

# Management Effectiveness



*With your work, President Barack Obama's leadership, and the passion we share for what we do, there is no limit to what we can achieve together.*

*Ken Salazar, Secretary of the Interior  
January 14, 2010*

The Obama Administration has challenged Federal agencies to make the Federal government more effective by reviewing programs for savings opportunities, eliminating lower priority and underachieving programs, allowing employees to identify savings opportunities, and looking for new ideas to increase the effectiveness and efficiency of government operations.

Over the years, the Department of the Interior has weeded out overlapping, duplicative, and unnecessary programs. Interior leverages resources with State, local, Tribal, and non-profit organizations through partnerships and cost-sharing arrangements. Departmental programs have a long history of using strategic and workforce planning, employee development programs, and other business strategies to improve the effectiveness of management and operations.

Interior is a leader in such practices as shared services, facility co-location, centralized acquisition, recycling and reuse, equipment life-cycle management, and many other administrative business management practices. Nonetheless, there remain areas for improvement – opportunities where additional creativity and out-of-the-box thinking could garner additional savings and efficiencies.

Interior's 2011 budget request reflects the President's management challenge in three targeted areas:

- Eliminate waste and redundancy.
- Reform Federal contracting and acquisition to make sure taxpayers get the best value possible.
- Put performance first by setting aggressive performance targets and holding managers responsible for progress.

## MANAGEMENT EFFICIENCY SAVINGS

The 2011 budget assumes management efficiency savings throughout the Department totaling \$82.1 million. Each bureau and program office, including the Departmental Working Capital Fund, assumes reductions from efficiency savings that are either bureau specific or are part of a Department-wide reform. The budget assumes \$20.1 million in bureau specific management efficiency savings, which include \$3.4 million from property consolidation.

The Department's 2011 budget assumes \$62.0 million in savings from three specific Department-wide management initiatives launched in 2010 – travel and relocation, information technology consolidation,

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and strategic sourcing. All of these improvements were identified from the Administration's SAVE Award effort, where Federal employees across the country put forward their best ideas to improve government operations. Each of these initiatives target unnecessary redundancy. Implementing management policies will reinforce these initiatives to ensure efficiencies are achieved. Savings from these reforms are assumed in each bureau and program office budget request commensurate with established criteria.

**Travel and Relocation** – The Interior Department will reduce expenditures for travel and relocation through improved management. The 2011 budget assumes \$12.0 million in savings from changes in how Interior manages employee travel, conferences, and permanent change of station relocations.

The Department has asked each bureau and program office to examine their travel practices to make sure that funding is allocated to the highest priority mission travel. Technological advancements have created alternatives to travel for long distance meetings – teleconferencing, video conferencing, shared websites and web conferencing – all enabling real-time communication and document sharing. Interior will leverage its current inventory of video conferencing facilities by making them available across bureaus to maximize their use. The



Department will issue travel ceilings against which managers can track travel spending throughout the year and reinforce smarter travel practices.

A recent Office of Inspector General report has identified opportunities to improve the Interior Department's management of permanent change of duty station relocations. The Inspector General finding suggests a need for improved policies,

practices, oversight, and reporting in multiple areas, including travel authorizations, payments, and standard requirements. The Department is evaluating options to integrate information to manage relocation data. Additionally, the Department is evaluating potential improvements in voucher and payment processing and oversight.

**Information Technology Consolidation** – In 2010, Interior will spend an estimated \$997 million on information technology systems. Through careful planning, strategic investments, and unprecedented cooperation, there is significant opportunity to realize efficiencies in the Department's IT infrastructure. The Chief Information Officers from each bureau and office have been evaluating options to reduce duplication and parallel investment in infrastructure across Interior. The initial findings are promising.

Initial recommendations include consolidating or clustering responsibilities for information technology support, streamlining and standardizing infrastructure, and reducing duplication. The result would be increased efficiency from more effectively utilized staff, services, and equipment and improved quality of services with consistent training, policies, and procedures. Specific proposals include consolidation of Interior's nine major bureaus and multiple offices on one messaging system, use of a single intranet site for hosting information, and central hosting of messaging and Web-portal services by a single entity.

Interior has conducted inventories and evaluations of servers, data centers, and help desks. In addition, the Department will be investigating the potential benefits and costs associated with migrating to a cloud infrastructure, as directed by the Administration.

The first Interior-wide efforts will focus on migration to a common e-mail system and an accelerated consolidation of servers, data centers, help desks, and hosting services. Earlier studies and assessments have been performed to examine options and costs for the Department to migrate to a common e-mail system. Initial planning indicates that savings can be realized by eliminating redundant equipment, services, and support. The Department currently operates multiple e-mail systems and utilizes resources to address issues related to incompatibility of messages between these systems.

Interior has taken the next step to convene an Interior IT Innovations and Efficiencies Team, comprised of

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technical experts to prepare deployment plans and identify additional opportunities to leverage the Department's information technology investments to create efficiencies and reduce costs.

