

**REPORT OF
SENATOR FRED THOMPSON,
CHAIRMAN OF THE GOVERNMENTAL AFFAIRS COMMITTEE
ON
MAJOR MANAGEMENT CHALLENGES
FACING FEDERAL DEPARTMENTS AND AGENCIES**

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Preface From Chairman Thompson

Waste, fraud, and abuse in the Federal government have become a cliché. The tremendous growth in the amount of money the Federal government wastes each year is too predictable. Stories in the press have numbed the American public to the fact that billions of dollars are squandered as the result of mismanagement or malfeasance.

Last year, I released a report by the General Accounting Office chronicling a disturbing trend in many Federal programs – improper payments. The report tallied improper payments in Federal programs at \$19 billion for fiscal year 1998

alone. This year, such overpayments were estimated at almost \$21 billion. And because only 14 programs actually estimate the amount of improper payments they make, the number is likely higher – much, much higher. But because there was scarcely a mention of the report in the press, commentator Paul Light mused in Government Executive magazine, "Perhaps Americans simply believe the war on waste cannot be won."

Other problems plaguing government operations are equally systemic. In 1990, the GAO began to compile a "high-risk list" of Federal programs and activities that were most vulnerable to waste, fraud, and abuse. This high-risk list started with 14 problem areas and has been expanded with every update issued by the GAO, listing problems like poor financial management, weak information security, and shoddy oversight of government contractors. The current list, released in 1999, includes 26 Federal agency problem areas. Although new areas are added regularly, few qualify for removal. In fact, only one high-risk area has been removed since 1995. Ten of the 14 original high-risk areas in 1990 remain on the list, despite the pressure to solve the problems.

A similar pattern is found in the reports of agency Inspectors General. In each of the past three years, the IGs of major Federal agencies reported to Congress the most serious performance problems their agencies faced. The problems identified by the IGs--like poor management of personnel, disastrous handling of major information technology projects, and ineffective controls over grant programs--remain much the same year after year.

The effect of this waste and mismanagement year after year is not inconsequential. Opinion polls consistently show low levels of public trust and confidence in the Federal government. These low expectations of Federal performance are the result of the constant barrage of information showing that Washington is wasting a significant proportion of the tax dollars Americans pay each year. In 1998, a survey conducted by the Washington-based Pew Research Center found that 64 percent of Americans view the government--with a burgeoning budget of over \$2 trillion--as "inefficient and wasteful."

The key component lacking in Federal government management is accountability. The Federal government is so large and its policies are so cumbersome that no one is held accountable for the ineptitude with which its resources are managed. Until someone is held accountable for the mess the current government is in and until Congress stops throwing good money after bad, the problems will go on.

To its credit, Congress in 1993 enacted a law that attempts to make Federal agencies more accountable to the American people about how their resources are managed. The Government Performance and Results Act – the Results Act – tells agencies to define their mission, set goals, and report on the extent to which they are achieving them. I saw this as a chance to make agencies set goals to

solve their major management problems and report on their progress to the Governmental Affairs Committee, which has responsibility for the efficiency of government operations.

In August 1999, I wrote to each major agency head and listed in detail the major management problems that have plagued their department or agency and asked them what they were doing about them. In my letter, I wrote that "it is essential that agency heads and other managers commit themselves to tangible steps that will eventually lead to solutions and that they accept accountability for following through on these commitments." The letter continued, "Without specific and measurable performance goals, it is difficult if not impossible to assess progress in addressing major management problems and to hold agencies accountable." After receiving agency responses, Committee staff met with representatives from each agency, their respective IGs, and GAO. This report recounts the experience of the Committee in gauging the progress of agencies in solving their major management problems.

It is clear to me from this process that there are pockets of progress throughout the Federal government. Generally, where such progress is occurring it is the result of dedicated civil servants and political appointees working diligently to instill performance based management in their agency. That is what it will take to solve many of these problems.

Unfortunately, in many agencies there is insufficient attention to the problems that are stifling effectiveness and draining precious resources. In those cases, agency leaders either don't realize the severity of the problems or don't think such "management minutiae" deserves their attention.

This report recounts the process by which we interviewed agency officials and provides some conclusions about the current state of management in the Federal government. Sound management policies are critical to the future success of this government in the new economy. We have a long way to go.

Fred Thompson

Chairman

I. Executive Summary

Since enactment of the Government Performance and Results Act – also known as "GPRA" or "the Results Act" – several independent assessments have shown that governmentwide implementation of GPRA has been uneven. One area where there have been too few results is addressing major management

challenges that seem to persist year after year at many agencies. Senator Fred Thompson, Chairman of the Senate Governmental Affairs Committee, has urged Federal agencies to apply GPRA's results-oriented principles—goal setting, performance measurement, and reporting—to address these major management problems. Without the consistent development and use of such goals and measures, it is difficult for congressional decision makers to assess agencies' progress in addressing these problems.

