



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

MAR 9 2004

**INSPECTION MEMORANDUM**

**To:** Philip Maestri,  
Director, Management Improvement Team  
Office of the Deputy Secretary

**From:** Cathy H. Lewis  
Assistant Inspector General  
Evaluation, Inspections, and Management Services

**Subject:** **Completion of Blueprint for Management Excellence  
Numbers 63 and 71 (ED/OIG I13D0026)**

This memorandum provides the results of our inspection of two action items from the Department of Education's (Department's) Blueprint for Management Excellence. We will be examining approximately 25 action plan items with two objectives in mind: 1) to determine if the items were completed as described; and, 2) to establish whether the items help meet the stated Blueprint objective. In this report, we examined items 63 completed on June 18, 2002 and 71 completed on June 18, 2002, concerning developing an overarching vision of human capital, developing a workforce plan framework and estimating the impact of the workforce restructuring on improving program performance outcomes.

**Background**

In the *Supplement to the August 2001 Department of Education Workforce Analysis* sent to the Office of Management and Budget (OMB) the Department stated the skills required by its employees had changed significantly over the last year. Although the core business functions remained – such as awarding grants, providing loans and conducting research – the focus changed from producing outputs to achieving results. The Department concluded, therefore, that it would need fewer employees with general skills and more employees with specific expertise or the capacity to build that expertise.

Additionally, the Department expected significant changes in its work beginning in FY 2002. The changes include the addition of new grant programs totaling over \$1.5 billion; consolidation of several programs totaling \$2.8 billion; the competing of commercial activities as required by the Federal Activities Inventory

Reform (FAIR) Act; the adoption of new technologies; and the improvement of its financial management systems.

In the December, 2001 *Supplement* the Department informed OMB that it had begun a systematic effort to determine how the changes would affect human resources. To strategically manage its employees – its human capital – the Department would need to determine what skills would no longer be required and what new skills would be needed in the next five years. According to the Department, its process for completing these tasks was laid out in the One-ED report.

Because action items 63 and 71 are so closely related, we are combining them for the purpose of this inspection.

Blueprint Action item 63 states:

Develop an overarching vision of human capital that ties to the strategic plan.

Blueprint Action Item 71 states:

Estimate the impact of the workforce restructuring on the Department's plan for improving program performance outcomes.

Completion of both of these items was based on acceptance of the One-ED plan on 6/18/02 by OMB as meeting the requirement to develop a human capital vision, restructuring and competitive sourcing plan.

**Objective 1: Were the action items completed as described for Numbers 63 and 71?**

The One-ED plan does not provide an overarching vision of human capital tied to the Department's strategic plan, nor does it estimate the impact of workforce restructuring on improving program performance.

On June 18, 2002 OMB accepted the One-ED report as meeting their requirements for a Five-Year Plan for Human Capital, Strategic Sourcing and Restructuring. The One-ED report, however, does not offer an overarching vision of human capital tied to the strategic plan and does not estimate the impact of workforce restructuring on improving program performance. At the core of One-ED is the Strategic Investment Process (SIP), in which teams of employees examine a business function, prepare a business case analysis and present reengineering proposals to the Executive Management Team (EMT). The EMT then determines whether the function will be reengineered or competitively sourced. A spokesperson for the Department stated that when the competitions are finalized and the reengineering completed, "this is when we will

redefine structure, realign human capital needs and demonstrate efficiencies/savings.” However, the strategic investment process, as implemented in Phase I of One-ED was a narrowly focused examination of a few components across the Department. It will not yield a comprehensive human capital strategy. Performance information and performance metrics were gathered/created as part of each business case; however, measuring any change in performance using these metrics, must await completion and full implementation of any reengineering or competitive sourcing activity.

