

Transformation in Government



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Comptroller General of the United States

Trans***FORMATION***



- What?
- Why?
- Who?
- How?
- When?

Trans***FORMATION***



Webster's definition

An act, process, or instance of change in structure appearance, or character

A conversion, revolution, makeover, alteration, or renovation

The Case for Change

- **Government is on a “burning platform,” and the status quo way of doing business is unacceptable for a variety of reasons, including:**
 - Rising public expectations for demonstrable results and enhanced responsiveness
 - Selected trends and challenges having no boundaries
 - Past fiscal trends and significant long-range challenges
 - Additional resource demands due to recent terrorism events in the United States
 - Government performance/accountability and high risk challenges, including the lack of effective human capital strategies

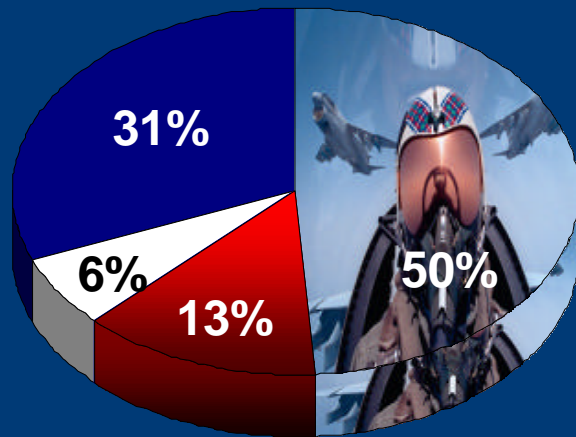
GAO's High Risk List

High Risk Areas	Year Designated High Risk
Addressing Governmentwide High-Risk Areas	
Strategic Human Capital Management	2001
Information Security Weaknesses	1997
Ensuring Major Technology Investments Improve Services	
FAA Air Traffic Control Modernization	1995
IRS Tax Systems Modernization	1995
DOD Systems Modernization Efforts	1995
Providing Basic Financial Accountability	
DOD Financial Management	1995
Forest Service Financial Management	1999
FAA Financial Management	1999
IRS Financial Management	1995
Reducing Inordinate Program Management Risks	
Medicare	1990
Supplemental Security Income	1997
Earned Income Credit Noncompliance	1995
Collection of Unpaid Taxes	1990
DOD Infrastructure Management	1997
DOD Inventory Management	1990
U.S. Postal Service Long-Term Outlook and Transformation	2001
HUD Single-Family Mortgage Insurance and Rental Housing Assistance Programs	1994
Student Financial Aid Programs	1990
Asset Forfeiture Programs	1990
Managing Large Procurement Operations More Efficiently	
DOD Weapon Systems Acquisition	1990
DOD Contract Management	1992
Department of Energy Contract Management	1990
NASA Contract Management	1990