This initiative is a multi-year effort, which will begin in 2010. Based on initial plans, the Department estimates potential early savings of \$20.0 million in 2011. This savings target has been allocated among the bureaus and offices in proportion to estimated e-mail usage using end-of-year 2009 full time equivalent employee levels. Over a period of years, the Department expects that careful coordination of targeted investments to consolidate information technology infrastructure and services will reduce costs of the bureaus and program offices.

The 2011 budget includes \$5.0 million in the Department's Working Capital Fund to implement significant change in the agency's approach to information technology infrastructure management. The funding will be used for investments that achieve long-term improvements in the infrastructure and yield additional savings.

**Strategic Sourcing**—The Department has evaluated current acquisition practices and is developing an Acquisition Improvement Plan to target acquisition reforms. To develop the Acquisition Improvement Plan, Interior's procurement chiefs reviewed the agency's current practices and identified potential reforms. The Department will eliminate less-than-effective contracts, leverage the collective buying power, and implement process improvements. The most fully developed option is to expand the use of strategic sourcing.

Strategic sourcing is the practice of coordinating and consolidating large acquisition needs across Interior to negotiate lower costs. The Department has experience with this approach. Contracts have been in place for a number of years to purchase information technology hardware and software through consolidated contracts used by all bureaus and offices to leverage Interior's purchasing power. Using these contracts has achieved more effective deployment of information technology as purchases are consistent with a set of standards, greater efficiency with the use of consistent technology, and cost savings through economies of scale.

In 2010, Interior will move aggressively to expand the use of strategic sourcing. The Department will develop shared contracts to use Interior-wide for the acquisition of commodities, supplies, and

services. Targeted areas for this proposal include: furniture, copiers and printers, vehicle fleet, wireless communications, and supplies.

The 2011 budget request assumes that \$30.0 million in savings will be realized from these reforms. The budget allocates these savings among the Department's bureaus and programs according to their average acquisition costs for supplies, materials, and equipment.

Additionally, to help instill a new sense of responsibility when it comes to spending the taxpayers' dollars, President Obama has charged Federal agencies to cut contracting costs by 3.5 percent in 2010 and an additional 7.0 percent in 2011. For the Department of the Interior, this is a savings target of \$93 million in 2010 and \$186 million in 2011 to be derived from acquisition reforms.

## ACQUISITION REFORM

The 2011 efficiency savings from expanded strategic sourcing is one component of a comprehensive plan to improve acquisition practices throughout Interior. The Department's Acquisition Improvement Plan recommends centralized purchasing to reduce labor costs and shipping expenses, reduce costs with quantity discounts, and more efficient processing of purchases, charge card processing, undelivered order management, and prompt pay.

In response to Interior's Acquisition Improvement Plan, the Department has been selected as one of seven Federal agencies that will pilot an initiative to determine the best mix of in-house and contractor skills and workforce size to operate acquisition functions at their best. During the pilot, Interior will evaluate processes, practices and workforce factors, and identify remedies to improve the organization's performance. The Department will conduct the necessary planning and evaluation to strike the right balance between staffing positions with permanent Federal employees—to build and sustain its in-house capabilities—and, where appropriate, utilizing the expertise and capacities of contractors available in the marketplace. The results of the pilot may lead to a number of changes in procurement policy and management practice.

In recent years, acquisition staffing throughout the Department remained static while challenges to the acquisition workforce are changing. Some of the need has been filled with contractor expertise. The advent of improvements such as the use of charge

card procurements for smaller acquisitions, has reduced the number of procurement actions, but the complexity of contractual issues has increased dramatically. The demand for experienced and technically savvy acquisition professionals has skyrocketed to meet this need – much of which is also met by hiring contractors.

The 2011 budget includes \$5.0 million in the Department’s Working Capital Fund to implement significant change in the agency’s approach to acquisition. The funding will allow Interior to address identified skill gaps in acquisition staffing and pursue options to maximize the effectiveness of an expanded strategic sourcing strategy. In 2010, the Department will

**AMERICAN RECOVERY AND REINVESTMENT ACT**

The Department of the Interior received over \$3.0 billion in American Recovery and Reinvestment Act funding for eight bureaus and offices. The Office of Inspector General received \$15.0 million to provide oversight of Recovery Act implementation.

Excluding the Office of Inspector General, funding of \$2.9 billion is available to other bureaus and offices. Interior is investing in nearly 3,400 projects. Approximately one-third of Interior’s Recovery Act funding is for water infrastructure needs. Another 30 percent is for nearly 240 construction projects across the bureaus and offices. Fifteen percent is for approximately 1,500 deferred maintenance and energy retrofit projects. Another nine percent is for over 600 road and bridge maintenance projects. The remaining funds will be used for habitat restoration; abandoned mine and well remediation; USGS monitoring and mapping; renewable energy studies and environmental reviews; trail maintenance; housing improvement for Tribes; workforce training for Tribes; Wildland Fire hazardous fuels reduction; preservation grants to Historically Black Colleges and Universities; and administration.

