditures and revenues over a fixed time period, such as 75 years. Rather, any financing solution needs to achieve *sustainable* solvency that balances projected expenditures and revenues without requiring us to frequently revisit the financing of these programs.

Figure 4: Medicare Financing



Source: GAO analysis of data From the Office of the Actuary, Health Care Financing Administration.

Figure 5: Social Security Finances



Source: GAO analysis of data From the Office of the Chief Actuary Social Security Administration

[1] Estimates are based on 1999 projections. New estimates on Medicare financing are due to be released March 30, 2000.

The population is also becoming more diverse. Women and minorities as a proportion of the workplace have grown significantly. This trend, along with increased use of part time and other flexible work arrangements, has implications for federal policies and programs on education, training, childcare, and immigration, among others. Although the growing entry of women and minorities caused substantial growth in the U.S. labor force in recent decades, this trend seems to be changing. Projections for the future are that the annual growth in the labor force will be only about 1 percent in the short term and that this growth rate may even decline in the long term. These trends further exacerbating the current tight labor market for specialized skills and key sections of the economy suggesting the need for more policies designed to encourage people to retreat gradually from work, rather than plunge into retirement.

Quality of Life

Quality of life has improved for many but not for all Americans. At the same time, prosperity is placing greater stresses on the quality of life.

The long period of strong economic performance has been accompanied by economic prosperity. People are typically living longer, with average life expectancy rising to age 76 over the past 20 years, while unemployment has fallen to 4.3 percent, and violent crimes have dropped by 20 percent since 1990. The quality of the physical environment has also improved, as levels of major air and water pollutants have dropped since 1970.

However, many challenges remain. For example, the disparities between the net worth of those without a high school education and those with more education increased between 1989 and 1998. While unemployment has reached record or near-record lows for African-Americans and Hispanics, unemployment rates for these two groups still stand at nearly twice the rate for whites, and more than 40 million Americans lack health insurance. Given the large federal role in health care delivery and financing, there is a need to weigh the needs of Americans against their wants and the overall affordability of health care considered by policy makers.

At the same time prosperity is placing greater stresses on quality of life. Greater economic activity, for example, increases air and highway traffic and heightens concerns about congestion, safety and environmental quality. The shift to a more technologically based economy raises long term concerns about education, while population growth and geographic shifts, such as urban sprawl, place greater strains on transportation and other infrastructure. Over the coming years, these demands for new

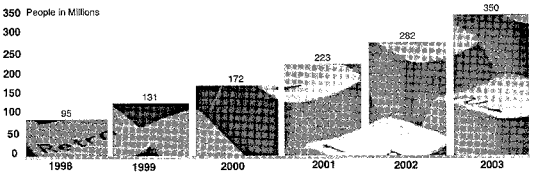
investment will increasingly come into competition with other national priorities, creating difficult choices for the federal government.

Technological Innovation

Technological innovation, especially in information technology, has enhanced productivity, but also created new vulnerabilities.

Information technology has transformed the ways we communicate, learn, use information, conduct commerce, practice health care and build and design products. This trend is expected to accelerate, with investment in information technology expected to account for 40 percent of all capital investment in the United States by 2004. Roughly 172 million people around the world will be Internet access in the year 2000, and by 2003, and that number is expected to double. Businesses that produce computers, software, semiconductors, and communications equipment have accounted for over a third of the growth in the U.S. economy since 1992. Government too is being affected, with information technology providing new, more responsive and efficient ways of delivering services and information to citizens, in such areas as tax administration, higher education, transportation safety and environmental protection.

Figure 6: Internet Users Worldwide, 1998-2003



Source: eMarketer (1999).

The connectivity and interdependence created through information technology also creates vulnerabilities. Computer security risks associated with the widespread use of information create the potential for disruptions to federal agencies and the private sector, in aviation, banking, law enforcement, emergency services and other critical services. The privacy and confidentiality of medical records, credit histories, and other personal data on millions of individuals stored in electronic databases are also at potential risk. Unless appropriately controlled, computerized operations can offer those with criminal or other malicious intentions numerous

opportunities for committing fraud, tampering with data or disrupting vital operations

Government Performance and Accountability

Faced with public demand for more economical, efficient, and effective government, countries around the world are undertaking major reform initiatives to improve government performance and accountability. These reform efforts being undertaken in major democracies are taking a generally consistent direction, requiring government organizations to focus more on results and less on process.

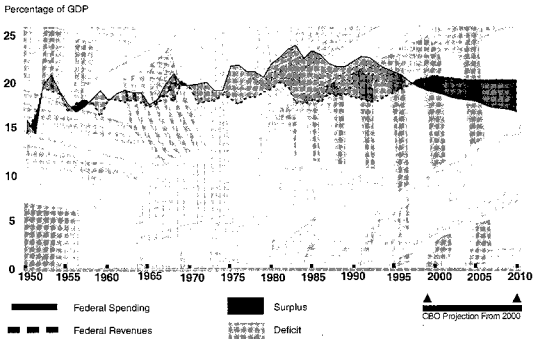
In the United States, American citizens are increasingly demanding improved government services and better stewardship of public resources. In an effort to meet these demands, the federal government is adopting the principles of performance-based management. Legislation enacted in the 1990s has provided a statutory framework that includes the Government Performance and Results Act of 1993, the Chief Financial Officers (CFO) Act and related financial management legislation, information technology reform legislation, including the Clinger-Cohen Act of 1996 and the Paperwork Reduction Act of 1995. As I will discuss later, progress in implementing this framework has been uneven across the agencies, and certain areas, like human capital management, have had little attention.

Much of the impetus for government reform came in part as a reaction to poor performance, continuing disclosures of waste, and chronic budget deficits. However, the fact that the federal budget has turned the corner from deficit to surplus does not reduce the importance of effective and efficient government—nor of fiscal discipline. After a decade of focusing on deficit reduction, we know there are pent-up demands for using the projected budget surpluses. The challenge for policymakers will be to meet public expectations of government while maintaining the financial discipline necessary to avoid a return to deficits.

Issues Influencing the Federal Government's Long Term Fiscal Outlook

Our federal government has gone from budget deficit to surplus as a result of a burgeoning economy and difficult decisions by Congress and the Executive Branch to control spending. Compared to the deficits of recent decades, today's surplus represents a historic turnaround, and current projections show surpluses continuing over the 10-year budget window.

Figure 7: Federal Spending and Revenues, 1950-2010

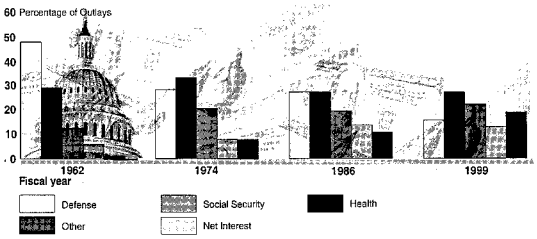


Note: These projections assume that discretionary spending grows at the rate of inflation after 2000.

Sources: *Budget of the U.S. Government, Fiscal Year 2001*, and the Congressional Budget Office.

This picture of today's fiscal good fortune, however, masks a change in the composition of federal spending during the past few decades. Relative to federal spending subject to annual appropriations—defense and non-defense discretionary spending—the share devoted to federal health programs and Social Security payments has grown steadily over time. Correspondingly, the share available for all other programs, including defense, has decreased.

Figure 9: Distribution of Federal Spending, 1962-99

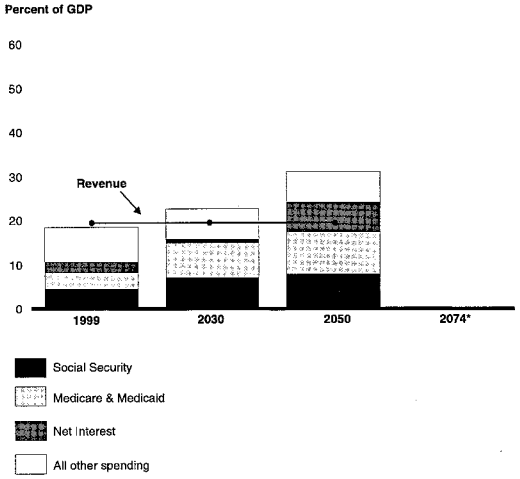


Source: Budget of the U.S. Government, Fiscal Year 2001.

Source: Budget of the U.S. Government, Fiscal Year 2001.

Our long-term projections illustrate the consequences for the federal budget, assuming continuation of these trends. While we may enjoy annual surpluses for some time, long-term projections show a resumption of a pattern of deficits emerging when a demographic tidal wave hits. Because of this coming demographic shift, to move into the future without making changes to federal retirement and health programs—Social Security, Medicare, and Medicaid—is to envision a very different role for the federal government. Even assuming, for example, that the Congress and the President adhere to the often-stated goal of saving the Social Security surpluses, our long-term model shows a world by 2030 in which these three programs alone would require more than three-quarters of total federal revenue. Budgetary flexibility would be drastically constrained, and little room would be left for such programs as national defense, the young, infrastructure, and law enforcement.

Figure 10: Composition of Spending as a Share of GDP Under "Eliminate Non-Social Security Surpluses" Simulation



*The "Eliminate Non-Social Security surpluses" simulation can only be run through 2066 due to the elimination of the capital stock.

Note: Revenue as a share of GDP during the simulation period is lower than the 1999 due to unspecified permanent policy actions that reduce revenue and increase spending to eliminate the non-Social Security surpluses.

Source: GAO's January 2000 analysis.

In addition there are other looming fiscal pressures such as:

- clean-up costs from federal operations that yield hazardous wastes, including defense facilities and weapon systems,
- future claims on federal insurance programs by an increasing number of retired federal employees and military personnel, and
- demands for new investment to modernize physical infrastructure, public buildings, transportation systems, and sewage and water treatment plants that are beginning to deteriorate or become obsolete.

Today's surplus represents both opportunity and obligation. While the new surplus projections offer an opportunity to address today's needs, we should not forget our stewardship responsibility to reduce the debt burden and increase the choices we leave to future generations, to provide a strong foundation for future economic growth, and to ensure that future commitments are both adequate and affordable. Continued debt reduction and entitlement reforms are both critical to promoting a more sustainable budget and economy for the long term. In the near- and medium-term, surpluses will depend on continued economic growth and fiscal restraint.

Actions Needed for Government to Operate Successfully in the 21st Century

The fiscal pressures associated with maintaining and managing the surplus have increased the need for more efficient and effective government and will continue to require difficult choices. Government performance and accountability need to be enhanced in order to get the most out of available resources, and forge effective approaches to both the newly emerging and long-standing problems facing the nation. The reforms that have been adopted have profound implications for what government does (the products and services it delivers), how it is organized, and how it performs. Yet, the reforms did not encompass all areas of government management, in particular human capital strategic planning and management at a governmentwide level. To meet the challenges of the 21st Century, the federal government will need to:

- possess the effective management approaches and tools needed to develop and maintain high-performing organizations;
- implement the human capital practices needed to support a focus on performance management and economy, efficiency, and effectiveness; and,
- implement modern approaches for more efficient and effective delivery of government services.

Congress has an important role in encouraging the implementation of the legislative framework already enacted to strengthen government performance and in creating new supportive legislation and governance mechanisms. Decisions also have to be made about the role of government—i.e. what government should do and how best to manage within continued fiscal restraint. GAO will continue to assist this transition through assessing agencies' progress and identifying opportunities to strengthen government accountability and performance.

Strengthen Management Practices to Improve Government Performance

In the 1990's Congress and the federal government laid out a statutory and management framework that provides the foundation for strengthening government performance and accountability. GPRA required agencies to establish missions, goals and performance measures that will tell taxpayers what they're getting for their money. The CFO Act and related legislation created a structure for more businesslike management and reporting of the government's finances. The Clinger-Cohen Act and the Paperwork Reduction Act required agencies to take an orderly, planned approach to their information technology needs.

Congress has helped focus attention on the need for effective implementation of this framework through hearings and other communication with agencies. In particular, this Committee has acted to open an important dialogue with agencies. August 17, 1999 letters to agencies summarized the key management issues identified by GAO and the Inspectors General and asked each agency to indicate how it will address its high-risk areas and major management challenges. Committee staff is now holding bipartisan meetings with the agencies to further discuss these issues and needed actions. These letters and subsequent meetings in follow-up to them demonstrate the Committee's resolve and foster increased agency attention to these areas.

We have seen some progress in agency efforts to manage more economically and efficiently. But, more needs to be done to achieve real and sustained improvements to address the nation's challenges. Implementing the management reforms will help contain costs, provide services that meet the public's needs, and enhance accountability.

The job in the 21st century is to continue to improve and to translate the intended reforms into a day-to-day management reality across government. Becoming high-performing organizations requires a cultural transformation in government agencies. Hierarchical management approaches will need to yield to partnerial approaches. Process-oriented ways of doing business will need to yield to results-oriented ones. Siloed organizations—burdened with overlapping functions, inefficiencies and turf battles—will need to become integrated organizations if they expect to make the most of the knowledge, skills, and abilities of their people. And finally, internally focused agencies will need to focus externally in order to meet the needs and expectations of their ultimate clients—the American people.

Our work has consistently shown that many agencies face long-standing and substantial challenges to further progress. The major challenges that agencies face in becoming high-performing organizations include

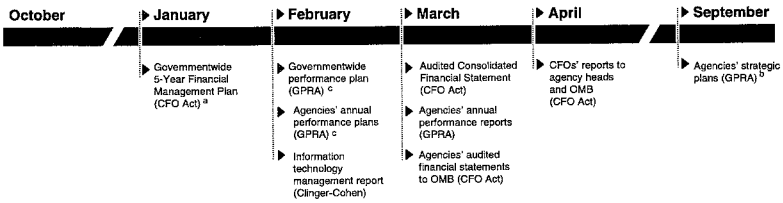
- Adopting an effective results orientation,
- Strengthening financial management to better support decision-making and demonstrate accountability, and
- Improving the use of information technology to modernize services and achieve results.

Adopting an Effective Results Orientation

The effective implementation of the statutory framework to improve the performance, management and accountability of the federal government, although important, is not an end in itself. Rather, the implementation of the framework is the means to an end—improved federal performance through enhanced executive branch and congressional decisionmaking and oversight. Performance improvements occur only when congressional and executive branch decisionmakers use information resulting from these reforms to help inform decisions and improve the performance and accountability of the federal government. GPRA has the potential to help Congress and the executive branch ensure that the federal government provides the results that the American people expect and deserve. It also has the potential, if properly implemented, to help improve the public's respect for and confidence in their government. Substantial efforts have been undertaken and progress clearly made. However, much of GPRA's potential remains unrealized.

GPRA Implementation is at a critical stage for agencies and Congress. In almost 2-1/2 years since the requirements of GPRA were implemented across the executive branch, Congress has been provided with a wealth of new and valuable information on the plans, goals, and strategies of federal agencies. According to OMB, about 100 agencies published a first set of strategic plans in 1997 and, as required, will issue updated plans by this September. These agencies also issued annual performance plans for fiscal years 1999 and 2000 and are issuing plans for 2001. OMB has issued three governmentwide performance plans covering fiscal years 1999, 2000, and 2001. Finally, by March 31 of this year, agencies are to release their first-ever performance reports covering fiscal year 1999. Figure 11 is a time line of GPRA requirements and other laws that make up the statutory framework to improve the performance, management, and accountability of the federal government, including the CFO Act and the Clinger-Cohen Act.

Figure 11: Time Line for Major Reports



[a] Although required to be submitted by January 31, the governmentwide 5-year financial management plans are generally issued in June or July.

[b] GPRA requires agencies' strategic plans to cover a period of at least 5 years forward from the fiscal year in which submitted. They are to be updated at least every 3 years and are submitted to OMB and Congress.

Source: GAO review of statutes.

The issuance of the first performance reports in March 2000 represents a new and potentially more substantive stage in the implementation of GPRA. The performance reports offer the first opportunity to systematically assess the agencies' actual performance on a governmentwide basis and to consider the specific steps that can be taken to improve performance and reduce costs. These annual reports on program performance can also help congressional committees monitor and select programs for more detailed reviews. The first performance reports, and thus the completion of the first full planning and reporting cycle of GPRA implementation, also suggest that it is an appropriate point to examine how GPRA can be more fully integrated into executive branch and congressional decisionmaking.