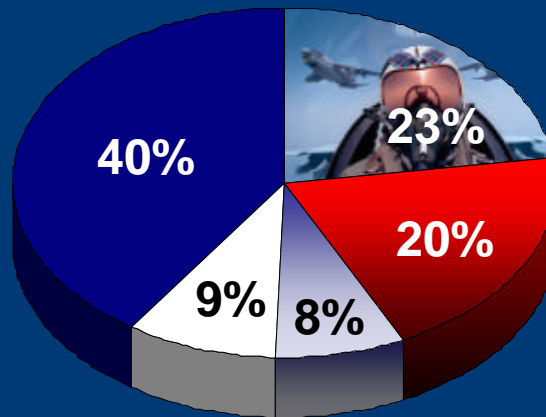


Composition of Federal Spending

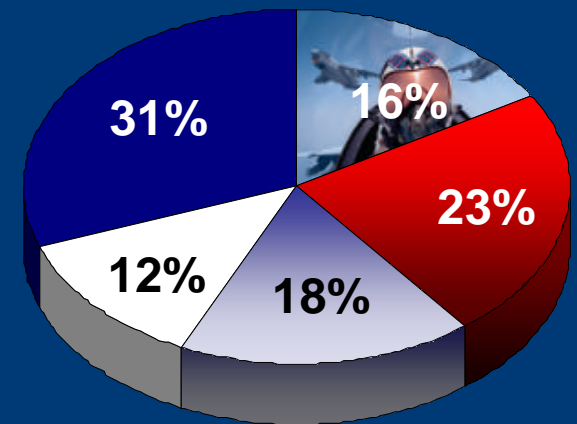
FY 1962



FY 1980



FY 2000



Defense



Social Security



Net Interest



Other



Medicare & Medicaid

August 2001 Projection—Composition of Spending Under Save the Social Security Surpluses Simulation

60 Percent of GDP

50

40

30

20

10

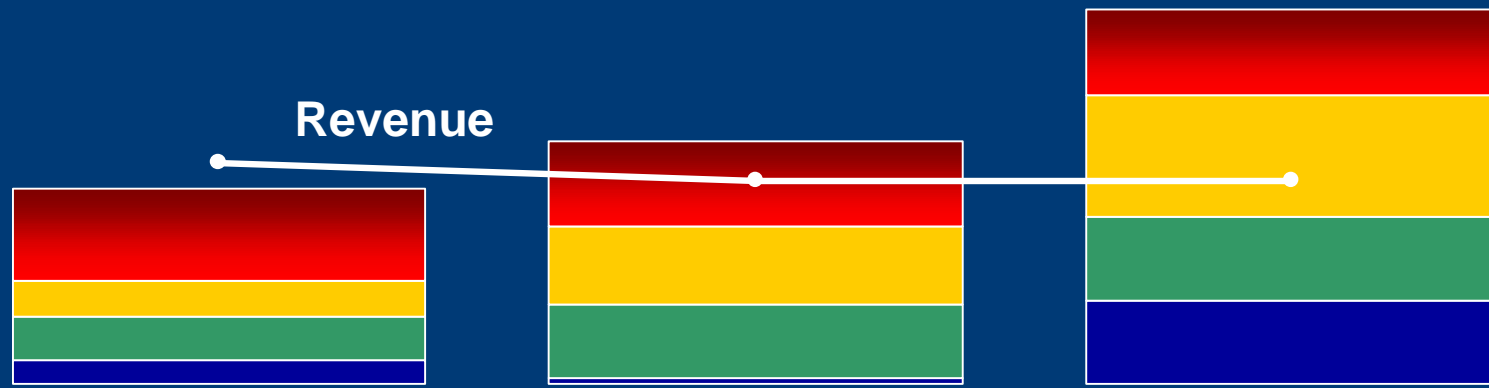
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Revenue