**Objective 2: As completed, did the actions taken help the Department to meet the stated Blueprint objectives?**

The One-ED report, which was the basis for designating both of these items as “completed,” does not articulate an overarching vision of human capital tied to the strategic plan or estimate the impact of workforce restructuring on improving program performance. The One-ED strategic investment process will not yield an overarching vision of human capital tied to the strategic plan; whether it will yield information on improved program performance remains to be seen.

**Recommendation:**

The MIT should reconsider its designation of both of these action items as “completed.”

**MIT Response**

For Action Item Number 63, the MIT provided additional information on “Strategic Human Capital Management” but agreed to evaluate the issue of human capital and update the Department’s human capital vision. With regard to Action Item Number 71, the MIT concurred that it was not completed as intended and will record the item as closed. The MIT response is included as an attachment to this memorandum.



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF THE DEPUTY SECRETARY

February 13, 2004

To: Cathy H. Lewis  
Assistant Inspector General  
Evaluation, Inspection and Management Services

From: Phillip Maestri, Director  
Management Improvement Team

Subject: Completion of Blueprint for Management Excellence Numbers 63 and 71 (ED/OIG I13D0026)

Thank you for the opportunity to review and comment on a draft version of this inspection memorandum.

Comments on Background and Findings

The Management Improvement Team recorded both blueprint action item #63 (develop an overarching vision for human capital) and #71 (estimate the impact of restructuring on improving performance) as completed based on the completion of the One-ED report in June 2002. However, based on an inspection of these two blueprint action items, the Office of the Inspector General (OIG) has indicated that One-ED does not provide an overarching vision for human capital nor does it estimate the impact of workforce restructuring on improving program performance. It appears that the determination by the OIG was based on a review of the One-ED Strategic Investment Process, which is described in the inspection report as "the core of One-ED."

However, the One-ED report published in June 2002 clearly describes "Strategic Human Capital Management," not the "Strategic Investment Process," as the core to the One-ED model (refer to page 3 of the One-ED report). The One-ED report further describes "Four Critical Factors for Success" as they relate to Strategic Investments in Human Capital. These four success factors were identified as:

- Top Leadership Commitment
- Improving Performance Management
- Workforce Skills
- Leadership and Succession Planning

The One-ED report identifies specific activities that need to be accomplished in order to realize success in these identified areas (refer to pages 4 – 7 of the One-ED report). These activities *coupled with* the Strategic Investment Process formed the basis for the Department's "overarching vision for human capital." The Management Improvement Team recorded Blueprint action item #63 as completed not based solely on the Strategic Investment Process but

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based on these identified and planned activities, which viewed in concert with the Strategic Investment Process created a clearer vision of the Department's human capital plan.

The Management Improvement Team recorded Blueprint action item #71 as completed based on the philosophy envisioned in One-ED (and noted in the inspection report) that the Department would not use restructuring to drive improvements to program performance but would instead identify business needs and requirements and let those needs and requirements drive restructuring.

Response to recommendations

The inspection report recommends "the Management Improvement Team reconsider its designation of both of these action items as "completed."

With regard to blueprint action item #63, the Management Improvement Team believes that if the One-ED report, published in June 2002, is considered as a whole and is not just evaluated based on the Strategic Investment Process described in the report, it forms the foundation for an "overarching human capital *vision*." However, the Management Improvement Team acknowledges that the human capital related activities identified in the One-ED report have not been accomplished as originally envisioned and have therefore not had the intended affect on the organization. As a result, the Executive Management Team is currently evaluating the issue of human capital and is identifying activities that need to be taken to address human capital issues throughout the Department. In addition, the Office of Management has agreed to update the Department's human capital vision.

With regard to blueprint action item #71, the Management Improvement Team concurs that this action item was not completed as intended. The Department's position regarding restructuring changed during the process of creating One-ED. The Department felt that it was critical to identify business needs and requirements and let these needs and requirements drive performance improvement rather than let restructuring drive performance improvement. As a result, the Management Improvement Team will record action item #71 as "closed" rather than "completed" and will note the change in vision in the comments section of the blueprint action item.