



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF INSPECTOR GENERAL

MAR 15 2004

INSPECTION MEMORANDUM

To: Phil Maestri
Director, Management Improvement Team
Office of Deputy Secretary

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

Subject: **Completion of Blueprint for Management Excellence Numbers 65 and 66 (ED/OIG I13D0021)**

This memorandum provides the results of our inspection of two action items from the Department of Education's (Department's) Blueprint for Management Excellence. The EIMS group is examining several Action Plan items with two objectives in mind, determining if: 1) the items were completed as described; and, 2) as completed, does the action taken help the Department towards its stated Blueprint objective. In this report, we examined items 65 and 66, workforce planning, restructuring and implementation.

Background

In May 2001, the Office of Management and Budget (OMB) issued Bulletin No. 01-07, which instructed Executive agencies to submit a workforce analysis and develop a restructuring plan as part of their FY 2003 budget submission and annual performance plan. Based on this analysis, agencies would then develop a five-year plan to: 1) reduce the number of managers; 2) reduce organizational layers; 3) reduce the time it takes to make decisions; 4) change the span of control; and 5) redirect positions to ensure the largest number of employees are in direct service delivery positions and retrain or redeploy employees as part of the restructuring efforts.

Bulletin No. 01-07 also stated that the workforce analysis should be consistent with management reform initiatives, which make greater use of performance-based contracts and expand A-76 competitions. The intent of competitions as defined in OMB's Circular A-76 is to insure that the American people receive the maximum

value for their tax dollars through a public-private competition process of all commercial activities performed by government personnel.

The Department's workforce analysis report, submitted to OMB in August 2001, documented that despite program funding increases, the 2001 staffing level of 4,747 full-time equivalents (FTE) was nearly 40 percent below the 7,528 FTE in 1980. The analysis also disclosed the Department already used about 1.6 contractor staff for every Department employee. The number of contractor employees fluctuated, but the average was approximately 7,500 per year. Retirement projections indicated that 45 percent of the Department's employees were eligible for voluntary or early retirement by the end of FY 2001. Voluntary retirement rates among eligible employees, however, historically ranged between 6.9 percent and 5.8 percent.

MIT item Number 65, implementation of workforce planning and restructuring analysis, was designated by the Department as completed on August 22, 2002. MIT item Number 66, actions needed to implement the workforce and restructuring plan, was designated by the Department as completed on June 18, 2002.

The action item required for item 65 was to:

Perform a five-year workforce planning and restructuring analysis and include it as part of the FY 2003 Budget submission and annual performance plan. The EMT will identify the specific organizational changes proposed. The allocation of resources and the organization structure must support the plan.

The comments field for the action item states, "Completed on August 22, 2002. The One-ED budget is being submitted to OMB as a separate 'project'." Completion of this item was based on the acceptance of One-ED by OMB and the finalizing of budget requirements. The budget submitted to OMB in 2003 contains funding for the business case analysis contractor.

The action item required for item 66 was to:

Determine the specific actions needed to implement the workforce and restructuring plan, including a timetable for each action.

The comments field for the action item states: "Completed June 18, 2002 – this item was addressed through the One-ED report. EMT revised scheduled date from January 31, 2002. Date changed from February 10, 2002." This item was completed by the submission of the One-ED report.

Objective 1: Were the action items completed as described for Numbers 65 and 66?

Our inspection concluded that these items were only partially completed. The Department has not completed a five-year workforce planning and restructuring

analysis. The One-ED report does not describe how the Department will reduce the number of managers, reduce the number of organizational layers, reduce the time it takes to make decisions, change the span of control, or increase the number of employees who provide services to citizens. Much of One-ED was to be implemented through the strategic investment process. And according to the One-ED report, "specific organizational changes" will be identified by the Executive Management Team and "allocation of resources and the organization structure" will be determined after business cases/business case cycles have been completed.

Nine business cases have been completed to date. None of these business cases addresses all of the business functions performed by the component in question. For example, the Office of Management has reviewed only the human resource and training functions.