2000

2030

2050



Net Interest



Medicare & Medicaid



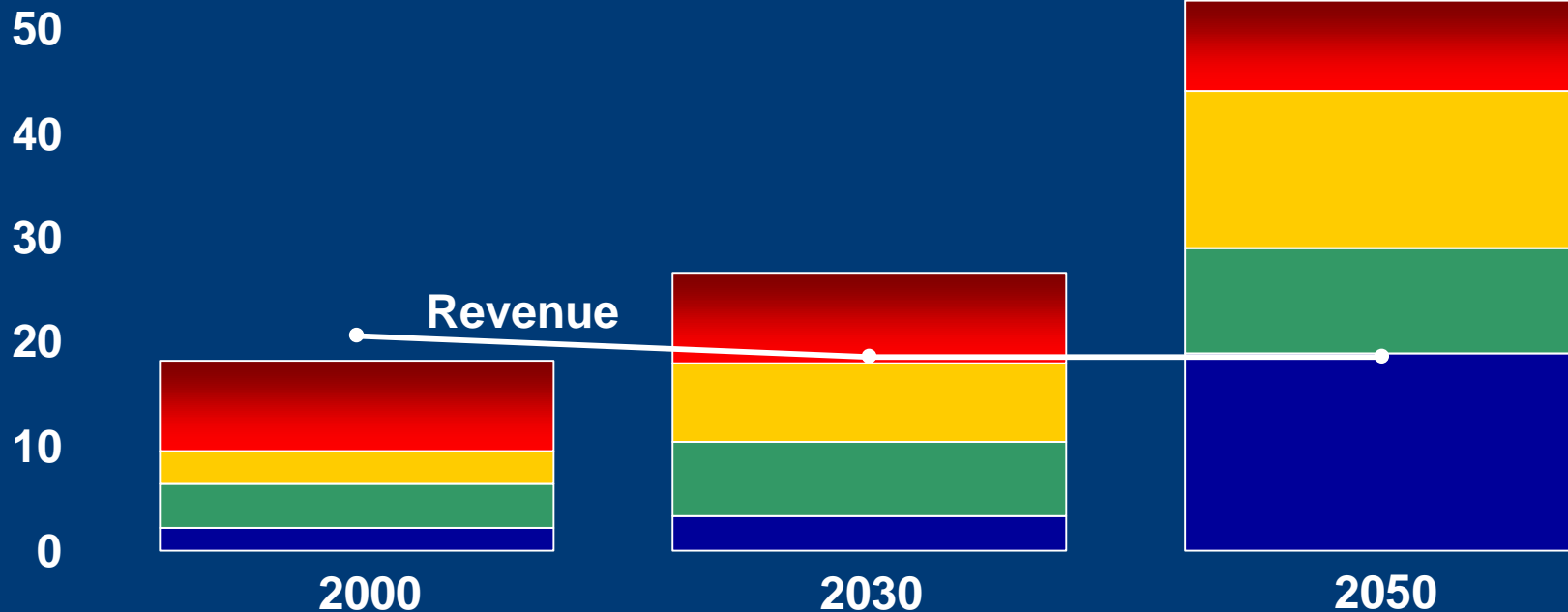
Social Security



All other spending

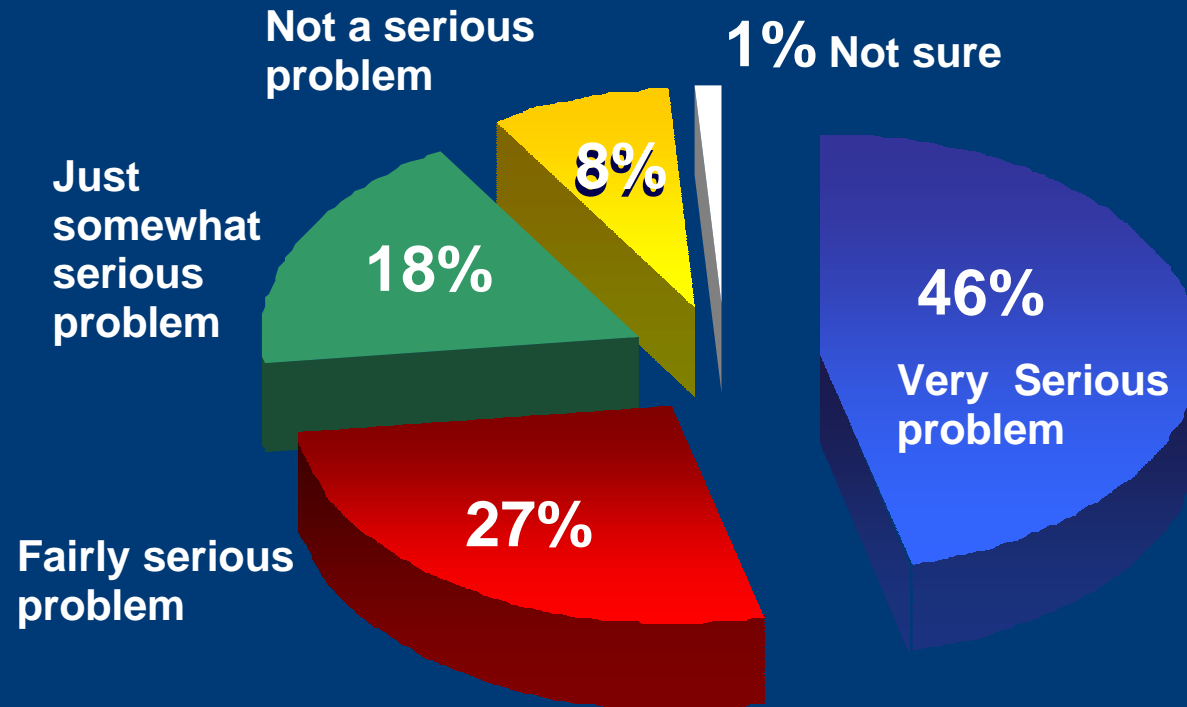
August 2001 Projection—Composition of Spending Under Eliminate the Unified Surpluses Simulation