In our summary assessments of the fiscal year 1999 and fiscal year 2000 annual performance plans, we highlighted a consistent set of areas that we believe have the greatest potential for improving the usefulness of GPRA to congressional and executive branch decisionmakers.[2] For example, much more progress is needed in linking GPRA performance goals to agency budget presentations, so that the performance consequences of budget decisions can be clearly understood. Similarly, technology and human capital planning and decisionmaking are too often not integrated

[2] Managing for Results: An Agenda To Improve the Usefulness of Agencies' Annual Performance Plans (GAO/GGD/AIMD-98-228, Sept. 8, 1998); and Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans (GAO/GGD/AIMD-99-215, July 20, 1999).

into considerations of programmatic results. In our assessment of the fiscal year 2000 annual plans, we found that most plans did not sufficiently address how the agencies will use their human capital to achieve results. In order for GPRA to be truly effective, agencies must link their performance measurement and reward systems to the goals and measures included in their strategic and performance plans.

We have seen that integrating GPRA into agency operations does not come quickly or easily. It requires dedicated and persistent leadership within agencies that uses goals and performance data as a basis for running organizations day-to-day and for holding units and individuals accountable. It requires leadership on the part of OMB to ensure performance data are used to inform budget decisions and that agencies take GPRA seriously and use it to run their organizations. Finally, it needs Congress in its various capacities–oversight, authorization, appropriation, and confirmation of political appointees—to use GPRA in its efforts and to underscore to agencies the importance it places on effective implementation of the Act. We have made recommendations in each of the last 2 years intended to help congressional and executive branch decisionmakers ensure that GPRA is effectively implemented and used.

Congress has used GPRA practices in decisionmaking and oversight. Congressional use of GPRA concepts and practices—such as results-oriented goal-setting and performance measurement—in crafting legislation, although not uniform, clearly exists and appears to be growing. The Congressional Research Service (CRS) reported in December 1998 on the provisions in public laws and the associated committee reports from the 105th Congress that were relevant to the implementation of GPRA.[3] Although CRS notes that the data must be read with caution, it found that 78 committee reports accompanying bills enacted into law during the 105th Congress included language related to GPRA or performance measures. This language included endorsements of the importance of GPRA; comments on the status of an agency's implementation efforts, including the quality of its plans; and other language. In addition, CRS found that a number of laws enacted during the 105th Congress incorporated GPRA concepts and practices. These laws, for example, required the development of a variety of performance measurement systems to assess progress in meeting statutory purposes. In some cases, the statutory direction specified the goals and performance measures to be used; in other cases, the laws provided general categories of required goals and

[3] Performance Measure Provisions in the 105th Congress: Analysis of a Selected Compilation, Genevieve J. Knezo and Virginia A. McMurtry, The Congressional Research Service, December 1998.

measures. Overall, CRS found greater attention to performance in laws and committee reports in the 105th Congress than in the 104th Congress.

Next Steps in Using GPRA

Recently, I used four broad themes to discuss the significant performance problems in federal programs and agencies that our work has identified: [4]

- Attack activities at risk of fraud, waste, abuse, and mismanagement.
- Improve the economy and efficiency of federal operations.
- Comprehensively reassess what the federal government does.
- Redefine the beneficiaries of federal government programs.

Concerted and continuing congressional oversight is key to addressing the federal government's persistent performance, management, and accountability problems.

Attack Activities at Risk to Fraud, Waste, Abuse, and Mismanagement. Over the years, our work has shown that federal functions and programs critical to personal and national security, ranging from Medicare to weapons acquisition, have been hampered by daunting financial and program management problems, exposing the federal government to waste and abuse. Since 1990, as part of our "High-Risk" initiative, we have reported on specific federal activities and functions that are particularly vulnerable to waste, fraud, abuse, and mismanagement.

The annual planning process under GPRA provides an excellent vehicle for helping to address high-risk functions and programs and to ensure that clear accountability for progress is established. In our assessment of the fiscal year 1999 performance plans, we noted that precise and measurable goals for resolving mission-critical management problems are important to ensuring that the agencies have the institutional capacity to achieve their more results-oriented programmatic goals.[5] Similarly, our assessment of the fiscal year 2000 annual performance plans concluded that plans with goals and strategies that address mission-critical management challenges and program risks show that agencies are striving to build the capacity to

[4] Congressional Oversight: Opportunities to Address Risks, Reduce Costs, and Improve Performance. (GAO/T-AIMD-00-96, February 17, 2000.)

Managing for Results: Using GPRA to Help Congressional Decisionmaking and Strengthen Oversight (GAO/T-GGD-00-95, March 22, 2000).

[5] GAO/GGD/AIMD-98-228, September 8, 1998.

be high-performing organizations and reduce the risk of waste, fraud, abuse, and mismanagement.[6]

Recent efforts to identify and reduce the level of improper payments in Medicare show how GPRA can help in focusing attention on mission-critical problems. Following findings from the fiscal year 1996 financial audits conducted by the Inspector General with assistance from GAO under the CFO Act, the Department of Health and Human Services (HHS) has begun to identify improper payments in its financial statements for the $170- billion-a-year Medicare fee-for-service program. HHS adopted this improper payment quantification as a measure for its annual performance plans that focus on reducing the amount of improper payments each year. Such measures are important to helping Congress and the executive branch ensure that program management is taking the steps needed to reduce improper payments.

Unfortunately, we found that the fiscal year 2000 annual performance plans showed inconsistent attention to the need to resolve the mission-critical program risks that continue to undermine the federal government's economy, efficiency, and effectiveness. We found that in many cases, agencies did not address significant management challenges and program risks in their fiscal year 2000 performance plans. In those cases where challenges and risks are addressed, agencies use a variety of approaches, including setting goals and measures directly linked to the management challenges and program risks, establishing goals and measures that are indirectly related to the challenges and risks, or laying out strategies to address them.

Improve the Economy and Efficiency of Federal Programs. Effective congressional oversight can improve federal performance by examining whether agencies have the best, most cost-effective mix of strategies in place to meet their goals. Agencies' annual performance plans can help identify opportunities for more economical and efficient operations by systematically linking program strategies to the results they are intended to achieve.[7] We have found that although agencies' fiscal year 2000 plans contain valuable and informative discussions of how strategies and programs relate to goals, additional progress is needed in explaining how strategies and programs will be used to achieve results, including how capital assets will be used to achieve results. Specifying clearly in

[6] GAO/GGD/AIMD-99-215, July 20, 1999.

[7] Agency Performance Plans: Examples of Practices that Can Improve Usefulness to Decisionmakers (GAO/GGD/AIMD-99-69, Feb. 26, 1999).

performance plans how strategies are to be used to achieve results is important to Congress and managers in order to determine the right mix of strategies and to maximize performance while limiting costs.

Comprehensively Reassess What the Federal Government Does and How it Does it. It is obviously important to periodically reexamine whether current programs and activities remain relevant, appropriate, and effective in delivering the government that Americans want, need and can afford. This includes assessing the effectiveness of the tools that these programs embody, such as direct spending, loan guarantees, tax incentives, regulation, and enforcement. Many federal programs—their goals, organizations, processes, and infrastructures—were designed years ago to meet the needs and demands as determined at that time and within the technological capabilities of that earlier era. For example, the Department of Agriculture's Market Access Program (MAP) subsidizes the promotion of U.S. agricultural products in overseas markets. Despite changes made to the program between 1993 and 1998, its results remain uncertain. Our work has noted several unresolved questions, including whether subsidized promotions generate positive net economic returns, increase exports that would not have occurred without the program, and supplement rather than supplant private sector spending.[8]

GPRA is perfectly suited for assisting Congress and the executive branch in identifying and addressing programs that may have outlived their usefulness. Performance goals that focus on the results of programs—and performance reports that show what has been accomplished—will provide critical information needed for making judgments about the continuing value of a given program. As goals are being set, Congress can make decisions on whether the goals are appropriate and whether the expected level of performance is sufficient to justify the federal expenditure and effort. Later, as results are being reported, Congress can determine if the actual performance is sufficient to justify continuing the program.

Redefine the Beneficiaries of Federal Government Programs. Congress originally defines the intended audience for any program or service on the basis of certain perception of eligibility and/or need. As with other issues, GPRA can help Congress as it considers redefining program beneficiaries. Examinations of agencies' goals and progress in achieving those goals can highlight cases where federal benefits could be better targeted to improve results and/or cut costs.

[8] Agricultural Trade: Changes Made to Market Access Program, But Questions Remain on Economic Impact (GAO/NSIAD-99-38, Apr. 5, 1999).

Rationalization of crosscutting program areas needs additional effort. Virtually all of the results that the government strives to achieve require the concerted and coordinated efforts of two or more agencies. Yet our work has repeatedly shown that mission fragmentation and overlap are widespread. Unfocused and uncoordinated programs waste scarce funds, confuse and frustrate program customers, and limit overall program effectiveness.

The Government Performance and Results Act can provide the Office of Management and Budget, agencies and Congress with a structured framework for addressing crosscutting program efforts. OMB, for example, can use the governmentwide performance plan to integrate expected agency-level performance. It can also be used to more clearly relate and address the contributions of alternative federal strategies. Agencies, in turn, can use the annual performance planning cycle and subsequent annual performance reports to highlight crosscutting program efforts and to provide evidence of the coordination of those efforts.

The fiscal year 2000 performance plans indicate that agencies continue to make progress in showing that crosscutting efforts are being coordinated to ensure effective and efficient program delivery. However, few agencies' performance plans attempted to establish complementary performance goals, mutually reinforcing strategies and common performance measures for their crosscutting programs. Food safety is one area where the fragmented federal approach is inefficient and hinders the government's efforts to actively protect consumers. The Centers for Disease Control and Prevention (CDC) estimated that food-borne diseases cause approximately 76 million illnesses and 5,000 deaths in the United States each year.[9] However, the current system to ensure food safety suffers from inconsistent oversight, poor coordination, and inefficient allocation of resources. As many as 12 different federal agencies administer over 35 different laws overseeing food safety.

More information on programs with mission fragmentation and overlap, barriers to interagency coordination and potential approaches for improving the effectiveness and efficiency of crosscutting programs can be found in our report Managing For Results: Barriers to Interagency Coordination (GAO/GGD-00-106, March 29, 2000) which we are issuing today as background for this discussion.

[9]"Food-related illness and death in the United States", P.S. Mead, et. al. Emerging Infectious Diseases, 5(5), Sept.-Oct. 1999. See also Meat and Poultry: Improved Oversight and Training Will Strengthen New Food Safety System (GAO/RCED-00-16, Dec. 8,1999), and Food Safety: U.S. Needs a Single Agency to Administer a Unified, Risk-Based Inspection System (GAO/T-RCED-99-256, Aug. 4,1999).

Build the Capacity to Gather and Use Performance Information. Our work over the past several years has identified limitations in agencies' abilities to produce credible program performance and cost data and identify performance improvement opportunities. These limitations are substantial and long-standing, and they will not be quickly or easily resolved. For example, EPA has been challenged to aggregate water quality data provided by the states. This has made it difficult for EPA to set priorities, evaluate the success of its programs and activities, and report on its accomplishments in a credible and informed way.

Similarly, we continue to be concerned about the lack of capacity in many federal agencies to undertake program evaluations.[10] The absence of program evaluation capacity is a major concern because a federal environment that focuses on results—where federal efforts are often but one factor among many that determine whether goals are achieved—depends on program evaluation to provide vital information about the contribution of the federal effort.

Under GPRA, agencies are to communicate to Congress how they will verify and validate the performance information that they will use to show whether goals are being met. Discussing data credibility and related issues in performance reports also can provide important contextual information to Congress. For example, Congress can use this discussion to raise questions about problems the agencies have had in collecting needed results-oriented performance information and the cost and data quality trade-offs associated with various collection strategies. Finally, GPRA requires agencies to include in their performance reports summary findings of those program evaluations completed during the fiscal year covered by the report. Congress can use such information to obtain a clearer picture of the agencies' contributions to improvements in citizens' lives.

Congressional committees of jurisdiction could hold augmented oversight hearings. At least once each Congress and preferably on an annual basis committees could examine information in agencies' plans and reports produced under the GPRA. These assessments would assess the extent to which they provide a reasonable return on investment–providing the results that Americans want and need at a reasonable cost–and to identify opportunities for additional improvements in agencies' management. This information on missions, goals, strategies, resources, costs, and results

[10] GAO/GGD/AIMD-98-228, September 8, 1998.

could provide a consistent starting point for each of these hearings and allow for more informed discussions about issues such as the following:

- What progress is the agency making in limiting its vulnerability to fraud, waste, abuse, and mismanagement by addressing mission-critical management challenges and program risks?
- Does the agency have the best mix of programs, initiatives, and other strategies to achieve results and operate in an economical and efficient manner?
- Is the agency pursuing the right goals and making progress toward achieving them. Specifically, changing circumstances and/or program performance may suggest that programs are outdated and need to be revised or terminated?
- Are the eligibility rules for federal benefit programs properly targeted and do opportunities exist for reform, reduction, or termination based on changing conditions and perceptions of need?
- Is the federal government effectively coordinating its responses to pressing national needs?
- Is the federal government achieving an expected level of performance, especially in terms of outcomes, for the budgetary and other resource commitments that have been provided? More directly, what type of return are the taxpayers getting for their investment in the agency and its programs?
- Are there efforts under way to ensure that the agency's human capital strategies are linked to strategic and programmatic planning and accountability mechanisms?
- What is the status of the agency's efforts to use information technology to achieve results?

Finally, through the appointment and confirmation process, the Senate has an added opportunity to make clear its commitment to high performance and sound federal management by exploring with nominees what they plan to do to ensure that their agencies are striving to be high-performing organizations.

As you know, Mr. Chairman, I am personally committed to the successful implementation of GPRA—I have seen in my public and private sector careers how GPRA's purposes of improved performance and accountability can be achieved through the disciplined application of the goal-setting, planning, performance measurement, and reporting requirements of the Act. As a sign of my commitment, within the coming weeks, GAO will for the first time issue a strategic plan and associated annual performance plan that are consistent with the requirements and

best practices of GPRA. We seek, through our strategic and annual planning process, to "lead by example" by being a model for implementation of GPRA. We do this even though we are not required to comply with GPRA. Rather, we do it because GPRA's requirements make good business sense. Most important, our strategic and annual performance plans will clearly set out our direction and show how GAO aims to better support Congress in carrying out its constitutional responsibilities and in improving the performance and accountability of the federal government for the benefit of the American people.

As part of our goal to support the transition to a more results-oriented and accountable federal government GAO' s strategic plan calls for analyzing and supporting federal efforts to instill results-oriented management across the government, by assessing:

- The effectiveness of agencies' and OMB's management reform initiatives to create high-performance organizations,
- The strategies and tools federal agencies use to ensure accountability for results,
- The collection and use of performance information and program evaluation results.

Strengthening Financial Management for Decisionmaking and Accountability

This Committee has contributed to a focus on sound financial management through its hearings and focus on high-risk federal programs and management challenges, and important efforts are underway in a number of areas. There is a critical need to continue the momentum toward real reform. In particular, better financial information is central to any meaningful reform.

Without timely and accurate information on the full costs of programs, the government cannot adequately ensure accountability, measure and control costs, manage for results, nor make timely and fully informed decisions about allocating limited resources. However, such information has historically not been routinely available across government.

The CFO Act laid the legislative foundation for the federal government to provide taxpayers, the nation's leaders, and agency program managers with reliable financial information through audited financial statements. In addition to requiring annual audited financial statements, the CFO Act sets expectations for agencies to build effective financial management organizations and systems and to routinely produce sound cost and operating performance information throughout the year. The combination of reforms ushered in by GPRA and the CFO Act will, if successfully

implemented, generate the necessary foundation to effectively run performance-based organizations.

Some progress has been made by individual agencies in preparing annual financial statements. Of the 24 CFO Act agencies, 6 received an unqualified or "clean" opinion on their financial statements for fiscal year 1996, 11 for fiscal year 1997, 12 of 24 for fiscal year 1998, and 13 of 22 received an unqualified opinion as of today for fiscal year 1999. However, certain major agencies have not yet been able to obtain an unqualified opinion on a consistent basis.

The most significant in this regard is DOD, which represents a large percentage of the government's assets, liabilities, and net costs. None of the military services or the department as a whole has yet been able to produce auditable financial statements. For example, DOD has acknowledged that the lack of a cost accounting system is the single largest impediment to controlling and managing weapon systems costs.[11] We designated DOD financial management to be a high-risk area in 1995 and it remains so today, although we have seen increased attention to begin to address many of these issues. DOD recognizes the seriousness of its problems and has a number of improvement initiatives under way.

