

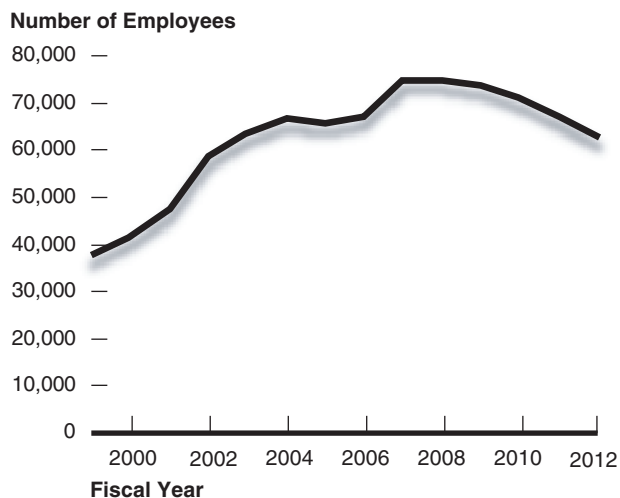


Strategic Objective:

Assess the Government's Human Capital and Other Capacity for Serving the Public

Issue: The federal government requires a mixture of critical resources—such as human capital, information technology, and financial systems—to fulfill its roles and achieve intended results. Unfortunately, over the last decade, the federal government has missed opportunities to make needed investments in these resources effectively. For example, agencies have only recently started the analysis necessary to link their human capital policies and practices to their missions and goals. This situation puts the government at risk because an increasing number of federal employees will become eligible to retire over the next several years (see fig. 3.1).

Figure 3.1: Employees Eligible to Retire at 24 Major Agencies, Fiscal Years 1999 through 2012



Notes: Estimates do not reflect likely attrition before becoming eligible to retire. "Employees" are career federal employees at agencies that fall under the Chief Financial Officers (CFO) Act, which account for about 98 percent of the executive branch's employees. The CFO Act agencies include the cabinet agencies and major independent agencies, such as the Environmental Protection Agency and the Social Security Administration, but exclude the U.S. Postal Service, the Federal Reserve, the Tennessee Valley Authority, and the intelligence agencies.

Source: GAO's analysis of data from the Office of Personnel Management's Central Personnel Data File as of Sept. 30, 1998.

Accordingly, GAO and the President have identified human capital as a critically needed management reform. In January 2001, GAO designated strategic human capital management as a governmentwide high-risk area. GAO's high-risk report outlined four pervasive human capital challenges facing the federal government:

- strategic human capital planning and organizational alignment;
- leadership continuity and succession planning;
- acquiring and developing staffs whose size, skills, and deployment meet agency needs; and
- creating results-oriented performance cultures.

Moreover, the President's Management Agenda for Fiscal Year 2002 also identifies human capital as the first of five governmentwide areas for management reform (see fig. 3.2). It calls for workforce planning and restructuring in terms of each agency's mission, goals, and objectives. Both the administration and the Congress have proposed legislation intended to address human capital issues at the federal level.

Figure 3.2: The President's Management Agenda for Fiscal Year 2002: Governmentwide Initiatives

1. Strategic Management of Human Capital
2. Competitive Sourcing
3. Improved Financial Performance
4. Expanded Electronic Government
5. Budget and Performance Integration

In addition, numerous poorly managed information technology systems have produced multimillion-dollar cost overruns, schedule slippages, and poor results, and now the government's information technology and management infrastructure faces security threats. Similarly, the federal government's

financial management has suffered from neglect and financial systems with serious shortcomings. One result of this condition is that many agencies prepare statutorily required annual financial statements, and receive unqualified audit opinions, only by using inefficient, time-consuming, and costly processes to remedy inaccurate and untimely information produced by their financial systems. This approach does not result in significantly improved financial management and requires resources that could otherwise be used to address underlying financial management systems and control problems. Moreover, financial management success goes beyond an unqualified financial statement audit opinion—the federal government also must recognize the importance of success measures such as having financial information that is timely, reliable, and useful for managing operations day to day; financial systems that meet requirements; no material internal control weaknesses; and cost reporting that captures the full cost of programs and projects.

