THE OFFICE OF MANAGEMENT AND BUDGET: IS OMB FULFILLING ITS MISSION?

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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THE OFFICE OF MANAGEMENT AND BUDGET: IS OMB FULFILLING ITS MISSION?

FRIDAY, APRIL 7, 2000

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 10:04 a.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn, Turner, and Biggert.

Staff present: Russell George, staff director and chief counsel; Randy Kaplan, counsel; Matt Ryan, senior policy director; Louise Debenedetto, GAO detailee; Heather Bailey, professional staff member; Bonnie Heald, director of communications; Brian Sisk, clerk; Ryan McGee, staff assistant; Michael Soon, intern; Trey Henderson, minority counsel; and Jean Gosa, minority clerk.

Mr. HORN. A quorum being present, the Subcommittee on Government Management, Information, and Technology will come to order.

The Office of Management and Budget is one of the most important agencies in the executive branch of the Government. The OMB coordinates the legislative opinions of the administration and reviews and recommends budget requests to the President, which he then decides and submits an annual budget to Congress. The budget is a key document of State that affects the funding level of nearly every Federal program that Congress provides.

OMB directors and some of the 500-member staff also coordinate the opinions of relevant departments and agencies. OMB reminds the President that legislation is not in accord with the program of the President, whether it should be signed or vetoed.

In addition, the OMB has an enormous impact on U.S. businesses because of its role in determining Federal regulations that affect everything from how buildings are designed to the amount pollutants that industries may release into the environment. The OMB is clearly at the pinnacle of the executive branch of the Federal Government.

During the Harding administration, the Budget and Accounting Act of 1921 created OBM, OMB's predecessor, otherwise known as the Bureau of the Budget. For housekeeping purposes, the Bureau of the Budget was lodged in the Department of the Treasury, but it reported to the President. A core group of professional staff members were attracted, and over time, for the first time the President

was able to make a true integrated executive budget which recommended the choices of the Nation's Chief Executive.

It used to be that every cabinet officer just sent their estimates in to the Treasury Secretary, he put a nice pretty binder on it, sent it up to Congress, they tore it all apart, and the 13 subcommittees of Appropriations probably go back to about 1865 when they created the Appropriations Committee out of Ways and Means.

So for the first time in the 1920's, although a couple of Presidents had tried it, Harding was able to see it done. And we had an integrated budget where the Chief Executive could truly tell people that he had control over the executive branch. And over the years, the Bureau had a very fine professional staff it built up. It didn't matter whether they were serving Republicans, Democrats, or whoever. They were professionals.

Under the Nixon administration, the word "management" was added to the agency's title with the hope that the power of the budgeting process would force Federal agencies to pay greater attention to management issues. And I happen to have been a very strong fan of that reorganization. It turns out I was dead wrong. That has not been the case. We have not had the management aspects that we should have.

If the Federal Government had a proper management structure, all Government agencies would have begun preparing for the year 2000 computer problem a decade ago. But in fact, only the Social Security Administration had a management team with such foresight. Last week, the subcommittee learned that again this year the executive branch failed to produce governmentwide financial statements that auditors could say were reliable.

It is important to note that this lack of leadership is not limited to the current administration. Throughout OMB's history, beginning with the Nixon administration, management and budget issues have competed for attention. And we all know the big problem with the budget and how to get it under control, how to get a balanced budget. When you have that, the director is fully occupied with his or her time.

We have distinguished witnesses today who can discuss the inner workings of the Office of Management and Budget and we hope to learn whether the "M" in OMB stands for "management" or "mirage."

It is now my pleasure to yield time to the gentleman from Texas, Mr. Turner, the ranking member of the subcommittee.

Mr. TURNER. Thank you, Mr. Chairman.

OMB's predominant mission is to assist the President in overseeing the preparation of the Federal budget and to supervise its administration in executive branch agencies. In carrying out this mission, OMB is forced to wear many hats. These duties include the development of management of budget, policy, legislative, regulatory, information, procurement, and management issues. In addition to these considerable responsibilities, Congress is constantly adding new ones.

We can all agree that OMB has a very important and difficult job. We are here today to assess how OMB is carrying out its mission and to determine whether Congress is providing adequate funding and support to this entity. We want to make sure Federal

managers have all the tools and all the incentives necessary to perform their jobs well.

I want to welcome Director Jack Lew this morning and commend him and all OMB employees for the excellent work and dedication and professionalism they have exhibited. Jack, you have shown an even hand in running OMB. It has been reflected in the credibility that you enjoy on both sides of the aisle here in the Congress. And I believe it is the OMB's steadfast work on the budget that has helped us come to the point where we can enjoy surpluses in the Federal budget for the first time in 30 years.

I want to thank the chairman for focusing on the issue this morning. It is a very important one. I look forward to hearing from all of our witnesses.

[The prepared statement of Hon. Jim Turner follows:]

Statement of the Honorable Jim Turner
GMIT Hearing: "Oversight Hearing on the Office of Management and Budget: Is OMB Fulfilling Its Mission?"
4/7/00

Thank you, Mr. Chairman. OMB's predominant mission is to assist the President in overseeing the preparation of the federal budget and to supervise its administration in executive branch agencies. In carrying out this mission, OMB is forced to wear many hats. These duties include in the development of management of budget, policy, legislative, regulatory, information, procurement, and management issues. In addition to these considerable responsibilities, Congress is constantly adding new ones.

We can all agree OMB has a very important and difficult job. We are here today to assess how OMB is carrying out its mission and to determine whether Congress is providing adequate funding and support to this entity. We want to make sure federal managers have the tools and incentives to perform effectively at all levels.

I want to welcome Director Jacob Lew here this morning and commend him and all OMB employees for the dedication and professionalism they exhibit on a daily basis. OMB's steadfast work on the budget, I believe, has played a significant role in the surpluses we are now enjoying today. I thank the Chairman for his focus on this issue and thank the witnesses for their time and testimony.

Mr. HORN. I thank the gentleman.

We will now swear in the witness.

[Witness sworn.]

Mr. HORN. The clerk will note that the witness has affirmed the oath. We welcome you here and please proceed in any manner you like. You have a wonderful 30-page statement. Don't read it. But if you can get the high points, which is what our rule is, then we can have a dialog.

STATEMENT OF JACOB LEW, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. LEW. Thank you, Mr. Chairman.

I would be delighted to summarize my opening statement and would ask that the full statement be included in the record.

Mr. HORN. Without objection, your prepared statement will appear in the record.

Automatically every time we introduce the witness the full statement is in the record.

Mr. LEW. Thank you, Mr. Chairman and Congressman Turner. It really is a pleasure to be here this morning to be able to take some time to talk about the many important functions that the Office of Management and Budget serves.

I would like to begin by introducing Sally Katzen, who is with me here today, who serves as counselor to me, as Director. As you know, she has been nominated to be the Deputy Director for Management and works on many of the issues that we will be discussing today.

Before going into my formal remarks, I would like to begin by saying a word about the OMB staff and associate myself with the comments of both of you. I think one of the secrets of Washington is the excellence of the OMB staff, the dedication of them, and the fact that it is not a political staff. In an organization with 518 full-time positions, the vast majority are career public servants who serve administration after administration. They are really the backbone of our efforts, both in terms of what we do in the budget and what we do in management, to give the President the kind of advice he needs, the guidance to agencies, and to work with Congress as effectively as we can.

In my opening statement, I would like to talk briefly about the different functions of the Office of Management and Budget because I suspect there is going to be some interest this morning in talking about the breadth of functions, not just the budget functions that are fairly well known.

As you noted in your opening remarks, it ranges from procurement policy and regulatory policy to funding levels for individual programs. It is really the full scope of the work that the Federal Government does.

We are organized in a way designed to integrate the different functions that OMB has. We have five resource management offices, which have agency and program responsibility. They play a key role in developing the budget and executing the budget, and also in working with the agencies on an ongoing basis on implementing their programs.

We have the Budget Review Division, which analyzes the aggregate trends. One of the things that has really changed in terms of budgeting over the last 25 years is the ability—partially because of information technology—to do much more by way of aggregate analysis and to understand how the pieces add up and what the trends are in a way that you couldn't when you were doing it on manual kinds of ledgers.

The Legislative Reference Division, as you noted, Mr. Chairman, gives us the ability to coordinate across the Government uniform positions so that agencies conform to the policy the President has made and so that agencies with competing interests have a way of working through their differences so that there is a single executive branch position.

We also have three statutory offices, which are lesser known outside of Washington but perform key functions around the Government and in terms of coordinating the efforts of all of OMB's staff. We have the Office of Federal Financial Management, which develops and provides direction on the implementation of financial management policies. We have the Office of Federal Procurement Policy, which leads in our efforts to improve and make more efficient our procurement laws and the implementation of those laws. And we have the Office of Information and Regulatory Affairs, which participates in the rulemaking process, the information technology process, and monitoring paperwork burden.

We have tried to organize, over the last 7 years, to have these different offices integrated, to have a kind of desk officer system. Within each of the statutory offices there are resources available to each of the resource management offices so that we can team together people who are expert in the substance and programs of an agency with other offices who have analytic technical skills that need to be available broadly across the organization.

We have made tremendous progress in that ongoing effort. We will continue, and I hope my successor will also continue, with this effort.

The traditional responsibilities we have are obviously development of the budget, the presentation of the budget, and the defense of the budget. And there is no doubt that that takes a considerable amount of our time. The budget process, being as it is, is not a 1- or 2-month process. It goes across the whole year. We have tried very hard to use the islands of time between the internal deadlines to produce a budget and the congressional schedule to focus senior management effort on the management issues as well as the budget issues over the course of the year.

I probably have a slightly different perspective than many directors because I have been at OMB for 5½ years—I am right up there with our career staff in terms of length of tenure on average. Our workload burden has grown. It has grown for good reasons. We have worked well with the Congress on laws like Clinger-Cohen and GPRA that have given us new and modern tools to try to take the management responsibilities and really put some effective tools behind them.

I would note that over the course of the increase in those responsibilities we have decreased the size of our staff. We have become more efficient, but we also have heavy workload burdens. And it

is for that reason that in the budget we presented this year we asked for additional resources. I think it is an appropriate time, at a point of transition, for us to look ahead at the next administration, regardless of party, and say that these functions are important and we do need more resources to perform all of them.

We have tried to take the management role very seriously in my time at OMB. And I think that evidence of that is apparent in both the formal mechanisms of the interagency committees that we have, that have done a lot to share best practices between agencies and help develop those practices, and the less formal approaches, such as the efforts to coordinate with heads of agencies and working levels in agencies on specific problems.

There are really two kinds of management challenges. First, the governmentwide management challenges, which are very important. These range from dealing effectively with the Y2K problem—where I think we have a success we can be proud of—to trying to make the kind of progress on our audited financial statements that keeps us moving in the right direction.

We also have agency-specific problems where we see that agencies either are not doing something that they need to do well; or areas where they could be getting a lot more done if they made changes. And we try to engage with the agencies both at the broad and at the agency-specific level. I won't contest the notion that there are limits on our time. There certainly are. But we try, within those limits, to be effective at both the governmentwide and the agency-specific level.

I would like to say a word about GPRA because I know that this committee has a lot of interest in it.

I have been very impressed at how much the culture of Government policy thinking has changed over the last couple of years. At my first Director's review, the ability to focus on results in terms of the analytic process was very different than it is now. Answers to questions about results more often gave you information about input than output. We are now at a stage where I think we have made enormous progress, though we have a lot more progress to make. We engage in discussions on virtually every major policy decision, probing on the question of output.

We are not at the point where the measures are as refined as they should be, we are not at the point where I would want to have mechanical decisions flow from that analysis, but we have changed the way we think, which is the first stage you have to go through to incorporating the results-oriented analysis into budgetary policy.

I would like to say one word in conclusion about the connection between the budget and the management issues. I have no doubt in my own mind that it is very important to have the budget and management functions together because the budget responsibilities give you the ability to raise management issues in a way that if the management issues stood on their own I fear you wouldn't be able to. There is something that focuses the mind when there is funding at stake.

There is no question that OMB's ability to help shape the President's budget request and work with Congress on the ultimate funding levels has a lot to do with our ability to work with agencies on the management question. So while I think there are very im-

portant questions that we need to resolve in terms of how to do even better on the management side, I think there is a very important connection between those functions that I suspect we will talk some more about.

It is a pleasure to be with you this morning and I look forward to answering any questions you may have.

[NOTE.—The report entitled, "FY 2001 Annual Performance Plan and FY 1999 Performance Report," may be found in subcommittee files.]

[The prepared statement of Mr. Lew follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE DIRECTOR

TESTIMONY OF
JACOB J. LEW
DIRECTOR
OFFICE OF MANAGEMENT AND BUDGET
BEFORE
U.S. HOUSE OF REPRESENTATIVES
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY

April 7, 2000

Mr. Chairman, Members of the Subcommittee, I am pleased to be here this morning to discuss the role of the Office of Management and Budget (OMB) in improving management practices in the Federal Government. Sally Katzen is here with me today. She is a Counselor to the Director, and is the President's nominee for Deputy Director for Management.

We welcome this oversight hearing because we too place importance on improving management throughout the Federal government. I would like to thank the Subcommittee for its continued interest in this issue. This Subcommittee has been a leader in providing Federal managers with the tools and incentives to perform effectively and with accountability. In recent years, this has led to the adoption of the Government Performance and Results Act, Federal Financial Management Improvement Act, Information Technology Management Reform ("Clinger-Cohen") Act, Government Paperwork Elimination Act, Federal Acquisition Streamlining Act, and Federal Activities Inventory Reform Act.

The role of the Office of Management and Budget

As stated in OMB's Annual Performance Plan, OMB assists the President by reviewing agency proposals and programs on a variety of topics from budgets to regulations; assuring that they are consistent with relevant statutes and Presidential objectives; providing analysis and advice on a variety of subjects; and developing government-wide policies for the effective and efficient operations of the Executive Branch. Although housed within the Executive Office of the President, the majority of OMB's 518 staff are career employees who provide "institutional memory" and the most objective analysis possible for the President.

OMB operates in a fast-paced environment, dealing with a variety of complex issues on a daily basis. It has the lead role within the Executive Branch for maintaining Federal fiscal discipline, allocating scarce resources, and promoting program efficiency. OMB provides leadership and assistance in financial management, procurement, information collection and

dissemination, and other government-wide management functions. These responsibilities are carried out working cooperatively with the Congress and congressional agencies such as the Congressional Budget Office and the General Accounting Office.

How We're Organized

OMB is composed of five *resource management offices* (RMOs)[1] organized by agency and program area, three statutory offices[2] with functional management responsibilities, and seven offices[3] that provide OMB-wide support. These offices work together to assist the President in developing fiscal policies and creating an environment for effective management of Federal programs.

The *RMOs* play a pivotal role in the development and execution of Federal fiscal policies and provide ongoing policy and management guidance to Federal agencies. RMOs are organized by policy subject matter and agency. Staff are experts in their program and policy areas and are responsible for the analysis, evaluation, and implementation of policy options as well as the implementation of government-wide management initiatives.

The *Budget Review Divisions* analyze trends in and the consequences of aggregate budget policy. They provide strategic and technical support for budget decision-making and negotiations, and they monitor Congressional action on spending legislation. In addition, these offices provide technical expertise in budget concepts and execution.

The *Legislative Reference Division* coordinates articulation of the Administration's position on all legislation. This office coordinates the review and clearance of the Administration's legislative proposals, testimony, and statements on bills progressing through Congress. This responsibility frequently requires resolution of conflicting agency views on legislation or policy positions.

The three statutory offices play an important role in the work of OMB. The *Office of Federal Financial Management (OFFM)* develops and provides direction on the implementation

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1 The RMOs are National Security and International Affairs; General Government and Finance; Natural Resources, Energy and Science; Health/Personnel; and Education, Income, Maintenance and Labor.

2 The statutory offices are the Office of Federal Financial Management, Office of Information and Regulatory Affairs, and Office of Federal Procurement Policy.

3 The OMB-wide offices are Administration, Budget Review, Communications, Economic Policy, General Counsel, Legislative Affairs, and Legislative Reference.

of financial management policies and systems and coordinates activities of the agency Inspectors General and Chief Financial Officers. This includes activities ranging from financial reports and systems to debt and grants program management. The *Office of Federal Procurement Policy (OFPP)* leads efforts to improve Federal procurement law, policies, and practices that affect the full range of Federal acquisitions, including major systems, products, services and construction. The *Office of Information and Regulatory Affairs (OIRA)* oversees the Federal regulatory, information collection and dissemination processes, and Government statistical policies and practices. OIRA reviews agency proposals for new or revised Federal regulations and information requirements, and develops policies to improve regulatory and paperwork processes and information management. OFFM, OIRA and OFPP staff serve as consultants to program examiners in the RMOs and participate on teams reviewing significant issues, such as reviews of financial statements and major information technology investments.

While each unit has its own focus, OMB prepares its products, meets its deadlines, and fulfills its responsibilities because of continuing collaboration among its offices and divisions. On a day-to-day basis, OMB operates as a collegial organization in which OMB-wide and statutory offices collaborate with the RMOs to support OMB's ongoing agency relationships. For example, desk officers in OIRA work closely with the RMOs on regulatory and information issues. With respect to regulations, OIRA tends to focus more on the economic and societal consequences of the regulation, assessing the full impact of each proposal, with particular emphasis on the benefits and costs of alternative approaches; the RMOs give particular attention to programmatic and fiscal implications. OFFM specialists in financial management, accounting, and systems work closely with each agency's financial management staff to monitor progress and plans for improving financial management; RMO staff who have extensive agency relationships and budget responsibility participate in these sessions. Together, OFFM and RMO staff review agency audit financial statements, and oversee the work of agency Chief Financial Officers and Inspectors General and agency preparation of annual audits as well as the agency budget submissions that affect financial systems. Likewise, OFPP's procurement policy specialists work closely with RMO staff and agencies to implement acquisition reforms to advance better business management of Federal acquisitions to support agency missions.

Our Traditional Responsibilities

Given its comprehensive and objective view of the government's strategic interests and program priorities, OMB has a hand in the development and resolution of budget, policy, legislative, regulatory, information, procurement, and management issues on behalf of the President. This places OMB in the middle of complex and sensitive distributional policymaking and tradeoffs necessary to develop and maintain coherence and consistency with the President's priorities and program.

OMB has the lead role in the Executive branch in maintaining aggregate fiscal discipline, proposing allocations and reallocations of resources to particular sectors and programs based on Presidential policy, and promoting the efficient delivery of services. This is a continuing

process of interaction and adjustment with and between the departments and agencies. The entire budget formulation process, with its instructions, hearings, reviews, budget drafting, and justifications, drives much of the development and coordination of policy. OMB examines efficiency and effectiveness in order to improve programs; allocates resources in accord with Presidential priorities; and presents the President's program.

OMB performs these same functions in financial management, procurement, information collection and dissemination and other government-wide management functions of the Executive Branch. While doing so, OMB also provides leadership and serves as a catalyst for interagency groups such as the *President's Management Council* (consisting of the Chief Operating Officers of all Federal Departments and the largest agencies), the *National Partnership Council* (including representatives of Federal employee unions and Federal managers and supervisors; the Federal Mediation and Conciliation Service, the Federal Labor Relations Authority, the Office of Personnel Management, DOD, and the Department of Labor), the *Chief Financial Officers Council*, the *Chief Information Officers Council*, the *President's Council on Integrity and Efficiency* (comprising the major agencies' Inspectors General), the *Procurement Executives Council* and the *Budget Officers' Advisory Council (BOAC)*. Through these groups, OMB draws together operational, financial, procurement, integrity, labor relations, and systems technology experts from across the government to establish government-wide goals in their areas of expertise and marshal the resources within individual agencies to improve government performance.

Meeting our growing workload

Despite staffing levels that have decreased by almost 10 percent since 1993, OMB continues to carry out its traditional responsibilities and the new responsibilities Congress has placed on it. The Government Performance and Results Act, Federal Financial Management Improvement Act, Information Technology Management Reform ("Clinger-Cohen") Act, Government Paperwork Elimination Act, Federal Acquisition Streamlining Act, and Federal Activities Inventory Reform Act all require a significant investment of staff resources. More recent requirements, ranging from the "Stevens Report" on the costs and benefits of regulations to the report on climate change, also impose new workloads. Congress also has imposed a number of new grant management responsibilities on OMB, including revising Circular A-110 to open access to research data, preparing an inventory of all Federal grants, and fulfilling the provisions of the Grants Management Simplification Act. A complete list of the laws that have increased OMB workload since 1993 is attached to my testimony.