IRS was able to produce reliable information on tax revenue collections, refund disbursements, and unpaid tax assessments in fiscal year 1999. However, this was only after investing substantial, time-consuming and costly efforts to overcome pervasive deficiencies in its financial management and operational systems and controls. Weaknesses in controls over unpaid taxes and refunds have likely cost the federal government billions of dollars. Additionally, serious weaknesses prevented IRS from being able to reliably report on the balances and uses of its administrative appropriations in fiscal year 1999. Specifically, they hindered IRS' efforts to properly report the components of its net position and its statements of net cost, changes in net position, financing, and budgetary resources. IRS has a number of initiatives planned or in process intended to address these problems, and its top management has demonstrated a commitment to this effort. However, many of these initiatives are long term and will take years to implement.

The U.S. Government, as a whole, also has not yet been able to accurately report on a significant portion of its hundreds of billions of dollars of

[11] Department of Defense: Status of Financial Management Weaknesses and Actions Needed to Correct Continuing Challenges (GAO/T-AIMD/NSIAD-99-171, May 4, 1999, p.20).

assets, liabilities and net costs due to widespread financial system weaknesses, problems with fundamental recordkeeping, incomplete documentation, and weak internal controls, including computer controls. These deficiencies impair the government's ability to accurately measure the full cost and financial performance of programs. They also impinge on the safeguarding of the government's extensive inventory of assets and the proper recording of billions of dollars in transactions.

Major problems we have reported[12] include the government's inability to:

- Properly account for and report billions of dollars of property, equipment, materials and supplies, primarily at the Department of Defense;
- Properly estimate the cost of most major federal credit programs and the related loans receivable and loan guarantee liabilities, primarily at the Department of Agriculture;
- Estimate and reliably report material amounts of environmental and disposal liabilities and related costs, primarily at the Department of Defense;
- Determine the proper amount of various reported liabilities, including postretirement health benefits for military employees;
- Accurately report major portions of the net cost of government operations;
- Determine the full extent of improper payments that occur in major programs and that are estimated to involve billions of dollars annually;
- Ensure that all disbursements are properly recorded; and
- Properly prepare the federal government's financial statements, including balancing the statements, accounting for billions of dollars of transactions between governmental entities and properly and consistently compiling the information in the financial statements.

The Administration agrees with these deficiencies, has designated financial management as a top priority and has actions underway; but concerted effort over a number of years will be needed to achieve the legislative intent of the CFO Act.

Clean audit opinions are not the end-game; modern financial systems are essential. While clean audit opinions are essential to providing an annual public scorecard, they do not guarantee that agencies have the financial systems needed to dependably produce reliable financial information. Modern systems and good controls are essential to reach the end goal of

[12] Financial Audit: 1998 Financial Report of the United States Government (GAO/AIMD-99-130, March 31, 1999).

useful, relevant, reliable day-to-day financial information to support ongoing management and accountability.

Although clean audit opinions can be produced by "heroic efforts", such efforts are not the solution. For example, IRS' general ledger cannot routinely provide reliable information on its revenue, refunds, and unpaid tax assessments needed to prepare its financial statements. To develop reliable revenue and refund activity for its fiscal year 1999 financial statements, IRS had to use extensive, costly ad hoc procedures to generate tax revenue and refund activity from its legacy systems and then reconcile this information with its general ledger. In addition, IRS and GAO jointly developed estimates of the components of unpaid tax assessments based on a statistical sample of about 700 cases. This process resulted in reliable information, but only after eight months of substantial effort and after tens of billions of dollars of adjustments to IRS records. These costly procedures will need to be done annually until IRS successfully replaces its legacy systems.

The Federal Financial Management Improvement Act of 1996 (FFMIA) focuses on making improvements in the underlying systems to comply with federal accounting standards, financial systems requirements, and the government's standard general ledger at the transaction level. For fiscal year 1997, 20 of 24 agencies' financial management systems did not substantially comply with FFMIA requirements; 21 of 24 did not for fiscal year 1998. For fiscal year 1999, auditors for 19 of the 22 CFO Act agencies that have issued audit reports as of today reported that those agencies' financial systems did not substantially comply with the Act. The two agencies that have not yet issued their fiscal year 1999 financial statement audit reports reported that their financial systems did not substantially comply for fiscal years 1997 and 1998.

Agencies are challenged to improve their critical existing financial systems applications, which are not designed to fully meet current accounting standards and financial system requirements. OMB reported in June 1998 that over 72 percent of systems applications needed replacement or significant upgrading over the next 5 years and that many agencies lacked the resources to do so. Some efforts have been delayed by preparation for the Year 2000 computing challenge.

Cost accounting also remains a key challenge in providing accountability and supporting GPRA. Most agencies still need to develop measures of the full costs of carrying out a mission, producing products, or delivering services to provide decision-makers with information on all the resources

used and permit comparisons of the costs of various programs and activities and their performance outputs and results. The development of such measures is expressly required by federal accounting standards. Developing the necessary approach to gather and analyze needed program and activity-level cost information will be a substantial undertaking. While there is a broad recognition of the importance of doing so, for the most part, agencies have just begun this effort.

Streamline, simplify and link performance and financial information. Accountability is enhanced when Congress can examine the relationship between agency financial information and program results. A pilot program under the Government Management Reform Act resulted in 10 agencies issuing accountability reports for 1996. These reports consolidate reporting requirements under several statutes, including the CFO Act, FMFIA, GPRA, Prompt Payment Act, and Debt Collection Improvement Act. The accountability reports include both program and financial information, such as the audited financial statements and performance measures reflecting performance in meeting key agency goals. They provide the opportunity for agencies to report a balanced set of measures that link an agency's strategic objectives to its financial performance, customer satisfaction, the results of its business processes and its efforts to improve. Twenty-two agencies are expected to prepare accountability reports for fiscal year 1999. The initial experience with accountability reports has been promising and we support congressional adoption of this concept, or at a minimum reauthorization of these pilots, which are to expire on June 30, 2000.

Next Steps

Congress can encourage the development of sound financial data by continuing to hold hearings and other discussions with agencies about their progress in this area as well as the barriers to and requirements for progress.

GAO is striving to lead by example through its financial management practices. For the past 13 years we have received clean audit opinions on our financial statements. Also, our auditors have found us to be in full compliance with Federal Financial Management Improvement Act requirements.

As another example of our decision to voluntarily comply with congressionally created management reforms and to "lead by example," I am also pleased to report to the Committee that, several days ago, GAO issued its first-ever Accountability Report. This report discusses GAO's role in serving Congress and the American People. The Accountability

Report is different from GAO's previous years' Annual Report. It reviews GAO's accomplishments in meeting its mission consistent with applicable professional standards and our core values of Accountability, Integrity, and Reliability. The report also includes a summary of GAO's new Strategic Plan, which was recently developed with input from the Congress, our financial statements, and an unqualified opinion from the agency's independent auditor.

As the Accountability Report indicates, GAO helped Congress and the federal agencies achieve many important goals in fiscal year 1999. For example, GAO's work resulted in more than $20 billion in financial benefits, a return on investment of 57 to one, and over 600 specific actions leading to more effective government. I am very proud of these achievements and look forward to working with Congress and other GAO professionals to make equally important contributions in fiscal year 2000.

GAO's performance goals include strengthening accountability for the government's assets and operations and identifying needed improvements to the financial management infrastructure by:

- Analyzing and interpreting financial information and stimulating the development and analysis of reliable cost data that supports performance management and a better linkage between budget, financial, and program results information.
- Identifying opportunities to strengthen financial organizations and evaluating financial operations, systems, and internal controls;
- Evaluating the effectiveness of major agencies' actions to address deficiencies reported in prior financial audits; and,
- Annually auditing and reporting on the U.S. government's financial statements and the adequacy of internal controls;

Improving the Use of Information Technology to Achieve Results

Information technology, if leveraged properly, can be an effective tool for high quality, cost effective government services. Information technology is at the heart of improving accountability and performance. The government is heavily dependent on computer systems and networks to implement vital public services supporting national defense, revenue collections, and social benefits. To the extent that billions in planned annual obligations for information technology can be spent more wisely, federal programs will operate more efficiently and effectively. However, the global expansion of information technology has resulted in significant new information security and privacy threats to our information networks and technology infrastructure.

Resolving Serious Information Security Weaknesses. Our nation's computer-based critical infrastructures are at increasing risk of severe disruption, as illustrated by the recent denial-of-service attacks on popular Internet web-sites. Massive computer networks provide pathways among systems that, if not properly secured, can be used to gain unauthorized access to data and operations from remote locations. As a result, government officials are increasingly concerned about attacks from individuals and groups with malicious intentions, such as terrorists and nations engaging in information warfare.

Such risks are of particular concern at the federal level. Recent audit reports issued by us and by agency inspectors general show that most of the largest federal agencies have significant computer security weaknesses. These weaknesses place critical federal operations, such as national defense, tax collection, law enforcement, air traffic control, and benefit payments at significant risk of disruption, as well as fraud and inappropriate disclosures. In February 1997 and again in January 1999, our reports to the Congress designated information security as a governmentwide high-risk area.[15]

Hearings by this and other congressional committees have served to clarify this problem. In November 1999, Chairman Thompson and Senator Lieberman introduced S. 1993, the Government Information Security Act of 1999, which seeks to strengthen information security practices throughout the federal government. S. 1993 updates the legal framework that supports federal information security requirements and provides for a risk-based approach to implementing these requirements. It also requires independent annual audits of security controls, which would provide valuable information to support strengthened congressional oversight. In addition, this committee sponsored our efforts to identify best practices for improving information security management. This led to issuance in May 1998 of our executive guide, entitled Information Security Management: Learning From Leading Organizations (GAO/AIMD-98-68), which has been endorsed by the federal CIO Council and is being used by numerous federal agencies to bolster their ability to manage information security risks. A companion guide was issued in November 1999 entitled Information Security Risk Assessment: Practices of Leading Organizations (GAO/AIMD-00-33).

[15] High Risk Series: Information Management and Technology (GAO/HR-97-9, February 1997) and High Risk Series: An Update (GAO/HR-99-1, January 1999).

Concurrent with efforts to improve federal information security, our government's focus has broadened to include protecting privately controlled critical infrastructures from computer-based attacks. Such infrastructures are essential to the national welfare and include systems supporting public utilities, telecommunications, finance, emergency services, as well as government operations. These efforts began in 1996 with establishment of the President's Commission on Critical Infrastructure Protection. The Commission's findings led to issuance, in 1998, of Presidential Decision Directive (PDD) 63, which created several new federal entities for developing and implementing a strategy for critical infrastructure protection and tasked federal agencies with developing critical infrastructure protection plans and establishing related links with private industry sectors.

Most recently, in January 2000, the President released a National Plan for Information Systems Protection. As outlined in this plan, a number of new, centrally managed entities have been established and projects initiated to assist agencies in strengthening their security programs and improving federal intrusion detection capabilities.[14] This first draft of the plan is intended to begin a dialogue and lead to the development of a more detailed blueprint for protecting the nation's infrastructures. In addition, on March 3, 2000, in response to recent Internet disruptions, the President issued a memo to the heads of executive departments and agencies urging them to renew their efforts to safeguard their computer systems against denial-of-service attacks on the Internet. Congressional leadership in this dialogue will be essential to help ensure that any critical infrastructure protection plans that are implemented are appropriate and cost-effective.

Improving Management of Large-scale Information Technology (IT) Investments. Large-scale agency investments in IT, whether they are major system modernization programs—such as the Federal Aviation Administration's (FAA) air traffic control modernization—or large system development and acquisition projects—such as Custom Service's Automated Commercial Environment, can cost hundreds of millions and even billions of dollars over their life cycles. In fact, federal agencies invest about $38 billion to build, operate, and maintain automated information systems each year. If managed effectively, these investments can vastly improve government performance and accountability. If not, they can result in wasteful spending and lost opportunities for improving the delivery of services to the public.

[14] Defending America's Cyberspace: National Plan for Information Systems Protection: Version 1.0: An Invitation to a Dialogue. Released January 7, 2000. The White House.

For years, federal agencies have struggled with delivering promised system capabilities on time and within budget. IRS spent more than $3 billion in the late 1980's and early 1990s on systems modernization without producing commensurate value. Accordingly, our work over the last decade has focused on strengthening federal agency management of IT investment. We continue to ask whether agencies are spending their technology dollars on the right things (i.e., investments that return business value in excess of costs) and whether they are investing in technology the right way (i.e., employing management and engineering practices that are disciplined and effective). In particular, we developed guidance, Assessing Risks and Returns: A Guide for Evaluating Agencies' IT Investment Decision-making (GAO/AIMD-10.1.13, Feb. 1997), based on best practices in the public and private sectors. We have also made hundreds of recommendations to improve management of large-scale IT investments in many major departments and agencies.

Some agencies are making tangible improvements. For example, the Customs Service has developed an enterprise system architecture to guide the development and evolution of its system investments. It is in the process of implementing disciplined investment management processes and strengthening acquisition and development capabilities for software intensive systems. At the same time, we have been working with OMB and the federal Chief Information Officers Council to strengthen federal policies and guidance in light of our experiences with federal agencies and the need for agencies to implement IT legislation, such as the Clinger-Cohen Act of 1996. Our executive guide, entitled Maximizing the Success of Chief Information Officers: Learning from Leading Organizations (Exposure Draft) (GAO/AIMD-00-83, March 2000) provides six principles of good CIO management based on lessons learned from leading CIO organizations in the private sector and state governments. In addition, we have raised several areas that should be addressed by agency heads and Congress in order to enhance the effectiveness of federal CIOs meeting the challenges we have identified.

Nevertheless, much remains to be accomplished and the challenges are formidable. While agencies are making inroads toward strengthening IT management, some have been slow to implement our recommendations. For example, the National Weather Service has made little progress in developing and implementing a systems architecture that includes all weather forecasting and warning systems to guide its current and future systems development. Also, many agency efforts to improve IT management are still in the beginning stages and it is clear that more needs to be done. At the same time, agencies are now beginning to address

deferred new IT investment needs caused by their recent, and appropriate, focus on the Year 2000 conversion problem. As a result, we anticipate that agencies will begin major modernization programs and large-scale IT projects in the very near future, making the need for fundamental improvements in the way agencies manage IT investments even more urgent.

Next Steps

Congress can focus on the status of agency efforts to:

- employ rigorous and disciplined system investment and engineering practices, including enforcing an enterprise systems architecture;
- use information technology to achieve results; and,
- proactively managing risk to their computer security.

For GAO to become a model of organizational efficiency, effectiveness, and accountability in the federal government, we must be able to maximize the benefits of information technology. Over the years, we have made important strides in—and realized efficiencies by—introducing technology into the organization. Most recently, we have successfully managed the Y2K transition. However, we need to maintain and enhance our ability to take greater advantage of modern technology and achieve an integrated infrastructure that supports our client service, strategic planning, human capital and business process goals and objectives. To this end we are:

- developing a long-term comprehensive plan for an integrated information technology approach;
- developing and implementing a short-term cost-effective approach to quickly begin to satisfy GAO's information needs;
- establishing performance and cost metrics addressing the quality and value of information technology services; and,
- ensuring the availability of required information technology skills.

To help ensure that the federal government's $38 billion in annual obligations in information technology is better managed to help achieve greater program effectiveness and service delivery, as well as improved economy and efficiency in government operations, our strategy will be to examine areas critical to the government's and the nation's increasing dependency on information technology by:

- Promoting approaches to better protect our nation's information networks and technology infrastructures,

- Helping to build the government's capacity to use information technology to provide higher quality, more cost-effective service to the American public,
- Assessing federal agencies' efforts to protect their computer information systems infrastructure.

Develop and Implement Modern Human Capital Practices

The government's human capital management has emerged as the missing link in the statutory and management framework that Congress and the executive branch have established to provide for more businesslike and results-oriented federal government. Yet, federal employees are the ones who will make the principles of performance management work for government.

Federal employees should be viewed not as costs to be cut, but as assets to be valued. Only when the right employees are on board and provided the training, technology, structure, incentives and accountability to work effectively is organizational success possible. Modern strategic human capital management recognizes that employees are a critical asset for success, and that an organization's human capital policies and practices must be designed, implemented, and assessed by the standard of how well they support the organization's mission and goals.