Agencies also are considering other approaches for achieving greater efficiency and effectiveness in their operations, including appropriate use of contracts with the private sector. In response to a congressional mandate, GAO convened the Commercial Activities Panel, chaired by the Comptroller General, to review the process and procedures agencies use to decide whether to have needed services performed by government employees or through contracts with the private sector. The panel issued its report to the Congress on April 30, 2002. The panel developed a set of principles to be used in addressing sourcing decisions and recommended that competitions between the public and private sectors to perform commercial functions be conducted using the established framework of the Federal Acquisition Regulation (FAR). GAO will be following developments in this area closely in the coming years.

While it is important to enhance the government's use of new technologies to improve the collection and dissemination of government information, it is also important that this information—especially that

collected for statistical purposes—meets the current needs of federal programs and policymakers. In areas where the U.S. economic and social structure is undergoing major change, statistical agencies need to respond to these changes with relevant data on a timely basis.

Finally, despite recent reforms to transform the federal acquisition process, the government still does not have a world-class purchasing system. All too often, many of the products and services the government buys cost more than expected, are delivered late, or fail to perform as expected. No commercial business would remain viable for very long with results like these. Significant improvements—including the skills of the acquisition workforce—are needed to produce better outcomes that mirror the practices of the nation's best commercial companies.

Performance Goals: To assess the government's capacity to better deliver public services, GAO will

- identify and facilitate the implementation of human capital practices that will improve federal economy, efficiency, and effectiveness;
- identify ways to improve the financial management infrastructure capacity to provide useful information to manage for results and costs day to day;
- assess the government's capacity to manage information technology to improve performance;
- assess efforts to manage the collection, use, and dissemination of government information in an era of rapidly changing technology;
- assess the effectiveness of the Federal Statistical System in providing relevant, reliable, and timely information that meets federal program needs; and
- identify more businesslike approaches that can be used by federal agencies in acquiring goods and services.

Identify and Facilitate the Implementation of Human Capital Practices that Will Improve Federal Economy, Efficiency, and Effectiveness

Key Efforts

- ❑ Assess agencies' progress in integrating strategic human capital management into program and mission decision making
- ❑ Identify best practices in leadership, organizational continuity, and succession planning
- ❑ Identify options for improving the federal government's ability to attract, retain, train, and develop staff with skills that meet current and emerging needs
- ❑ Develop approaches for better instilling a "performance culture" in agencies that aligns management, decision making, and accountability with results

Significance

One of the most important assets of federal agencies is the workforce. For agencies, building and maintaining an effective workforce—their human capital—are critical in both the accomplishment of their missions and in the use of taxpayers' funds. No consensus has emerged, however, on the fundamental structural or policy changes that may be needed to address agencies' management of their human capital. At its core, sound human capital management requires a well-grounded analysis that continually links an agency's human capital policies and practices to its mission and strategies. Yet, strategic workforce planning has often been neglected in federal agencies. For example, despite an explicit requirement that agencies take human capital into account in developing their performance plans under the Government Performance and Results Act (GPRA), most of the plans show little evidence that this has been done. Inadequate strategic human capital management is eroding the capacity of some agencies—and threatening to erode the capacity of others—to efficiently, effectively, and economically provide services and deliver results for the benefit of the American people.

Potential Outcomes that Could Result when GAO's Work Is Used

Improved human capital planning at agencies, as evidenced in their GPRA plans

Informed decision makers who are knowledgeable about best practices alternatives for human capital activities such as attracting, retaining, training, developing, managing, and rewarding talented employees

Greater congressional awareness of the major human capital issues facing key federal agencies

Consensus on fundamental structural or policy reforms for federal human capital management

Identify Ways to Improve the Financial Management Infrastructure Capacity to Provide Useful Information to Manage for Results and Costs Day to Day