For FY 2001, I have asked our Appropriations Subcommittees for increased resources for additional OMB personnel. The request seeks an increase of $613,000 to fund nine new FTEs to oversee the numerous management initiatives required under current law, analyze key budgetary and economic areas, and assist in preparing the Federal Budget and the many reports required of OMB. As we approach the end of this Administration, it is an appropriate time to ensure that the next administration has the resources at OMB necessary to perform at the level of excellence that

OMB has established. My request would provide those resources.

Our Management Role

There is no textbook definition of "good agency management." OMB embraces a broad-based concept of management that encompasses the roles and responsibilities of the whole organization. OMB is responsible for maximizing the extent to which Executive Branch agencies carry out effectively and efficiently all tasks related to excellence in agency administration, and for maximizing the quality of agency design, development, implementation, evaluation, and continuous improvement (including where necessary, termination or replacement) of agency programs and policies, consistent with the policies of the President.

Some people think of "management" solely in terms of a series of administrative management functions, present in virtually every agency, that are the essentials of organizational operations, without regard to what that organization's missions or functions may be. These functions include procurement, accounting, personnel management, space management, financial management, regulatory strategy, and the like. Doing them very well rarely garners attention; failing to do them well can destroy program and policy effectiveness as certainly as bad policy decisions or inadequate program implementation.

OMB has offices and divisions that exercise government-wide leadership on key aspects of agency administrative management: procurement (OFPP); financial systems and audit (OFFM); regulatory policy and paperwork management, information collection and dissemination, information technology policy and statistical policy (OIRA); legislative development and legislative reports and testimony processes (LRD);and budget formulation and budget execution processes (BRD). OMB shares responsibilities for leadership on some functions with other agencies, such as: financial management and budget execution shared by OFFM and BRD with Treasury; space management and building construction policy shared with GSA; personnel policy shared with OPM.

In our view, management includes not only administrative management functions but also program and policy management. It encompasses leadership and oversight of how agencies devise, obtain enactment of, implement, manage, evaluate, and then, if necessary, modify the statutory programs and policies for which they are responsible, consistent with the policies of the incumbent Administration.

Program and policy management is often profoundly influenced by changes in Administrations. It is not uncommon for OMB to work closely with an agency to obtain enactment of and implement a given policy, and then after a change in Administration, work just as hard with successor agency management to implement a different policy. This is the consequence of being accountable first and foremost to the President.

This responsibility in no way affects OMB's attention to agency strategic planning, goal

setting, performance measurement, evaluation, data collection, or policy research. These functions are aspects of good government regardless of the program policies of the Administration in office. They are essential inputs to the policy and program direction advice OMB provides. But they do not dictate the form of final Presidential policy. The RMOs have the lead OMB responsibility for program policy and budget development for the agencies they cover, and for integrating into those responsibilities attention to how well the agency is managing statutory and Administration policy.

Government Performance and Results Act

As you know, OMB played an early and important role in the initial development and design of GPRA. In one sense, what the Act requires is not new. We have always asked for, and used, performance information in budgeting decisions. In our roles as stewards of the efficient use of resources, both OMB and Congress have always sought to know what results programs actually produce. GPRA gives us a statutory framework for expanding the use of performance information into the decision-making process.

The review of the GPRA strategic and annual plans by OMB staff is a good example of how budget and management are intrinsically interwoven and interdependent. RMO staff review the agency plans and reports, and provide comments. The RMO staff are especially well equipped to do so, because these are the same staff that work with the agencies on their annual budget submissions so they were keenly aware of operations at the agencies. Strategic goals and performance measures are thus not some sort of abstract or independent exercise; rather, they exist and have meaning only in the context of real programs.

The FY 2001 budget process provides other examples of how OMB has increased its use of performance information in its review of agency budget requests. In June of last year, I wrote to agency heads that I expected them to focus attention in their FY 2001 submissions on the extent to which current programs are achieving the results intended, and new program initiatives are structured to provide for clear definition of results and mechanisms for accountability for achieving them. Subsequently, in developing the President's FY 2001 Budget, OMB included relevant performance information for every major budget issue presented during our Director's Review.

Priority Management Objectives

Implementing GPRA is a top management objective. For the last two years, the Administration has tackled the Government's biggest management challenges by designating them priority management objectives (PMOs) and working with the agencies throughout the year to make real change. Last year, for example, the Administration's first and foremost management objective was to resolve the Year 2000 (Y2K) computer problem. Y2K posed the single largest technology management challenge in history. It also is the best evidence of how budget and management are effectively interwoven at OMB. We are proud that the federal

Government's transition through the date change was remarkably trouble-free.

Another PMO last year was *Improving management of the decennial census.* The Bureau of the Census in the Department of Commerce ensured that the necessary support structure -- which includes opening data capture centers, regional census offices, and local census offices, printing forms, establishing a telephone questionnaire assistance program, printing language assistance guides, and recruiting and training temporary census workers -- was established and tested, and is ready for operation.

This year's list of PMOs includes twenty-four agency-specific and government-wide management issues. In addition to implementing GPRA, let me give you several examples:

- *Improve financial management information.* Working with OMB and Federal agencies, the Department of the Treasury issued timely government-wide audited consolidated financial statements for the third year in a row. These statements were issued as part of the *FY 1999 Financial Report of the United States Government.* We also made substantial progress in agency financial statements: 19 of 24 were on time (compared with 15 on time last year) and, although two agencies slid back, 7 agencies improved to a qualified or to a "clean" opinion. So far, 13 of 24 received "clean" opinions -- last year at this time we had 8 -- double the number of clean opinions received in 1996 and in sharp contrast to 1993 when most agencies did not issue financial statements. We expect the two remaining financial statements soon, and we're hopeful that those will also be "clean."

- *Modernize student aid delivery.* The Department of Education's performance-based organization (PBO) has made significant progress in modernizing the delivery of student aid benefits. In order to align operations with its three primary goals (improved customer satisfaction, reduced costs and increased employee satisfaction), the PBO has reorganized into three customer oriented channels (students, schools and financial partners). Based on an assessment of customer needs, the PBO is utilizing new technologies to expand electronic access to benefits and revising program oversight practices to reduce burden on participants. In order to reduce costs and improve services, the new organization has developed a detailed modernization blueprint that defines an efficient information infrastructure. Implementation of key elements of this plan are currently underway. Additionally, the organization has reformed contracting practices to capitalize on performance based incentives. Finally, the PBO is investing in its employees through training and better information technologies to ensure that cost and customer goals will be achieved.

- *Reengineer the naturalization process and reducing the citizenship application backlog.* The Department of Justice's Immigration and Naturalization Service is redesigning its naturalization process to streamline and automate operations, while simultaneously reducing a backlog of more than 1.8 million applications for citizenship. In 1999, INS

completed over 1.2 million applications, and reduced the backlog by more than 500,000 applications. INS reduced the average processing time between application and naturalization of qualified candidates from 27 months in 1998 to 12 months in 1999. In FY 2000, INS' goal is to reduce processing time further – to 6 to 9 months for qualified applicants – and maintain this processing standard in the future.

Conclusion

OMB's strength is its unique system-wide and government-wide perspective: its staff draws on experience in many areas of government to challenge the thinking of other agencies, which often cannot see beyond their own programs. None of the major policy issues with which a modern president must deal fit into the confines of a single department. Revitalizing the economy, designing a national health care system, controlling drugs, protecting the environment, reforming education, restructuring welfare, or creating jobs: each of these issue-areas and dozens of others require coordinated analysis and action across many executive branch agencies.

In the real world, resource allocation and management are fundamentally interdependent. Given the complex systems that are necessary to address public problems, we must operate with considerations of management and budget together, not apart. This reflects the realization that these two sets of concerns are in fact intertwined in actual operation. And as we continue to work with the agencies to better integrate performance information into budget and resource allocations, the twin concerns of management and budget are likely to become even more intertwined over time.

I believe OMB continues to serve this Administration and the American people extremely well. Mr. Chairman, that concludes my statement. I would be happy to answer any questions.

Attachment

Laws that have increased OMB workload since 1993

- Government Performance and Results Act (PL 103-62)
- Federal Acquisition Streamlining Act (PL 103-355)
- Government Management and Reform Act (PL 103-356)
- Evaluation of DC report (PL 103-373)
- Unfunded Mandates Reform Act (PL 104-4)
- Paperwork Reduction Act (PL 104-13)
- Federal Acquisition Reform Act (PL 104-106, Division D)
- Information Technology Management Reform Act (Div. E, PL 104-106)
- Regulatory Flexibility Act Amendments (Title II D, PL 104-121)
- Congressional Review of Agency Rulemaking (Title II E, PL 104-121)
- National Technology Transfer and Advancement Act (PL 104-113)
- Single Audit Amendment Act (PL 104-156)
- Federal Financial Management Improvement Act (Title VIII, PL 104-208
- Fiscal Year FY 1998 Defense Authorization Act (PL 105-85)
- Government Paperwork Elimination Act (Title XVII, PL 105-277)
- Federal Activities Inventory Reform Act (PL 105-270)
- Submission of an Accounting Statement and Report to Congress on the Costs and Benefits of Federal Rules and Paperwork Treasury/General Government (PL 106-58)
- Counterterrorism & Antiterrorism (PL 105-85, Sec. 1051)
- A report on total Federal expenditure of all official international travel during the previous fiscal year (Omnibus Consolidated & Emergency Supplemental Appropriations Act)
- A report providing a final accounting of the finances and operations of international agencies abolished under Division G of the Act (Omnibus Consolidated & Emergency Supplemental Appropriations Act)
- Grants Management Simplification Act (PL 106-107)
- Submission to Congress of an inventory of Federal grant programs (Treasury/General Government Appropriations, PL 106-58)
- An accounting of climate change programs in the FY 2001 Budget (Consolidated Appropriation Act, PL 106-113)
- Designation of OMB to Chair the National Commission on Use of Offsets in Defense Trade, and submit a report to Congress (Section 1247(d) of FY 2000-01 Foreign Relations Authorization Act; PL 106-113)

31. IMPROVING PERFORMANCE THROUGH BETTER MANAGEMENT

> *We made a decision that was profoundly important, that the way Government works matters, that we could not maintain the confidence of the American people and we could not have ideas that delivered unless the Government was functioning in a sensible, modern, and prudent way.*
>
> President Clinton
> December 1998

In the past two years, the Administration has tackled the Government's biggest management challenges, which are designated Priority Management Objectives (PMOs), through a coordinated, sustained and intensive effort with the agencies to achieve significant improvements in these areas. This year, the Administration is targeting 24 Government-wide and agency-specific management issues for heightened attention (see Table 31–1). Four are new: "Use capital planning and investment control to better manage information technology;" "Streamline and simplify Federal grants management;" "Align human resources to support agency goals;" and, "Capitalize on Federal energy efficiency."

Last year, the Administration successfully advanced several of our management goals (which therefore are no longer on the PMO list). In particular, the Administration resolved its first and foremost management objective, "Manage the year 2000 (Y2K) computer problem" with impressive results. Y2K posed the single largest technology management challenge in history. The Federal Government's acknowledged success through the date change was the direct result of the commitment, long hours, and exceptional efforts of Federal employees in every agency. Due largely to the efforts of these employees and the leadership provided by the President's Council on Year 2000 Conversion, the Federal Government's Y2K efforts were, beyond all expectation, remarkably trouble-free. Under the direction of the President's Council, the Federal Government also worked with the private sector, State, and local governments, and international organizations to raise awareness and encourage work on the problem. Again, the results were uniformly acclaimed. In the Spring of 2000, the Conversion Council will prepare a final report which will include lessons learned from this challenge.

Two other objectives were successfully accomplished in 1999. First, to meet the goal "Better manage real property," the General Services Administration developed a draft legislative proposal to increase agency incentives to dispose of unneeded real property—making it available for more productive public or private use, in turn providing resources for agencies to fund needed capital investments. Second, to "Improve management of the decennial census," the Bureau of the Census in the Department of Commerce established and tested the necessary support structure—which includes opening data capture centers, regional census offices, and local census offices, printing forms, establishing a telephone questionnaire assistance program, printing language assistance guides, and recruiting and training temporary census workers—and it is now ready for operation. Finally, in 1999, all agencies identified activities performed by Federal employees that could be opened to competition potentially resulting in contracts with either private firms or with a more efficient public sector operation. Since such competitive reviews are an important element of the effort to "Revolutionize DOD business affairs," the objective "Use competition to improve operations" has been incorporated into the Department of Defense (DOD) objective.

Table 31-1. Priority Management Objectives

Strengthening Government-Wide Management

1. Use performance information to improve program management and budget decision-making.
2. Improve financial management information.
3. Use capital planning and investment control to better manage information technology.
4. Provide for computer security and protect critical information infrastructure.
5. Strengthen statistical programs.
6. Implement acquisition reforms.
7. Implement electronic Government initiatives.
8. Better manage Federal financial portfolios.
9. Align Federal human resources to support agency goals.
10. Verify that the right person is getting the right benefit.
11. Streamline and simplify Federal grants management.
12. Capitalize on Federal energy efficiency.

Improving Program Implementation

13. Modernize student aid delivery.
14. Improve DOE program and contract management.
15. Strengthen HCFA's management capacity.
16. Implement HUD reform.
17. Reform management of Indian trust funds.
18. Implement FAA management reforms.
19. Implement IRS reforms.
20. Streamline SSA's disability claims process.
21. Revolutionize DOD business affairs.
22. Manage risks in building the International Space Station.
23. Improve security and management of overseas presence.
24. Reengineer the naturalization process and reduce the citizenship application backlog.

The PMOs are coordinated by OMB with assistance from the National Partnership for Reinventing Government (NPR) and the inter-agency working groups, thus assuring senior management attention. Managers in the agencies have the primary responsibility to achieve the agreed-upon objectives—they must effectively implement detailed action plans to ensure that they make progress toward meeting their goals. Periodic reporting and review provide an opportunity for corrective action as necessary throughout the year.

Strengthening Government-wide Management

1. Use performance information to improve program management and budget decision-making: The Government Performance and Results Act (GPRA) requires agencies to measure performance and results—not just funding levels—so that we can better track what taxpayers are getting for their dollars. Agencies are not only working to develop and use performance measures in program management but also are working to integrate this information into budget and resource allocations, so that we can better determine the cost of achieving goals. The task is not simple. The agencies must define their specific goals, determine the proper level of resources, assess which programs are working, and fix those that are not. Progress will depend on GPRA becoming more than a paper exercise. Over the next year, OMB will work with all agencies to better integrate planning and budgeting and systematically associate costs with programs.

2. Improve financial management information: Just a decade ago, the Federal Government lagged far behind private industry in its ability to offer assurances of financial integrity. The Administration recognized and immediately began to address this weakness. Today, Government agencies have a strong financial management infrastructure supported by a comprehensive set of Federal financial accounting standards. Chief Financial Officers (CFOs) in the 24 largest Federal agencies integrate financial management agency-wide and produce annual audited financial statements. As validation of our progress, in October 1999, the American Institute of Certified Public Accountants recognized Federal Accounting Standards Advisory Board statements as "generally accepted accounting principles" (GAAP). This independent acknowledgment by the internationally recognized organization that designates GAAP standard-setting bodies marks a significant milestone in improving public confidence in Federal financial management. Also, in 1999, 12 of 24 CFO agencies received clean opinions on their 1998 statements, double the number of clean opinions received in 1996 and in sharp contrast to 1993 when agencies did not routinely issue financial statements. In 1999, the Federal Government also issued its second audited Government-wide financial statement. Auditors noted specific accounting difficulties at DOD, and the complexity of identifying and reporting transactions between Federal Government entities (intra-Governmental transactions). DOD has invested significant contractor support resources to address its problems, and OMB, the Treasury Department, and the General Accounting Office are working with the CFOs to develop short-and long-term solutions to the intra-Governmental transactions issue. Almost all agencies also face the daunting task of upgrading or replacing financial management systems to provide the accurate, timely, and useful information that is the cornerstone of both financial integrity and performance measurement.

3. Use capital planning and investment control to better manage information technology: The Government spends in excess of $38 billion each year on information technology, and this number will continue to grow as virtually all functions of Government take advantage of efficiencies provided by information technology (IT). Well selected, controlled, and managed IT projects can ensure that agencies fulfill their missions with the lowest costs and greatest benefit to the American people. The Administration will issue general guidance and will work with agencies on specific systems to ensure that IT capital planning is integrated with agency budget, acquisition, financial management, and strategic planning processes, and that agencies properly assess benefits, risks, performance goals and accomplishments of their IT portfolios. Chapter 22 of *Analytical Perspectives* highlights program performance benefits from major IT investments throughout the Federal Government.

4. Provide for computer security and protect critical information infrastructure: Protecting information systems that the Federal Government depends on and that are critical to the economy is growing in importance as society's use of technology and reliance on interconnected computer systems increases. The Y2K remediation underscores the fact that, along with increased productivity and efficiency of system interconnections, there comes increased risk. However, if the risks are identified and addressed in light of secu-

Table 31–2. CFO Agency Financial Statement Performance Goals

Financial Statements	1998 Actual	Estimate		
		1999	2000	2001
Audits Completed	24	24	24	24
Agencies with Unqualified Opinion	12	18	21	22
Agencies with Unqualified and Timely Opinion	7	16	21	22

rity issues, they are manageable. Such risk management requires that we incorporate security into the architecture of each system, promote security controls that support agency business operations, and ensure that security funding is built into life-cycle budgets for information systems. Protecting Government information systems is a key component of the broader imperative to protect the Nation's critical infrastructure—namely such vital assets as banking and finance, transportation, energy, or water, whose incapacity would have a debilitating effect on national security, national economic security, or national public health and safety. Each Federal agency has the responsibility to protect its own critical infrastructures and ensure its ability to provide essential services to the public. In addition, because most of the Nation's critical infrastructures are owned and operated by the private sector, Government agencies must follow the Y2K example in reaching out to private industry to assist and encourage sensible infrastructure protection efforts.

Protecting Personal Privacy

As information technology transforms our Government and our economy, a growing challenge is how to gain the benefits from the new technology while preserving one of our oldest values—privacy. In the online world, the Administration has encouraged self-regulatory efforts by industry. For especially sensitive information—such as medical, financial, and children's online records—legal protections are required. To coordinate privacy policy, the Administration created the position of Chief Counselor for Privacy within OMB's Office of Information and Regulatory Affairs.

This year has seen historic progress:

- In the online world, under steady prodding by the Administration, the portion of commercial websites with privacy policies rose from 15 percent to over 65 percent from 1998 to 1999. A public workshop last fall challenged industry to address concerns about "online profiling," in which companies collect data, in ways few people would suspect, about individuals surfing the Internet.
- When children go online, parents should give their consent before companies gather personal information. Websites aimed at children must get such consent under the Children's Online Privacy Protection Act of 1998 and rules issued last year.
- In new regulations, the Administration has emphasized its full support for the use of strong encryption to provide privacy and security to law-abiding citizens in the digital age. Continuing programs to strengthen Government computer security also provide new privacy safeguards for personal information held by the Government.

Progress on privacy will continue:

- For medical records, this year will see historic, final rules that will legally guarantee key privacy protections: notice of data uses; consent before records are used for nonmedical purposes; patient access to records; proper security; and, effective enforcement. The Administration will continue to support legislation that would include broader scope and enforcement authority.
- The financial modernization bill signed by the President in November 1999 included important privacy protections. Notably, consumers will have an absolute right to know if their financial institution intends to share or sell their personal financial data, as well as the right to block sharing or sale outside the institution's corporate family. Last year, the Administration will seek further protections for consumers in financial information, including choice about sharing within a corporate family.
- The Federal Government will continue to build privacy protections into its own activities. Last year, for instance, all Federal agencies successfully posted clear privacy policies on their websites. This year, among other initiatives, the Administration plans to make "privacy impact assessments" a regular part of the development of new Government computer systems.

5. Strengthen Statistical Programs: The Government spends more than $3 billion each year to produce statistical measures for decision makers in both the public and private sectors. These data are used for everything from monitoring the Nation's progress in the dynamic global economy, to spotting important trends in public health, to projecting the impact of future demographic shifts on the Social Security System. In 1999, the Administration: (1) actively supported House passage of a bill to permit limited sharing of confidential data among selected agencies solely for statistical purposes; (2) significantly enhanced FedStats *(www.fedstats.gov)* services; and (3) published innovative inter-agency thematic reports, including *America's Children: Key National Indicators of Well-Being and Health, United States.* The Administration will now seek Senate passage of the legislation for statistical data sharing, begin use of the recently revised Standard Occupational Classification, publish a new thematic report on statistics related to the aging population, and continue the phased implementation of the American Community Survey to provide comparable demographic, economic, and housing data for small geographic areas for use in distributing nearly $200 billion annually. In 2001, the Administration will work to improve the measurement of income and poverty; address key education, health, and welfare data needs; and, strengthen measures of capital equipment, services expenditures, and E-business.