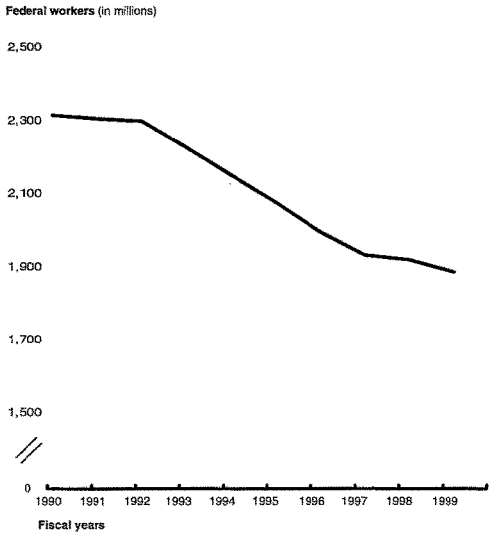
Human capital reforms will be necessary to fully benefit from the performance-based management and accountability framework that Congress has created. I am optimistic that as the government's understanding of the importance of people to effective government grows, a new consensus on human capital will emerge and any needed and appropriate legislative reforms will be accomplished. But, I am also strongly convinced that we should not wait for the day when these reforms will arrive, Instead, we can and should take steps to align our human capital management policies and practices with modern performance management principles, within the constraints imposed by current law.

Changes in the demographics of the federal workforce, in the education and skills required of its workers, and in basic federal employment structures and arrangements are all continuing to unfold. The federal workforce is aging: the baby boomers, with their valuable skills and experience, are drawing near to retirement; new employees joining the federal workforce today have different employment options and different career expectations from the generation that preceded them. In response to an increasingly competitive job market, federal agencies will need the tools and flexibilities to attract hire, retain, and reward top-flight talent. More and more, the work that federal agencies do requires a knowledge-

based workforce that is sophisticated in new technologies, flexible, and open to continuous learning. Agencies' employment structures and working arrangements will also be changing, and the workplace will need to accommodate greater flexibility and uncertainty.

The implications of the downsizing of federal workforce over the past decade are also significant. From fiscal year 1990 to fiscal year 1999, the number of non-postal civilian federal employees fell from about 2.3 million to about 1.9 million.

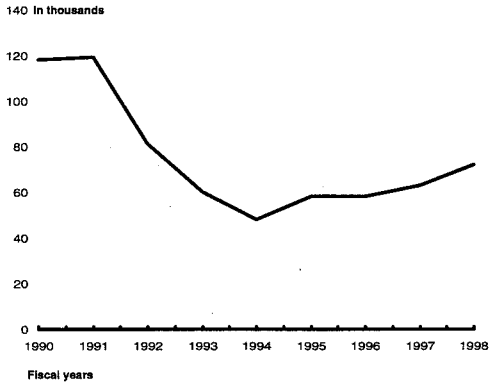
Figure 12: Federal Workers



Source: OPM, Federal Civilian Workforce Statistics, 1990-1999

As shown in figure 13, new permanent hires fell from about 118,000 in fiscal year 1990 to a low of about 48,000 in 1994, before beginning a slow rise to about 71,500 in fiscal year 1998.

Figure 13: Permanent Hires



Note: The number of permanent hires excludes SES permanent hires and represents individuals, not FTEs.

Source: GAO calculations based on OPM data.

In cutting back on the hiring of new staff in order to reduce the number of their employees, agencies also reduced the influx of new people with the new competencies needed to sustain excellence. Also, our reviews have found, for example, that a lack of adequate strategic and workforce planning during the initial rounds of downsizing by some agencies affected their ability to achieve organizational missions. For example, Department of Housing and Urban Development (HUD) initiated its 2020 Management Reform plan to, among other things, correct several management deficiencies, and set a goal to reduce staffing. However, its target levels for reductions were not based on a systematic analysis of the staff needed to carry out its responsibilities and functions. We are concerned because we have reported since 1994 problems with HUD's programs, including an insufficient mix of staff with the proper skills.

We intend to do more work on the implications of downsizing, but our view today is that the widespread lack of attention to strategic human capital management may be creating a fundamental weakness in federal management, possibly even putting at risk the federal government's ability to efficiently, economically, and effectively deliver products and service to the taxpayers in the future. These shortcomings in the federal government's human capital management systems could well earn them GAO's high-risk designation when the next High Risk Series is issued in 2001.

To meet the changing environment, federal agencies need to give human capital a higher priority than ever before and rethink how their workforces are developed and deployed to enhance achievement of organizational performance goals. Although the civil service system is viewed by many as outdated and in need of reform, there is much that can and should be done today—by individual federal agencies, the Office of Personnel Management, the Office of Management and Budget, GAO and Congress—to improve the way the federal government manages its human capital, even in the absence of any fundamental legislative change. Our work with leading organizations in the private sector and among governments at the state and local levels and abroad has identified key human capital approaches in high-performing organizations[15]. Based on this work, values widely applied by the Malcolm Baldrige National Quality Award Program and the President's Quality Award Program, and comments from officials from various federal agencies and from human capital experts within and outside government, we have developed and published a human capital self-assessment checklist[16]. The checklist was designed to help agency leaders quickly scan their agencies' human capital policies and programs and determine whether they have addressed the areas necessary for the workforce to be managed for results. The questions in the checklist follow a five-part framework—recognizing, of course, that all five parts are, of necessity, interrelated and overlapping:

Strategic Planning: Establish the Agency's Mission, Vision for the Future, Core Values, Goals, and Strategies

[15]Our examination of performance-based human capital management in the private sector dates back to at least 1995, when we sponsored a 2-day symposium of 32 leaders from leading private sector organizations and from governments at the federal, state, and local level as well as from abroad. From these discussions, we came to understand how high-performing organizations value employees as assets and align their "people policies" with mission accomplishment. See Transforming the Civil Service: Building the Workforce of the future—Results of A GAO Sponsored Symposium (GAO/GGD-96-35, Dec. 20, 1995). See also Human Capital: Key Principles From Nine Private Sector Organizations (GAO/GGD-00-28, Jan. 31, 2000)

[16]Human Capital: A Self-Assessment Checklist for Agency Leaders (GAO/GGD-99-179, Sept. 1999)

Organizational Alignment: Integrate Human Capital Strategies With the Agency's Core Business Practices

Leadership: Foster a Committed Leadership Team and Provide Reasonable Continuity Through Succession Planning

Talent: Recruit, Hire, Develop, and Retain Employees With the Skills for Mission Accomplishment

Performance Culture: Enable and Motivate Performance While Ensuring Accountability and Fairness for All Employees

Next Steps

OMB and OPM —the central management agencies with the greatest influence on individual agencies' human capital efforts—have substantial roles to play in promoting and enabling broader application of human capital principles.

OMB's role in setting governmentwide management priorities and defining resource allocations may be central to the adoption of human capital considerations across government. The President's fiscal year 2001 budget has added human capital management to its list of Priority Management Objectives (PMO). It is too early to tell whether the steps regarding human capital management outlined in the President's budget will lead to greater attention to human capital concerns or real improvement in the way the federal workforce is managed. But the fact that these considerations have been formally recognized as a management priority is an encouraging sign, and creates a clear opportunity to make real progress.

OPM has reported that it is developing a "systematic methodology for workforce planning and staff analysis that will provide user agencies with a single, integrated interface to a vast array of tools to facilitate their workforce planning".[17] Although we have not formally reviewed OPM's progress in developing its workforce planning model or associated web-based tools, its efforts in this area would appear to be a worthwhile step toward filling a need for better guidance and tools from OPM in the workforce planning area. As we stressed more than a decade ago, OPM's leadership role should include working with the agencies to better prepare the government to meet future challenges, attack performance improvement efforts with more vigor, and ensure more effective oversight

[17] Annual Performance Plan—Fiscal Year 2001 (February 2000), p.90.

of the government's key human capital concerns.[18] Today, OPM can potentially contribute greatly to agencies' awareness of strategic human capital principles and their capacity to put them to use. The next thing needed from OMB—and from OPM—is a sustained commitment to making these plans a reality.

Congress could enable reform by considering the extent to which traditional "civil service" approaches—the structures, oversight mechanisms, rules and constraints—support the needs of a government that is now adopting performance management principles and whether fundamental structural or policy changes needed for agencies to adapt human capital management to the needs of the next century. Ultimately, legislative reform may need to be considered. In the meantime, within the context of current law, Congressional oversight of agencies' management improvement efforts can target for special attention agencies' efforts, if any, to take a more strategic and integrated approach to managing their human capital for results. Hearings could encourage discussion of agency efforts to ensure that they have the needed human capital and that the agency's human capital strategies are linked to strategic and programmatic planning and accountability mechanisms. For agencies that request legislative exceptions from current civil service laws or regulations, Congress can require that agencies "make their case" based on rational and fact-based analyses of their needs, the constraints under which they presently operate, and the flexibilities available to them. Further, through the appointment and confirmation process, the Senate has an added opportunity to make clearer its commitment to sound human capital management and to explore what prospective nominees plan to do to ensure that their agencies recognize and enhance the value of their people.

At GAO, we hope to encourage and facilitate the adoption throughout government of a greater human capital focus, as well as of other performance management principles, and to "lead by example." Right now, we are making our own human capital a top priority. GAO has completed an extensive assessment of its "Human Capital Profile". The profile depicts GAO's significant human capital imbalances, and risks, stemming from dramatic budgetary cuts, downsizing, hiring freezes, and other related actions from 1992-1997. Over that period GAO underwent budgetary cuts totaling 33 percent in constant FY 1992 dollars. In order to achieve these budgetary reductions, GAO staff was reduced by 39 percent. In addition,

[18] Managing Human Resources: Greater OPM Leadership Needed to Address Critical Challenges (GAO/GGD-89-19, Jan. 19, 1989).

the retirement eligibility of the GAO workforce has accelerated. By the end of 2004, about 34 percent of all GAO employees will be eligible to retire.

In order to maximize GAO's existing economy, efficiency and effectiveness to position the agency for the future, and meet the increasingly complex and multidimensional needs of the Congress, GAO is seeking legislation to:

- Give GAO the flexibility to appoint scientific, technical or professional staff to senior level positions with the same pay, rights, and other attributes as members of the Senior Executive Service.
- Authorize voluntary early retirement for selected individual employees for the purpose of realigning the agency's workforce.
- Authorize separation payments for realignment purposes.
- Authorize the Comptroller General to take steps to realign GAO's workforce by considering factors such as the agency's needs (i.e. strategic plan) combined with the skills, performance and knowledge of individuals.

By investing resources in our human capital programs, we are hoping to enhance the value of our people and, in turn, the value of GAO to Congress and all Americans. We are also hoping to demonstrate that other federal agencies if they put their minds to it and are willing to make the appropriate investments, can do much to improve the way they manage people.

In addition, we hope to assist federal agencies by:

- Providing conceptual frameworks and practical tools to help agencies make substantial improvements in their human capital management policies and practices. The human capital self-assessment checklist is one of our first efforts in this area.
- Through our audit and evaluation work and outreach efforts, learning more about the day-to-day challenges that agencies face and developing more rigorous, widely adaptable methodologies for human capital assessment.
- Identifying and sharing with agencies best practices in human capital skills, knowledge and performance drawn from the private sector and from governments at all levels and abroad.

Another way in which we intend to contribute is by providing sound and reliable data gathering to help inform a consensus on what governmentwide human capital reforms may be needed. One thing we can do is help bring to light common barriers that agencies have identified as

standing in the way of their changeover to performance management principles. It is becoming increasingly clear that the system for federal employment must provide agencies with sufficient flexibilities to tailor their human capital approaches to their missions, goals, strategies, and other circumstances—while ensuring, meanwhile, that adequate safeguards are in place to prevent abuses. We intend to give a higher priority to studying the structure and underlying assumptions of the civil service, including the roles and responsibilities of the central personnel agencies, and the effective balance between flexibility and accountability. Drawing on the human capital self assessments we hope that agencies will perform, and on the work we at GAO pursue at Congress' behest, we hope to identify common themes and experiences across the range of federal employers. The more commonalties and shared perceptions we can identify, the more likely it may be that we can reach a consensus on reform.

Developing Government Structures for the st Century

To this point I have discussed action that congress, executive agencies and this office can undertake to improve the efficiency, effectiveness and accountability of the federal government in the near and medium term. But, the broad based and rapid changes that confront government also call for a more long term studied focus on the fundamental structure of the federal government and the processes used for service delivery, decisionmaking and oversight.

In this context, it is appropriate to think about changes not only to specific programs and activities within the broad oversight questions discussed in this statement, but also to reconsider the fiscal and performance models, structures, and processes that are used to organize and manage our federal government and those used by the Congress to fulfill its oversight responsibilities. I would like to conclude my statement by offering our observations on what issues need to be examined in this regard.

Developing a New Fiscal Paradigm

As I have emphasized in previous testimonies before the Congress, we must be mindful that today's fiscal decisions have important consequences for the kind of society and economy we hand to the next generations of American citizens. I firmly believe that we need to develop a new fiscal paradigm that prompts a clearer focus on and attention to the long-term implications of current decisions. Specifically, continued debt reduction and entitlement reforms are both critical to promoting a more sustainable budget and economy for the longer term. More importantly, failure to do so will consign the nation to a long-term future where, at current revenue levels, the federal government may be able to afford little more than paying for retirement checks and health care for the elderly.

Our recent work discussing how other countries are dealing with current surpluses can be informative about the character of a new fiscal paradigm for our nation. For example, some countries have recognized that using fiscal targets such as debt-to-GDP ratios can be useful to guide decision-making in a world where achieving a current year balance is no longer sufficient as a fiscal compass. We reported that several foreign countries, including New Zealand and Norway, have succeeded in saving at least a portion of their surpluses for several years, partly by adopting a broader framework for budgetary decision-making guided by explicit fiscal and economic goals that provided a compelling rationale for continued restraint.[19]

In addition, other nations have discovered that greater transparency about the future cost of commitments can be a useful method to prompt a timely debate about current and future affordability. Some foreign governments are attempting to achieve this transparency by incorporating accrual measures of longer-term consequences in budget documents and presentations. The federal government also could consider where and to what extent greater disclosure of the future costs of today's commitments—possibly including accrual measures for appropriate areas of our budget such as pensions, federal insurance, and federal retirees' health care costs—might enhance congressional oversight.

Developing a New Performance Paradigm

Just as there is a need to rethink approaches to fiscal decision-making models with the advent of projected surpluses, so also there is a need to consider changes to oversight of the performance and management of the federal government. I have discussed ways in which the executive branch and Congress can use the information they will be receiving about the costs, efficiency, and effectiveness of federal programs and activities. However, although individual authorization and oversight committees are well suited to address performance or financial issues affecting individual agencies or programs, many of the key performance questions are not confined to, and cannot be addressed effectively on, an agency-by-agency or committee-by-committee basis. Many federal mission areas—from low-income housing assistance to food safety to counter-terrorism—are addressed by a wide range of mandatory and discretionary spending programs, tax expenditures, and regulatory approaches that cut across federal agencies and committee jurisdictions.[20] Similarly, while budgetary

[19] Budget Surpluses: Experience of Other Nations and Implications for the United States (GAO/AIMD-00-23, Nov. 2, 1999

[20] Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap (GAO/AIMD-97-146, Aug. 29, 1997.)

choices should be more clearly informed by performance considerations and a full understanding of associated costs, the capacity to align and relate this information to existing appropriations structures and presentations is complicated and very much in the early stages of development.[21]

Given this environment, the Congress should also consider the need for mechanisms that allow it to more systematically focus its oversight on problems with the most serious and systemic weaknesses and risks. Today, the President is required by the Government Performance and Results Act to prepare and submit to the Congress as part of the annual budget submission a governmentwide performance plan that provides a "single cohesive picture of the annual performance goals for the fiscal year." First submitted with the fiscal year 1999 budget, the governmentwide performance plan includes fiscal, management, and program performance expectations. It provides a means to present performance goals for the varied missions of government and to identify the relative contributions of a wide range of agencies, programs, and strategies to address those mission-based performance goals.[22] At present, the Congress has no direct mechanism to respond to and provide a congressional perspective upon the President's governmentwide performance plan. For example, the Congress has no established mechanism to articulate performance goals for the broad missions of government, to assess alternative strategies that offer the most promise for achieving these goals, or to define an oversight agenda targeted on the most pressing crosscutting performance and management issues.