On August 17, 1999, Chairman Thompson wrote individual letters to the heads of the 24 largest Federal agencies to request information on what actions they were taking to address their long-standing management challenges and to determine the extent to which agencies were using GPRA as a means to address these management problems. In these letters to the agencies, Chairman Thompson detailed each agency's most serious management problems as identified by the General Accounting Office (GAO) and by each agency's Inspector General (IG). Each letter contained an analysis by Committee staff of how well each of the 24 agencies' annual Results Act Performance Plans for fiscal year 2000 addressed the agency's major management challenges and how well the agency was responding to unresolved GAO and IG audit recommendations designed to remedy these major problems. In his letters to the agencies, Chairman Thompson requested that representatives of each agency meet with Committee staff to discuss the agency's response to the Chairman's letter and to follow up on the agency's progress in using performance planning and reporting to address major management challenges and high-risk programs.

From November 1999 through June 2000, Committee staff met with management officials from each of the 24 agencies. The Committee staff's meetings with agency officials and the reviews of agency documents revealed that agencies have not consistently developed performance goals and associated measures that directly address their respective management challenges and high-risk programs. The Committee staff found that 11 of the 24 agencies reported few, if any, specific and readily identifiable goals and measures that directly address their major management problems. Eight of the 24 agencies reported a moderate level of such goals and measures for these management challenges. Only 5 of the 24 agencies reported more extensive goals and measures that directly address these challenges.

The Committee staff's review of agencies' efforts unfortunately shows that the growing attention to management problems has been insufficient to meet the challenges they pose. Poor management of Federal agencies and programs still causes tremendous waste of Federal dollars and, in many cases, prevents the government from achieving its missions. To address continued concerns about agencies' efforts to address their major management challenges, the Committee staff has identified some recommendations for improvement. These recommended actions include the following:

OMB should clarify and strongly enforce its Results Act guidance requiring agencies to develop and report on performance goals and measures that directly address major management challenges and high-risk programs. Although there has been some progress in this area, there are clearly too few goals and measures to address the many major challenges that exist today. In cases where agencies have valid reasons for not developing such goals and measures, the agency should describe how it is monitoring the progress in resolving these management challenges and how it is being held accountable to address these challenges.

Agencies should ensure that they include in their Performance Reports specific and credible information on how they plan to meet unmet goals in the future. The review of agencies' Performance Reports clearly showed that some agencies were less than thorough in reporting this information.

OMB should develop and publish goals and measures for the Priority Management Objectives and report on the Federal government's progress toward meeting these goals. Each year, OMB designates this list of significant management problems but currently monitors progress without the benefit of specific and publicly available measures.

Agencies should incorporate performance measures for major management challenges into the performance agreements of agency leaders and program managers. The success of the Results Act and performance-based management in Federal agencies depends in large part on the extent to which agency officials and employees understand the goals set forth by the agency and are held accountable for achieving them.

The IGs and GAO should take more direct and frequent action to follow up on what the agencies have done to respond to IG and GAO recommendations, particularly on key recommendations addressing critical management problems. The IGs should also provide more information on open recommendations in their semiannual reports, especially as such recommendations relate to the IG top-ten management challenges. Although many agencies are doing a respectable job in responding to GAO and IG recommendations, some agencies will require more active follow-up by the IGs and GAO on outstanding recommendations. By implementing these recommendations, the Federal government can redouble its efforts to bring about a culture that values a results-oriented approach to managing Federal agencies and programs. Although establishing specific and measurable goals for these major management challenges can be a complex undertaking, the development and reporting of such goals is one of the most effective methods for ensuring accountability for achieving results.

II. Introduction and Background

During the 1990s, Congress enacted a broad statutory framework to improve the management and accountability of Federal agencies. At its centerpiece is the Government Performance and Results Act of 1993 (Public Law 103-62)—also known as "GPRA" or "the Results Act." GPRA is intended to improve the efficiency and effectiveness of Federal programs by establishing a system to set goals for program performance and to measure results. GPRA requires that Federal agencies establish long-term strategic goals, develop annual performance goals, measure their performance against those goals, and report publicly on how well they are doing. Agencies are to meet these requirements through the preparation of multiyear strategic plans, annual Performance Plans, and annual Performance Reports.

Since GPRA's enactment, several independent assessments have shown that governmentwide implementation of GPRA has been uneven. One area where there have been too few results is addressing major management challenges that seem to persist year after year at many agencies. Committee Chairman Thompson has urged Federal agencies to apply results-oriented principles—goal setting, performance measurement, and reporting—to address these major management problems. Without the consistent development and use of such goals and measures, it is difficult for congressional decision makers to assess agencies' progress in addressing these problems.