6. Implement acquisition reforms: The Federal Government is the Nation's largest buyer of goods and services, purchasing roughly $200 billion each year. In the past seven years, the Congress and the Administration have implemented numerous acquisition reforms to streamline the buying process and maximize the Government's buying power. For example, agencies are using credit cards for small dollar purchases instead of processing paper purchase orders to save administrative expense and time. In 1999, the Government met its goal of using credit cards for 60 percent of all purchases below $2,500. For 2000, the goal was increased to 80 percent, and all agencies are on track to meet this goal. Agencies are also selecting contractors based on past performance to save money and get better results. In 1999, 15 agencies established and are using contractor performance evaluation systems to select high-performing contractors. In 2000, all major agencies will have evaluation systems in place. Further, to obtain desired performance and reduce cost overruns and schedule slippages on the annual expenditure of $70 billion for capital assets (e.g., buildings, satellites, information technology), agencies are implementing a rigorous capital programming process. Finally, agencies are being encouraged to use performance-based service contracts which improve performance and reduce price by describing desired outcomes in measurable terms while leaving the "how" to the contractors' ingenuity.

7. Implement electronic Government initiatives: New information technologies can make Government easier to use. In December 1999, the President articulated a vision for electronic Government. The Administration will pursue three related strategies to increase access to Government information, ensure privacy and security, increase agency use of automation to transact services, and adopt cross-cutting electronic Government initiatives. First, citizens, businesses, and governments need to trust that when they communicate electronically as part of a Federal activity, their messages will be safe from interference and fraud. By December 2000, agencies will issue at least 100,000 secure digital signatures to individuals to enable them to exchange information with the Government in a private and tamper-proof manner. Second, the Federal Government will develop a new clearinghouse for Government information on the Web to demonstrate how common standards can dramatically improve access to government information at far less cost than current approaches. And third, agencies will create new computer applications to allow citizens to transact more government services electronically, beginning with the 500 most common Government services and forms.

8. Better manage Federal financial portfolios: The Federal Government currently underwrites more than $1 trillion in loans, primarily to students, homebuyers, and small businesses. The Government can better serve these customers and at the same time protect its interest in obtaining efficient and timely

repayment. At the end of 1998, $60 billion of this Federal portfolio was delinquent—an increase of $8 billion from 1997. However, as the Department of the Treasury implements its new statutory authorities under the Debt Collection Improvement Act, collections are beginning to increase. For example, in 1999, Treasury collected $2 billion through "offsets" of tax refunds and other payments—with more than $1 billion representing delinquent child support obligations. In addition, the Department of Justice collected more than $1 billion of delinquent debt through its litigation program. In 2000, agencies should increase collections and further reduce delinquencies by full implementation of the Treasury debt collection offset and cross-servicing tools, by increasing loan sales for delinquent debt, and by writing-off uncollectible debt.

9. Align Federal human resources to support agency goals: Recognizing that people are critical to achieving results Americans care about, the Administration will undertake a strategic approach to human resources management. First, the Office of Personnel Management (OPM) will help agencies strategically assess their human resources to ensure a quality Federal work force in the 21st Century. Among other things, in 2000, OPM will complete the design of a prototype work force planning model that will allow line managers to analyze their current work force and prepare "what-if" scenarios under a variety of recruitment, restructuring, or mission change models. Second, OPM will work with agencies to ensure labor-management initiatives to empower executives, line managers, and especially employees to improve customer service and get mission results. Third, OPM will encourage agencies to make better use of flexibilities in existing human resource policies, systems, and available tools. OPM will also submit legislative proposals, where necessary, consistent with these human resource management strategies.

10. Verify that the right person is getting the right benefit: The Administration will expand its focus on ensuring that administrative and program payments are made correctly and on time. The Government-wide strategy is first and foremost to make payments correctly up-front and, secondly, to measure the extent of improper payments through the annual financial and performance reporting process. The strategy also calls for strong privacy and security protections in carrying out these goals. In 2000, OMB will issue guidance to agencies to ensure that the right person is getting the right benefit, including, for example, principles for authenticating identity, keeping address information up-to-date, and verifying eligibility criteria. The Administration will also assist Federal agencies in estimating the extent of, and addressing the underlying causes of, improper payments. The Administration will work with the Congress where legislation is needed to provide agencies the ability to share information within the framework of the Privacy Act and Computer Security Act.

11. Streamline and simplify Federal grants management: The Administration will work to make it easier for State, local, and tribal governments and nonprofit organizations to apply for and, as recipients, report their progress on Federal grants. The inter-agency Electronic Grants Committee and their Federal Commons initiative will be central to a Government-wide effort to use electronic processing in the administration of agencies' grant programs. OMB and the agencies are also working to develop common applications and reporting systems for grant programs, including consolidation of payment systems. We will also identify statutory impediments to grants simplification and encourage flexible legislation, like the Workforce Investment Act, which allows Federal agencies to streamline the delivery of grants.

12. Capitalize on Federal energy efficiency: The Federal Government is the largest single consumer of energy in the world. Every year, the Government spends more than $4 billion to heat, cool, and power 500,000 Federal buildings. With this distinction comes the opportunity to save energy, save taxpayers dollars, and protect the environment from harmful greenhouse gases. Under the leadership of this Administration, the agencies have already cut their energy use 17 percent from 1985 levels. In 1999, the President issued E.O. 13123, Greening the Government through Energy Efficient Management, setting tough new goals for energy efficiency and giving agencies the tools they need to achieve those goals. In 2000, agencies will take

steps to markedly improve energy efficiency by maximizing use of contracting tools, such as energy savings performance contracting; purchasing energy efficient office products; taking advantage of cost-effective renewable technologies and power from clean (or "green") sources; and, using sustainable designs for new Federal construction. By 2010, agencies will cut energy use by 35 percent and reduce greenhouse gas emissions by 30 percent—saving taxpayers over $750 million a year.

Improving program implementation

13. Modernize student financial aid delivery: The Higher Education Amendments of 1998 created the Government's first performance-based organization in the Department of Education's Office of Student Financial Assistance (OSFA) to significantly improve the annual delivery of $50 billion in financial assistance to nearly nine million students. In 1999, the new results-oriented organization hired a chief operating officer, assessed customer needs, developed a systems modernization blueprint, issued a five-year performance plan, and reorganized the staff into three service-oriented channels for students, schools and financial institutions. It successfully field tested its application software with ten schools and multiple Federal agencies in the first phase of its pilot program. In 2000 and 2001, working with other agencies, schools, students, and the commercial banking industry, OSFA will focus on implementing critical areas of the systems modernization plan, completing the personnel reorganization, expanding electronic access to benefits and services, and simplifying data exchanges with partners and customers.

14. Improve Department of Energy (DOE) program and contract management: Because more than 90 percent of DOE's budget is spent through large, long-term management contacts, good acquisition planning and better project management after contract award are essential. For example, DOE contracts with universities and other organizations to operate and maintain facilities to clean up nuclear material and waste sites, and with private sector firms to design, build, and operate treatment, storage, and disposal facilities. The Administration is emphasizing more cost-efficient, performance-based, fixed-price contracts over reliance on cost reimbursement contracts, which have few incentives for contractors to adhere to cost, schedule, and performance goals. In 1999, DOE increased the number of contracts it competed and added performance measures and incentives to others. It also created a high-level project management office to track and review all projects valued at $20 million or more; those that cannot meet cost, schedule or performance goals will be placed on a "Watch List" to be monitored more closely by the Deputy Secretary. In 2001, DOE will award 70 percent of its support service requirements as performance based service contracts. By 2003, two-thirds of DOE's facility maintenance contracts will have been awarded competitively.

15. Strengthen the Health Care Financing Administration's (HCFA's) management capacity: HCFA faces the formidable challenge to modernize and operate as a prudent purchaser of health care in the fast-changing health care marketplace, while also, and perhaps most important, increasing accountability to its customers. The initiative has five components: (1) management flexibilities (e.g., evaluation of personnel needs and flexibilities); (2) increased accountability to constituencies (e.g., creation of an outside advisory committee); (3) program flexibilities (e.g., new authorities and greater use of existing authorities to pay for services at market rates, enter into selective contracts, and engage in competitive bidding); (4) structural reforms (e.g., reengineering relationship between HCFA's central and regional offices and between HCFA and HHS); and, (5) contracting reform (e.g., promoting competition in Medicare claims processing, improving contractor oversight). In 1999, HCFA established a Management Advisory Committee, which will include individuals with a wide range of private sector, public sector, and academic experience. The bipartisan committee will begin meeting in 2000 to provide guidance on ways to improve HCFA's management, performance, and accountability. HCFA is also in the process of assessing its current and ideal workforce skills mix, and developing and validating a long-term human resources strategic plan. HCFA drafted and sent to

Congress its contracting reform legislative proposal, which is designed to introduce competition into the Medicare contracting environment and allow HCFA to select contractors from a wider pool. The President's 2001 Budget includes a new contractor oversight initiative to ensure that contractors have appropriate controls in place. Other areas of focus for 2000 and 2001 include improving communications and coordination between HCFA central and regional offices and HHS, and developing strategies for making better use of HCFA's vast data resources.

16. Implement Department of Housing and Urban Development (HUD) reform: In the mid-1990s, chronic problems at HUD led some to consider abolishing the Department. Congress, the General Accounting Office, and private agencies criticized the agency as unresponsive, having too much red tape and little accountability, and plagued with unreliable data and various systems that could not communicate with one another. HUD's comprehensive reforms, begun in June 1997, are designed to realign agency operations for results, including assuring that HUD-subsidized tenants live in safe and well-managed housing. To date, HUD has downsized staff to 60 percent of 1980 levels, and clarified the mission of each employee; surveyed every public and HUD-assisted multifamily project and advised owners of any documented deficiencies; cleaned up much of the data in existing management and financial systems, integrating many of the disparate systems where possible; and begun to monitor subsidized tenants' eligibility and the correct amount of tenant rental payments through cross checks with Social Security and other data bases. By the end of 2001, HUD will reduce the share of public and assisted housing with severe physical deficiencies by 10 percentage points, reduce the share of units managed by poorly performing public housing agencies by five percentage points, and will promptly complete most enforcement actions on troubled privately owned subsidized housing within 120 days of referral. HUD will begin surveying its customers (e.g., Mayors, local HUD partners, public housing residents and other customers) to determine how well HUD is doing and advise HUD on where to improve. In 2000, HUD will save $200 million in overpayments of HUD rental and operating subsidies by cross checking with Social Security and other data bases for tenant income levels which determine both eligibility and tenants' rent levels.

17. Reform management of Indian trust funds: The Department of the Interior (DOI) is responsible for managing about $3 billion of funds that the Federal Government holds in trust for Indian tribes and individual American Indians, as well as the underlying land, timber, and mineral assets from which these funds are derived. At the end of 1999, nearly all of the roughly 300,000 financial account jacket files managed by DOI for individual Indians had been cleaned up and 45 percent of these were successfully converted to a commercial grade accounting system. This effort is on track to meet the goal of converting all remaining accounts by May 2000. All Tribal accounts have been managed in a commercial grade system since 1995. In June 1999, DOI began piloting its Trust Asset and Accounting Management System in Billings, Montana, which will provide DOI field staff with the tools needed to properly manage tribal and individual Indians' land and natural resources. At this pilot site, trust asset data has been converted to the new system and the results are being evaluated. The current goal is to convert the remaining 213 sites to the new commercial system by December 2001. While initial success in DOI's Indian Land Consolidation pilot program will help sustain these management improvements by easing the paperwork burden of administering trust fund accounts, enactment of legislation to make this consolidation effort permanent is vitally important.

18. Implement Federal Aviation Administration (FAA) management reforms: The safety of the flying public depends upon the FAA—its air traffic controllers, safety and security inspectors, and information technology. There are three major management reform initiatives which will help the FAA improve its use of technology and prepare for future challenges: acquisition; financial; and, personnel reform. With respect to acquisition reform, FAA is in the process of implementing an effective, systematic process for selecting, controlling, and managing capital investments. On the financial reform side, the FAA con-

tinues to implement phases of a cost-accounting system which, when fully utilized, will provide information to both itself and its users about the value of the FAA's services and allow the agency to operate more like a business. Finally, the FAA continues to evaluate the success of its personnel reform efforts. In 2000, the FAA will link pay scales to market rates and implement a system which ties pay to the achievement of individual and agency performance targets. The agency will use its existing legislative authority to create a performance-based organization for Air Traffic Control (ATC) services; while the Administration calls upon Congress to provide the additional authority it needs to operate ATC as a business.

19. Implement IRS reforms: The IRS is modernizing its technology and organizational structure, in part as mandated by the IRS Restructuring and Reform Act of 1998, in order to ensure the fairness of tax administration and improve the IRS's customer service, productivity, and financial management. By the end of 2001, the IRS will be restructured around four major customer groups with similar filing and compliance characteristics (i.e., those with only wage and investment income, small businesses and self employed, large and mid-sized businesses, and tax exempt and government entities). Over time, this will enable the IRS to tailor staff expertise, services, and enforcement techniques to specific taxpayer groups. This will be the most significant restructuring of the IRS's organization and work practices since 1952. The IRS is also undertaking a technology modernization program which is designed to replace the IRS's 1960s era core databases with modern systems. This will enable significant improvements in technology support to customer service and compliance employees. It will also prepare the IRS for the wholesale transition to electronic filing and data exchange. The IRS is also implementing a series of initiatives to provide immediate customer service improvements. For example, it has expanded the hours when toll-free assistance is offered, set up four local citizen advocacy panels to ensure taxpayer input to local IRS officials, offered new electronic filing and payment options, and strengthened its taxpayer advocate service (which gives taxpayers an option outside of normal IRS processes to resolve difficult issues). Its electronic filing system earned a 74 American Consumer Satisfaction Index (ACSI) score, placing it above the average customer satisfaction score for private sector services. During 2000, the IRS will build on these efforts with new initiatives directed at improving the responsiveness of customer service representatives, expanding Spanish language toll-free assistance, and enhancing outreach to new small businesses to help them better understand and meet their tax obligations.

20. Streamline the Social Security Administration's (SSA's) disability claims process: SSA is in the midst of a multi-year project to improve service delivery for the millions of individuals filing for, or appealing decisions on, claims for disability benefits. To increase accuracy and consistency in decision-making, the agency has provided all of its adjudicators uniform training and instructions clarifying complex policy areas, as well as instituting an improved quality assurance process. SSA is also testing a redesigned disability claims process on a prototype basis in 10 States. The new process will eliminate repetitive steps and increase claimant interaction with SSA at both the initial claim and hearing levels. If the prototype proves successful at providing claimants with the correct decision earlier in the process, nationwide implementation will occur beginning in 2002. Finally, management improvements scheduled to be fully implemented at the Office of Hearings and Appeals in 2001 are expected to reduce hearing processing times from an average of 316 days in 1999 to 208 days in 2002. The combined effect of all of these changes will be to improve the accuracy of initial decisions and provide a quicker and more user-friendly process for those claimants who pursue appeals.

21. Revolutionize DOD business affairs: Following the end of the Cold War, the United States began a major reduction in military forces. DOD's cuts in infrastructure costs, however, have not kept pace. To make further cuts, DOD plans to change the way it does business. The 1997 Defense Reform Initiative provided a strategic blueprint of how to adopt better business processes, pursue commercial alternatives, consolidate redundant

functions, and streamline organizations. Since the Defense Reform Initiative report, significant effort and progress has been made. Examples include:

- Competition forces organizations to improve quality, reduce costs, and focus on customers' needs. DOD employees perform many commercial activities which could benefit from competitive bidding. DOD expects its competitive sourcing process will save approximately $11.2 billion from 1997 to 2005. These savings are reallocated to other defense priorities, including force modernization throughout the 2001–2005 period.
- The vast majority of official purchases are made with a special credit card—rather than wasting time and money writing a paper contract. From just less than 800,000 purchases made with the purchase card in 1994 to 7.5 million during 1998, the card truly has become the preferred method of obtaining goods and services costing less than $2,500.
- Today, paper is still part of DOD's business systems and culture. The Department's goal is to make all contracting (i.e., weapons systems, spare parts, and installation level maintenance) paperless by 2001. Sixty-seven percent of the Department's transactions are currently paperless and the Department is well on its way to achieving its goal of 90 percent in the year 2000.
- In 1991, DOD was operating 324 separate finance and accounting systems. Through the summer of 1999, that number dropped to 102 systems; a 69-percent decrease. By 2003, the Department expects to reduce the number of systems to 32, representing the largest financial system overhaul ever undertaken by DOD.

22. Manage risks in building the International Space Station: The United States has the lead role in building the International Space Station, one of the most complex international projects ever undertaken in peacetime. The recent trend of annual budget growth has been curbed in the 2001 budget—a major success—but NASA must continue to manage the risks of completing assembly and reduce the potential for future cost growth. In 1999, the first elements of the Space Station had a year of successful in-orbit operation, and the program made good progress, albeit slower than planned, in preparing many other key elements for launch. The year 2000 is critical for the Space Station—with plans for the beginning of permanent human presence in space, and the initiation of research aboard the orbiting laboratory. The program also continues the transition from development activities to orbital operations and research. The program will control cost growth by balancing requirements within available resources, and will continue to address cost and schedule performance problems in its key contracts, strengthen contract management and cost controls, and further reduce risks from potential Russian shortfalls.

23. Improve security and management of overseas presence: Since the end of the Cold War, the world's political, economic, and technological landscape has changed dramatically, but our country's overseas presence has not adequately adjusted to this new reality. Thirty Federal agencies now operate internationally, yet the condition of U.S. posts and missions abroad is unacceptable. In 1999, in the aftermath of the African embassy bombings, the Administration formed the Overseas Presence Advisory Panel to consider the future of our Nation's overseas representation, to appraise its condition, and to develop recommendations on how best to organize and manage our overseas posts. In 2000, the Administration will be working to ensure the thorough review and implementation, as appropriate, of the Panel's recommendations, including an examination of the U.S. Government's overseas needs and the current structure of financing and management for overseas facilities. We will also assess the need for additional security enhancements, including physical security upgrades, sound capital planning for the construction of new diplomatic and consular facilities, and begin to move toward a common information technology platform for all of our agencies abroad.

24. Reengineer the naturalization process and reduce the citizenship application backlog: Immigration and Naturalization Service (INS)

is reengineering the naturalization process to streamline and automate operations, while simultaneously reducing a backlog of more than 1.8 million applications for citizenship. In 1999, INS reduced the backlog by more than 500,000 applications and the average processing time between application and naturalization of qualified candidates has been reduced from 27 months in 1998 to 12 months in 1999. The goal is to reduce processing time to six months by the end of 2000.

Using Inter-Agency Groups to Get the Job Done

To achieve the Administration's goal of making fundamental change in the operations of Government, inter-agency groups have been used extensively to lead crosscutting efforts. These groups draw together operational, financial, procurement, integrity, labor-relations, and systems technology experts from across the Government. The groups establish Government-wide goals in their areas of expertise, and they marshal the resources within individual agencies to meet these goals. Several of these groups were formed for the first time by this Administration, including the National Partnership for Reinventing Government, the President's Management Council, and the National Partnership Council (see Table 31–3).

The National Partnership for Reinventing Government (NPR): President Clinton created the NPR in March 1993 to create a Government that works better, costs less, and gets results Americans care about. He asked Vice President Gore to lead this inter-agency task force. In 2000, NPR will continue its work to make agencies that have the most contact with the public to be more performance-based, results-oriented, and customer-driven. In doing this, NPR will partner with agencies to achieve the following outcomes:

- Customer satisfaction with Federal services equal to or better than the business services sector, as measured by the ACSI.
- An infrastructure to enable Americans to have access to all Government information and be able to conduct all major service transactions on line by 2003.

NPR will also work with local and State governments and the private sector to:

- achieve dramatic reductions in gun violence;
- help States achieve their goals of universal health insurance for children; and,
- provide all Americans a seamless learning and employment system to get the job skills they need to be successful in the 21st Century.

More information on NPR is available at its website, *www.npr.gov*.