In the light of such considerations, the Congress should assess whether its current structures and processes are adequate to take full advantage of the benefits arising from the reform agenda under way in the executive branch. Following from this assessment, Congress might consider whether a more structured oversight mechanism is needed to permit a coordinated congressional perspective on governmentwide performance matters. As part of such a mechanism, the role of the Governmental Affairs Committee could be to identify crosscutting performance concerns for priority congressional attention.

[21] Performance Budgeting: Fiscal Year 2000 Progress in Linking Plans with Budgets (GAO/AIMD-99-239R, July 30, 1999) and Performance Budgeting: Initial Experiences Under the Results Act in Linking Plans with Budgets (GAO/AIMD/GGD-99-67, Apr. 12, 1999).

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

Such reexamination has merit across government. S.2623, introduced October in1998 by Chairman Thompson, Senator Lieberman and others proposed a mechanism for instituting a coordinated approach to addressing some of the significant challenges facing the federal government in the 21st century. S.2623, which proposed an independent Commission on Government Restructuring and Reform, was noteworthy in that the duties of the Commission would create opportunities to address a number of the themes that I have discussed as critical to an efficient, effective and accountable federal government in the future. I have discussed ways in which Congress and the Executive Branch could, within current structures begin to address the themes of:

- Attacking activities at risk of fraud, waste, abuse and mismanagement;
- Improving the economy and efficiency of federal operations;
- Reassessing what the federal government does; and,
- Redefining the beneficiaries of federal government programs.
- Rationalizing crosscutting program areas; and
- Building the capacity to gather and use performance information.

However, approaches within current structures are not sufficient. It is time to take a broad look at the need for fundamental changes in the current structure of the federal government. The principles underlying S. 2623 are intended to address many of these issues. Ultimately, what is important is not the specific approach or process, but rather the intended result of helping the Congress better promote improved fiscal, management, and program performance through broad and comprehensive oversight and deliberation.

In summary, Mr. Chairman, you and I have discussed the importance of congressional oversight in the past, and I believe that is very timely to refocus our efforts on this subject as we enter a very unique period in our nation's history. Broad and periodic reexamination of federal government priorities, programs, and activities is an important responsibility of the Congress to maintain the public's respect for and confidence in government and to ensure our capacity to meet current and emerging needs. However, good oversight is difficult work and often is not headline grabbing. It requires taking a hard look at existing programs and carefully reconsidering the goals those programs were intended to address—and whether those goals are still valid. It involves analyzing the effectiveness of programs and seeking out the reasons for success or failure. It involves sorting through the maze of federal programs and activities, in which multiple agencies often operate many different programs to address often common or complementary objectives. However, revising and reforming

current programs and activities that may no longer be needed or that do not perform well is fraught with difficulties and leads to real "winners" and "losers." Notwithstanding demonstrated weaknesses in program design and shortfalls in program results, there often seems to be little "low hanging fruit" in the federal budget. In fact, some argue that because some programs are already "in the base" in budgetary terms, they have an advantage over new initiatives and new demands, even though these new initiatives may relate to legitimate current and future needs and existing programs may be based on past wants.

This is an opportune time for the Congress to carefully consider how this Committee and all of the Committees of the Congress will take advantage of and leverage the new information and perspectives coming from the reform agenda underway in the executive branch. Prudent stewardship of our nation's resources—whether in time of deficit or surplus—is essential not only to meet today's needs but also tomorrow's commitments and demands.

If a new oversight model were to include annual or biennial oversight hearings, GAO could enter into a strategic partnership with Congress by periodically synthesizing the wealth of information that is being produced under the legislative framework that Congress has enacted to strengthen government performance and accountability. Drawing on GPRA strategic plans and performance plans and reports, financial audit results, our own work in our High Risk and Performance and Accountability series, annual federal budget reviews, major government reports, major open GAO recommendations, and the work of inspectors general, we could provide Congress with a broad perspective on performance in areas it was focussing on. We could provide perspectives on:

- the most meaningful challenges faced in a specific agency, cross-cutting area or broad mission area such as those outlined in the government-wide performance plan;
- cuts and investments that would contribute to a government more efficient and effective in meeting the wants and needs that Americans can afford; and,
- the tools, such as regulations, legislation, tax incentives, loan guarantees, enforcement options, or direct spending that appear to be the most effective in furthering a given government mission.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions you or the other members of the Committee may have at this time.

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Managing In the New Millennium

- **Key Themes With Profound Implications**
  - Globalization
  - Security
  - Demographics
  - Quality of Life
  - Technological Innovation
  - Government Performance and Accountability
- **Fiscal Outlook Offers Opportunities and Challenges**
- **Opportunity and Obligation**
  - Reassessing What Government Does
  - Evaluating How It Operates and Performs
  - Turning Existing Management Reforms Into Reality
  - Creating Modern Human Capital Practices
- **Government Structures for the 21st Century**
  - Search for New Paradigms
  - Strengthening Oversight

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Areas of Potential Fragmentation and Overlap

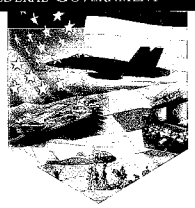
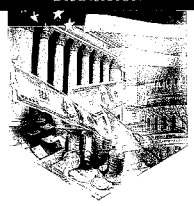
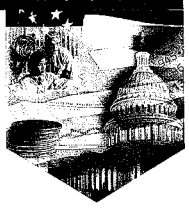
Mission Areas	Programs
Agriculture	• Food Safety
Commerce and Housing Credit	• Financial Institution Regulation
Community and Regional Development	• Community Development • Economic Development • Emergency Preparedness • Housing • Rural Development
Education, Training, Employment, and Social Services	• Early Childhood Programs • Employment Training • Student Aid
General Science, Space, and Technology	• High Performance Computing • National Laboratories • Research and Development Facilities • Small Business Innovation Research
General Government	• Federal Statistical Agencies
Health	• Long-term Care • Substance Abuse • Nuclear Health and Safety • Telemedicine • Teen Pregnancy Prevention
Income Security	• Child Care • Welfare and Related Programs • Youth Programs • Homelessness Programs • Programs for People with Disabilities
Defense	• Guided Weapon Systems • Telecommunications • Military Health Care • Satellite Control Systems • Nonmedical Chemical and Biological Research and Development
International Affairs	• Educational Programs • Policy Formulation and Implementation
Law Enforcement	• Border Inspections • Drug Control • Investigative Authority • Drug Trafficking • Combating Terrorism
Natural Resources and Environment	• Federal Land Management • International Environmental Programs • Hazardous Waste Cleanup • Water Quality

Serving the Congress
GAO's Strategic Plan Framework

Mission

GAO exists to support the Congress in meeting its Constitutional responsibilities and to help improve the performance and accountability of the federal government for the benefit of the American people.

Goals

Provide Timely, Quality Service to the Congress and the Federal Government		Support the Transition	Maximize the Value of GAO
			
to Address Current and Emerging Challenges to the Well-Being and Financial Security of the American People	to Respond to Changing Threats to National Security and the Challenges of Global Interdependence	to a More Results-Oriented and Accountable Federal Government	by Being a Model Organization for the Federal Government

Themes

Demographics | Globalization | Quality of Life | Security | Technology

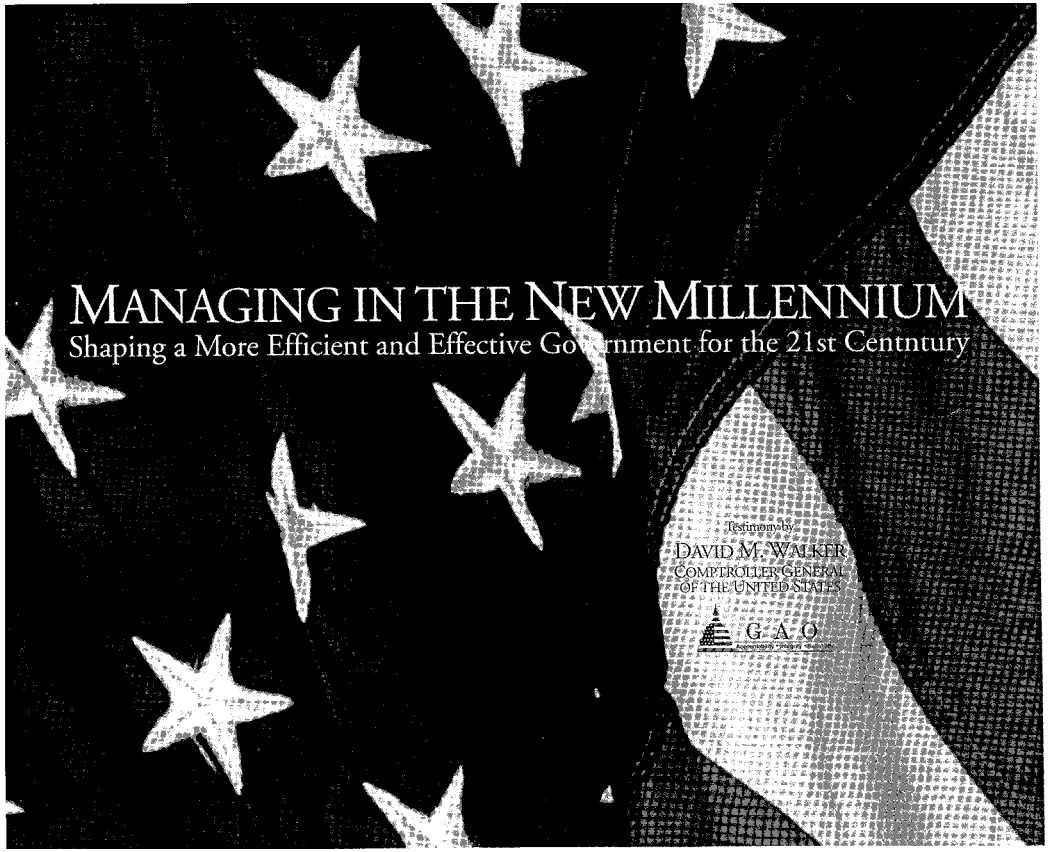
Government Performance and Accountability

Objectives

Health care needs and financing	Diffuse security threats	Fiscal position of the government	Client relations
Retirement income security	Military capabilities and readiness	Government financing and accountability	Strategic and annual planning
Social safety net	Advancement of U.S. interests	Governmentwide management reforms	Human capital
Education/workforce issues	Global market forces	Economy, efficiency, and effectiveness improvements in federal agencies	Core business and supporting processes
Effective system of justice			Information technology services
Community investment			
Natural resources use and environmental protection			
Physical infrastructure			

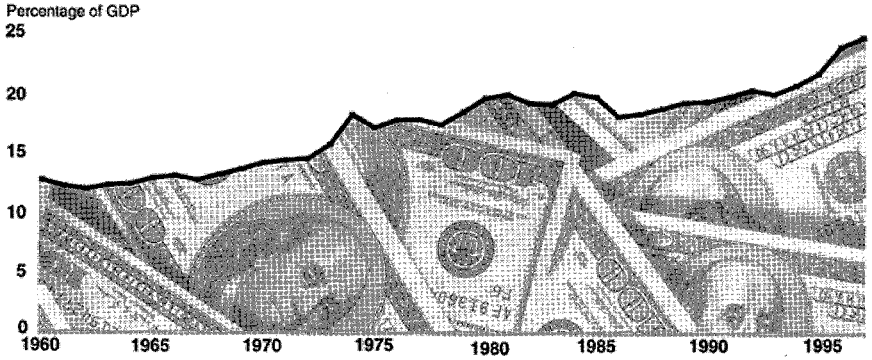
Core Values

Accountability | **Integrity** | **Reliability**


MANAGING IN THE NEW MILLENNIUM
Shaping a More Efficient and Effective Government for the 21st Centntury
Testimony by
DAVID M. WALKER
COMPTROLLER GENERAL
OF THE UNITED STATES
G A O

Globalization

World Exports as a Percentage of GDP (1960-1997)



Source: World Bank.

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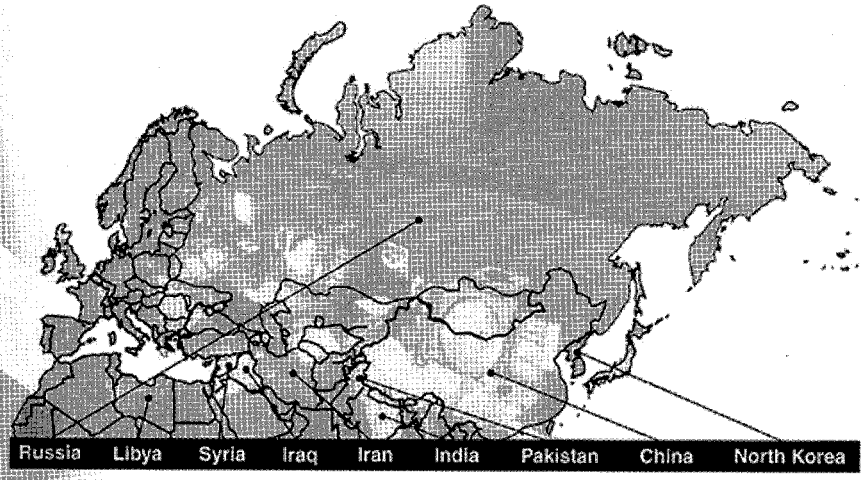
Security

Countries With Weapons of Mass Destruction Posing National Security Concerns



Sources: DOD and State Department

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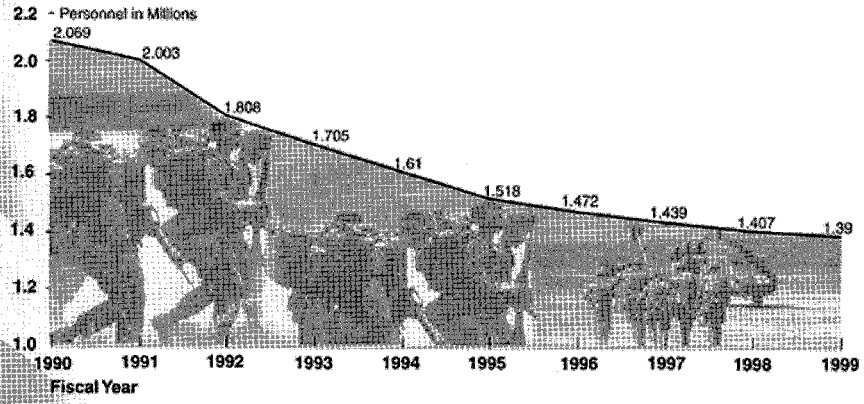
Security

Reduction of DOD Active Duty Personnel



Source: *Annual Report of the Secretary of Defense for 1999 to the President and the Congress.*

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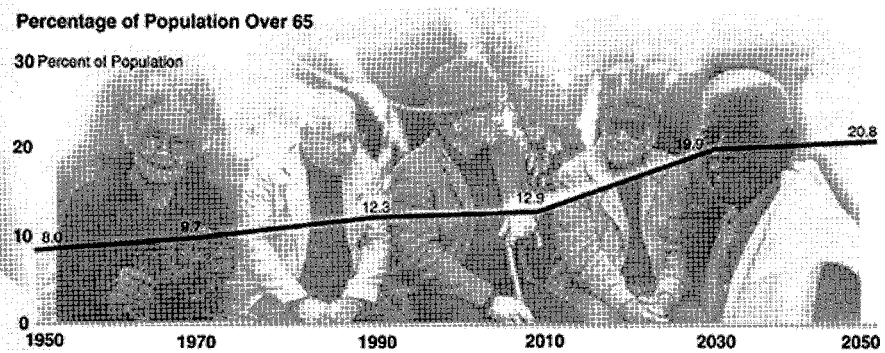
Demographics

Percentage of Population Over 65



Source: Department of Commerce, Bureau of the Census.

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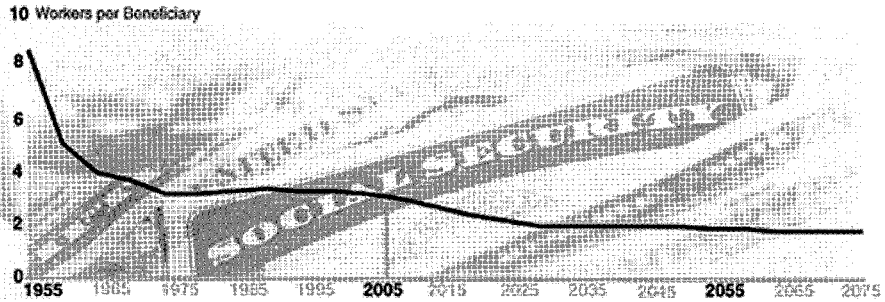
Demographics

Social Security Workers per Beneficiary



Source: Old Age Survivors and Disability Insurance Trustees.