The Federal government's response to the Year 2000 (Y2K) computer problem is illustrative of how a significant management challenge can be successfully addressed. With heightened public and media interest and a firm deadline of January 1, 2000, Congressional and Executive Branch decision makers were committed to dedicating sufficient resources to address the problem. Federal managers provided strong project leadership and sustained attention. Congressional oversight throughout the remedial phases of the Y2K effort also continued to ensure focus and attention on the issue. Lessons learned from the Y2K computer problem can clearly assist Federal managers in resolving many of these other management challenges and high-risk programs that continue to plague agencies year after year.

On August 17, 1999, Chairman Thompson wrote individual letters to the heads of the 24 largest Federal agencies to request information on what actions they were taking to address their long-standing management challenges and to determine the extent to which agencies were using GPRA as a means to address these management problems. In these letters to the agencies, Chairman Thompson detailed each agency's most serious management problems as identified by the General Accounting Office (GAO) and by each agency's Inspector General (IG). Each letter contained an analysis by Committee staff of how well each of the 24 agencies' annual Results Act Performance Plans for fiscal year 2000 addresses the agency's major management challenges and how well the agency is

responding to unresolved GAO and IG audit recommendations designed to remedy these major problems. In his letters to the agencies, Chairman Thompson requested that representatives of each agency meet with Committee staff to discuss the agency's response to the Chairman's letter and to follow up on the agency's progress in using performance planning and reporting to address major management challenges and high-risk programs.

From November 1999 through June 2000, Committee staff met with management officials from each of the 24 agencies. This report was prepared primarily on the basis of these meetings along with the committee's examination of agencies' Performance Plans and reports as well as analyses by GAO, the IGs, and the Congressional Research Service (CRS). Most if not all of the management challenges described in this report have been the subject of recurring reports by GAO, the IGs, and others.

III. Designation of Major Management Challenges and High-Risk Programs

VI. Agency Efforts to Develop Performance Goals and Measures for Management Challenges

V. Agency Actions and Plans to Address Unmet Goals

In the annual Performance Report required under the Results Act, each agency must report the actual level of performance for each performance goal and compare these results to the target level of performance outlined in the agency's annual Performance Plan. For every performance goal whose target level was not achieved, the agency should describe and explain (1) why the goal was not met, (2) the plans and schedules to meet the unmet goal in the future, and (3) if a performance goal is found to be impractical or infeasible, the reason that the particular goal is not practical or feasible and recommendations for a course of action for the goal. OMB's guidance on preparing annual Performance Reports states that agencies must provide this explanation "even if the difference between the goal target level and actual performance is slight."

The Committee staff's review of the fiscal year 1999 Performance Reports of the 24 agencies showed that agencies were not always straightforward in their methods of designating whether they had indeed met the level of targeted performance. For example, Commerce defined a goal as "met" if performance came within 10 percent of the target level and defined a goal as "substantially met" if performance exceeded two-thirds of the target level. NSF limited descriptions of its performance to "successful" or "marginally effective," ignoring "unsuccessful" or "unmet" as options.

A review of the Performance Reports also showed that agencies had mixed results in describing and explaining the reasons and future plans for unmet goals, including those related to major management challenges. The Performance Reports for DOT and USAID are good examples of agencies that seemed to make a concerted effort to address unmet goals. For each of their unmet goals—including management problems and high-risk programs—both DOT and USAID described and explained why the program was unable to achieve the goal and what actions they planned to take to meet the goal in the future. These two agencies demonstrated that a clear and thorough characterization of unmet goals is important to convince congressional decision makers and the public that agency management can adequately and appropriately respond to performance shortfalls.

Other agencies, however, were less than thorough in their Performance Reports in addressing unmet goals. The Justice Department, for example, repeatedly dismissed performance shortfalls in its Performance Report by using boilerplate statements that the deviation from targeted performance was "slight and did not affect overall program performance." FEMA also neglected to provide the reader of its Performance Report with much information about plans to address its unmet goals. The Commerce Department's report described specific reasons for some unmet goals but provided little information about other unmet goals. For its goal related to the average processing time for export control license applications, the Commerce Department's Performance Report provided details about why the average processing time had increased to 40 days in 1999. However, for its goals related to patent and trademark services, Commerce often simply stated that "[m]eeting the target remains a challenge."