The President's Management Council (PMC): The PMC consists of the Chief Operating Officers of all Federal departments and the largest agencies. The PMC provides leadership for the most important Government-wide reforms. Council priorities include: supporting labor-management partnerships; leading GPRA implementation; identifying criteria and recommending methods for agency restructuring; supporting electronic commerce and performance-based contracting; facilitating development of customer service standards; and, improving Federal energy efficiency.

The National Partnership Council (NPC): President Clinton established the NPC in October 1993 to enlist the Federal labor unions as allies to reinvention and to shift Federal labor relations from adversarial litigation to cooperative problem solving. Members of the NPC include: representatives of Federal employee unions and Federal managers and supervisors; the Federal Mediation and Conciliation Service; the Federal Labor Relations Authority; the Office of Personnel Management; OMB; DOD; and the Department of Labor. In 1999, the Council continued to sponsor training conferences aimed at helping unions and agencies build the skills they need to establish effective and successful partnerships. The Council also sponsored a major research project involving eight Federal agencies to study the connection between labor-management partnership and bottom-line improvements in agency performance. In 2001, the Council will continue to build on the findings of its research project and, through its training programs, focus on strategies that will both stimulate best practices and overcome barriers to partnership. More

information on the NPC can be found on its website, *www.opm.gov/npc.*

Table 31-3. Major Inter-Agency Groups

Council Names/Membership	Recent Activities/Future Priorities
Chief Financial Officers (CFO) Council: The CFOs and Deputy CFOs of the 24 largest Federal agencies and senior officials from OMB and Treasury. The Council, through its Committees, addresses such issues as financial statements and standards; financial systems; grants; human resources; debt management; and entrepreneurial Government. *http://www.financenet.gov*	Significant accomplishments include: a steady increase in the number of CFO Act agencies receiving clean opinions on their financial statements; timely issuance of the Government-wide audited financial statements for the second year in a row; the establishment of a Program Management Office under the Joint Financial Management Improvement Program to develop financial systems requirements and testing vehicles; and the development of qualification and classification standards for certain Federal financial positions based on core competencies and, the completion of a comprehensive review of the Franchise Fund pilot program. In 2000 and beyond, the Council intends to build on these accomplishments, continuing to seek clean audit opinions on agency, department and Government-wide financial statements; improvements in security and proficiency of financial management systems; and improvement in professional education and development of the Federal financial workforce. The Council also will support Administration efforts to seek permanence for the Franchise Fund pilot program.
Chief Information Officers (CIO) Council: The CIOs and Deputy CIOs for 28 major Federal agencies, two CIOs from small Federal agencies, senior officials from OMB and representatives from two information technology boards. The CIO Council develops recommendations for information technology management policy, procedures, and standards; identifies opportunities to share information resources; and assesses the Federal Government's needs for an information technology work force. *http://cio.gov*	In 1999, Council accomplishments included the successful transition of Federal systems to year 2000; improved capital planning capabilities; efforts to further enterprise interoperability; pilots to implement work force core competencies; and, increased security awareness. In 2000, the Council intends to build on its progress promoting infrastructure to provide common access solutions; expand and explore opportunities for increased interaction and outreach with the worldwide IT community to disseminate and share information; support service delivery by working on security and privacy approaches that advance appropriate information access, exchanges, and protection, and support electronic commerce; develop and implement strategies for recruitment, retention, and development of IT professionals; and, promote the effective integration of IT management with agencies' missions and processes.

Table 31-3. Major Inter-Agency Groups—Continued

Council Names/Membership	Recent Activities/Future Priorities
President's Council on Integrity and Efficiency (PCIE): The Presidentially appointed Inspectors General (IGs), senior officials from OMB, and other key integrity officials. **Executive Council on Integrity and Efficiency (ECIE):** The 30 IGs appointed by agency heads, OMB, and other key integrity officials. *http://www.ignet.gov*	1999 accomplishments include: identification of billions of dollars of Federal funds that could be reallocated to better use by Government managers; investigations resulting in successful prosecutions of thousands of wrongdoers; investigative and civil recoveries of more than $1 billion; and, disqualification of thousands of unscrupulous businesses or individuals from receiving Government contracts or participating in Government programs. The IG's also collaborated on efforts to address emerging issues with systems security, to enhance financial management practices to enable clean opinions of audited agency financial statements, to continue to foster GPRA principles, bring to successful completion intensive year 2000 activities, and to strengthen and enhance inter-agency training academies for auditors and criminal investigators. Priorities for 2000 include developing a strategic plan to focus the Council's efforts on major crosscutting issues to better leverage IG resources across the Government.
Electronic Processes Initiatives Committee (EPIC): Senior policy officials from DOD, GSA, Treasury and OMB. EPIC's role is to further the use of electronic technologies and processes within Government to improve service delivery and program efficiency. *http://policyworks.gov/org/main/me/epic/*	In 1999, EPIC helped implement the Government's strategic plan for electronic purchasing and payment. EPIC sponsored user groups to help resolve challenges in the implementation of the Government's SmartPay purchase and travel card program. EPIC also continued the development of a card-based approach for processing intra-governmental payments at lower cost. In 2000, EPIC will continue to monitor implementation of the Access America for Students initiative, which provides a one-stop shopping and information site for student loans. EPIC will also sponsor an effort to expand use of the Government's Central Contractor Registration, through which vendors can, in one place, register payment information and other data necessary to do business with the Federal Government.
Federal Credit Policy Working Group (FCPWG): Representatives from the major credit and debt collection agencies and OMB. The FCPWG provides advice and assistance to OMB, Treasury, and Justice in formulating and implementing Government-wide credit policy. *http://www.financenet.gov/financenet/fed/fcpwg*	In 1999, the FCPWG completed revisions to Government-wide policies to implement the Debt Collection Improvement Act, including a revision to Federal program write-off policy. With the support of the FCPWG, SBA completed its first loan asset sale program and HUD began centralizing its sale program. The GSA portfolio management schedule awarded over 50 contracts for work in asset valuation, due diligence, and loan sales. In 2000, the FCPWG will focus on Internet applications to improve customer access and modernize program financial systems, continue to build a government-wide loan asset sales program, and monitor the implementation of the Debt Collection Improvement Act, in particular referral of debt more than 180 days past due to the Treasury Department for collection.

Table 31–3. Major Inter-Agency Groups—Continued

Council Names/Membership	Recent Activities/Future Priorities
Procurement Executives Council (PEC): Senior procurement executives from major Federal agencies and senior OMB officials. The PEC serves as a forum to improve Federal acquisition by leveraging procurement influence and knowledge.	In 1999, specific accomplishments include: establishing a Government-wide Acquisition Intern Program; developing an inventory of desired skills and attributes of contracting professionals; and, developing draft guides for rotational assignments of contracting officers to industry organizations. By 2001, the PEC intends to improve the intern program; use the inventory of contracting officer skills and the rotational assignment guides to improve training; establish a set of agency acquisition system performance measures; improve small business procedures; and develop a single point on the Web that makes Government solicitations freely available to any interested entity.
Inter-agency Alternative Dispute Resolution Working Group (ADR): The Attorney General, representatives of the heads of all Cabinet Departments, and others with significant interest in Federal dispute resolution. President Clinton established the ADR Working Group in May 1998 to assist Government agencies in making greater use of consensual methods for resolving disputes, including mediation, neutral evaluation, arbitration, and other processes. *http://www.financenet.gov/financenet/fed/iadrwg*	In 1999, the Working Group conducted more than 50 Government-wide training sessions, meetings, and colloquia to promote and encourage the use of ADR in agencies. In 2000, the ADR Working Group will produce a detailed report on agency success stories, lessons-learned, best practices and recommendations, and it will continue to mentor agencies in the development of ADR programs.
Joint Financial Management Improvement Program (JFMIP): A joint effort of GAO, OMB, Treasury, and OPM, with a rotating representative from another agency. JFMIP was established 50 years ago to encourage and promote government-wide sharing and exchange of information concerning good financial management techniques and practices. *http://www.financenet.gov.financenet/fed/jfmip/*	In 1999, JFMIP published financial system requirements for Core Financial Management, Human Resources and Payroll, Direct Loans, and Travel, and prepared drafts for Seized Property and Forfeited Assets, Guaranteed Loans, Grants, and Property; established a testing and certification process for commercial off-the-shelf (COTS) software supporting core financial management functions; established a website that supports the testing process, including system requirements, the test, and information on tested and certified qualified COTS software; and issued guidance on core competencies in financial management. 2000 priorities are to: prepare financial system requirement publications for financial management systems where publications do not exist or are outdated; continue testing COTS software supporting core financial management functions; offer testing for Federal agency systems that are used to provide core financial servicing for other agencies; incorporate new requirements in the core financial management software test; and share information on financial management systems and best practices through the web-based knowledge base.

Table 31–3. Major Inter-Agency Groups—Continued

Council Names/Membership	Recent Activities/Future Priorities
Small Agency Council (SAC): Principal management officials from 81 agencies with less than 5,000 FTE. The group was chartered to improve management effectiveness through education, exchange of information, self-help, and cooperation. *http://www.sac.gov*	It speaks for the member agencies on a variety of issues and proposals with OMB, OPM, and GSA. It annually sponsors a comprehensive training program open to all member agencies, covering matters of current interest, such as Y2K, preparing annual performance reports, and alternative dispute resolution. In 1999 more than 1,500 attended these sessions.
Human Resources Technology Council (HRTC.) Under the sponsorship of OPM, the HRTC consists of human resources, information technology and Federal financial decision makers. The HRTC operates as a guiding body on government-wide information technology issues affecting personnel and payroll matters. *http://www.opm.gov/hrtc*	In 1999, projects completed include an Official Personnel Folder Data Dictionary, and a Government-wide Human Resources Information Study (now formalized as a JFMIP Financial Systems Standard). In 2000 the HRTC will lead an effort to design and develop a Human Resources Data Network, recommended in the study noted above, which will facilitate the movement, storage and retrieval of HR data on employees, and will eliminate any future need for paper-based official personnel records.

Mr. HORN. Thank you very much for that statement.

Mr. Turner and I will be alternating on questions. Each of us will take 10 minutes.

So let me start in with the general management questions.

What percentage of the Office of Management and Budget's staff of 518 is devoted full-time to governmentwide management issues?

Mr. LEW. The exact number of employees is in the 80's; 89 full-time employees are devoted to management issues.

Mr. HORN. Could you tell me where they are put around? Are you counting OIRA and other groups like that?

Mr. LEW. I am counting the statutory offices, in particular.

I think that the difficulty of answering a question like that has a lot to do with the integration between the budget and the management functions. If you look at a division like our General Government Division, where we have program examiners, who are considered on the budget side. They are not full-time management, but if you look at the responsibilities they have, they include working with GSA on real property policy. They include working with our Health and Human Resources Division. They involve working with the Office of Personnel Management on governmentwide personnel policy.

I think I would answer the question very differently if you asked me what percentage of OMB's staff efforts are put into management issues. I don't know that I would have an exact answer, but it is a much, much higher percentage. And the desk officer system gives us the ability to integrate the full-time management positions in a way that I don't think was possible before OMB 2000, when there was a much, much harder wall between the two functions.

And I think we have made progress in bringing the wall down and having virtually all of OMB's 518 employees think about management in the course of everything that they do.

Mr. HORN. What are the two major management examples that are a plus for the administration and the Office of Management and Budget over the last year? What would you say are your major two management successes?

Mr. LEW. I know this is going to be contrary to your own opening remarks, but I think you have to start with Y2K. Managing the Y2K problem was probably the single largest management challenge the Federal Government has had in modern times. The relationship that we at OMB had with John Koskinen, who coordinated the effort on behalf of the President and the White House, was unique. John is a former Deputy Director for Management and he understood all the levers that OMB has, all the talent and ability that OMB had in this area. And it was full cooperation where we put the full resources of the Federal Government to work to tackle the task.

Whether it should have begun a month or a year earlier is something we could have a long discussion about. I think we have responded well as the need to respond became apparent. But there is no doubt that we succeeded. We accomplished what people thought was an impossible task.

Mr. HORN. You did not succeed until we got John in there. And of course, this committee started in April 1996. Nothing much was happening. John was there as Deputy Director for Management.

Nothing was happening. Then he retired. Then he was brought out of retirement. The President made an excellent choice when he brought him out of retirement. But he wasn't doing that job which he should have been doing if that is a major management task—and I agree that it is.

Here is Social Security, out in 1989, doing it. And nobody is pulling in everybody and saying, "Look, Social Security says this is a problem. How about your affairs? Isn't that a problem for you?" Nothing was happening.

Mr. LEW. I think the characterization that nothing was happening is a bit unfair. I think there were a lot of things happening, but I won't contest that it wasn't as much of an effort as we ultimately put in.

I think if you look at public and private response, we were responding in a way that was similar to the private sector. When we realized the problem was much larger, we put more resources into it. The decision for John to come back is one that we encouraged. We understood there was a need to do this in a way that was different from the way that normal management challenges were done. And I don't think it could have been done without the very, very significant devotion of resources at OMB.

Let me give you an example.

The funds that Congress provided for the Government to deal with the Y2K problem were provided in a fund that the President could disburse based on advice from the Office of Management and Budget. I don't think there is another entity in Government that could have worked with every agency in Government to effectively allocate limited resources.

I can tell you that the demands for resources at the initial moments when that money was made available far exceeded what we could have used the money for, and wouldn't have solved the problem. We worked the way we can at OMB, agency by agency, separating out what are desires for more funds generally from what are desires for funds to deal with Y2K, and coordinating the effort in the way we did.

So I think it was a model of partnership. I applaud you for the efforts you have made in this area. I don't think this is an area where there is really a lot of conflict between us. The only thing I am contesting is that we did nothing before. I think that as the problem grew, our efforts grew.

Mr. HORN. Well, when your predecessor took command down there, I suggested to him that we not waste time on budget years, we reprogram existing money. He agreed with that and did it.

Mrs. Maloney was then ranking member. She and I were sending quarterly surveys to the cabinet. We started with the cabinet. Two had never heard of the operation, and that was the Secretary of Transportation and the Secretary of Energy. I was sort of amazed. Then he said they would be glad to do that, and you did a fine job on getting the quarterly report.

My problem was with 10 years gone by. We wrote the President and said that he needed a coordinator of this effort. And as I said, he made a very fine choice, but it took forever to do it. I call it the "Perils of Pauline," strapped to the tracks and the train is coming.

And somehow she escapes for the next Saturday movie. We were very fortunate.

But even when John was picked, he didn't take office until April 1998. So a lot of time had been lost. And while we muddled through, as the British say—and we are fortunate in that—what else was going on at OMB besides Y2K, if you say something was going on there?

Mr. LEW. During the period we were dealing with Y2K, we had also been working in procurement policy, and information technology generally. My predecessor worked very hard to try to take the Clinger-Cohen Act and to turn it into a tool that the Government would use. Since the act passed, we have used what we now call the Raines Rule to try and get the agency to focus on long-term information technology investment in an orderly way so that we won't have a repeat of the problems that we had seen before.

It is not an easy thing. Agencies had difficulty with major information technology procurement. There were many, many experiences where agencies bought systems that were incomplete, where they couldn't finish the systems on budget, where they didn't have the ability to do what they needed when the systems were done. I think we are doing much better.

Just in recent weeks, we have extended the same kind of approach that we have been using on procurement to security. We sent out guidance to the agencies just a few weeks ago to try and have the same kind of central focus. I think it is really a very good example of how the budgetary and management functions reinforce each other.

The time of year I have the most leverage to look at the Clinger-Cohen Act and make it stick is when agencies are asking for money for their computer system. If I say that I am not going to recommend it to the President if they haven't complied with Clinger-Cohen and the Raines' Rule, they can't go forward. It is very difficult to make an appeal for your computer system.

And we have gotten the agencies to understand that this is not a passing interest. It is part of the way we budget and part of the way we approach management. It is far from a job completed. And it is nothing that anybody will ever complete. Given the nature of the technology, it is always changing.

Mr. HORN. I am delighted that you are doing that survey. We have asked the Comptroller General to do a survey of all the executive branch hardware and software because we certainly learned our lesson through Y2K. I am glad you are taking advantage of the data that were put together. We will be glad to work with you, just as we were on the Y2K. Two Speakers of the House said, "Give them every dime they want on Y2K." So you did not have any problem up here on money. We gave it to you.

Mr. LEW. Well, it took us quite a while to get the supplemental, if you recall. We were very worried when it was pending, but we did get it in the end, and we did it.

Mr. HORN. You got every dime.

Mr. LEW. In the interest of——

Mr. HORN. We can't do what the other body does, and we won't even mention that.

Mr. LEW. But in the spirit of GPRA, though, I would hope that we would look at the results of Y2K, which was a real success. And the success wasn't an accident. It was the result of hard work here, hard work by OMB, and hard work by all the agencies. I think we should be proud of it.

Mr. HORN. Is it correct that you haven't got similar reporting for computer security issues? What is OMB doing there?

Mr. LEW. In the guidance we put out, we tried to set up what will be a new kind of reporting on computer security issues. We are using the work that we did in terms of Y2K, identifying the critical missions and working through in priority order.

The question of computer security is a very complicated one. There are competing goods that we have to balance. In the guidance, we tried to take appropriate concern for both keeping on a path toward becoming part of the electronic commerce, electronic government, and protecting privacy interests.

And one of the things that was striking to me in putting that guidance together is that the solution is as much low-tech as it is high-tech. It is changing the culture of the system where people leave their computers on at night, they don't log off.

It's not all a question of technology. Some of it is a question of just changing our practices. I think we have to deal with the fact that the threat to computer security involves people who are at the cutting edge who are always going to try to stay a step ahead of us. We can't think of this as a problem to solve today or tomorrow. We have to get involved in a process where we are always vigilant for what the threat is and how to stay a step ahead of those who would threaten computer security.

Mr. HORN. My time has expired. I am going to yield 10 minutes to the ranking member, Mr. Turner of Texas. We might get back to computer security if he does not pursue that.

Mr. Turner.

Mr. TURNER. Thank you, Mr. Chairman.

Mr. Lew, I want to followup on some of the things the chairman got into.

But first of all, I want to ask you to describe for me what the Office of Information and Regulatory Affairs does.

Mr. LEW. They do a number of things, Congressman Turner. Regulations that agencies are promulgating are cleared by the Office of Information and Regulatory Affairs. Major rules go through a cost-benefit analysis. To the extent that agencies have concerns across jurisdictional lines, OIRA provides a mechanism for coordinating conflicting views. And that is one of the major responsibilities.

Another major responsibility is working with agencies on their information technology management. A third is the Paperwork Reduction Act where OIRA works with the agencies approving new paperwork requirements. Actually one of the things we are about to do is to undertake an interagency effort to see what we can do to further reduce paperwork requirements.

So there really are quite a wide range of responsibilities at OIRA. It is a very heavily worked division.

Mr. TURNER. Your answer made my point.

I am very interested in the issue of trying to develop greater expertise and a more aggressive approach to implementing e-government. I am of the view that we are falling behind the private sector. It is a very rapidly evolving field and Government generally walks and the private sector is now running. We have to figure out how to run as well.

Your discussion with Mr. Horn was relevant on this point, and that is your high regard for the efforts OMB made in cooperation with Mr. Koskinen, who is properly viewed as the Y2K czar. I think his official title was special assistant to the President.

I am currently working to try to get the staff of our committee and Mr. Horn on the same page, to come up with some kind of proposal that will place the John Koskinen-type model within a context of information technology and the emphasis on e-government. I am convinced that unless we take this kind of very direct approach and create this kind of emphasis, that the Federal Government is going to continue to lag behind in the development of e-government.

We have some issues that I am sure you and the OMB have some opinions to share with us on. I want to be sure that we have a chance here to air those out because I know when we talk about creating an information technology czar or an e-government special assistant to the President that we begin to step on toes and have turf battles.

But if it be true that the John Koskinen model worked to solve the Y2K problem, I think that type of model could also work to bring a greater emphasis in the Federal Government toward implementing e-government.

One of the things that I wanted to explore a little bit with you was to get you to at least review the things that are currently being done to implement e-government. In answer to one of Mr. Horn's questions, you made mention of the fact that in the area of information technology we have taken steps to work with the agencies to improve procurement of hardware and software.

That really was the beginning point, as I noted it as a former member of the Texas Legislature and every State around the country, to try to create some central agency to assist the various agencies of State government—and now the Federal Government, through your work—to make sure we are buying the right equipment, we are not throwing away money, and making the wrong purchases.