Key Efforts

- ❑ Work with the Office of Management and Budget (OMB) and the Department of the Treasury to define conceptually how to measure financial management success and develop key performance indicators
- ❑ Monitor the management of projects to modernize financial management systems and assess whether they provide meaningful, useful information
- ❑ Analyze and report on agencies' progress in implementing federal accounting standards and other Federal Financial Management Improvement Act requirements
- ❑ Identify financial management best practices and suggest ways to improve financial management operations, organizations, and human capital practices
- ❑ Fulfill accounting, auditing, and internal control standards setting responsibilities

Significance

Today, the government does not have timely, accurate, and useful financial information to measure and control costs, manage for results, and make timely and fully informed decisions. Routinely generating good financial information will require modern financial management systems that (1) ensure consistent agency and governmentwide reporting; (2) account for the full cost of programs and projects; (3) integrate program, budget, and financial information; (4) report performance measures; and (5) implement appropriate accounting standards. The government has not yet met this challenge nor addressed the persistent financial management human capital issues and the high-risk financial management operations GAO identified at several major agencies.

Potential Outcomes that Could Result when GAO's Work Is Used

Agreement on financial management success measures that go beyond attaining an unqualified audit opinion on annual financial statements

Reliable, useful, and timely financial and budget information routinely available to manage daily operations and properly implement a results-oriented government

Enhanced congressional oversight of agencies' progress in implementing federal accounting standards, improving financial systems, and resolving high-risk financial management operations

Accounting, auditing, and internal control standards that are tailored to government's unique characteristics and special needs and are generally accepted

Effective governmentwide financial management reform initiatives

Assess the Government's Capacity to Manage Information Technology to Improve Performance

Key Efforts

- ❑ Continue to build on efforts to review the integrity of key systems—including operational systems and new systems development and acquisition efforts—and processes
- ❑ Assess federal efforts to develop and implement governmentwide improvements to computer security and to implement critical infrastructure protection initiatives
- ❑ Continue to develop best practice evaluations of specific elements of IT management and make available guidance and methodologies based on these studies
- ❑ Apply these guidelines and methodologies to determine institutional and system specific management capability and, thereby, to improve government performance and accountability
- ❑ Assess agencies' progress in completing complex multiyear modernization efforts needed to serve government and the public

Significance

As the United States continues to exploit the opportunities inherent in the greater use of technology, it is important that the government act to ensure the safety and security of the automated systems and electronic data that support virtually all important operations and assets. It is also important to ensure that the federal government's information technology (IT) budget of more than \$50 billion is better managed to help achieve greater program effectiveness and service delivery, as well as improved economy and efficiency in government operations.

Potential Outcomes that Could Result when GAO's Work Is Used

Enhanced agency capability to detect, protect against, and respond to computer intrusions

More effective evaluation of the risk and vulnerability of interconnected systems

Improved agency management and engineering capability to develop and acquire IT systems that support mission and performance objectives

More informed congressional appropriations and oversight decisions on major planned and ongoing IT investments

Improved service delivery and greater economy and efficiency of critical government operations

Increased return on the federal government's IT investments

Expanded and consistent governmentwide application and implementation of IT best practices

Assess Efforts to Manage the Collection, Use, and Dissemination of Government Information in an Era of Rapidly Changing Technology

Key Efforts

- ❑ Examine issues related to the oversight of the Paperwork Reduction Act and reauthorization of the Office of Management and Budget's Office of Information and Regulatory Affairs
- ❑ Assess agencies' strategies and plans to guide the government's transition to conducting business electronically
- ❑ Review the results and lessons learned from the 2000 census and monitor the Bureau of the Census's planning efforts for the 2010 census
- ❑ Assess the government's progress using technology to store and preserve public records
- ❑ Review the government's ability to efficiently and effectively disseminate government information using traditional methods and new electronic technologies
- ❑ Examine the government's efforts to provide the public with efficient and responsive access to publicly funded research and government records
- ❑ Assess the government's ability to protect the privacy of individuals' information

Significance

Information has very rapidly become a critical strategic asset. Therefore, it is important that federal agencies manage this valuable resource to fulfill mission goals and achieve organizational efficiency and effectiveness. Agencies, however, face unique challenges because of statutory requirements to reduce information collection burdens on the public, protect the privacy of personal records, provide access to public records, disseminate information, secure information from harm or misuse, and preserve information of historical value. Meanwhile, technological advances, including the growth of the Internet, have created the promise of an increasingly electronic government that will make government services and information more accessible to the public. At the same time, these trends have raised concerns about the adequacy of the current governmentwide organizational and policy framework and about agencies' ability to manage information and more importantly, knowledge, in this evolving environment.