The One-ED business cases may result in competitive sourcing or in-house reengineering for the functions analyzed. The specific actions the Department intends to implement are outlined in the One-ED Action Plan – Tab 11: *Strategic Investment Analysis Business Case and Instructions for Completing the Business Case*. A timetable for each action is outlined in One-ED Action Plan – Tab 10: *Expected Timeline for Typical Investment Process Appendix D3*. However, the first round of preparation of business cases exceeded the expected timetable by several months, and adjustments have been made to extend the amount of time required for the business case preparation process. Until both processes - competitive sourcing and in-house reengineering - are completed throughout the Department, it will not be possible to determine even for the business process analyzed, the requisite allocation of resources and the organization structure needed to support the plan.

Many Departments are actively engaged in workforce planning. The Office of Personnel Management has provided a workforce-planning model (<http://www.opm.gov/workforceplanning/wfpmodel.htm>). In this model, OPM sets forth five steps to workforce planning with specific actions identified with each step:

1. Set strategic direction
2. Analyze workforce, identify skill gaps, and conduct workforce analysis
3. Develop action plan
4. Implement action plan
5. Monitor, evaluate and revise

One-ED addresses step 1 regarding setting strategic direction. It does set forth a vision, mission, and values, and it does establish some objectives. It calls for the review of current organizational structures and, for a very limited number of business functions, calls for the conducting of business process reengineering and establishment of some measures for organizational performance. This, however, is where One-ED begins to fall short of the intended goals. The remainder of the workforce model (steps 2-5) is addressed by One-ED in a non-comprehensive

fashion, with pieces of the Department being examined, but nothing that presents a holistic approach that would encompass all business units and processes.

Objective 2: As completed, do the actions taken help the Department towards its stated Blueprint objective?

One-ED is not a comprehensive workforce planning and restructuring analysis that provides specific actions for implementation. No comprehensive workforce planning, restructuring and implementation document appears to have been prepared. One-ED, by itself, will not “improve the strategic management of the Department’s human capital.”

Recommendations

1. The EMT should revisit the reliance upon One-ED as the Department’s means of addressing workforce planning and restructuring and require the preparation of a Department-wide human capital plan, which includes comprehensive workforce planning for the Department as a whole.
2. Until these actions are completed, we recommend that the EMT designate these items as “open.”

MIT Comments

The MIT acknowledged that the implementation of One-ED has not always been accomplished as originally envisioned and is not proceeding to the original timetable outlined in the report. As a result, the EMT is reexamining the processes associated with One-ED, the activities to be examined under One-ED, and the schedule for examining the identified activities. The MIT response is included as an attachment to this memorandum.

OIG Response

We have not modified our findings or recommendations.



UNITED STATES DEPARTMENT OF EDUCATION

WASHINGTON, D.C. 20202- _____

February 19, 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 65 and 66 (ED/OIG I13D0021)

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 #65 (five-year workforce planning and restructuring analysis) and #66 (determine actions needed to implement workforce planning and restructuring plan) as completed based, in part, 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 the Department has not completed a five-year workforce planning and restructuring analysis. In addition, the OIG has indicated that until the competitions and reengineering initiated under One-ED are complete it is not possible to determine the actions needed to support the plan.

However, the One-ED report published in June 2002, has been accepted by OMB and acknowledged as a "non-traditional" approach to workforce planning and restructuring analysis. The One-ED report describes a process – the Strategic Investment Process – that the Department will use to 1) determine the appropriate span of control (i.e., numbers of managers) required for a business function; 2) determine the appropriate number of organizational layers needed to ensure improved citizen access; and 3) streamline processes (including decision making) to increase efficiencies.

In addition, the One-ED report clearly articulates the action steps needed to implement One-ED (See "One-ED Action Plan" – Tab 2 of the One-ED report) and a timetable for implementing One-ED across the Department (See page 13 and 14 of the One-ED report and "Expected Timeline for Strategic Investment Process" – Tab 10 of the One-ED report).

Response to recommendations

The inspection report recommends the Department re-examine the use of One-ED as the means for addressing workforce planning and restructuring and designate the action items as open rather than completed.

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The Management Improvement Team believes that the One-ED report, published in June 2002, addresses OMB's requirement for workforce planning and restructuring analysis. In addition, the Management Improvement Team believes that the One-ED report clearly outlines how One-ED should be implemented throughout the Department. However, the Management Improvement Team acknowledges that the implementation of One-ED has not always been accomplished as originally envisioned and is not proceeding to the original timetable outlined in the report. As a result, the Executive Management Team is reexamining the processes associated with One-ED, the activities to be examined under One-ED, and the schedule for examining the identified activities.