Now, through the efforts of Mr. Horn, we have placed an emphasis in this committee on the issue of computer security, which probably ought to be described not only as computer security, but Internet security. It is a very troublesome problem, both in the public and private sector.

I am of the view that both procurement issues and security issues fit within the broader context of this issue of e-government, emphasis on information technology, and that if we had one person—a John Koskinen-type person—who could take information technology issues, computer security, procurement and place it in one office, have some cooperative working relationship between that individual, who would be directly accountable to the President, who had a good working relationship with OMB so we don't have

a turf battle over this, that we could perhaps get emphasis on information technology that is needed to put the Federal Government into the 21st century.

I am open to your suggestions, but perhaps the beginning point is to have you review what we are doing currently.

Mr. LEW. Thank you, Congressman.

Let me begin by just a general observation, and then some specific observations on what we are doing, and perhaps some thoughts about a separate office versus an OMB role.

At the conference the President had the other day on the new economy, one of the executives of a high-tech company said that we are probably, as a broad economy, not even 10 percent into the ultimate potential of e-commerce. I don't know if that is right or wrong, but if it is the right order of magnitude, I don't know that we are very far behind as a Government.

There is certainly a lot that can be done in the private sector and the public sector, but we are really accomplishing quite a lot. If you look at the number of people who will file their tax returns electronically, the number of people who will be able to fill out their census forms electronically, the number of people who were able to follow various NASA missions on-line, these are just a few of the many, many examples of the Federal Government being a real presence in terms of e-commerce.

I would not suggest that we are half-way down the road yet, but I think it is a very good beginning.

One of the things that we worked on before people were talking a lot about e-commerce was electronic benefit transfer, which is connected. It has a lot of potential in terms of e-commerce.

I would note that our efforts on that were a result of coordination between John Koskinen, when he was Deputy Director for Management, and one of our program associate directors, Ken Apfel, who was at our Human Resources Division. I think there was a kind of synergy in the way they worked that overcame many, many hurdles, which could have been used as reasons to doom moving into electronic benefit transfer. It took years of work to get through the hurdles, and I don't think it could have been done without that kind of coordinated effort.

The observation I was making earlier about the relationship we had with John Koskinen when he was working with the Y2K process and his own experience with OMB, I cannot overemphasize it. John was unique in that as a former Deputy Director for Management he had an understanding of how OMB could be effectively used as part of the process. I think if somebody had come in with expertise in information technology, but without John's familiarity with the different levers and tools, it would have been much more difficult, if not impossible, to be as effective as he was.

I think that is suggestive of the importance of having the OMB functions in this area remain strong, and remain real leadership roles.

I think the Deputy Director for Management at OMB is an official at a very senior level who reports to the President. We have been frustrated over the last 2½ years because we haven't had a confirmed Deputy Director for Management, but that is a separate issue. I think one can expect the Deputy Director for Management

to have a leadership role in this area, working with the head of OIRA, who is a confirmed official, and coordinating with the agencies.

I am afraid that if you were to split the function off and have a kind of permanent, independent Chief Information Officer, you would have to buildup resources to support that effort that would mirror the resources we have in the Office of Management and Budget if they were going to be effective. And the right answer is to figure out how to continue to use the authority and the leadership responsibilities at the Office of Management and Budget to play a lead role in this area.

I would argue that the efforts we have made over the last 4 years to improve the procurement processes could not be made outside the budget process. I don't believe agencies would do things differently today than they did 5 years ago if it wasn't a part of the budget process.

On the other hand, the person sitting at the table in our director's review answering questions was a person who worked full-time in the area of information issues who was a senior official at OMB. There is a synergy there that can work.

I would say that we have many goals still to achieve in this area. And I think that we look at the future as one with enormous opportunities, but we do have to balance concerns, like the privacy concern I mentioned and others. We have to be connected, but we have to protect people's rights as well.

Mr. TURNER. I think we both understand that in Government things occur, and action is usually taken when somebody says there is a crisis. Of course, the Y2K crisis generated a lot of interest, the right person was chosen for the job, and the relationship that OMB had with him was an excellent one.

The concerns you just raised about placing someone in a high-profile position, someone of the type personality of Mr. Koskinen who had the credibility of Mr. Koskinen, to move forward on information technology. I think the objections you just raised to putting someone into that type of role could have been made by you and the OMB when it was initially suggested that there was going to be a special assistant to the President for Y2K.

So what I am looking for is an understanding of why the John Koskinen-OMB relationship worked so that I can best figure out how to structure a relationship between a special assistant to the President on information technology—whatever you want to call him—that might be a little bit more friendly title to OMB than a Federal CIO—but whatever the title, the point is that the emphasis that was placed on Y2K was part of the reason we were successful. So I am looking for a way to highlight the importance of the Federal Government moving aggressively in the area of information technology.

That is the ultimate goal I have. And I think Government, by nature, is going to function more effectively in areas where we can figure out how to structure something to give it the emphasis that we want it to have, to make people pay attention—both within and without government—to get the kind of support we need to move forward. That is what I am looking for.

Mr. LEW. Congressman Turner, if you look at the process we went through in terms of setting up the office that John headed, it was not at all random that the President sought John to come back to do this. John brought the experience from OMB as well as the experience he had in the private sector in terms of crisis management. He really brought a unique set of skills and was just a tremendous person to work with, when he was Deputy Director and when he was the Y2K czar.

I think it is difficult to generalize from that experience a kind of formal approach that says, therefore there needs to be an independent person. Regardless of the title. I agree with you that titles can often make the discussions more difficult to think through.

If you're talking about long-term Government procurement of information technology, management of information systems, and the security of systems, I don't believe it can be separated from the broader question of agency management and agency budgeting. I think it has to be integrated.

I don't disagree with you that it's something that my successors will have to pay considerable attention to. But I think it has been the case—at least for the last number of years—that OMB Directors have paid a lot of attention. OMB Deputy Directors have paid a lot of attention.

The Y2K crisis was unique in that it was driving to a single day. If we didn't take care of it with the clock ticking down, we faced potentially very severe consequences. The longer term problems don't have that kind of a deadline where a crisis approach is going to be the most effective.

We need to have an ongoing effort—where we don't say it is going to be a 1-year effort or a 2-year effort. I have absolute confidence that computer technology 10 years from now will be far, far ahead of anything I could predict. That has been the history of information technology. We can't do it once and then say that we are done. It has to become a process. It is going to be expensive. It involves the way agencies work and agency resources.

I think it is central to how we do the business that we do. I don't disagree with you in terms of the fact that we need to pay very, very serious attention to it. But I believe we have. And we need to continue to do so, and I think more so.

Mr. HORN. Thank you very much for that series of questions. We will now have 15 minutes, since Mr. Turner had 15 minutes. And then we will get back to 10 minutes.

Let me go back to a few of these other things so we don't forget them.

In OMB's fiscal year 1999 performance report, you identified a goal of "working with all agencies to assure that their financial systems comply with the Federal Financial Management Improvement Act of 1996."

Last week, the Comptroller General of the United States testified that 19 of the 22 agencies that had submitted audit reports did not comply with the act.

Considering this lack of compliance with this law, could you give me some feeling of what the Office of Management and Budget is doing to achieve that goal?

Mr. LEW. Yes, Mr. Chairman.

We, obviously, have set goals for ourselves in this and a number of other areas to try to stretch to do the very best we can. I think we have made a lot of progress. We did better this year than last year. We need to do better next year than we did this year.

The process of doing the audited financial statements has been a difficult one. It was the first time in the history of our Government that we did this kind of stock-taking. And I think it is enormously important for agencies to get their hands on doing this right. To understand where your assets are and what your resources are is key to making policy judgments. And there have been many instances where if agencies had a better handle on their financial statements, they could have solved some of their own problems without having to come to Congress, without necessarily needing to make some other policy decisions that they made.

The fact that we still have a ways to go is something we have acknowledged clearly. The fact that we have made progress is something that we have also pointed out, and I think that GAO has also pointed out.

Mr. HORN. I commend you and the Office of Management and Budget on the results-oriented legislation of 1993–1994, which was truly bipartisan in terms of the Congress. When do you think these agencies will be in full compliance with the act? We gave them 5 years to give us a balance sheet with the 1996 fiscal year, then they have had a chance at 1997, 1998, this is now 1999. How do you think we are going to get full compliance? Do they take this seriously?

Mr. LEW. Yes, they do take it seriously, Mr. Chairman, and we take it seriously. If you look at our priority management objectives, this is right up there on our list of priority management objectives.

We are going to continue to stretch to try and do it as quickly as possible. And I am going to hesitate to give you any kind of a date because, frankly, it will be beyond my term as Director, and that is for whoever sits here next to make a commitment on.

I think we have performed well in terms of making progress. I am disappointed that it is a difficult process, but I think we all know it is a difficult process. And one can face a difficult challenge like that by saying that you can't do it in 2 years or 5 years, therefore it is not important. Or you can say, we have made a lot of progress over 5 years, and we will make a lot more progress over the next 5 years.

Mr. HORN. Ten years have passed since the enactment of the Chief Financial Officer's Act, and that also was a bipartisan act, just as was the Inspector General's and the Chief Information Officer's.

As you can see from the report card, which we issued last week, 17 out of the 22 Federal agencies reported one or more material or significant weaknesses. And as you noted in your testimony, the Office of Federal Financial Management exists for the purpose of developing financial management policies.

What is the office doing to address the serious problems of poor internal control throughout the Government? Practically every agency is inadequate in the internal controls.

Let's move it closer to the director so he can see it.

Mr. LEW. I am afraid it will have to get a lot closer before I am able to read it. [Laughter.]

Mr. HORN. We have little charts around here, but they sure haven't increased in the size so any of us can read it.

Move it up closer so he can see it. Just keep moving it, about 5 feet.

Mr. LEW. I think the whole approach to solving a problem like financial management, having a situation where agencies do have internally consistent controls is one that is going to take some time. I personally have some questions about whether the grades are right or wrong. This isn't the place to go through line by line and question.

Mr. HORN. We would welcome OMB giving us some standards. We are hoping to work with you on the computer security thing by agreeing on some standards that reasonable people could do in order to solve the computer security thing, which is a major situation that faces this country.

Mr. LEW. As you know, we are working with the agencies trying to develop a coordinated approach. I think to have a single set of standards may not be the right approach there because the standards would evolve and change as the threats change. But, we agree there should be the protocols in terms of individual responsibility for their computers, agency responsibilities for having systems in place, coordination with the private sector. A few weeks ago, the President had a conference on Internet security. There was a very interesting spirit of cooperation that was cautious but optimistic. The Government would be good partner in not telling the private sector exactly what had to be done in the area of Internet security.

It is a different world when we are interconnected. And we have to be careful not to impose such rigid requirements that they spill over and impede the private sector's ability to deal with many of these problems.

We are working with them, and there is a cooperative, voluntary working arrangement that I think is very promising. But I think we have to be careful about being too rigid about it, or we could chill the progress.

Mr. HORN. We would welcome what your standards are and take a look at it. We are not wedded to the grading. We do grade on an absolute. It is not a relative little curve. You can be all As or all Fs. Right now, we have a real problem.

Mr. LEW. Yes, I think we have made a lot of progress in terms of the audited financial statements. The need for better internal controls is one that we share. I don't think that we would question the need to have better internal controls. But we have gone from a situation that was quite behind where it should be to a situation that is perhaps further along than this set of grades suggests, and the direction we need to continue, making improvements.

I would hope we could work together on this. The notion of doing it on a report card basis has a certain kind of——

Mr. HORN. Well, it hones it on people. Some of my friends in the cabinet have tapped their Y2K report card on their door to shape up their bureaucracy.

Mr. LEW. I don't think there is any question that we want to work together on developing better internal financial controls. And

we view that as something that is not a partisan issue. It is something that we should have a shared——

Mr. HORN. Just good Government?

Mr. LEW. Yes, just good Government.

Mr. HORN. Last week, the Comptroller General also testified before the subcommittee that agency financial systems overall are in poor condition, cannot produce consistent reliable information to manage day-to-day Government operations, and that it took heroic efforts for agencies to obtain clean opinions.

Given those statements by the Comptroller General, how can you say that agencies have improved their financial information? And what is OMB doing to address the issue?

Mr. LEW. I would note that more agencies have clean opinions, more of them have timely clean opinions, and some of the agencies that have yet to get clean opinions are a lot closer.

I would rather succeed in a heroic effort than fail to try.

Mr. HORN. We agree with that. Boy Scout values are very good. I am all for them.

The Debt Collection Improvement Act—dear to my heart—passed and enacted in 1996, requires agencies to forward delinquent debt to the Treasury Department. The subcommittee has concerns because many agencies are doing a poor job submitting this debt for collection. This is money owed the taxpayer.

What is the OMB operation doing to facilitate the referral of the billions of dollars of delinquent debt to the Treasury for collection?

Mr. LEW. Over the last number of years, we have been trying to work quite broadly to improve our debt collection practices. We have worked with the Congress on a number of occasions on legislation that gave us tools that were more effective. In this last set of appropriations bills, in the area of student loan debt collection, we had an important provision which we very much supported that would permit us to be much more aggressive.

We have a kind of structural problem in debt collection. Agencies in the past haven't felt the direct incentive to collect debt. It didn't affect their program one way or the other. It was a burden. It was something that wasn't very popular in the community they were working in. It is an area that we—working with this committee and others—have had to be very aggressive about saying, "We just have the same obligation here that we have in terms of collecting taxes that are due and that the private lenders have in collecting loans that are due."

It is just not an acceptable standard that you can ignore the need for debts to be properly paid.

I think we have made some progress. We have made progress in terms of defaulted loans. We have made progress in the student loan area. The challenge is one that I think we at OMB, this committee, and the appropriators with their broader view of Government, see more clearly than some of the constituent parts do. And I would hope this is an area where we could continue to work together on a bipartisan basis.

Whether you believe in a big Government or a small Government, I think we all believe that people who make a commitment to repay should keep their commitment and there should be consequences if they don't repay.

In terms of the mechanisms we use, the new-hire data base being made available for student loan debt collection is an enormously powerful new tool. On the other hand, we have to be careful not to so burden the new-hire data base that it becomes an unsustainable device to use for its basic purpose, which is child support enforcement.

Suggestions have been made over the years that we be more aggressive in terms of using the Treasury IRS process. We are very worried that you have to be careful how you do that. The Treasury is very worried that in a system of voluntary tax compliance, if you go too far in that area, you may have a problem in terms of voluntary tax compliance that is greater than the debt collection benefit.

I think these are areas where we have to proceed aggressively, but carefully. And I have been very focused on this myself just because it is one of those Government things we ought to do. If you believe that the Government should be making small business loans, then defaulted small business borrowers should be required to either repay or the assets should be sold and the Government should be in a position the bank would be in.

And we are moving in that direction. We are doing better.

Mr. HORN. Well, I am glad to hear it because it is long overdue. And it goes back to about 1991 with the Internal Revenue Service where they started getting about $100 billion that they claimed they couldn't collect. I think a lot has to be done by the authorizing committees here. Mostly in the 1996 Act we handled the non-tax debt because there were little problems with jurisdiction.

But let me move to the Government Performance and Results Act, on which OMB was very helpful. That, again, was a bipartisan bill in 1993.

In your opinion, have the Federal agencies met the performance goals listed in the performance plans? What do you think about it?

Mr. LEW. I think some have and some haven't. But I don't believe that meeting the goals 100 percent is necessarily the right measure. If every agency met the goals, I think it would tell us that the goals were set too conservatively and in too constrained a manner. The goals are meant to force agencies in the direction they should be moving. It ought not to be set at a safe level where they are 100 percent sure they will meet them. The idea of stretching to meet goals is as important as having 100 percent success meeting the goals.

And I think the agencies are taking it very seriously. We have tried to integrate review of these performance measures with the budgetary reviews because that is the way to really get the sense of not just how we're doing on a numerical basis, but what it means in terms of the real programmatic results. It has been impressive to me that we have moved in a lot of cases from very soft input measures to output measures to outcome measures, where agencies are coming in with much more clearly defined senses of how many units of progress they expect to make.

I don't think they should be expected to get 100 percent.

Mr. HORN. Well, I agree.

Is there a unit in OMB that can help the agencies in terms of figuring out measurements of either surveys of citizens so that they

know whether they are getting, say, certain types of nutrition or not? It seems to me the financial indicators really don't mean a thing, but the delivery is what counts. Are we trying to make change and help people?

How are those measured? Does OMB have any little unit that calculates this?

Mr. LEW. I would say that it is a combination of a unit and the whole organization.

The Deputy Director for Management has the lead in working on this issue. In order to really get into the programmatic details, we draw on the resources of our resource management organizations and work together.

I think we have overcome some of the kind of cultural or jurisdictional barriers that may have existed 10 years ago in asking questions like this. If you asked a program examiner whether he or she needed any help in this, that is what we do in the first place. If you had asked someone 10 years ago if that was the budgetary reviews were done, they would say they are measuring inputs, not outcomes, not outputs.

I think we are now at a place where the people who have the detailed programmatic knowledge of what is going on in terms of interdiction of drugs, what is going on in terms of achieving higher nutritional levels, and the people who have experience working on conceptual approaches to measurement in management are teaming together. We are working with the agencies and making real progress.

In each and every review we had discussions that were much better than any of the discussions we had had in the six reviews I have been through. And it is not for lack of interest because my predecessors as Directors were as interested as I. But we have made progress. There is much, much more progress to be made.

Mr. HORN. I am glad to hear that.

I now yield 10 minutes for questioning to the gentleman from Texas, Mr. Turner.

Mr. TURNER. Thank you, Mr. Chairman.

Jack, if you will excuse me, I want to go back to the subject we discussed earlier.

When I asked you to describe the Office of Information and Regulatory Affairs, you identified that as the office that is charged with information technology management, along with a host of other responsibilities you mentioned.

I have always been a big fan of the effort the Vice President made in reinventing Government. I was particularly interested in that because when that effort was initiated, some of the ideas we had implemented in Texas on electronic benefit transfer on the Food Stamp Program were looked at by that working group. It was sort of the point at which the Federal Government began to move forward in what they had seen that we had already done in Texas, where we had been an advocate of using the smart card for food stamps way ahead of any other State in the Nation.

And my impression was that because the Vice President's emphasis on reinventing Government was put in place at the Federal level, some new ideas flowed into the Federal Government and allowed us to make some improvements.

Information technology, as we all know, holds the opportunity for both the public and private sector to make vast improvements in the way we deliver services. For the Federal Government, we know it is going to make it more accountable, more consumer/customer friendly, more accessible to the public, more efficient, cost-effective—the benefits are numerous.

I really am interested in trying to work with you to be sure that we can accomplish this goal of gaining a greater emphasis on information technology than we currently have. I am not much to predict the future, but I would be very surprised if whoever is elected the next President of the United States doesn't have an aggressive initiative on the utilization of information technology in the Federal Government.

The question I am trying to anticipate is, how do we structure that so that it works well, so that it is more than window dressing, so that the actual structure of that effort works within the framework of the Federal Government?

Also, specifically, what is the current relationship between OMB and the CIO Council, if there is any relationship?

Mr. LEW. OMB is the Chair of the CIO Council. Without a confirmed DDM, we are doing things on an acting basis, but we do Chair the Council. And I think the CIO Council has been a very useful arena for having these conversations. The guidance I just sent out regarding computer security was very much the subject of discussion at the CIO Council, drafts were circulated and discussed, and it was a forum for working through some of these very difficult issues.

Regarding your characterization of my response on your first question on OIRA, if I created the wrong impression, I would like to correct it.

OIRA coordinates many of the information technology issues, but by no means has sole responsibility at OMB. Let me give you three examples of where OMB's resources were drawn on broadly.

EBT I mentioned earlier where we had our resource management office working with the DDM and OIRA. It was a real collaborative task force effort working with the agencies.

Tax system modernization: working with our General Government Division, coordinating with the agency, with OIRA's expertise.

The problems we have had over the years at HCFA with their computer system: our Health Division was very much involved.

I think one of the things OIRA has the ability to do—and the Deputy Director for Management, more importantly, has the ability to do—is to draw broadly on all of OMB's resources. We have a capacity that is unequaled in the Federal Government to reach into agencies and work with them to help them solve these kinds of complicated problems. I am afraid that if you set somebody up in an independent office, they just couldn't do that. Or if they did, they would be doing it in a way that was less efficient.