VI. Agency Efforts to Respond to GAO and IG Recommendations Related to Management Challenges

Corrective action taken by agency management on findings and recommendations from GAO and IG audit reports is essential to improving the effectiveness and efficiency of Federal government operations and resolving many long-standing management problems. In its guidance to Federal agencies, OMB states that management officials are responsible for receiving and analyzing GAO and IG audit reports, providing timely responses to the audit organization, and taking corrective action on the recommendations as appropriate. OMB notes that audit followup is an integral part of good management and that each agency should establish systems to assure the prompt and proper resolution and implementation of audit recommendations.

In his August 1999 letters to Federal agencies, Chairman Thompson stressed the need for agencies to resolve and implement audit recommendations related to each agency's major management problems. He noted that according to information provided to the Committee by the respective IGs and GAO, many

agencies continued to have a number of open audit recommendations that addressed these major management problems. In these letters, the Chairman also asked the agencies whether they disagreed with these GAO and IG recommendations and requested that the agencies comment on the specific actions that they were taking to implement those recommendations with which they generally agreed.

On the basis of agency responses to the Chairman's letters and Committee staff meetings with agency officials, most agencies appear to have made some progress in taking timely and appropriate action to deal with the IG and GAO recommendations on management problems and in regularly tracking these open recommendations. The Interior Department, the Social Security Administration (SSA), and the Internal Revenue Service (IRS) are examples of agencies that have made concerted efforts to implement and clear open audit recommendations. Some agencies have established specific performance goals related to implementing audit recommendations. For example, Interior has set a goal for fiscal year 2001 to complete implementation of 75 percent of IG and GAO audit recommendations within 1 year of referral, and complete 80 percent of corrective action plans for material weaknesses by their original target date.

Some agencies, however, have been less attentive to resolving open recommendations with auditors. For example, the Department of Energy (DOE) demonstrated favorable progress in clearing open recommendations from the DOE IG but was less vigilant in clearing open GAO recommendations. DOE and GAO officials found that DOE had often taken remedial action but had not readily communicated the Department's efforts to GAO to allow for the timely removal of the issue from GAO's inventory of open recommendations. In another case, EPA's IG informed Committee staff that, although EPA is generally receptive to the findings of the IG's audit reports, the agency does not generally implement these recommendations in a prompt and timely manner.

VII. Conclusions and Recommendations

On the basis of meetings with agency officials and reviews of agency documents, the staff of the Senate Governmental Affairs Committee found that the 24 largest Federal agencies have not consistently developed performance goals and associated measures that directly address the agencies' major management challenges and high-risk programs. The Committee staff's analysis showed that 11 of the 24 reviewed agencies reported few, if any, specific and readily identifiable goals and measures that directly address their major management problems. Eight of the 24 agencies reported a moderate level of such goals and measures for these management challenges. Only 5 of the 24 agencies reported more extensive goals and measures that directly address these challenges.

Although the move toward performance-based government is positive, the attention to long-standing management problems unfortunately has been

insufficient to meet the challenges they pose. Poor management of Federal agencies and programs still causes tremendous waste of Federal dollars and, in many cases, prevents the government from achieving its missions. The Federal government must concentrate its efforts to bring about a culture that values a results-oriented approach to managing Federal agencies and programs – one that emphasizes accountability and rewards results. Recommendations that will help in these efforts include the following.

OMB should clarify and strongly enforce its Results Act guidance requiring agencies to develop and report on performance goals and measures that directly address major management challenges and high-risk programs. Although there has been some progress in this area, there are clearly too few goals and measures to address the many major challenges that exist today. In cases where agencies have valid reasons for not developing such goals and measures, the agency should describe how it is monitoring the progress in resolving these management challenges and how it is being held accountable to address these challenges.

Agencies should ensure that they include in their Performance Reports specific and credible information on how they plan to meet unmet goals in the future. The review of agencies' Performance Reports clearly showed that some agencies were less than thorough in reporting this information.

OMB should develop and publish goals and measures for the Priority Management Objectives and report on the Federal government's progress toward meeting these goals. OMB currently monitors progress on the PMOs without the benefit of specific and publicly available measures.

Agencies should incorporate performance measures for major management challenges into the performance agreements of agency leaders and program managers. The success of the Results Act and performance-based management in Federal agencies depends in large part on the extent to which agency officials and employees understand the goals set forth by the agency and are held accountable for achieving them.

The IGs and GAO should take more direct and frequent action to follow up on what the agencies have done to respond to IG and GAO recommendations, particularly on key recommendations addressing critical management problems. The IGs should also provide more information on open recommendations in their semiannual reports, especially as such recommendations relate to the IG top-ten management challenges. Although many agencies are doing a respectable job in responding to GAO and IG recommendations, some agencies will require more active follow-up by the IGs and GAO on outstanding recommendations.

[VIII. Appendix](#)