60 Percent of GDP



- Net Interest
- Medicare & Medicaid
- Social Security
- All other spending

The Federal Workforce Shortage



Non-Federal Employees

58% of non-federal workers are aware of federal recruitment problems;
49% know about retention problems.

President's Management Agenda

Government-wide Initiatives

- Strategic Management of Human Capital
- Competitive Sourcing
- Improved Financial Management
- Expanded Electronic Government
- Budget and Performance Integration

Who?

Government agencies, Entities, Functions and Standards

- GAO
- JFMIP
- Human Capital
- Sourcing
- Accounting/Auditing Standards

Professional Related Organizations

- CPAs and other accountability professionals
- AICPA
- INTOSAI
- Intergovernmental Audit Forum
- AGA

Key Enablers for Effective Performance Management

- People
- Process
- Technology

The most important of the three is **PEOPLE** — an agency's human capital.



Revamp Human Capital Planning and Management Practices

- In January 2001, GAO cited strategic human capital management as a high-risk issue for the federal government.
- In August 2001, President Bush declared strategic human capital management as the first of five government-wide initiatives on his management agenda for FY 2002.
- Human capital challenges threaten the capacity of some agencies to perform missions economically, efficiently, and effectively both now and in the future.
- Government employees are not the problem. The problem is a lack of strategic planning, along with outdated policies and practices.
- GAO, OMB, OPM, and Congress have underscored the importance of this issue and we are starting to see progress in addressing this challenge, but much more needs to be done.

Effects of Responses to Budgetary Cuts, Downsizing, and Outsourcing

- Lack of strategic alignment
- Inadequate accountability for performance
- Skills imbalances
- Workload imbalances for remaining skilled workers
- Major succession planning challenges
- Outdated performance appraisal systems
- Reduced investments in people

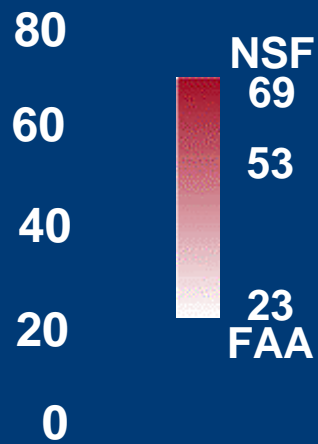
Cultural Transformation: A New Model for Government Organizations

- Government organizations will need to become **less** hierarchical, process-oriented, stovepiped, and inwardly focused.
- They will need to become **more** partnerial, results-oriented, integrated, and externally focused.
- They will need to achieve a better balance between results, client/customer, and employee issues.
- They will need to work better with other governmental organizations, non-governmental organizations, and the private sector, both domestically and internationally, to achieve results.

Agencies With Lowest and Highest Percentages of Federal Managers Who Agreed on Selected Statements About Their Agencies' Climates

Agency's top leadership demonstrates a strong commitment to achieving results.

Percent
100



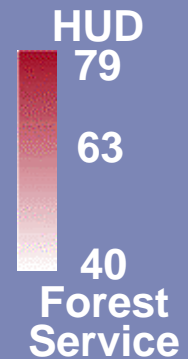
Employees in agency receive positive recognition for helping the agency accomplish its strategic goals.



Agency managers have decisionmaking authority they need to help agency accomplish strategic goals.



Agency managers are held accountable for the results of programs they are responsible for.