I am never comfortable when questions of this nature come up because I don't think we should be "turfy" about these discussions. If the best way to do this is to have an independent office, I would say that. I don't think in this case that that is correct. I believe that if there is a problem with how OMB is doing it, then we ought

to solve that problem by giving it the proper place in our priorities. But I think to separate it from OMB is to weaken our ability to get our hands on the problem.

And that doesn't mean that there can't be advisors in other places. Surely, in many issues, we coordinate with the National Economic Council, the Domestic Policy Council—there are numerous areas where we have core responsibility where we coordinate with other policy offices that report to the President. But I think this is a little different than most of those in that it is kind of cross-cutting. It is fundamental to what we are going to be doing as managers of the Federal Government over the coming decades. To suggest that you can separate it from other management and budget concerns almost has the effect of putting it more at risk.

I know that is not your objective. I am giving you my frank view of the tools that we have. And I would welcome—and I am sure in the coming years my successors will welcome—the advice on how to do it better.

Mr. TURNER. And I certainly don't mean to leave the impression that I suggest that we separate it any more than John Koskinen's office was separated from the OMB. What I am looking for is an individual who can elevate the profile of information technology, who has a unique background and expertise in the area. John Koskinen seemed to fit perfectly for the job he was given. But when we talk about the subject of information technology, I suspect if we reviewed your background or the background of the Director of Management, you would not find the background I am looking for.

Not only are we talking about background, but we are talking about profile. I am looking for a structure that would enable the Federal Government to place an emphasis on moving aggressively in the area of information technology. I get the impression that one of the roles the OMB performs rather well is the implementation of current laws that have impact in information technology.

Your oversight role in implementing Federal law is, of course, critical. But I don't see a long-term emphasis on information technology policy of the nature that I think we need to see in the Federal Government. And I think a structure, an individual, an office directly accountable to the President can be the spark plug that is needed to allow aggressive implementation of information technology.

I agree that we need—as you shared with me, OMB has the overview, if you look across agencies. This individual needs to have that ability. That person needs to be able to look into the Department of Human Services and say, I see some areas there where we can implement information technology in a way that perhaps we can do it immediately. We can do it in that agency perhaps better than we can some other. And that person can make the decision to say, We are going to move aggressively in this agency for this reason. Then perhaps establish a model or a pattern that then later other agencies can follow.

So it is that kind of overview I am looking for. But it is also an elevation of the profile of the issue.

Mr. LEW. I think it is important to separate the question of profile and expertise from the tools that we have. In terms of profile, to some extent that is something that one could change. If you look

at my predecessor, by establishing as one of his major areas of concern putting rules out that govern information technology procurement, he was asserting that that was a central OMB responsibility. One of the decisions I made when I took over was to be focused very much on the implementation of those rules. It was very clear that that was a question I was going to ask at every single budget review. That word went through our organization, went back to the agencies, and was part of our discussion of every agency's budget request.

The Clinger-Cohen Act was something we worked very closely with the Congress on. That was a law that was an important law where we played a creative and helpful role working with the Congress, who ultimately has the responsibility for making the law.

I know John Koskinen pretty well, and don't believe that on paper his background is as a computer expert, either. He brought a special set of personal strengths in terms of crisis management, and knowledge of OMB as former Deputy Director for Management. He was given the task to generate a public profile—because it was as much a public education effort as it was a management responsibility.

If you are looking at the long term, I would question whether sustaining it as a crisis is the right approach. I think we have to make it something that is just core and central to how we manage. And that I think is quite central to our traditional roles at OMB in terms of both management and information technology.

We share a common goal. I don't think there is disagreement that this is an area of enormous importance for the level of attention you are describing. I just think we need to work together, thinking through what the present kinds of different approaches are. I have made clear my own view, but I am delighted to continue working with you on this.

Mr. TURNER. Thank you, Jack.

Mr. HORN. Thank you very much. We now have 10 minutes of questioning.

Just to round out a few things and then get back to Mr. Turner, the standards that I take it you will look for on computer security—will you look at what an agency really needs to have in this area? If you are going to do that, obviously we think that is a great idea and you ought to get quarterly reports and we would like to look at them, just like we did under the Y2K situation.

What is your feeling on that? Can we count on OMB for standards in this area? And about when will they be put together?

Mr. LEW. On February 28th, we sent out guidance to the departments with both a set of principles and a set of policies in terms of how they should incorporate computer security into their plan.

Mr. HORN. Could we put it in the record at this point?

Mr. LEW. Sure, I would be happy to.

Mr. HORN. Without objection, that documentation will appear in the record.

[The information referred to follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

February 28, 2000

THE DIRECTOR

M-00-07

MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

From: Jacob J. Lew
Director

Subject: Incorporating and Funding Security in Information Systems Investments

This memorandum reminds agencies of the Office of Management and Budget's (OMB) principles for incorporating and funding security as part of agency information technology systems and architectures and of the decision criteria that will be used to evaluate security for information systems investments. The principles and decision criteria are designed to highlight our existing policy and thereby foster improved compliance with existing security obligations; this memorandum does not constitute new security policy. OMB plans to use the principles as part of the FY 2002 budget process to determine whether an agency's information systems investments include adequate security plans.

Protecting the information and systems that the Federal government depends on is important as agencies increasingly rely on new technology. Agencies are working to preserve the integrity, reliability, availability, and confidentiality of important information while maintaining their information systems. The most effective way to protect information and systems is to incorporate security into the architecture of each. This approach ensures that security supports agency business operations, thus facilitating those operations, and that plans to fund and manage security are built into life-cycle budgets for information systems.

This memorandum is written pursuant to the Information Technology Management Reform Act (the Clinger-Cohen Act) which directs OMB to develop, as part of the budget process, a mechanism to analyze, track, and evaluate the risks and results of major capital investments made by an executive agency for information systems. Additionally, the Clinger-Cohen Act calls for OMB to issue clear and concise direction to ensure that the information security policies, processes, and practices of the agencies are adequate. These criteria will be incorporated into future revisions of OMB Circular A-130 ("Management of Federal Information Resources") and should be used in conjunction with previous OMB guidance on sound capital planning and investment control in OMB Memorandum 97-02, "Funding Information Systems Investments"; OMB Memorandum 97-16, "Information Technology Architectures"; and subsequent updates.

Security programs and controls implemented under this memorandum should be consistent with the Computer Security Act, the Paperwork Reduction Act, the Clinger-Cohen Act, and OMB Circular A-130. They should also be consistent with security guidance issued by the National Institute of Standards and Technology (NIST). Security controls for national security telecommunications and information systems should be implemented in accordance with appropriate national security directives.

Principles

The principles outlined below will support more effective agency implementation of both agency computer security and critical information infrastructure protection programs. In terms of Federal information systems, critical infrastructure protection starts with an effort to prioritize key systems (e.g., those that are most critical to agency operations). Once systems are prioritized, agencies apply OMB policies and, for non-national security applications, NIST guidance to achieve adequate security commensurate with the level of risk and magnitude of likely harm.

Agencies should develop security programs and incorporate security and privacy into information systems with attention to the following principles:

- Effective security is an essential element of all information systems.

- Effective privacy protections are essential to all information systems, especially those that contain substantial amounts of personally identifiable information. The use of new information technologies should sustain, and not erode, the privacy protections provided in all statutes and policies relating to the collection, use, and disclosure of personal information.

- The increase in efficiency and effectiveness that flows from the use of interconnected computers and networks has been accompanied by increased risks and potential magnitude of loss. The protection of Federal computer resources must be commensurate with the risk of harm resulting from any misuse or unauthorized access to such systems and the information flowing through them.

- Security risks and incidents must be managed in a way that complements and does not unnecessarily impede agency business operations. By understanding risks and implementing an appropriate level of cost-effective controls, agencies can reduce risk and potential loss significantly.

- A strategy to manage security is essential. Such a strategy should be based on an ongoing cycle of risk management and should be developed in coordination with and implemented by agency program officials. It should identify significant risks, clearly establish responsibility for reducing them, and ensure that risk management remains effective over time.

- Agency program officials must understand the risk to systems under their control and determine the acceptable level of risk, ensure that adequate security is maintained to support and assist the programs under their control, and ensure that security controls comport with program needs and appropriately accommodate operational necessities. In addition, program officials should work in conjunction with Chief Information Officers and other appropriate agency officials so that security measures support agency information architectures.

Policy

Security should be built into and funded as part of the system architecture. Agencies should make security's role explicit in information technology investments and capital programming. These actions are entirely consistent with and build upon the principles outlined in OMB Memorandum 97-02. Accordingly, investments in the development of new or the continued operation of existing information systems, both general support systems and major applications, proposed for funding in the President's budget must:

1. Be tied to the agency's information architecture. Proposals should demonstrate that the security controls for components, applications, and systems are consistent with and an integral part of the information technology architecture of the agency.

2. Be well-planned, by:

a) Demonstrating that the costs of security controls are understood and are explicitly incorporated in the life-cycle planning of the overall system in a manner consistent with OMB guidance for capital programming.

b) Incorporating a security plan that discusses:
   - the rules of behavior for the system and the consequences for violating those rules;
   - personnel and technical controls for the system;
   - methods for identifying, appropriately limiting, and controlling interconnections with other systems and specific ways such limits will be monitored and managed;
   - procedures for the on-going training of individuals that are permitted access to the system;
   - procedures for the on-going monitoring of the effectiveness of security controls;
   - procedures for reporting and sharing with appropriate agency and government authorities indications of attempted and successful intrusions into agency systems;
   - provisions for the continuity of support in the event of system disruption or failure.

3. Manage risks, by:

a) Demonstrating specific methods used to ensure that risks and the potential for loss are understood and continually assessed, that steps are taken to maintain risk at an acceptable level, and that procedures are in place to ensure that controls are implemented effectively and remain effective over time.

b) Demonstrating specific methods used to ensure that the security controls are commensurate with the risk and magnitude of harm that may result from the loss, misuse, or unauthorized access to or modification of the system itself or the information it manages.

c) Identifying additional security controls that are necessary to minimize risks to and potential loss from those systems that promote or permit public access, other externally accessible systems, and those systems that are interconnected with systems over which program officials have little or no control.

4. Protect privacy and confidentiality, by:

a) Deploying effective security controls and authentication tools consistent with the protection of privacy, such as public-key based digital signatures, for those systems that promote or permit public access.

b) Ensuring that the handling of personal information is consistent with relevant government-wide and agency policies, such as privacy statements on the agency's web sites.

5. Account for departures from NIST Guidance. For non-national security applications, to ensure the use of risk-based cost-effective security controls, describe each occasion when employing standards and guidance that are more stringent than those promulgated by the National Institute for Standards and Technology.

In general, OMB will consider new or continued funding only for those system investments that satisfy these criteria and will consider funding information technology investments only upon demonstration that existing agency systems meet these criteria. Agencies should begin now to identify any existing systems that do not meet these decision criteria. They should then work with their OMB representatives to arrive at a reasonable process and timetable to bring such systems into compliance. Agencies should begin with externally accessible systems and those interconnected systems that are critical to agency operations. OMB staff are available to work with you if you or your staff have questions or need further assistance in meeting these requirements.

Mr. LEW. Regular reporting is important. Integrating it with the budgetary decisions in terms of the IT budgets is important. Whether it is quarterly or some other period I think is something that we need to work on over time to determine the right frequency.

Mr. HORN. On our general management situation on the goals under the Performance Act, I looked at page 17, on appendix three in the 1999 Performance Report, and you checked off that you had accomplished your goal of "continuously working with agencies to improve management practices throughout the Government." Is that an immeasurable goal? If so, how are you planning to see that that checked-off item really has some teeth in it and where it would be accomplished, as it says here?

I am dubious on that. That is why I am bringing it up to see if we can get a little focus.

Mr. LEW. Again, it goes back to the efforts that we have that are governmentwide and the efforts that are agency-specific. On a governmentwide basis, the things that we are doing in information technology, the things we are doing in financial management—while we have a ways to go to achieve our goals, we are making progress. We have discussed those at some length already.

With specific agencies, of our 24 priority management objectives, 12 of them are very much focused on specific undertakings with agencies. I give regular reports on those and on not an infrequent occasion work with heads of agencies on those. I think we are making progress.

I am very proud of the work we have done with the INS to try to take a backlog that was really, really unconscionable and turn it around. It did not happen by accident. It happened because of serious top-level by myself and by the Attorney General. It is not a problem entirely solved, but it is substantially remediated.

I can go through other examples as well.

Mr. HORN. No. On that, how much credit would you give OMB versus giving Charles Rossotti as commissioner?

Mr. LEW. No, INS not IRS.

Mr. HORN. OK. I thought you said IRS.

Mr. LEW. But in the case of IRS, we have worked closely on many issues helping them get a handle on their own internal management issues. Mr. Rossotti brought with him the kind of expertise that you are lucky to bring into Government in terms of information technology.

But even there, we worked very closely with him to make sure that the benchmarks required would be met and that it wasn't going to be a repeat of past problems which were very serious.

Mr. HORN. Well, since you brought up INS—and I am a Californian, border State, if you will—what do you think needs to be done now? Do we need more agents? Is OMB willing to recommend to the President that that happen?

I remember as a freshman making a speech on the subject that hadn't been made before, believe it or not, and we authorized a lot of people. And it took forever to educate and train them because you cannot just take anybody who is in enforcement and put them on the border. They need to know languages, they need to understand and be sensitive to what the situation is there.

Mr. LEW. The priority management objective I was referring to had to do with the naturalization side of INS. You are asking about the border control piece of it.

There have been a number of difficulties. Setting a goal of hiring new agents is one part of it. Actually being able to recruit and train the agents is another. And we are in an economy where we are competing with many other agencies and many other entities as we try to recruit people for those jobs. There are many slots that have been difficult to fill.

We have made suggestions in the budgets of the last few years, which unfortunately have not been funded but I think would very much enhance the efficiency of border control.

Mr. HORN. Have they been asked for in the budget?

Mr. LEW. We have requested for several years now things to augment human agents on the border. For example, there are technologies where posting of cameras at regular frequency along the border and having SWAT teams come in when there is a problem is a way of leveraging our personnel to cover the border more effectively. That has not been funded. I hope we can work together on things like that.

Mr. HORN. Definitely. And please file that for the record at this point in the record.

Mr. LEW. I would be delighted to. It is both cheaper—because you have a camera instead of the FTE—but when you don't have the FTEs and you can't recruit them, you have to be more efficient in how you use your resources, apart from just the money.

[The information referred to follows:]

FY 2000 INS BORDER SECURITY REQUEST

The Administration's FY 2000 budget request for border enforcement focused on expanding border technology along the Southwest border, constructing border facilities for the over 5,000 agents deployed since 1993, and increasing the number of detention bedspace and staff to ensure illegal aliens apprehended are incarcerated and swiftly removed. Specifically, the Administration sought $50 million for the Integrated Surveillance Intelligence System (ISIS). ISIS combines high resolution color and infrared cameras with state-of-the art command centers to continuously monitor the border from remote sites. This technology is a "force multiplier" and where deployed in Arizona, New Mexico and Texas is having a dramatic effect on border control while increasing the safety of agents who must respond to border incursions. The budget also sought $100 million to construct Border Patrol stations, detention facilities and border barriers. Addressing a shortfall in detention bedspace for the mandatory incarceration of criminal aliens, the Administration transmitted a $230 million budget amendment in FY 2000 that added 600 detention beds, bringing total detention space to 19,000 beds, and funded 370 new deportation and detention staff.

The FY 2000 appropriation provided none of the Administration's request for technology and only $200 million of the $230 million requested for detention. Rather than technology, the Congress provided $48.5 million to hire 430 new Border Patrol agents and $1.5 million for recruitment incentives to improve hiring. The conference report also directed INS to redeploy $22 million in base resource to fund border equipment and technology. The $200 million provided for detention funded approximately 470 fewer detention beds and 200 fewer detention and deportation staff than the Administration's request. While construction funding was at the Administration's requested level and all Border Patrol projects were funded, none of the $21 million requested for detention construction initiatives were funded.

Mr. HORN. Let me move to the Privacy Act now.

I think OMB still has a responsibility for implementation of the Privacy Act.

Mr. LEW. Yes.

Mr. HORN. Are you aware of the extraordinary backlogs that exist in some of the agencies in responding to requests for information under the law? In other words, it isn't months, it is years.

What do we know about that and what is OMB doing about it?

Mr. LEW. The issue is more what is happening in the agencies than what is happening at OMB. We get several hundred submissions from the agencies. I am not aware of OMB backlogs of that sort, but I would be happy to go back and——

Mr. HORN. When we had a hearing several years ago, there was a 4-year wait to get your file from the FBI. I know they have put more resources on that and we haven't scheduled that hearing yet, but I would appreciate it if OMB took a look at it and provided in recommending in the President's budget to get the resources so citizens can know what is in Government files and not be put off by 4 years.

We even asked them—suppose a Member of Congress asked that—it would take 4 years, too. So finally, the excuse was, if you have a hearing about it—so I filed on that and we got the files. But do we have to hold a hearing for every American in order to see what is going on?

Mr. LEW. Our role is at a more general level where we set guidelines and generally review. I will have to go back and get some more information about the backlogs that may be happening at the agency.

[The information referred to follows:]

Privacy Act Backlogs at the Federal Bureau of Investigation

As of April 1, 2000, the Privacy Act backlog at the FBI is 1,664. It is important to note, the Bureau has reduced its backlog annually since FY95 as follows:

FY95	FY96	FY97	FY98	FY99
8,670	8,419	6,370	4,671	2,669

Successful backlog reduction activity is a result of (1) strong and effective leadership in the FBI's FOIA/PA Office; (2) an infusion of resources that has nearly tripled the FOIA/PA staff; (3) continuous monitoring and oversight by the Department; (4) automation enhancements; (5) and a number of new procedural initiatives that have streamlined operations. The FBI has met/exceeded backlog reduction goals established by the Department since FY96, and the Attorney General has been extremely pleased with the Bureau's accomplishments.

Mr. HORN. I would appreciate it.

In the absence of the Deputy Director for Management, who Chairs the President's Management Council?

Mr. LEW. The Deputy Director designate is serving as the acting chair, but all the official functions are handled by a confirmed official. It is not an ideal arrangement.

Mr. HORN. I can imagine.

In OMB's fiscal year—we have handled that enough, and I only have a minute and a half.

So let me ask, what is your view of the proposal that I am proposing on an Office of Management separate from the Office of Budget with both directors reporting to the President? And one of the reasons for this is that we need people who are directors, who know something about the field. And we have very few directors of the budget that have ever dealt in major management situations, never headed a huge consulting firm, let's say, that does this regularly for corporate America. So give me your best shot at that.

Mr. LEW. I think that the benefits of keeping management and budget together far outweigh any of the benefits you might get from having separate individuals chosen for expertise in budget or management to head either one. It is inherent to the job of OMB Director that you will spend a lot of your time working on things you have never worked on before. There is no person who can come with prior knowledge of every agency of Government, every program of Government.

The management issues are not different from the budget issues in that regard. The OMB Director couldn't do the job of OMB Director if not supported by an excellent staff. And I go back to the career staff, which is the heart and soul of OMB. We have the most talented group of people in Government working for OMB. They are a treasure, and we work constantly to strengthen that.

To take the function of management and separate it would be to separate it from the tools that we have to focus attention to management issues.

Let me go back to something I said a little earlier. The imperative of obtaining funding, both in the President's budget and the appropriations process, focuses the minds of agencies, unlike most other policy deliberation. I don't believe a Director for Management without the budget function would have the same ability to work with agencies on issues that agencies would just as soon not have help with sometimes. I think it is very important to keep them together.

Mr. HORN. I used to agree with you on that. When I had been on President Nixon's White House Task Force, I thought it was such a great idea. They could use the budget to get some changes in management. When I got back here it was very clear my friends who were senior civil servants and real career people—they said that nothing was happening over there, that they weren't using that power. So if you have a list of things where you have used the budget to solve a management thing, I am glad to put it in the record at this point.

Mr. LEW. There are examples of that, but I think more important than the use of it is the threat of it. You don't want to have the budget process used to force management change. What you want

is a process where you get agencies to focus on management problems, solve them, and do it in a collegial way.

It may be perhaps my philosophy of OMB and how the Director of OMB should function, but in general I think you get a lot more done by working with people than by holding a club over their head. But having the club in your back pocket is very useful.

[The information referred to follows:]

Illustrative Examples of the Integration of management and budget functions at OMB

The integration of management and budget at OMB since 1994 has improved OMB's abilities to effect changes in management at the agencies. The various offices in OMB (RMOs, OIRA, OFPP and OFFM) use their particular skills, statutory authorities, and experience to bring about better informed decision-making at agencies such as the IRS.