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Quality of Life

- Quality of Life Has Improved for Many Americans
- Workforce Has Changed
- Many Challenges Remain
- Prosperity Itself Is Creating Greater Stresses

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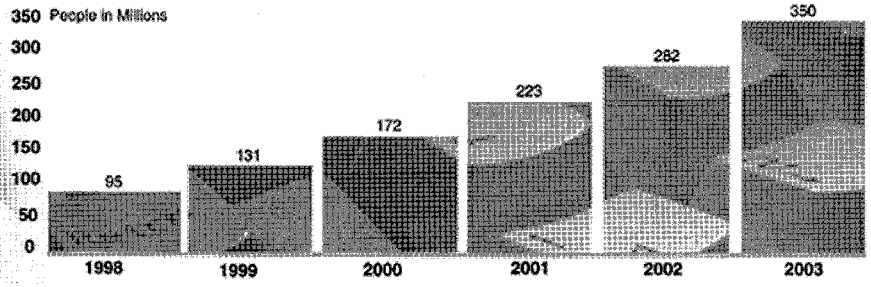
Technology

Internet Users Worldwide, 1998-2003



Source: *eMarketer* (1999).

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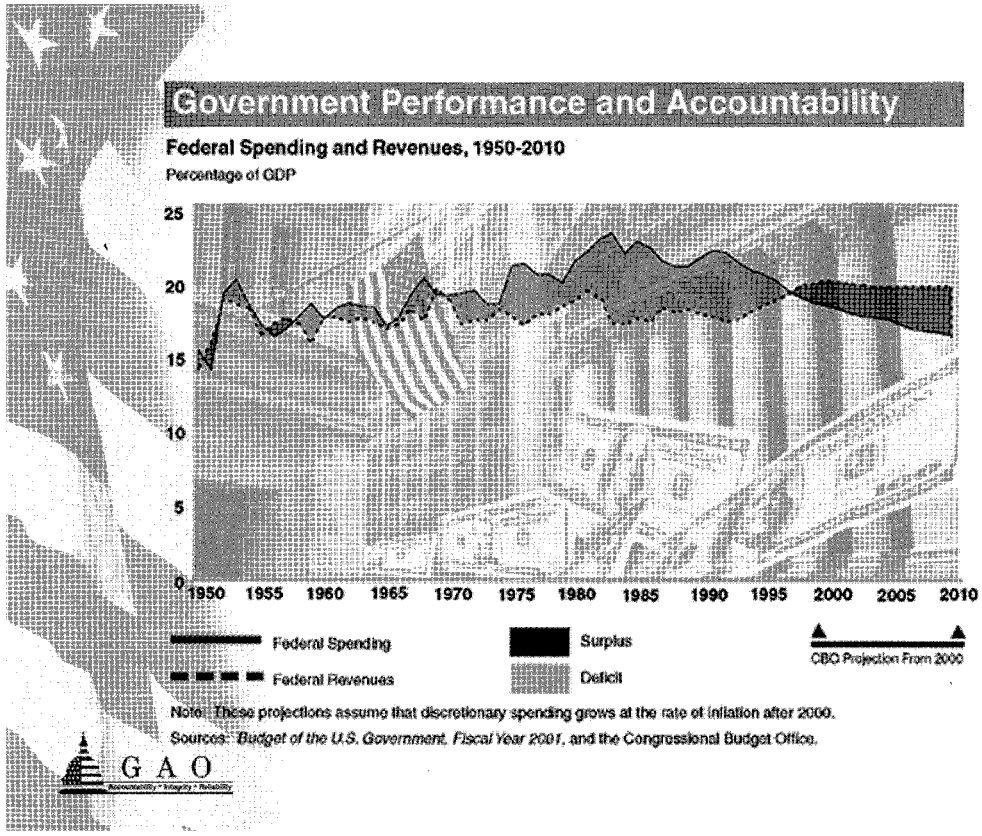
Government Performance and Accountability
Federal Spending and Revenues, 1950-2010
Percentage of GDP
25
20
15
10
5
0
1950
1955
1960
1965
1970
1975
1980
1985
1990
1995
2000
2005
2010
Federal Spending
Federal Revenues
Surplus
Deficit
CBO Projection From 2000
Note: These projections assume that discretionary spending grows at the rate of inflation after 2000.
Sources: Budget of the U.S. Government, Fiscal Year 2001, and the Congressional Budget Office.
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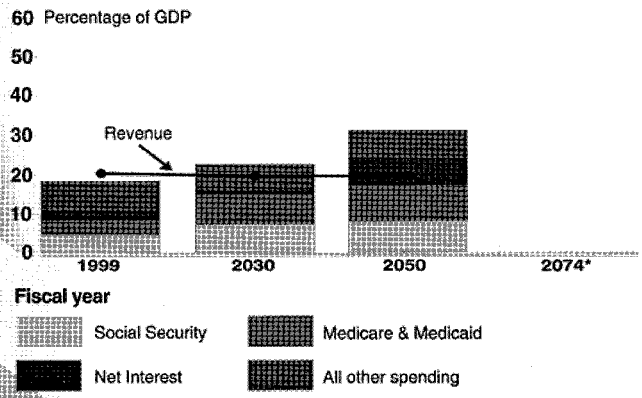
Composition of Spending as a Share of GDP

Composition of Spending as a Share of GDP Under "Eliminate Non-Social Security Surpluses" Simulation



*The "Eliminate Non-Social Security surpluses" simulation can only be run through 2066 due to the elimination of the capital stock.

Note: Revenue as a share of GDP during the simulation period is lower than the 1999 level due to unspecified permanent policy actions that reduce revenue and increase spending to eliminate the non-Social Security surpluses.

Source: GAO's January 2000 analysis.

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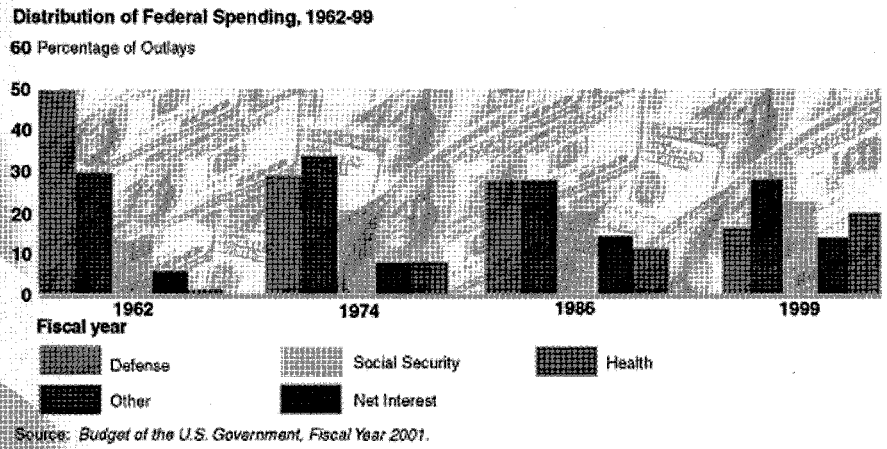
Distribution of Federal Spending



Source: *Budget of the U.S. Government, Fiscal Year 2001.*

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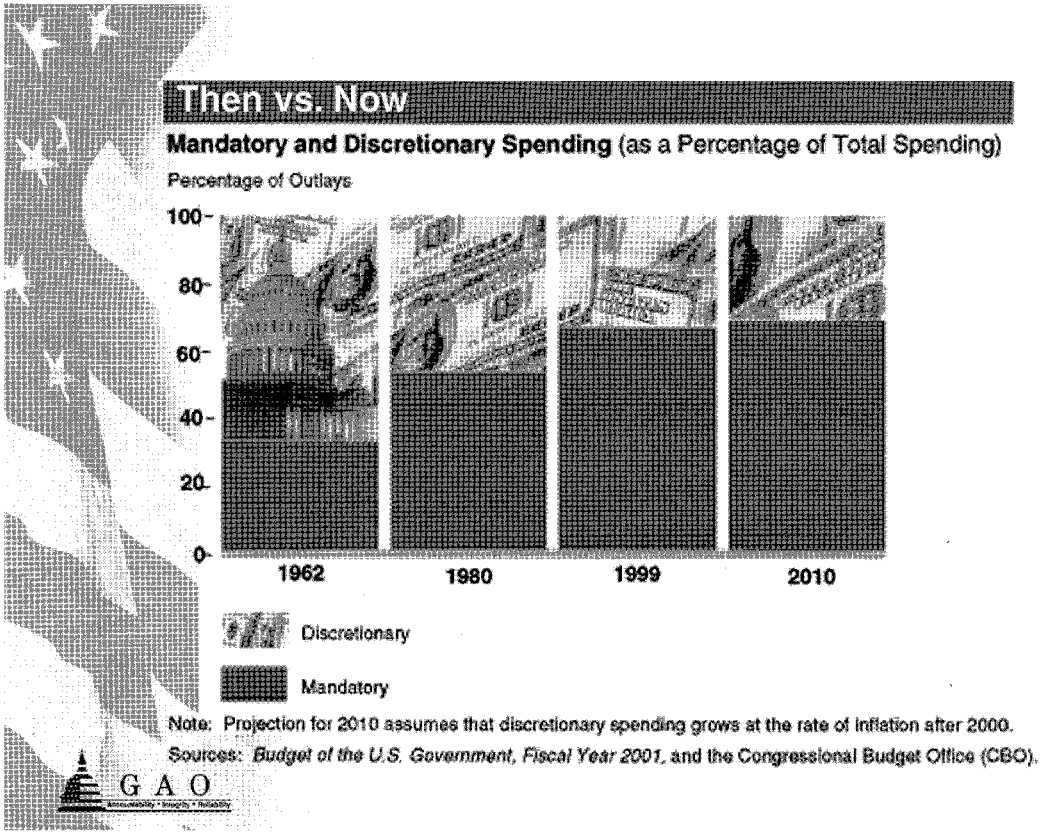
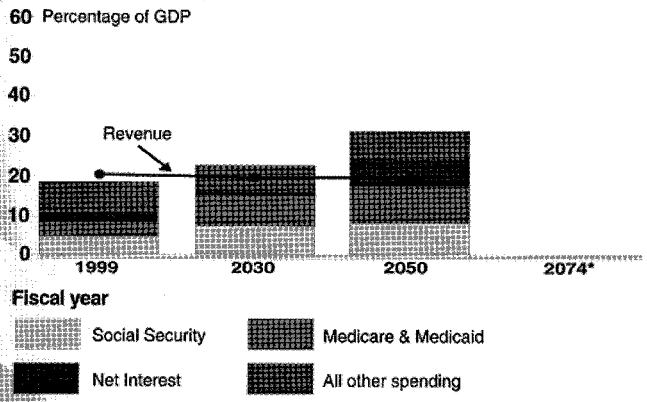

Then vs. Now
Mandatory and Discretionary Spending (as a Percentage of Total Spending)
Percentage of Outlays
100
80
60
40
20
0
1962
1980
1999
2010
Discretionary
Mandatory
Note: Projection for 2010 assumes that discretionary spending grows at the rate of inflation after 2000.
Sources: Budget of the U.S. Government, Fiscal Year 2001, and the Congressional Budget Office (CBO).
GAO

Composition of Spending as a Share of GDP

Composition of Spending as a Share of GDP Under "Eliminate Nonsocial Security Surpluses" Simulation



*The "Eliminate Non-Social Security surpluses" simulation can only be run through 2066 due to the elimination of the capital stock.

Note: Revenue as a share of GDP during the simulation period is lower than the 1999 due to unspecified permanent policy actions that reduce revenue and increase spending to eliminate the non-Social Security surpluses.

Source: GAO's January 2000 analysis.

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United States General Accounting Office

GAO

Report to the Honorable
Fred Thompson, Chairman
Committee on Governmental Affairs
U.S. Senate

March 2000

MANAGING FOR RESULTS

Barriers to Interagency Coordination

GAO/GGD-00-106

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

General Government Division

B-284984

March 29, 2000

The Honorable Fred Thompson
Chairman, Committee on Governmental Affairs
United States Senate

Dear Mr. Chairman:

Virtually all the results that the federal government strives to achieve require the concerted and coordinated efforts of two or more agencies. This shared responsibility is an outgrowth of several factors, including the piecemeal evolution of federal programs and service delivery efforts and the complexity of public needs that require several agencies to contribute resources and expertise to address these needs.

This report is based upon our prior work concerning the federal government's management of crosscutting program activities and updates our report entitled Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap.[1] Our work has repeatedly shown that mission fragmentation and program overlap are widespread in the federal government and that crosscutting program efforts are not well coordinated. It also has shown the importance of coordinating these programs. Without such coordination, scarce funds are wasted, program customers are confused and frustrated, and the overall effectiveness of the federal effort is limited.

In this report, we (1) provide an overview of programs in which we identified mission fragmentation and overlap in 1998 and 1999; (2) discuss barriers to interagency coordination identified in our prior work issued over the last decade; and (3) summarize, on the basis of that work, potential approaches for improving the effectiveness and efficiency of crosscutting programs.

To update our report on fragmentation and overlap, we reviewed our reports issued in 1998 and 1999. We also analyzed coordination problems and potential approaches to address those problems that were identified in

[1]See Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap (GAO/AIMD-97-146, Aug. 29, 1997) for a general discussion of fragmentation and overlap. Examples of our work addressing specific crosscutting programs include: Adults with Severe Disabilities: Federal and State Approaches for Personal Care and Other Services (GAO/HEHS-99-101, May 14, 1999); and Weapons Acquisitions: Guided Weapon Plans Need to Be Reassessed (GAO/NSIAD-99-32, Dec. 9, 1998).

our reports issued within the last decade. For this report, we defined interagency coordination to include coordination of crosscutting programs among agencies within large departments, such as the Forest Service and the Animal and Plant Health Inspection Service within the Department of Agriculture (USDA), as well as coordination across departmental jurisdictions.

We conducted this review between August 1999 and February 2000 in accordance with generally accepted government auditing standards. Because it was based on our previously published reports, we did not seek agency comments on a draft of this report.

Results in Brief

Our work has repeatedly shown that mission fragmentation and program overlap are widespread in the federal government. In 1998 and 1999, we found that this situation existed in 12 federal mission areas,[2] ranging from agriculture to natural resources and environment. We also identified, in 1998 and 1999, 8 new areas of program overlap, including 50 programs for the homeless that were administered by 8 federal agencies. These programs provided services for the homeless that appeared to be similar. For example, 23 programs operated by 4 agencies offered housing services, and 26 programs administered by 6 agencies offered food and nutrition services. Although our work indicates that the potential for inefficiency and waste exists, it also shows areas, such as counterterrorism, where the intentional participation by multiple agencies may be a reasonable response to a complex public problem. In either situation, implementation of federal crosscutting programs is often characterized by numerous individual agency efforts that are implemented with little apparent regard for the presence of efforts of related activities.

Not surprisingly, decisionmakers and managers are finding that achieving results on public problems increasingly calls for effective interagency coordination. However, our work also has shown that agencies encounter a range of barriers when they attempt such coordination. One such barrier concerns missions that are not mutually reinforcing or that may even conflict, making reaching a consensus on strategies and priorities difficult. Another significant barrier to interagency coordination is agencies' concerns about protecting jurisdiction over missions and control over resources. Because of these kinds of concerns, the Army, Air Force, and Navy have resisted any efforts to consolidate the services' medical

[2]Historically, national mission areas have been described by a classification system called budget functions. Budget functions were developed as a means to classify budgetary resources on a governmentwide basis and are, by intention, very broad. Currently, there are 17 budget functions, including such mission areas as international affairs and income security.

departments into a single health agency. Finally, interagency coordination is often hindered by incompatible procedures, processes, data, and computer systems. In a previous report, for example, we discussed how the lack of consistent data on federal wetlands programs implemented by different agencies prevented the government from measuring progress toward achieving the governmentwide goal of no net loss of the nation's wetlands.[3]

In our past work, we have offered several possible approaches for better managing crosscutting programs—such as improved coordination, integration, and consolidation—to ensure that crosscutting goals are consistent, program efforts are mutually reinforcing, and, where appropriate, common or complementary performance measures are used as a basis for management. One of our oft-cited proposals is to consolidate the fragmented federal system to ensure the safety and quality of food. Perhaps most importantly, however, we have stated that the Government Performance and Results Act of 1993 (GPRA) could provide the Office of Management and Budget (OMB), agencies, and Congress with a structured framework for addressing crosscutting program efforts.