In contrast to other agency Recovery Act programs, only \$70 million of Interior’s Recovery Act funding is awarded via grants. Approximately 63 percent, or \$1.9 billion, of Interior’s Recovery Act funding will be obligated via contracts. Nearly \$420 million, or 14 percent, of Interior’s funding will be awarded via tribal agreements. Another \$395 million, or 13 percent, will be obligated via cooperative agreements, primarily in the areas of water infrastructure projects and habitat and trail restoration.

Through January 15, 2010, the Department has obligated over 40 percent of its Recovery Act funding. By the end of June, work will be on the ground on nearly 100 percent of Interior’s Recovery Act projects.

**AMERICAN RECOVERY AND REINVESTMENT ACT  
STATUS OF FUNDING AS OF JANUARY 15, 2010  
(whole dollars)**

<u>Bureau</u>	<u>Actual</u>	<u>Obligations</u>	<u>Outlays</u>
Land Management .....	303,475,000	98,847,962	15,357,672
Reclamation .....	949,525,000	524,837,611	101,714,354
Central Utah Project .....	50,000,000	49,607,983	21,166,467
Geological Survey .....	139,300,000	35,614,426	11,161,767
Fish and Wildlife .....	278,600,000	133,914,779	25,490,483
National Parks .....	746,250,000	250,691,625	57,615,157
Indian Affairs .....	497,500,000	168,584,898	31,566,351
Wildland Fire .....	15,000,000	7,279,175	2,318,052
Working Capital Fund .....	<u>10,350,000</u>	<u>1,579,389</u>	<u>884,381</u>
<b>TOTAL .....</b>	<b>2,990,000,000</b>	<b>1,270,957,848</b>	<b>267,274,684</b>



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develop a plan to establish centers of expertise with specialists in certain types of procurement, strategically located to implement master contracts. This approach of developing dedicated acquisition expertise will leverage Interior's acquisition capabilities and better position the Department to implement an aggressive strategic sourcing strategy.

## MANAGING FOR PERFORMANCE

A key component of President Obama's agenda for building a high-performing government has been the identification of High-Priority Performance Goals throughout the government. The Administration plans regular reviews of agency progress to identify problems encountered with implementation and plans to address those problems. The selected goals will reflect achievement in key agency missions with high direct value to the public; are achievable without additional legislation; have clear performance outcomes; and are unlikely to be achieved without a concerted focus of agency resources.

Working closely with OMB, the Department has identified five specific outcome oriented goals to be achieved by the end of 2011 and is developing defined strategies to achieve them. These goals have been selected to demonstrate real progress in each of Secretary Salazar's identified priorities. The Department's High-Priority Performance Goals are:

- **Renewable Energy Development** - Increase approved capacity for production of renewable (solar, wind, and geothermal) energy resources on Department of the Interior managed lands, while ensuring full environmental review, by at least 9,000 megawatts through 2011.
- **Climate Change** - By 2012, the Department will identify the areas and species ranges in the US that are most vulnerable to climate change, and begin implementing comprehensive climate change adaptation strategies in these areas.
- **Youth Programs** - By 2012, increase by 50 percent (from 2009 levels) the employment of youth between the ages of 15 and 25 in the conservation mission of the Department.

- **Safe Indian Communities** - Achieve significant reduction in criminal offenses of at least five percent within 24 months on targeted tribal reservations by implementing a comprehensive strategy involving community policing, tactical deployment, and critical interagency and intergovernmental partnerships.
- **Water Conservation** - Enable capability to increase available water supply for agricultural, municipal, industrial, and environmental uses in the western United States by 350,000 acre-feet (estimated amount) by 2012 through the bureau's conservation-related programs, such as water reuse and recycling (Title XVI) and WaterSMART Grants.

Interior has developed an internal review process to focus management attention toward their achievement, regularly track progress, and identify impediments toward the end goal. Each goal has been broken down to identify each bureau's contribution toward the goal. Each bureau has further identified the actions needed to deliver their part of the goal with key milestones and interim performance measures. Secretarial leadership focused on operational issues will meet regularly to review progress toward the goal and identify the need for any mitigating actions.

The operations focus of the Department's High-Priority Performance Goals is a departure from prior performance-oriented efforts. The focus is on specific outcomes to be achieved within a defined timeframe. Performance measures and milestones have been selected for their usefulness in the internal management of the goal rather than for external reporting. A series of meaningful performance metrics is also being developed for external reporting and evaluation.

To further programmatic effectiveness, Interior has also been selected to participate in a government-wide effort to build Federal capacity in program evaluation. The 2011 budget includes \$250,000 to support an interagency evaluation capability. Program areas will be identified which could benefit from a rigorous evaluation of actionable research questions, improved data quality, and coordinated input from within Interior and researchers outside of the agency.