Internal Revenue Service:

A striking example of this collaboration and use of the RMO "power of the purse strings" is OMB's ongoing efforts to oversee the IRS Information Systems Modernization project. OIRA, OFPP and the RMO worked together to review IRS's proposals for information technology investments. OMB analysts in OFPP, OIRA, and the RMO all raised separate concerns about the proposals. After consulting internally, the OMB group provided a concise set of management recommendations, backed up by an apportionment to enforce those suggestions. Approval of the IRS spending plan for ITIA was provided, but only after these intensive collaborative efforts within OMB. IRS is now revisiting the relationship it has with its PRIME contractor, and is rewriting work task orders to provide defined deliverable products rather than "levels of effort."

Immigration and Naturalization Service

Over the past few years, OMB has used its budget and management oversight role as leverage to improve the operation of the INS. Our effort focused on creating a more accountable organizational structure and instilling performance-based management in the INS' immigration service program.

OMB played an instrumental role, along with the White House Domestic Policy Office, in developing a restructuring initiative for the INS. The restructuring proposal incorporated the recommendations of the Commission on Immigration Reform, earlier INS reform studies and meetings with the Departments of Justice, Labor and State. The research and interagency discussion resulted in the development of an organizational structure for the INS aimed at improving program and management accountability, streamlining operations, and clarifying lines of authority. OMB used the budget process to transmit the restructuring proposal to the Department of Justice and the budget appeals process to gain the Department's support. The restructuring recommendation was included in the President's budget submission. After the budget was submitted, OMB continued to work with the Department and INS to develop authorizing legislation and to translate the "high-level" restructuring outlined in the legislation into an operational blueprint that moves INS' enforcement and service operations and decision-making to line-officers in the field while establishing a policy setting focus in INS headquarters.

Similarly, OMB worked with the White House, Justice and INS to address a funding shortfall in the Immigration Examination account. The Exams Fee account funds the adjudication of immigration benefits such as citizenship, adjustments of status, and work authorization

documents. As a condition for additional resources, OMB required the INS to develop a naturalization process re-engineering plan and establish performance goals to measured citizenship application completions against monthly goals. The process redesign is an ongoing phased program being implemented over the next three years. Significant improvements include centralized application file quality review, establishment of a nationwide telephone center, centralized record keeping and developing standardized citizenship testing all of which are geared to improving efficiency, productivity and customer service. The monthly tracking system also proved to be an early warning system that identified problems in INS' completion commitments so OMB could initiate corrective action. Using the tracking system, OMB worked with the Department of Justice to make management changes in the program and refocused attention on achieving the FY 1999 naturalization completion goal. As a result, the processing time for applications for citizenship, which required up to 27 months in FY 1998, were reduced to under 12 months by the end of FY 1999. The processing time goal for FY 2000 is 6-9 months which INS is committed to achieve and maintain in the future. Our management oversight, coupled with the use of budget resources, ensured agency and Departmental attention to this problem and resulted in a successful program outcome.

Census

The close collaboration of OMB's Statistical Policy and RMOs demonstrates the benefits realized in linking management and budget functions. Efforts to re-engineer the 2000 decennial census were driven by two major concerns – establishing the best methods to achieve an accurate count and obtaining the necessary resources to conduct Census 2000. The Statistical Policy Office's expertise was critical in evaluating the methodologies proposed. The Resource Management Office, which had lead responsibility for OMB's detailed evaluation of decennial census resource needs, was able to draw upon Statistical Policy Office expertise for this evaluation. The joint review of the agency's budget request led the Census Bureau to refine its plans for deploying staff and other resources, and supported an effective transition from a sampling-based census to a traditional census with an important sampling component.

OMB's contributions on both the methods issues and resource requests are recognized by Census leadership. The Administration's budget requests for the decennial census were virtually fully funded by the Congress. The current success of Census 2000 operations and the willingness of the Congress to support the Census Bureau's plans reflect the effective collaboration within OMB and between OMB and Department of Commerce management, statistical, and budget offices that resulted in an innovative, rigorous, statistically sound, and well justified plan.

Statistical Programs

Working closely with RMO colleagues, the Statistical Policy Office develops and presents a system-wide assessment of critical needs for statistical program funding as an integral part of OMB's budget formulation process. For example, during the preparation of the FY 2001 budget, OIRA's Statistical Policy staff collaborated with the RMO analyst for the Bureau of Economic Analysis and the Bureau of the Census to examine agency proposals and develop recommendations to measure e-business. This cooperative, interactive process resulted in $13

million in proposed funding (an $11 million or a 550 percent increase) within the Commerce Department. This funding would permit Federal statistical programs to inform both public and private decisions with authoritative measures of how electronic business is fundamentally changing our Nation's economy.

Improvements in Financial Systems at USDA

During meetings between staff from the Office of Federal Financial Management (OFFM), OMB, and the Chief Financial Officer (CFO), USDA regarding their financial managements issues, OMB was made aware of funding needs to improve USDA's financial systems. OMB was able to work with USDA to develop and include appropriations language in the President's FY 2001 Budget that would provide the USDA flexibility in meeting these funding needs.

Mr. HORN. I now yield 11 minutes to my colleague from Texas, Mr. Turner.

Mr. TURNER. Thank you, Mr. Chairman.

I want to go back and just round out a couple of things that might be helpful to me.

You acknowledged that OMB Chairs the CIO Council. I was asking about the relationship between OMB and the CIO Council. What I was really looking for was, What has resulted from the relationship between the CIO Council and OMB?

How often do they meet together? How often does the CIO Council meet?

Mr. LEW. It is a monthly meeting.

Mr. TURNER. Maybe the best way to get at this—do the CIO Council meetings have minutes of what takes place at the meeting?

Mr. LEW. I have people report to me on what happens at the meetings, but I haven't seen minutes, per se.

Mr. TURNER. Maybe it would be helpful to me if I could just request, with the chairman's permission, copies of any minutes or any reports that relate what kind of discussion has taken place at these monthly meetings since the CIO Council has been in existence. That I think would be helpful.

Mr. LEW. I am not sure that we have minutes in a formal sense, but we would be happy to get back to you with a description of things that the CIO Council has worked on and deliberated.

Mr. TURNER. My expectation is that we will read a lot about discussions on current law, discussions about procurement, maybe even some general discussions about the problems of computer security. I suspect that I will not find the kind of forward-thinking initiatives and discussions on long-term use of information technology about which I am concerned, but if you could provide me with that or the committee, that would be helpful to me to read that.

Mr. HORN. Without objection, the referenced information will appear in the record.

Mr. TURNER. The other request that I think would be helpful to me would be to see the documentation and copies of any reports, memos, etc., that exist within OMB—at least for the last year—that would reflect specific proposals, recommendations, or initiatives for long-term utilization of information technology in order to make Government more accountable, more open, more efficient, more cost-effective—those kinds of documents—so I can get a good picture of what OMB is actually doing in terms of actual initiatives or proposals for the greater use of information technology.

Mr. LEW. I would be happy to respond for the record in more detail, but let me just note preliminarily that the way the CIO Council is organized, there are committees that work in a number of areas—there is a Security Committee, an Interoperability Committee, the Government Committee—and there are efforts underway in each of these areas to have collaborative thinking about the future.

I would be happy to get back to you. I am not sure what formal documentation we have, but I would be happy to respond to what I understand to be your inquiry.

Mr. TURNER. And keep in mind that I am interested in what the CIO Council is doing, but these committees you are referring to within the CIO Council might be sort of mini-think tanks.

Mr. LEW. No, these are program people who run their information offices. This is a not a think tank group. These are people with real responsibilities to implement.

Mr. TURNER. Right. I understand that. But my greater concern is, where is the point within the Federal Government where we have the ability to actually initiate change with regard to the utilization of information technology?

I agree with you that this has to be a partnership between these agencies, CIO, and the OMB. I agree with many of your points, Mr. Lew, about the relationship between budget and management, because we are talking about dollars. In order to give anyone in a position of a special assistant to the President on information technology the ability to do anything, they are going to have to have some funds where they can direct it toward an agency to initiate some information technology improvement.

So those issues certainly are linked. But I think it would be helpful to me to see what the work product has been with regard to specific recommendations for change, initiatives that are occurring and flowing from OMB out to the CIO or to the agencies themselves. That will give me a little bit better feel and understanding of where I think we might need to go.

Mr. LEW. I would be happy to respond.

Mr. TURNER. Thank you very much.

Mr. HORN. I thank the gentleman for an excellent series of questions, and I thank you, Mr. Director. Sorry to keep you so long, but we had a lot of things to ask about and you did a very good job.

Mr. LEW. Thank you.

These are very important questions that I think are central to what we do at OMB and in the long-term the issues we appropriate on every year are less important than some of these broader questions, which have to do with the direction that we are going and the challenges we face. We need to keep the forest in mind as we are pruning the trees.

Mr. HORN. We are glad to have you here.

We now have panel two, which is the Honorable David M. Walker, Comptroller of the United States.

[Witness sworn.]

Mr. HORN. Please proceed.

STATEMENT OF DAVID M. WALKER, COMPTROLLER GENERAL OF THE UNITED STATES, U.S. GENERAL ACCOUNTING OFFICE

Mr. WALKER. Thank you, Mr. Chairman and Mr. Turner. I appreciate the opportunity to appear again before this subcommittee. This is getting to be a regular occurrence. I think it was last Friday that I was here last.

I would like to commend this committee at the outset for its continued focus on important management issues, and its willingness to lead by example in this regard. I can assure the taxpayers of the United States that they are getting their money's worth with regard to this subcommittee. I commend you for your combined efforts.

I have mixed emotions about appearing at this hearing for several reasons. We have an ongoing and constructive working relationship with OMB in order to address a number of challenges that face Government and in order to maximize the performance and assure the accountability of Government for the benefit of the American people.

I can note at the outset that just as GAO has a number of dedicated and hard-working professionals, OMB does as well in the area of management. However, at the same point in time, I would note that OMB does not have a confirmed leader as Deputy Director of Management, which is a major problem and obstacle. And second, OMB needs to have more people focused on management and needs to spend more time dealing with a number of major management issues.

Mr. Chairman, we believe that the Nation is at an important crossroads. As you know, the cold war is over and we won. In addition, we are not fighting annual battles over budget deficits every year. At the same point in time, this is the time that we need to start asking ourselves not only what Government does, but how Government does business. It is this second issue that this hearing is about: how Government does business.

Our recent strategic plan demonstrates that many of the challenges that face the Nation are growing in complexity and interdependency. In fact, they have no boundaries globally, domestically, or within the Government—either in the executive branch or the legislative branch.

While individual departments, agencies, and program managers have the primary responsibility for strategic planning and management, it is critically important that OMB play a role in addressing current and emerging issues of importance, high-risk areas, and cross-cutting governmentwide issues.

In some ways, OMB is uniquely positioned to be able to address governmentwide management issues because they have the ability to leverage the budget process to assure that they get people's attention. As we know, Mr. Chairman, he or she who controls the money you better take seriously. But just having that ability has to be followed up by exercising and having accountability and consequences periodically in order for people to take it seriously.

In OMB's discharging its responsibility, it is important that they serve in a variety of roles. They need to be a motivator, a facilitator, an integrator, and at times, Mr. Chairman, an enforcer. They need to assure there are consequences if appropriate actions are not taken.

While OMB has taken a number of steps in this regard, much more needs to be done in the management areas. In addition, the management issues—a range of critical management issues—need to be an integral and ongoing part of the annual budget process. Individuals with management expertise in the relevant areas need to be at the table at the time these issues are considered as part of the annual budget process.

For example, Mr. Chairman, as you know, to OMB's credit, they have identified a number of priority management objectives [PMOs]. In many cases there are a lot of commonality between their PMOs and our high-risk list or our major management chal-

lenges and program risks. They are not synonymous. There are some gaps. But there is a lot of overlap.

But unfortunately, a lot of these PMOs do not have clearly defined or measurable goals. Therefore, it is very difficult to ascertain progress and to know when success truly has been achieved.

You have pointed to the most recent report OMB has issued, which is the Fiscal Year 2001 Annual Performance Plan. If you look at a lot of their measures, they refer to "working with." "Working with" is good, but it is not a result. It is important that we have clearly defined and measurable outcomes as the focus of what we are trying to achieve in a more results-oriented Government.

In addition, OMB does not have enough people with the right skills to focus on certain critical management challenges. For example, strategic planning, change management, information technology, and human capital. These are critical management challenges that require a level of expertise in addition to leadership and other behavioral attributes.

Furthermore, OMB needs to expand its horizons as to how it measures success in certain circumstances. For example, GPRA has to be much more than an annual paperwork exercise. GPRA must be a foundation and framework for how Government does business every day. It must be a foundation for moving toward more results-oriented, accountable Government.

The CFO Act is much more than clean audit opinions. As you pointed out, sound internal controls and compliance with the Federal Financial Management Improvement Act are also important because what the CFO Act really is all about is how to ensure that we have timely, accurate, useful information to be able to make informed decisions every day.

IT is much more than Y2K. Computer security, e-commerce, other issues are critical important as well. And human capital—people—represents the missing link in the Government's effort to try to achieve a more results-orientation. We will never maximize the performance and ensure the accountability of the Federal Government for the benefit of the American people unless we spend a lot more time on the people element, and OMB has a critical role to play. This cannot be turned over to OPM. They can make contributions. They are making contributions. But this is a strategic issue of major importance to the Government and our Nation. OMB needs to focus more attention on the broader dimensions of these challenges, and they need to be able to have the human and financial capital to be able to do so.

While OMB needs to focus on a broader range of management issues, there are several models that could be used in order to address these different challenges. I note several in my testimony. There are several models that have been used in the past and should be used in the future.

Basically, we need to follow the concept. The form that is used must follow the function that is performed. And I will be happy to answer in questions and answers some examples of that. In the end, it really doesn't make as much of a difference how one is organized as whether or not you have the absolute commitment from the top, whether you have the people, the processes, and the tech-

nology to make it happen and to maximize results and assure accountability.

As I have stated before, Mr. Chairman, we have worked in a constructive fashion with OMB in the past, and where we have considerable progress has been made. For example, Y2K and certain elements of financial management. We will continue to do so in the future, irrespective of OMB's role and their resource allocation. But we do believe that OMB needs to place more emphasis on the "M." We think that is critically important.

I would also close by saying, Mr. Chairman, in addition to OMB placing more attention on the "M," I think it is also important that Congress pay more attention to the "M." This subcommittee is leading by example in that regard, but much more needs to be done by the Congress in the area of concerted and ongoing oversight in this area as well.

Thank you, Mr. Chairman. I would be happy to answer any questions you might have.

[The prepared statement of Mr. Walker follows:]

United States General Accounting Office

GAO

Testimony

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Committee on Government Reform
House of Representatives

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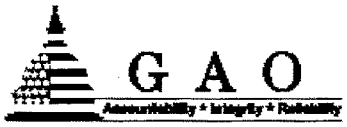
OFFICE OF MANAGEMENT AND BUDGET:

Future Challenges to Management

Statement of David M. Walker
Comptroller General of the United States



GAO/T-GGD/AIMD-00-141

Mr. Chairman, Mr. Turner, and Members of the Subcommittee:

I am pleased to be here today to discuss the role of the Office of Management and Budget (OMB) in addressing the governmentwide management challenges facing the federal government. In an earlier testimony before this subcommittee on OMB's managerial leadership, we discussed in some detail OMB's effectiveness in a range of specific management areas.[1] My statement today will build on this by emphasizing the broader challenges facing the nation and the federal government now and in the future and their implications for central leadership approaches in general, and OMB in particular.

This hearing comes at an opportune time. As I recently testified before the Senate Governmental Affairs Committee, it is critical to take stock of where we are as a nation and as a government.[2] The newly emerging policy and management issues are truly different in kind from those we have faced before and call for different kinds of approaches and solutions. We need to take a comprehensive view of government's structure and role as we think about these new challenges. How can we best provide the kind of governmentwide leadership to tackle these new problems and opportunities?

In my statement today, I want to make a number of points:

- Meeting the governance challenges of the new century calls for us to build on the management reforms enacted in the 1990s to address a broader range of governmentwide issues. Many of the policy and management challenges that face the nation and the government are multidimensional and cross program, department, and agency boundaries.

[1] Government Management: Observations on OMB's Management Leadership Efforts (GAO/T-GGD/AIMD-99-65, Feb. 4, 1999).
[2] Managing in the New Millennium: Shaping a More Efficient and Effective Government for the 21st Century (GAO/T-OCG-00-9, March 29, 2000).

At the same time, sustaining real performance improvements in government will require transformations in the day-to-day management, cultures, and structures of many federal agencies.

- As a result, our policy development and management processes need to become more integrated and comprehensive while at the same time promoting concerted action and support by federal agencies and their third-party providers who bear ultimate responsibility for delivering services to the people.

- Since the challenges we face are diverse, no single leadership strategy or structure will serve to address all of them. Rather, a variety of strategies and structures provides flexibility and can be designed to fit the specific challenges, ranging from a central review approach to more devolved strategies focusing on agency buy-in.

- Although meeting these challenges will require participation of the relevant departments and/or third-party entities, OMB needs to take a more active role. OMB must take the initiative to look across boundaries and identify both management and policy issues where greater attention is needed and take appropriate steps to ensure they are effectively addressed.

As we consider OMB's role, it is important to think about changes in society and the world at large that will place new demands on management leadership. We see that to a great extent we have succeeded as a nation in overcoming some of the central problems that have dominated public discourse and debate in the latter part of the 20th Century. The cold war has ended and we won. The chronic deficits that cast a long shadow over government and the economy for so many years have been replaced with surpluses that are now projected to last for many years, assuming no further policy actions. We should rightly celebrate our successes at this time, for they were hard-earned and remind us that our public sector—political leaders and career civil servants alike at many levels of government—have contributed greatly to the achievement of these ends.

At the same time that we recognize these successes, however, we face a wide range of challenges and opportunities—both in policy and management—as we look ahead to the future. They include globalization trends, changing security threats, new and emerging technological

innovations, demographic changes, quality of life challenges, and government performance and accountability issues. These interconnected challenges and opportunities—which have no borders either domestically or internationally—are both exciting and somewhat daunting. The globalization of our economy for instance not only provides new opportunities for U.S. producers and consumers, but also raises new issues associated with our growing economic and social interdependence and national security. Technological innovation continues to be a major driver of economic growth, transforming, among other things, the way we communicate, learn, and conduct commerce. At the same time, the explosion in technology presents the federal government with a host of new public policy and management issues associated with widespread use of information, including the areas of computer security and personal privacy in an electronic age. I have spoken in many forums of the challenges presented by the aging of our population and about how we provide economic security for a growing elderly population without imposing an unreasonable burden on workers, the economy, or the federal budget in future years.

Although the American people expect world-class public services and are demanding more of government, the public's confidence in the government's ability to address its demands remains all too low. Real constraints continue to hamper federal agencies. For example, the development of modern financial systems is still a work-in-progress for many agencies, and the government's use of information technology has suffered from management weaknesses that have resulted in widespread untapped potential to improve service delivery. Although major reforms under way in performance, financial, and information systems management are already showing encouraging progress, they should be viewed as a foundation that is necessary but not sufficient to address long-standing performance issues in the federal government. Human capital

is missing from the statutory management framework, and it is important to recognize that people are the linchpin for progress in any organization so that nothing less than a transformation in how we think about human capital at the federal level will be necessary. We must address what amounts to an emerging human capital crisis in government. Given the importance and interdependency of these issues, central governmentwide leadership is critical to resolving these long-standing problems in federal management systems.

To address the challenges of the new century, however, the agenda for governmentwide leadership must be broader and deeper. Now it is time to build on the management reform initiatives of the 1990s to institutionalize real change in what the government does and how it does it. In order to transition agencies from process-oriented business practices to more of a results orientation while taking greater advantage of technological advances will require nothing less than a structural and cultural transformation of the federal government.

Although agency-level reforms are of critical importance, many of the leading performance goals and missions of government transcend individual agency boundaries—and, increasingly, levels of government or sectors of the economy. The results of federal programs are realized by the public as the sum of various and often conflicting federal, state, local, and private initiatives addressing a problem or concern. A more comprehensive approach to sorting out and integrating related initiatives addressing common performance goals is vital to meeting the public's expectations.