OMB, for example, could use the governmentwide performance plan, which is a key component of this framework, to integrate expected agency-level performance. It could also be used to more clearly relate and address the contributions of alternative federal strategies. Agencies, in turn, could use the annual performance planning cycle and subsequent annual performance reports to highlight crosscutting program efforts and to provide evidence of the coordination of those efforts.

If GPRA is successfully implemented, OMB's governmentwide performance plan and the agencies' annual performance plans and subsequent performance reports should provide Congress with new information on federal program efforts, including crosscutting programs. Congress then could use this information to identify agencies and programs addressing similar missions. Once these programs are identified, Congress can consider the associated policy, management, and performance implications of crosscutting programs as part of its oversight over the executive branch.

[3] Wetlands Overview: Problems With Acreage Data Persist (GAO/RCED-98-150, July 1, 1998).

Background

As we enter the 21st century, government decisionmakers and managers in various governments around the world are finding that achieving results on public issues increasingly requires coordinated responses from numerous public and private entities. In response to this interconnection, as well as other public management challenges, those governments have implemented major public sector management reform initiatives. Performance-based management, the unifying theme of these reform initiatives, seeks to shift the focus of government performance and accountability from a focus on activities to a focus on the results of those activities.

In the United States, GPRA is a key part of the legislative framework for shifting the focus of the federal government from a preoccupation with activities to results. GPRA requires the President to include with his annual budget submission a federal government performance plan. Congress intended this plan to provide a "single cohesive picture of the annual performance goals for the fiscal year."[4] Under the Act, executive branch departments and agencies are to prepare multiyear strategic plans and annual performance plans. The Act also requires agencies to submit annual program performance reports, with the first report covering fiscal year 1999 to be issued by March 31, 2000.

Mission Fragmentation and Program Overlap Are Widespread

In our prior work, we identified widespread mission fragmentation and program overlap in the federal government. The broad scope of this fragmentation and overlap—ranging from social programs to defense efforts—indicates the inherent complexity of national problems that the federal government traditionally has addressed in a piecemeal approach. Table 1 highlights the areas of fragmentation and overlap that we have identified in our work through 1999.

[4]Government Performance and Results Act of 1993, Committee on Governmental Affairs, United States Senate, S. Rpt. No. 58, 103d Cong. 1st Sess. p. 27 (1993). For an assessment, see The Results Act: Assessment of the Governmentwide Performance Plan for Fiscal Year 1999 (GAO/AIMD/GGD-98-159, Sept. 8, 1998).

Table 1: Areas of Potential Fragmentation and Overlap

Mission areas	Programs
Agriculture	•Food safety
Commerce and housing credit	•Financial institution regulation
Community and regional development	•Community development •Economic development •Emergency preparedness •Housing •Rural development
Education, training, employment, and social services	•Early childhood programs •Employment training •Student aid
General science, space, and technology	•High performance computing •National laboratories •Research and development facilities •Small business innovation research
General government	•Federal statistical agencies
Health	•Long-term care •Substance abuse •Nuclear health and safety •Telemedicine •Teen pregnancy prevention
Income security	•Child care •Welfare and related programs •Youth programs •Homelessness programs •Programs for people with disabilities
Defense	•Guided weapon systems •Telecommunications •Military health care •Satellite control systems •Nonmedical chemical and biological research and development
International affairs	•Educational programs •Policy formulation and implementation
Law enforcement	•Border inspections •Drug control •Investigative authority •Drug trafficking •Combating terrorism
Natural resources and environment	•Federal land management •International environmental programs •Hazardous waste cleanup •Water quality

Note: This table has been updated to reflect work we completed since our report, Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap (GAO/AIMD-97-146, Aug. 29, 1997), was issued.

Source: GAO analysis.

Fragmentation and Overlap Continue to Be a Problem

In reviewing our reports issued in 1999 and 1998, we found that mission fragmentation and program overlap continue to be a problem in the federal government. Several social programs, such as housing for the homeless and assistance to the disabled, were added to our list of fragmented missions and overlapping program areas. We also identified fragmentation and overlap in defense-related activities, including the Department of Defense's (DOD) acquisition of guided weapon systems. The following summaries discuss fragmentation and overlap problems in eight new program areas. These program areas are included in table 1.

Programs for the Homeless

We recently reported that 50 programs administered by 8 federal agencies could provide services for the homeless. Of these 50 programs, 16 programs with over $1.2 billion in obligations for fiscal year 1997 were focused on helping only the homeless. The remaining 34 programs, with about $215 billion in obligations for fiscal year 1997, were focused on helping low-income people in general, including the homeless.[5]

Both types of programs provided an array of services, such as housing, health care, job training, and transportation, which are needed to assist the homeless. In some cases, multiple agencies provided services that appeared to be similar. For example, we found that 23 programs operated by 4 agencies offered housing services, and 26 programs administered by 6 agencies offered food and nutrition services.

Assistance for People With Disabilities

Similar to federal assistance for the homeless, two groups of federal programs provided assistance to individuals with disabilities. The first group used various definitions of disabilities as a central criterion for eligibility and consisted of 30 programs with estimated expenditures totaling $110 billion in fiscal year 1999. The second group used disability as one of many potential criteria for program participation and consisted of 40 programs, including Medicare and Medicaid, for which age, income, or both also served as bases for eligibility.[6] In an earlier report, we stated that because services often were not coordinated among agency programs, people with disabilities might receive duplicate services or face service gaps.[7]

[5] Homelessness: Coordination and Evaluation of Programs Are Essential (GAO/RCED-99-49, Feb. 26, 1999).

[6] GAO/HEHS-99-101.

[7] People with Disabilities: Federal Programs Could Work Together More Efficiently to Promote Employment (GAO/HEHS-96-126, Sept. 3, 1996).

Teen Pregnancy Prevention

We found that the Department of Health and Human Services (HHS) had 27 different programs and services that supported efforts to prevent teen pregnancy, and 8 other agencies provided funding for programs that supported such efforts. HHS identified at least $164 million in funding for those efforts in fiscal year 1997, and Congress authorized an additional $50 million for abstinence education in fiscal year 1998. However, teen pregnancy prevention programs' shares of funding from various funding streams, such as Medicaid and block grants, could not be isolated because of the flexibility on spending decisions given to the states. In our Performance and Accountability Series, we said that with so many stakeholders involved, interagency coordination had become increasingly necessary and complex.[8]

DOD Acquisition Program for Guided Weapons

The military services and agencies often have made decisions on the basis of their unique requirements that in the aggregate can lead to overlap or duplication across DOD. For example, we reported in 1998 that the services had a proliferation of acquisition programs for guided weapons for deep attack missions.[9] The services planned to make a large investment—about $16.6 billion (constant dollars) over the next 10 years—on these acquisition programs. We reported that the individual acquisition decisions of the services would result in a doubling of the inventory of guided weapons that may not be needed to meet the U.S. national objectives. Furthermore, the services missed several opportunities to consolidate programs that were designed to be used for similar purposes and in similar ways.[10]

DOD Acquisition Program for Telecommunications

In another report, we said that the military services and defense agencies had long procured and operated multiple long-haul telecommunications systems to meet their individual mission needs. As a result, DOD's communications environment has been fragmented and redundant. This environment consisted of at least 87 independent networks that supported a variety of long-haul telecommunications requirements. The services reported costs on 68 of the networks as totaling more than $89 million annually. Yet, DOD lacked basic management controls to ensure that it could achieve its goal for an interoperable and cost-effective

[8]Teen Pregnancy: State and Federal Efforts to Implement Prevention Programs and Measure Their Effectiveness (GAO/HEHS-99-4, Nov. 30, 1998) and Major Management Challenges and Program Risks: Department of Health and Human Services (GAO/OCG-99-7, January 1999).

[9]Deep attack missions are operations carried out beyond the areas where friendly ground forces operate.

[10]GAO/NSIAD-99-32.

telecommunications environment, and it also lacked a foundation to identify redundant networks.[11]

Military Health Care

DOD's military health care system costs about $16 billion annually, with about $12 billion incurred for about 580 treatment facilities. We found that although efforts to coordinate had occurred, the services had not systematically collaborated in seeking the most cost-effective placement and use of medical resources. For example, in the Washington, D.C., area, three large medical centers—Walter Reed, Bethesda, and Malcolm Grow—were in close proximity. These facilities provided duplicative services and, in some cases, lacked sufficient workload. However, we noted that it was not possible to fully address the need for or the appropriate size of military treatment facilities in Washington, D.C., or elsewhere because DOD and the services lacked an overall strategy for determining and allocating medical resources within the military health care system.[12]

DOD and the services recently took action to develop such a strategy. However, officials who are responsible for developing a comprehensive strategy for ensuring that resources are allocated for the right amounts to the right locations will face many obstacles. Historically, the services have had enough resources to maintain separate health care systems and overlapping capabilities during peacetime. Consequently, they generally do not take into account other services' resources when making allocation decisions. The Army, Air Force, and Navy also have resisted any efforts to consolidate the services' medical departments into a single health agency. Each believed that it had unique medical needs and activities and thus fought to maintain its own health system. As a result, over the years, formal interservice management efforts have been limited and, today, remain difficult to achieve.

Satellite Control Systems

Federal defense, intelligence, and civil agencies operate separate satellite control systems to ensure that satellites reach their planned orbits and perform their intended missions while in orbit. We have reported that these agencies were spending several hundred million dollars a year to control their satellites or missions, were planning to upgrade their satellite

[11] Defense Networks: Management Information Shortfalls Hinder Defense Efforts to Meet DISN Goals (GAO/AIMD-98-202, July 30, 1998).

[12] Defense Health Care: Tri-Service Strategy Needed to Justify Medical Resources for Readiness and Peacetime Care (GAO/HEHS-00-10, Nov. 3, 1999).

control systems, and did not have the necessary impetus or direction for more efficient use of the nation's satellite control resources.[13]

In 1996, DOD was directed to coordinate with other departments and agencies, as appropriate, to foster the integration and interoperability of satellite control for all federal space activities. As of early 1999, we reported that DOD had taken limited action to foster such integration and interoperability. In addition, a group established in 1998 had not been successful in stopping agencies from planning for satellite control capabilities on an independent basis.

Nonmedical Chemical and Biological Defense Technologies

DOD, the Defense Advanced Research Projects Agency within DOD, the Department of Energy, and an interagency working group administer four federal programs for research and development of nonmedical chemical and biological defense technologies. These technologies include technologies for detecting, identifying, protecting against, or decontaminating personnel and equipment. We noted that coordination was important because all four programs conducted research and development in similar areas and pursued many of the same capabilities. However, the basic information that was needed to compare specific goals and objectives of the various program activities to better assess whether overlaps, gaps, and opportunities for collaboration did not exist.[14]

Barriers Agencies Face When Trying To Coordinate Crosscutting Programs

Despite the importance of coordinating crosscutting program efforts, nonexistent or weak coordination of those efforts has been a long-standing problem in the federal government and has proven to be difficult to resolve. On the basis of our past work, we identified several barriers that challenge agencies as they attempt to better coordinate crosscutting program efforts.

Competing Missions and Unclear Roles Make Interagency Coordination Difficult

Agency missions that have evolved over time often have conflicting objectives that reflect different aspects of complex public problems. This makes interagency coordination both more necessary and more difficult. Such difficulties are compounded when clear lines of responsibility and accountability for crosscutting program efforts are absent.

One example of the incremental evolution of programs is the federal government's approach to managing federal lands and their natural

[13] Satellite Control Systems: Opportunity for DOD to Implement Space Policy and Integrate Capabilities (GAO/NSIAD-99-81, May 17, 1999).

[14] Chemical and Biological Defense: Coordination of Nonmedical Chemical and Biological R & D Programs (GAO/NSIAD-99-160, Aug. 16, 1999).

resources. At the end of the 19th century, after a century of conveying or selling new territorial lands, Congress began to establish the existing framework for managing the remaining federal lands. This framework consists of a complex collection of agencies and laws that have been set up to sustain or increase commodity production and provide for other uses of federal land, such as recreation, while protecting the natural resources for future generations.

Because of concerns over declining ecological conditions, and sustainability of natural resources, many federal agency officials, scientists, and natural resource policy analysts have advocated a new, broader approach to managing the nation's lands and natural resources called "ecosystem management." Virtually all analysts of ecosystem management noted that the approach will require unparalleled coordination of activities among federal agencies managing lands in the same ecosystem. However, we reported that such coordination will be hampered by disparate missions that are rooted in various laws.[15]

In our work on the Forest Service's decisionmaking process, we noted that the land management agencies' disparate missions and responsibilities resulted in differing evaluations of environmental effects and risks.[16] This, in turn, could lead to disagreements among agencies on whether and how the requirements of environmental laws and regulations can best be met. We found, for example, that the Forest Service may be willing to accept a greater level of risk to the recovery of a threatened or endangered species under its multiple-use and sustained-yield mandates[17] than would the Fish and Wildlife Service or the National Marine Fisheries Service, both of which are charged unambiguously with conserving and protecting species threatened with extinction. As illustration, disagreements among these agencies over protecting the spawning habitat of salmon in the Pacific Northwest and protecting endangered species' habitat in the Tongass National Forest in Alaska have resulted in delays in the Forest Service's plans and projects.

[15]Ecosystem Management: Additional Actions Needed to Adequately Test a Promising Approach (GAO/RCED-94-111, Aug. 16, 1994).

[16]Forest Service Decision-Making: A Framework for Improving Performance (GAO/RCED-97-71, Apr. 29, 1997).

[17]Under the multiple-use principle, the Forest Service must plan for six renewable surface uses—outdoor recreation, rangeland, timber, watersheds and water flows, wilderness, and wildlife and fish. Under the sustained-yield principle, the agency is to manage its lands to provide high levels of all of these uses to current users while sustaining undiminished the lands' ability to produce these uses for future generations.

Even where missions appear to be mutually reinforcing, conflicts that inhibit interagency coordination can arise when agencies are concerned about maintaining jurisdiction over their missions and the associated resources. As was discussed earlier, DOD is challenged by the need to overcome interservice rivalries so that it can modernize its health care system.[18]

The lack of clear lines of authority, coupled with disparate missions, compounds the difficulty agencies have in developing a coordinated approach to public problems. For example, at least 12 federal entities had some responsibility for addressing sanitary and phytosanitary (SPS) measures of other countries.[19] In 1997, we reported that no one entity was clearly assigned the role of directing and coordinating overall federal efforts for those measures. Without clearly defined roles and responsibilities, it could be difficult to determine which entity should lead federal efforts to address an individual SPS measure. For example, it was not clear which agency among the Office of the U.S. Trade Representative (USTR) and multiple USDA agencies were leading federal efforts to address a Chinese ban on U. S. wheat products found to contain a type of fungus.[20]

Trade and regulatory authorities had conflicting perspectives on how SPS measures should be addressed that were based on their agencies' missions and their differing professional orientations. In addition to uncertainty over roles and responsibilities, USTR and the multiple USDA agencies also held different opinions about whether the U.S. strategy to address the Chinese ban should focus on technical or trade policy. In addition, some trade authorities said that regulatory authorities seemed to lack a sense of urgency regarding trade matters and were willing to engage in technical discussions for many months or years. They also expressed concerns that regulatory authorities lacked negotiating expertise, which sometimes precluded them from obtaining the most advantageous result for U.S. industry. In turn, some regulatory authorities expressed frustration that trade authorities did not seem to understand that deliberate and lengthy technical and scientific processes were often necessary to adequately and

[18]GAO/HEHS-00-10.

[19]Certain foreign sanitary and phytosanitary measures, which are designed to reduce the risk of diseases and pests to humans, animals, and plants, may prohibit U.S. agricultural products from entering foreign markets and constrain the growth of U.S. agricultural exports.

[20]Agricultural Exports: U.S. Needs a More Integrated Approach to Address Sanitary/Phytosanitary Issues (GAO/NSIAD-98-32, Dec. 11, 1997).

properly address foreign regulatory authorities' concerns about U.S. products.