Keys to Making Change Happen

- Commitment and sustained leadership
- Demonstrated need for change
- Process (e.g., employee involvement)
- Identifiable and measurable progress over time
- Communication, communication, communication

- Several other actions needed:
 - Organizational alignment
 - Core values
 - Strategic Plan
 - Recruiting, development, and succession planning strategies
 - Performance measurement and reward systems

GAO: Leading by Example

(Change, Performance, and Human Capital Management)

- Mission and vision clarification
- Core values: accountability, integrity, reliability
- Strategic planning
- Organizational realignment
- Multi-tasking and matrix management
- Procurement, contracting, and acquisition
- Human capital
- Information technology
- Knowledge management
- Financial management
- Client service/external agency relations
- Enhanced products and services
- Constructive engagement with agencies
- Partnering with other accountability organizations

Efforts to Address GAO's Human Capital Challenges

Administrative

- Self-assessment checklist
- Human capital profile
- Workforce & succession planning
- Employee feedback survey & suggestion program
- Employee Advisory Council
- Enhanced employee communications & participation
- Skills & knowledge inventory
- Employee preference survey
- HQ realignment & field office restructuring
- Recruiting & college relations
- Training/development
- Recognition & rewards
- Flexitime & flexiplace
- Business casual dress & business cards
- Enabling technologies
- Opportunity/inclusiveness
- Mentor/buddy programs
- Commuting subsidy
- Competency-based employee appraisal system
- College loan repayment (pending)

Efforts to Address GAO's Human Capital Challenges

Legislative

- Broadbanding system for mission staff
- Expedited hiring authority (e.g., internship program)
- Frequent flyer miles
- Special pay rates
- Senior level for technical staff
- Targeted early out and buyout authority
- Revised RIF rules

Competency-Based Performance Appraisal

Objectives of new system are to provide a:

- Clear link to our strategic plan and core values
- Fair, honest, accurate, and non-discriminatory assessment of performance based on standards that are valid, properly applied, and transparent to employees
- Sound basis for enhancing the performance capacity of all staff, rewarding high-performing staff, and dealing with “below expected” performers

Competency-Based Performance Management System

Succession Planning

Training

Promotions

Competency Model

Achieving Results

Maintaining Client and Customer Focus

Developing People

Thinking Critically

Improving Professional Competence

Collaborating with Others

Presenting Information Orally

Presenting Information in Writing

Facilitating and Implementing Change

Representing GAO

Investing Resources

Leading Others

Recruitment

Career Planning

Work Assignments

Pay Decisions

Performance Management

Strategic Human Capital Management: Next Steps

- Establish human capital as a top priority
- Transition to a modern and high performance oriented human capital system
- Develop and implement updated human capital policies, practices, and information systems

Employ a three-phased approach:

- Do everything administratively possible
- Seek incremental legislative changes when necessary and base them on a sound business case
- Begin to build a consensus for comprehensive civil service reform based on an analysis of existing workforce challenges and selected demonstration projects

JFMIP Principals Group

- **Members**

- David M. Walker, Comptroller General of the United States (Chair)
- Paul H. O'Neill, Secretary of the Treasury
- Mitchell E. Daniels Jr., Director, Office of Management & Budget
- Kay Coles James, Director, Office of Personnel Management

- **Major Recent Actions**

- Definition of success in financial management
- Composition of the FASAB
- Accelerating Financial Statement Reporting
- Social Insurance Issues
- Audit Opinion Impediments
- Other

Selected Areas for Review in Light of Enron

- Accounting/Reporting
- Auditing
- Corporate Governance
- Pensions
- Oversight
- Other

Yellowbook Independence Standards

- **Key Principles**
 - Auditors should not perform management functions or make management decisions
 - Auditors should not audit their own work or provide nonaudit services if such services are material to the subject matter of the audit
- **Additional Safeguards**
 - Personnel
 - Audit scope
 - Documentation
 - Quality assurance
- **Further Actions**
 - Audit committees
 - Financial statement disclosures
 - Other

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When?

Carpe Diem

The time to act is now!