Potential Outcomes that Could Result when GAO's Work Is Used

An updated set of national policies on privacy, access, burden, data sharing, and storage in an electronic environment

Expanded and improved citizen access to public services and information through electronic means

A more accurate and less costly census in 2010

Improved records management programs

A managed transition as the government moves away from printing as the primary means for disseminating information to the public

Less costly and more responsive ways to provide the public access to government records

Improved compliance with existing privacy requirements and a better understanding of the challenges the government faces in ensuring personal privacy in an increasingly electronic environment

Assess the Effectiveness of the Federal Statistical System in Providing Relevant, Reliable, and Timely Information that Meets Federal Program Needs

Key Efforts

- ❑ Assess the effectiveness of a fully implemented American Community Survey to provide reliable and timely information to meet the needs of federal programs and to replace existing statistical programs
- ❑ Assess the need to change existing measures or to provide additional measures of economic performance to better reflect a knowledge-based economy
- ❑ Identify major coverage and timing gaps in data related to retirement incomes and health insurance

Significance

The output of the federal government's statistical system, which spends more than \$4 billion a year, provides critical information for many federal programs. This information includes population data that are used for apportionment and redistricting; indicators of the nation's economic performance that are used by the Federal Reserve Board to monitor current economic conditions and set monetary policy; productivity, investment, income and saving data that are used by the Congressional Budget Office to project federal receipts and expenditures; and regional data that are used to allocate nearly \$200 billion in federal funds to state and local governments. In addition, GAO uses the output of statistical programs as the basis of many of its most important reports relating to the changing economy, demographics, and the quality of life. Emerging changes in the economic and social structure of the U.S. economy will place new demands on federal programs and on federal statistics in the 21st century, and the Federal Statistical System (FSS) will need to make changes to continue to produce relevant, reliable, and timely information that meet these needs.

Potential Outcomes that Could Result when GAO's Work Is Used

Measures of output, investment, and productivity that more accurately reflect new technologies and knowledge-based services

Improved regional data that more closely meet the needs of formulas for the allocation of federal funds

Improved data for decision making on social security reform and health insurance

Identify More Businesslike Approaches that Can Be Used by Federal Agencies in Acquiring Goods and Services

Key Efforts

- ❑ Evaluate change to the policies and procedures governing the transfer of commercial activities between the public and private sectors
- ❑ Assess the capabilities of the acquisition workforce to plan, manage, and control the purchases of goods and services
- ❑ Determine how the policies and practices that govern agencies' relationships with industry can be made more cost-effective, incorporate commercial practices, and maximize efficiencies offered by technology
- ❑ Determine whether innovative contracting initiatives used to acquire services are achieving their intended objectives

Significance

The federal government spends more than \$220 billion a year contracting for goods and services—a figure that is expected to grow. Over the last few years, significant changes were made to the federal contracting processes to improve the way the government relates to contractors and the rules governing these relationships. These changes are by no means complete, and contract management reform, with its emphasis on widespread reengineering of fundamental processes, continues to receive attention at the highest levels in the executive branch. The federal government needs to (1) improve the economy and efficiency of its commercial-type activities, (2) achieve and maintain the capacity for a high-quality acquisition workforce, (3) improve its oversight and accountability in acquiring services as well as products, and (4) eliminate the difficulties in administering federal contracts.

Potential Outcomes that Could Result when GAO's Work Is Used

Improved governmentwide policy governing decisions to use the private sector for commercially available goods and services

Adequate emphasis on career development, training, and orderly succession planning for the acquisition workforce

Greater reliance on commercial practices when appropriate

Better and more economical delivery of products and services

Outcome-oriented contract management policies and practices

More efficient and economical service acquisition by the federal government