Clearly articulating roles and responsibilities, however, does not necessarily eliminate coordination problems. U.S. policy on combating terrorism, which has been evolving since the 1970s, has been formalized by a series of directives from the President and implementing guidance. These directives assign roles and enumerate responsibilities for various federal agencies and establish interagency support teams.[21]

Although in 1995 lead agencies were directed to develop interagency guidance for both domestic and international counterterrorism operations, they have been unable to complete this guidance. For example, the Federal Bureau of Investigation (FBI) has not coordinated the proposed Domestic Guidelines with the Department of the Treasury, although Treasury could have a significant role in an actual terrorist incident. By omitting Treasury, the FBI was excluding key agencies with counterterrorism roles, including the Secret Service; the Bureau of Alcohol, Tobacco and Firearms; and the Customs Service.

Similarly, the State Department was unable to complete interagency guidance on international counterterrorism operations. This guidance was to outline procedures for deploying interagency foreign emergency support teams and coordinating federal operations overseas. However, the State Department could not reach agreement with Justice and the FBI on procedures for arresting terrorists overseas. In response to our recommendation that these agencies resolve their differences, the State Department dropped all discussion of this important interagency topic from the guidance in an effort to get this guidance completed. As of March 2000, the guidance was in the final coordination stage.

Incompatible Procedures, Processes, Data, and Systems

Other critical stumbling blocks to interagency coordination are incompatible procedures, processes, data, and computer systems. In 1994, we reported that conflicts in eligibility standards limited the ability of state and local administrators to use common forms for multiple federal employment training programs because eligibility requirements were not standardized across programs. For example, the term "economically disadvantaged" lacked standardization among those programs. As a result, a member of a family of four with an income of $20,040 would be considered "disadvantaged," thus eligible for services from one program.

[21] Combating Terrorism: Issues To Be Resolved to Improve Counterterrorism Operations (GAO/NSIAD-99-135, May 13, 1999).

However, the same $20,040 income exceeds another program's definition of disadvantaged, making the family member ineligible for services from that program.[22]

In the same report, we also discussed how different annual operating cycles for planning processes hampered the ability of program administrators to jointly plan program efforts to ensure that participants receive the services they needed. We noted that 16 employment training programs targeted youth and that these programs had four different operating cycles. Some programs servicing the same target population would have completed their planning process and begun operations on January 1, while other programs would not complete their planning until the following July. As a result, we reported that administrators might not be able to coordinate their plans to ensure that the resources needed to serve their clients were available.

The lack of comparable data that are based on standards and common definitions also can make attempts to bridge agency boundaries difficult. For example, agencies involved in wetlands-related activities—at least 36—used such terms as protection, restoration, rehabilitation, improvement, enhancement, and creation inconsistently in describing and reporting on their accomplishments. Because of the lack of consistent and reliable data on the status of wetlands, agencies disputed the accuracy of each other's data. Moreover, as of 1998, the agencies' report practices did not permit the actual accomplishments of the agencies—that is, the number of acres restored, enhanced, or otherwise improved—to be determined in a consistent way across the federal government.[23]

Since 1989, several interagency groups, which were established to better coordinate federal wetlands programs, have unsuccessfully attempted to improve wetland data. Although the administration announced new efforts to improve data, the lack of consistent data continues to prevent the federal government from measuring agencies' progress toward achieving the governmentwide goal of no net loss of the nation's remaining wetlands.

[22]See Multiple Employment Training Programs: Conflicting Requirements Hamper Delivery of Services (GAO/HEHS-94-78, Jan. 28, 1994). The Workforce Investment Act of 1998 began to overhaul and streamline the nation's federally funded employment training system. The legislation included many actions we had recommended, including standardizing definitions and establishing common performance measures, but implementation remains problematic. We currently have ongoing work to, among other things, identify challenges states face in implementing an integrated federal training system.

[23]GAO/RCED-98-150.

Finally, incompatible computer networks and management information systems can be a critical technological barrier to interagency coordination. In 1995, we reported that USDA's agencies had hundreds of incompatible networks and systems that were built over time and that hindered departmentwide information sharing.[24] Although USDA had a pressing need to overcome this problem, its agencies were spending hundreds of millions of dollars continuing to develop their own networks that overlapped and perpetuated long-standing information problems. Also, because some new agency networks connected many of the same locations, USDA risked wasting money on the purchase of redundant communications networks and services.

Approaches for Improving the Management of Crosscutting Programs

A number of different approaches for improving the management of crosscutting programs—that is, ensuring that goals are consistent, program efforts are mutually reinforcing, and, where appropriate, common or complementary performance measures are developed—is evident from our prior work. On the basis of this work, we have suggested that GPRA can provide a systematic means for rationalizing crosscutting efforts. We also have offered possible approaches to coordination problems in specific crosscutting programs. These approaches include establishing better coordination mechanisms, integrating service delivery, and consolidating programs.

GPRA Holds Potential to Address Crosscutting Programs

GPRA offers a structured and governmentwide framework for addressing crosscutting programs.[25] This framework could be used by OMB, agencies, and Congress to better ensure that the programs are being effectively coordinated. For example, we have reported that the governmentwide performance plan, prepared by OMB on the basis of agencies' performance plans, offers perhaps the best opportunity to present and integrate expected agency-level performance and to more clearly relate and address the contributions of alternative federal strategies for common performance goals. To take advantage of this opportunity, OMB should pay particular attention to whether agencies are adequately addressing crosscutting program efforts in their performance plans.

[24] USDA Telecommunications: Better Management and Network Planning Could Save Millions (GAO/AIMD-95-203, Sept. 22, 1995).

[25] See Managing for Results: Using GPRA to Help Congressional Decisionmaking and Strengthen Oversight (GAO/T-GGD-00-95, Mar. 22, 2000); Managing for Results: Agencies' Annual Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998); Managing for Results: An Agenda To Improve the Usefulness of Agencies Annual Performance Plans (GAO/GGD/AIMD-98-228; Sept. 8, 1998) and Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans (GAO/GGD/AIMD-99-215, July 20, 1999).

In our assessments of progress made in implementing GPRA, we pointed out ways in which agencies could use strategic and performance planning cycles to address crosscutting programs. For example, the act's emphasis on results-based measures as part of the annual performance planning process should lead to more explicit discussion concerning the contributions and accomplishments of agencies' efforts. As agencies work with OMB to develop their strategic and annual performance plans, they could consider the extent to which programs need to be coordinated. Agencies could also use the GPRA planning processes to consider whether agency goals are complementary and common performance measures are needed.

The issuance of the first performance reports at the end of March 2000 represents a new and potentially more substantive stage in the implementation of GPRA. Through these reports, Congress and the executive branch could systematically assess agencies' actual performance on a governmentwide basis and consider steps that could be taken to improve performance and reduce costs of crosscutting programs.

These reports, coupled with the governmentwide performance plan and the agencies' annual performance plans, should provide Congress with a wealth of information on agencies' missions, goals, strategies, resources, and results. Then, Congress could use this information to identify agencies and programs addressing similar missions. Once these programs are identified, Congress could consider the associated policy, management, and performance implications of crosscutting programs as part of its oversight over the executive branch.

To take full advantage of this wealth of information, Congress might want to consider developing oversight mechanisms that allow it to more systematically articulate performance goals for the broad missions of government, assess alternative strategies that offer the most promise for achieving those goals, and focus its oversight on the most serious and systemic weaknesses and risks. As we recently testified, one possible mechanism could involve modifying the current budget resolution to include a performance component.[28] Already organized by budget function, similar to the program performance section of the President's governmentwide performance plan, the budget resolution could be adapted to permit Congress to respond to, and present a coordinated congressional perspective on, the President's governmentwide performance plan. For example, the "views and estimates" provided by

[28]GAO/T-GGD-00-95.

authorization and appropriation committees as part of the process to develop the budget resolution could be expanded to include their perspectives on priority performance issues within their areas of jurisdiction.

In addition, through the efforts of the Committee on Governmental Affairs and others, crosscutting performance concerns, such as those discussed in this report, could be identified for targeted congressional attention. Obviously, a "congressional performance resolution" linked to the budget resolution is only one approach to achieve the objective of enhancing congressional oversight on the most pressing crosscutting performance and management issues.

Approaches for Addressing Select Crosscutting Programs

Beyond the general opportunities provided by GPRA, we have offered other potential approaches for improving the management of individual crosscutting program efforts. We have offered those approaches on the basis of our analysis of the coordination problem and each effort's circumstances. These approaches range from establishing linkages among agencies through better coordination to reducing the need for coordination through consolidation of multiple agency efforts. Determining which approach, if any, is appropriate for a given crosscutting effort is ultimately an exercise in political choice that involves consideration of the unique policy, program, and operational environment of that effort.

In some reports, we said that the development of coordination mechanisms, such as long-term planning and priority setting, could be used to create interagency program linkages. In one report, we noted that, for several decades, HHS has provided special transportation services.[27] Similarly, the Department of Transportation awarded grants to local transit operators to provide assistance for general public transportation, such as buses, and for meeting the special needs of elderly individuals and individuals with disabilities. These agencies, which invested a total of over $6 billion in fiscal year 1998 for transportation services, often failed to complement each other's programs because of a lack of coordination. Consequently, we said that some clients might be left unserved or underserved, while transportation providers serving other clients might have excess capacity.

To remedy this situation, HHS and Transportation signed an agreement in October 1986 that established a joint Coordinating Council on Human

[27] Transportation Coordination: Benefits and Barriers Exist, and Planning Efforts Progress Slowly (GAO/RCED-00-1, Oct. 22, 1999).

Services Transportation. The Council was to coordinate related programs at the federal level wherever possible and to promote coordination at the state and local levels.

However, because its efforts had been erratic and slow to produce results, we recommended, in 1999, that the Council improve transportation coordination through better strategic and implementation planning that set priorities and assigned specific responsibilities. We added that the planning efforts should also (1) make sure that transportation coordinating planning efforts under development reinforce one another, (2) assess barriers to coordination, and (3) make information on coordination barriers and strategies to overcome the barriers readily available.

In our 1998 report on child labor in agriculture, we suggested that follow-through with existing coordinating mechanisms was needed.[28] Recognizing that the patchwork of workforce protections was dependent upon effective coordination, the Department of Labor established coordination procedures. These procedures included referring potential cases to, conducting joint inspections with, and exchanging information with key federal enforcement agencies. However, in 1998, we found that the procedures were not always being followed and Labor, in many cases, had no controls in place to alert it to any coordination problems. We noted that the lack of coordination could result in farmworkers' children working in violation of the law.

Another approach to rationalizing crosscutting programs is to move beyond coordination to the integration of service delivery. We recently reported that despite federal policies, most children receiving federal health care assistance had not been screened for lead poisoning. We said that improved coordination for this assistance was one way to increase the number of low-income children being screened for this serious health threat. Since research has shown that underimmunized populations and populations most at risk of lead poisoning are often the same, we recommended that HHS consider integrating lead screening with other preventive health care for children. We further recommended that one possible candidate for such an arrangement might be the USDA's Special Supplemental Nutrition Program for Women, Infants, and Children.[29] As a first step in addressing our recommendations, HHS has developed a

[28] Child Labor In Agriculture: Changes Needed to Better Protect Health and Educational Opportunities (GAO/HEHS-98-193, Aug. 21, 1998).

[29] Lead Poisoning: Federal Health Care Programs Are Not Effectively Reaching At-Risk Children (GAO/HEHS-99-18, Jan. 15, 1999).

working group to develop and implement an initiative to address the issues we raised in this report, including establishing partnerships with other federally funded programs that are administered by the states.

Finally, our work also suggested that, where appropriate, program consolidation offered the potential to reduce costs and improve the efficiency and effectiveness of federal crosscutting efforts—especially when programs with similar objectives and clientele were brought together and unplanned fragmentation and overlap were reduced. We have long proposed as a candidate for reorganization the federal system that is to ensure the safety and quality of the nation's food system.[30] Our work found that this system—at a cost of over $1 billion a year—is inefficient and hinders the government's efforts to effectively protect consumers from unsafe food.

An oft-cited example of fragmentation in the federal food safety effort is that, on one hand, USDA is responsible for inspecting food plants that produce open-faced meat sandwiches and pizzas with meat toppings. On the other hand, HHS' Food and Drug Administration is responsible for inspecting food plants that produce traditional meat sandwiches and nonmeat pizzas.

Our work also suggests that efficiencies might be gained by consolidating some of the 117 federal programs serving at-risk and delinquent youth in fiscal year 1998 into a smaller set of programs. We reported in 1996 that it might be more efficient to have one program, administered by a single federal office, cover a particular service/target group combination. However, we also reported deciding what, if anything, should be done to reform the system would require consideration of how individual programs currently operate, with special attention to how consolidation could reduce overall administrative costs. It would require careful thought about what such a system should look like and how it should function, including its scope, design, goals, and strategies.[31]

[30]Food Safety: Opportunities to Redirect Federal Resources and Funds Can Enhance Effectiveness (GAO/RCED-98-224, Aug. 6, 1998) and Food Safety and Quality: Uniform, Risk-based Inspection System Needed to Ensure Safe Food Supply (GAO/RCED-92-152, June 26, 1992).

[31]See At-Risk and Delinquent Youths: Fiscal Year 1998 Programs (GAO/HEHS-99-88R, Mar. 30, 1999); At-Risk and Delinquent Youth: Multiple Programs Lack Coordinated Federal Effort (GAO/T-HEHS-98-38, Nov. 5, 1997); At-Risk and Delinquent Youth: Fiscal Year 1996 Programs (GAO/HEHS-97-211R, Sept. 2, 1997); and At-Risk and Delinquent Youth: Multiple Federal Programs Raise Efficiency Questions (GAO/HEHS-96-34, Mar. 6, 1996).

Conclusions

Our previous work has identified widespread mission fragmentation and program overlap in the federal government. Since our 1997 report on fragmentation and overlap was issued, we identified additional examples of fragmentation and overlap, including social programs for the homeless and DOD's development and acquisition of weapon systems. This fragmentation and overlap underscores how important it is that the federal government develop the capacity to more effectively coordinate crosscutting program efforts and to identify and eliminate those programs where redundancy does not serve public policy.

Our work also indicates that coordinating crosscutting programs will be a persistent challenge for executive branch agencies. In addressing these challenges, agencies will need to overcome barriers, such as disparate missions and incompatible procedures, processes, data, and computer systems.

Although we have offered various specific approaches—such as setting up interagency coordination mechanisms, integrating service delivery, and consolidating programs—for rationalizing crosscutting programs, we believe that GPRA provides a general, systematic approach for ensuring that agencies' goals and strategies are mutually reinforcing. The act's requirements for strategic and performance planning as well as performance reporting provide agencies and OMB with opportunities to address fragmentation and overlap. OMB could use the governmentwide performance plan, which is to be based on agency performance plans, to more directly address crosscutting programs. While preparing this plan, OMB could integrate expected agency-level performance and more clearly relate and address the contributions of alternative federal strategies to common performance goals. Furthermore, as agencies work with OMB to develop their annual performance plans, they could consider the extent to which goals are complementary and the need for common performance measures. Finally, OMB and agencies could use the annual performance reporting process to show how the goals were met and, if unmet, what actions, plans, and schedules agencies have developed, or could develop, to meet those goals.

In addition, the governmentwide performance plan and annual performance reports could set the stage for a more integrated and focused dialogue between Congress and the administration about priorities and how agencies interact in implementing those priorities. Congress could use this dialogue to help identify crosscutting program efforts where a consensus exists on how to address fragmentation and overlap. This consensus may lead to statutory reform for new approaches for

interagency coordination that integrate or consolidate federal programs or that eliminate unneeded programs. Congress could also use performance information to better inform policy debate and program oversight when dialogue does not lead to consensus.

We are sending copies of this report to Senator Joseph I. Lieberman, Representative Dan Burton, and Representative Henry A. Waxman in their respective capacities as the Ranking Minority Member of the Senate Committee on Governmental Affairs, Chairman of the House Committee on Government Reform, and Ranking Minority Member of the House Committee on Government Reform. We are also sending copies to the Honorable Jacob J. Lew, Director of OMB, and will make copies available to others on request.

If you have any questions about this report, please contact me or Donna Byers, Evaluator-in-Charge, at (202) 512-8676.

Sincerely yours,

J. Christopher Mihm
Associate Director, Federal Management
and Workforce Issues

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