IMPLICATIONS OF NEW CHALLENGES FOR THE GOVERNMENTWIDE MANAGEMENT REFORM AGENDA

Meeting the governance challenges of the new century has wide-ranging implications for our decisionmaking and management processes. In some respects, these issues call for more and stronger governmentwide leadership. Many of the challenges transcend traditional boundaries and demand a more comprehensive and coordinated decisionmaking and implementation framework to achieve greater policy coherence, improved performance, and enhanced accountability. On the other hand, improving government performance invariably rests on the actions of many agencies and nonfederal third parties whose commitment to change is uncertain—a factor that becomes more critical as the focus of management reform shifts to improving the day-to-day management of federal agencies and programs. This all leads to a broader and deeper definition of governmentwide management reform, making the roles and tasks associated with it more intricate and complicated.

Management improvement has been defined by the statutory management reforms enacted in the 1990s for performance management, financial management, and information systems. As I indicated in my previous testimony, we are still a long way from successful implementation of these initiatives.[3] Over the years, our work has shown that federal functions and programs critical to personal and national security, ranging from Medicare to weapons acquisition, have been hampered by daunting financial and program management problems, exposing the federal government to waste and abuse. Since 1990, as part of our high-risk initiative, we have reported

[3] GAO/T-OCG-00-9.

on specific federal activities and functions that are particularly vulnerable to waste, fraud, abuse, and mismanagement.[4]

- Widespread financial system weaknesses, problems with fundamental recordkeeping, incomplete documentation, and weak internal controls prevented the government from having the information needed to effectively and efficiently manage operations or accurately reporting a large portion of its assets, liabilities, and costs.

- Federal information systems have been plagued by huge cost overruns; schedule slippages measured in years; and marginal benefits in improving mission performance, cutting costs, and enhancing responsiveness. Continuing computer security weaknesses put critical federal operations and assets at great risk.

- Underlying weaknesses in several program management areas raise inordinate risks—the loss of billions of dollars annually due to improper payments in certain benefit programs, difficulty in controlling tax filing fraud, inefficient and weak lending programs, and challenges in reducing Defense infrastructure costs.

It is increasingly clear that the enactment of statutory management reforms, while critically important, is necessary but not sufficient to achieve sustainable improvements in government performance. Continued perseverance in addressing statutory management reforms and the areas that are the focus of our current high-risk initiative will ultimately yield significant benefits.

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[4] High-Risk Series: An Update (GAO/HR-99-1, Jan. 1999).

However, a more daunting agenda lies ahead of us if we are to bring about fundamental improvements.

First, progress on many performance problems calls for an integrated multifunctional approach cutting across traditional programmatic and functional boundaries. Achieving results calls for coordinated responses from numerous public and private entities. In a recent report, for instance, we identified widespread mission fragmentation and program overlap throughout the major mission areas at the federal level. For example, 23 programs operated by 4 agencies offered housing services and 26 programs administered by 6 agencies offered food and nutrition services.[5]

Even more broadly, many missions are characterized by the presence of multiple tools, such as tax expenditures, grants, loans, and direct federal spending programs. For instance, in fiscal year 2000, the federal health care mission area includes $34 billion in discretionary budget authority, $123 billion in entitlement outlays, $100 million in loan guarantees, and $89 billion in tax expenditures.

The outcomes achieved by these programs and tools are in a very real sense highly interdependent. Any debate on policy in these areas and any consideration of the management and performance of the government should consider the broader picture of federal involvement. However, currently some tools, such as discretionary spending, receive more scrutiny in the budget and authorization processes than others do, such as tax expenditures and regulations. In our view, one of the main agendas for governmentwide management leadership is to promote

more transparency and coordination across tools and programs so that the costs and performance consequences of each can be more readily compared.

The foregoing illustrates that the management issues facing the government are increasingly complex and wide-ranging. It also suggests how critical Congress and the President are to governmentwide performance issues. Congressional committees often tend to favor different approaches and tools to address common problems. Competition among different approaches can be productive, but we have not had a decisionmaking and oversight vehicle or forum for a healthy debate about those different approaches. There is no neat way to separate management from policy or from program design—especially to the public on the receiving end. I will discuss later on how the governmentwide performance plan could provide a decisionmaking framework to help both the President and Congress bring about greater coherence in the design and management of our programs and policy tools.

The foregoing also suggests how intertwined management issues are with the budget process. I understand that over the years the debate over central management leadership has proceeded as if budgeting and management were mutually exclusive processes. In fact, I think this is a Hobson's choice. Regardless of where the responsibility for central management leadership is located, integration with budgeting is absolutely critical for progress in government performance and management. I say this not just because the budget provides clout and reinforces the priorities of federal agencies' management goals. Rather, the budget is the only annual process we have in government where programs and activities come up for regular review and reexamination. If we really believe that there is a need to reexamine what we are doing as a government and how we

[5] Managing for Results: Barriers to Interagency Coordination (GAO/GGD-00-106, March 29, 2000).

are doing it, the budget process is undeniably the focal point. Moreover, good budgeting stands to gain from being integrated with management. Good budget analysis should lead to the critical examination of the performance and implementation of federal programs. From this perspective, the new tools provided by performance measures, audited financial statements, and information systems planning can help budget analysts improve their own review of competing claims and programs within the federal government.

Second, transforming federal agencies into high-performing organizations will require that performance, financial, and information systems and human capital reforms become embedded in day-to-day management across government. To transition agencies from process-oriented business practices to results-oriented ones will require both structural and cultural transformation. High performance and accountability depend on the three enablers—people, process, and technology—and therefore it is important to focus on each of these components to effectively enable agencies to achieve their missions and visions for the future.

The agenda for federal management reform needs to expand to recognize that both federal agencies and nonfederal third parties play key roles in determining the results of federal initiatives. Increasingly, the federal government has come to rely on a variety of third parties—state and local governments, nonprofit agencies, and for-profit businesses—to achieve federal objectives. It has done this by using a range of tools—grants, loans, tax expenditures, and regulations—to engage third parties as the workhorses of our federal system, rather than using federal employees to directly implement national programs. Third-party government presents

diverse accountability challenges. In addition, the goals and interests of these third parties may conflict with national goals and interests.

The choice and design of the tools for a program at its inception play a large role in influencing the performance achieved through the complex networks of third parties. This is why program design should be seen as a critical part of the management agenda. As we seek to manage programs indirectly and often at some distance from the client, we must pay attention to how relatively mundane program requirements affect actual results. The uncertainties between the creation and the outcomes of programs have probably grown over the years as the federal role has become more ambitious and as delivery networks have grown more complex. One analyst described the governmental policy processes as "ready, fire, aim" —we initiate programs armed with imperfect information and revise our approaches as we gain experience and feedback. His point here was not that we should wait for perfect information—which would be impossible—but that we need a way to get feedback and adjust in response. The Government Performance and Results Act (GPRA) is designed to help agencies sort out and measure the strategies used to achieve objectives, whether directly through federal action or indirectly through third parties. GPRA provides a feedback mechanism about the extent to which agencies achieve their goals.

EVOLVING APPROACHES TO ADDRESS GOVERNMENTWIDE ISSUES

As the governmentwide management reform agenda broadens and deepens, we must recognize that the complexity of the issues suggests that taking a single institutional or structural approach to the leadership of the governmentwide management agenda would not be appropriate—one

size does not fit all types of situations. The simple assignment of responsibility, by statute or executive order, to a single central organization does not fit with today's complex agenda. Although the leadership and oversight of the entire agenda may be vested in a single office, we should not expect that office to have the capacity, competency, or the base of political support necessary to promote this agenda across the board. Rather, a mix of different leadership approaches and styles must be tailored to the unique and vastly different issues to be addressed.

Primary responsibility for addressing the fundamental performance challenges facing the government rests in no small part with the federal agencies and their third-party partners. Central leadership at the governmentwide level can provide the impetus for change, but agencies and their networks must actually implement the reform agenda for meaningful change to occur—and that means we must find a way to get their "buy-in" and sustained commitment. It also bears repeating that Congress is an essential part of the leadership. It can either reinforce or frustrate the implementation of reforms and other needed changes. In this regard, congressional oversight is key to ensuring that continuing progress is made to maximize the government's performance and ensure its accountability.

A Variety of Approaches Provides Flexibility in Addressing Management Issues

Both Congress and OMB have developed a set of approaches to address the different governmentwide management issues. Although it is still too early to reach definitive conclusions about success, these different approaches, sometimes used in combination with one another, have shown promise in dealing with many difficult problems.

- The "single central leader" approach was used for the year 2000 computing crisis. The President appointed an assistant to deal with year 2000 issues in the federal government and to coordinate with other sectors of the world economy, both here and abroad. This was a time-critical issue that was a high priority for agencies, the President, and Congress. Appointing a high-level official outside OMB provided leverage and visibility for this role.

- The "council" approach can help foster communication across the executive branch, build commitment to reform efforts, tap talents that exist within agencies, focus attention on management issues, and initiate improvements. In the case of the Chief Financial Officers (CFO) Council, implementing these reforms involves sharing best practices and expertise among agencies to achieve changes over a span of several years. Similarly, the Chief Information Officers (CIO) Council provides a forum for senior officials to interact and work towards achieving strategic information technology (IT) performance goals, improving work processes, integrating information technology architecture, and strengthening IT knowledge, skills, and capabilities.

- A "task force" approach offers the benefit of an interagency council for technical or short-term tasks. This approach can bring expert knowledge outside of the federal government to bear on management problems and to concentrate federal efforts in addressing relatively narrow crosscutting issues. For example, 17 Offices of Inspectors General recently reviewed non-tax delinquent debt in order to highlight the importance of federal agencies' compliance

with statutory debt collection requirements. Capital planning for federal assets also used a task force approach.

- The "lead agency" approach can be effective in developing complementary goals; mutually reinforcing strategies; and where appropriate, common performance measures when policies cut across agencies and programs. An example is drug control, where responsibilities for governmentwide leadership have been assigned to a particular agency (the Office of National Drug Control Policy—ONDCP) outside of OMB. ONDCP is the President's primary policy office for drug issues, providing advice and oversight of drug programs and coordinating development of the President's National Drug Control Strategy. By developing a national drug control strategy, ONDCP has been able to enlist the support of federal agencies as well as nonfederal partners, such as state and local governments and the private sector.

- The "integrated" approach can help achieve a more cohesive picture of government performance. To portray and analyze the performance of the federal government comprehensively, an integrated approach includes all federal strategies and tools—including tax expenditures and regulations—with key agency performance goals associated with federal spending. For example, OMB reviews agency performance plans within the context of agency budget requests. Implementation of GPRA requires leadership on the part of OMB to ensure that performance data are used to inform budget decisions and that agencies take GPRA seriously and use it to run their organizations.

- The "partnership" approach offers various models in which other actors help articulate central leadership initiatives. The National Partnership for Reinventing Government, formerly known as the National Performance Review (NPR) for instance, played a key role in encouraging agencies to develop customer service standards. Another type of partnership provides a vertical approach to management and accountability for programs and policies implemented by third parties: The President's Management Council is chaired by OMB's Deputy Director for Management and includes Chief Operating Officers or equivalents from major agencies. Its agenda includes setting priorities, identifying and resolving cross-agency management issues, and establishing interagency task forces to transform governmentwide systems. Performance-based intergovernmental partnerships allow the federal government to extend its management role beyond its workforce. In exchange for greater recognition and say in the design and implementation of programs, states and others are held to agreed-upon results. When successful, this approach can improve service and lead to greater accountability.

- The "central review" approach can be used to resolve potential conflicts stemming from differing perspectives or goals within the executive branch. For example, OMB brings a presidential, rather than single agency, perspective to its reviews of major regulations. The regulatory side of OMB's Office of Information and Regulatory Affairs acts on 3,000 to 5,000 information collection requests from agencies per year, reviews about 500 proposed and final rules each year, and is responsible for calculating the costs and benefits of all federal regulations.

This list is not meant to be exhaustive, but rather suggestive, of the variety of approaches that has evolved to address emerging issues. Although each approach is inevitably linked to the budget process in some manner, OMB's role varies considerably in terms of control and oversight. In some cases the importance of agency buy-in and the need for longer-term development of capacity to fully implement needed changes argue for a devolved approach. In other cases, conflicting goals and/or the time-sensitivity of the issues may demand more centralized approaches.

Emerging Issues Use Several Approaches

Our policymaking and management processes need to become more integrated and comprehensive if we are effectively to address current and emerging issues. Multiple approaches can bring together the various competencies and capacities needed to address a particular situation. Computer security is the first of three examples demonstrating the complexity of problems facing the federal government that can no longer be met by anything short of a broad-based, integrated approach.

- Computer Security: The dramatic increase of computer interconnectivity—while facilitating communications, business processes, and access to information—has increased the risk that problems affecting one system will also affect other connected systems. Massive computer networks provide pathways among systems that, if not properly secured, can be used to gain unauthorized access to data and operations.

The administration's recently released Defending America's Cyberspace: National Plan for Information Systems Protection discusses various proposals to protect critical information assets and infrastructures. The plan clearly recognizes OMB's core responsibility for managing federal computer security and information technology. The administration's call to action through this plan's development indicates a heightened concern over cyber-security and provides a basis for increased oversight. OMB has a role in ensuring agencies fulfill their obligations to set and evaluate meaningful controls over their information environment. At the same time, this plan recognizes that the effort to safeguard information systems is well beyond the capacity of one agency to manage.

The plan introduces or formalizes a number of new entities, interagency working groups, and projects that will have to be integrated into the existing framework of computer security activities. Examples of these new entities and efforts include an Expert Review Team for evaluating agency infrastructure protection plans, a Federal Intrusion Detection Network, and an interagency working group on system security practices. The lead agency approach may be appropriate for some of these activities, such as the Expert Review Team, which anticipates giving the National Institute of Standards and Technology the lead in assisting agencies governmentwide. For other activities, the plan focuses on developing a public-private partnership. Information sharing about actual threats and vulnerabilities is one area where partnerships can provide for the common defense of the infrastructure. Because of the number of entities involved (some established by law, some by executive order, and others with less formal mandates), strong and effective leadership will be essential to ensure that their efforts are appropriately linked with broader computer security efforts.

- Human Capital Initiatives: An organization's human capital policies must be aligned to support its shared vision—that is, the mission, vision for the future, core values, goals, and strategies—by which the organization has defined its direction and its expectations for itself and its people. To meet the changing environment, federal agencies need to give human capital a higher priority than ever before and rethink how their workforces are developed and deployed to enhance achievement of organizational performance goals. Two principles are central to the human capital idea: investing in employees and aligning "people policies" to fulfill the organization's shared vision. The civil service has been evolving to be more and more decentralized.

OMB is using the integrated and central review approaches to oversee agencies' development of their strategic and annual performance plans under GPRA. OMB should try to ensure that agencies have well-thought-out strategies, in particular that they have integrated human capital planning into their strategic planning processes. Using an integrated approach OMB, along with congressional oversight, can encourage discussion of agency efforts to ensure that they have the needed human capital and that the agency's human capital strategies are linked to strategic and programmatic planning and accountability mechanisms. It is the agencies' responsibility to rethink how their workforces are developed and deployed to enhance achievement of organizational performance goals. Of course, the Office of Personnel Management has an important role to play in helping agencies develop effective tools and strategies, and we believe that this leadership can be strengthened.

Using a central review approach, OMB has the opportunity in many cases to directly influence agencies' human capital management practices through its oversight of agencies' budgets. OMB can, for example, review the adequacy of agencies' workforce planning and resource levels to meet targets and goals.

Using a partnership approach, the NPR illustrates another approach that can also be used to significantly influence human capital matters. NPR supports, for instance, partnership efforts between agency managers and unions and one of its recommendations led to the establishment of Partnership Councils in several major agencies to enhance labor-management relations.

- Crosscutting Issues: Our work has repeatedly shown that mission fragmentation and program overlap are widespread in the federal government and that crosscutting program efforts are not well coordinated. It also has shown the importance of coordinating these programs. Without such coordination, scarce funds are wasted, program customers are confused and frustrated, and the overall effectiveness of the federal effort is limited.

As part of an integrated approach, one strategy that OMB could use is the governmentwide performance plan, which is a key component of GPRA, to address more cohesively the various programs and tools contributing to broad federal performance goals. It could also be used to more clearly relate and address the contributions of alternative federal strategies. Agencies, in turn, could use the annual performance planning cycle and subsequent annual performance reports to highlight crosscutting program efforts and to provide evidence of the

coordination of those efforts. Under a central review approach, OMB could also help to ensure that agencies develop common or complementary performance measures. In addition, the council approach could involve the CIO Council in efforts to encourage data-sharing and other ways to employ information technology to reduce fragmentation and overlap.

The more routine integration of performance measures and information should, over time, also help facilitate this kind of debate in the budget process itself. GPRA provides for such integration through the program activity structure of the federal budget, but in many cases the program activities need to be better aligned with the goals in performance plans to prompt performance-oriented budgeting.[6] In some cases, agencies may need to develop effective crosswalks between strategic plans and the budget; in other cases, agencies and Congress may decide to change the program activity structure in the budget. Improved financial reporting and auditing, as required by the CFO Act, will further strengthen the cost basis and reliability of data underlying the link between performance information and the budget. But GPRA should not be expected to eliminate the conflict inherent in the political process of resource allocation; and final decisions will appropriately take into account many factors, including performance.[7]

[6] Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans (GAO/GGD/AIMD-99-215, July 20, 1999); and Managing for Results: An Agenda To Improve the Usefulness of Agencies' Annual Performance Plans (GAO/GGD/AIMD-98-228, Sept. 8, 1998).

THE CENTRAL LEADERSHIP CHALLENGE

In short, Mr. Chairman, we face a daunting set of governmentwide management challenges and issues. Although one single approach and structure is not going to suffice for all of these issues, we do feel that a strong central focal point is critical to provide the leadership across the range of issues. Our system has shown the ability to respond well once something becomes a management crisis—for example, the response to the Year 2000 computing problem. However, many of the more long-term and chronic management problems—such as those on our High-Risk list—require sustained attention over many years to be successfully resolved and to avert crises from happening in the first place. Unfortunately, such management issues often generate limited interest on a daily basis and may not receive sustained attention from top officials. We face the very real danger of having the urgent drive out the truly important because Congress, the Executive Office of the President, and the agencies all have many competing priorities demanding their attention.

A central focal point can play the essential role of ensuring that our system sustains attention to management and other crosscutting issues needed to improve government performance. Increasingly the challenges that we face are multidimensional problems that cut across numerous programs, agencies, and governmental tools. Although the respective departments and agencies should have the primary responsibility and accountability to address their own issues, central leadership has the responsibility to keep everyone focused on the big picture by identifying the

[7] Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation (GAO/AIMD-97-46, March 27, 1997).

agenda of governmentwide issues needing attention and ensuring that related efforts are complementary rather than duplicative.

The challenge is to decide which approach—or mix of approaches—is most appropriate to building and sustaining the support necessary to resolve a given management problem over the long term. The real responsibility for addressing these problems rests with the departments and agencies and the networks of third parties they rely on to delivery program services. As I have stated before, the support of agencies is particularly critical if we are to transition government to more results-oriented business processes, structures, and cultures.

Accordingly, the task facing central leadership is not to fulfill the nearly impossible role of identifying and resolving all major problems itself. Rather, it is to serve as the catalyst and strategist to prompt agencies and other critical players to come to the table and take ownership for addressing the agenda of governmentwide management issues. As we have discussed, a number of approaches are already used in which OMB plays a more supportive role, thereby emphasizing and reinforcing the accountability of departments and agencies to take ownership and implement needed changes. If well-chosen and managed, these approaches have the potential for expanding the capacity of our system to address pressing management issues.

These strategies reinforce the point that any central leadership focal point is ultimately dependent on support from others in the system to achieve a sustained focus and lasting results. Experience from the past suggests sustaining support for the implementation of governmentwide initiatives is dependent on support from four critical actors.

- Top management support and commitment within both OMB and the White House is often critical to providing a focus on governmentwide management issues throughout both the budget process and the executive agencies themselves. As our study of OMB 2000 pointed out, management and performance measurement issues gained considerable attention in the budget formulation process initially because of the clear commitment of OMB's leadership.[8] However, top leadership's focus can change over time, which can undermine the follow-through needed to move an initiative from policy development to successful implementation.

- A strong linkage with the budget formulation process is a key factor in gaining serious attention for management initiatives throughout government. Management initiatives need to be reflected in and supported by the budget. Many management policies require budgetary resources for their effective implementation, whether it is financial management reform or information systems investment. Furthermore, initiatives such as GPRA seek to improve decisionmaking by explicitly calling for performance plans to be integrated with budget requests. We have found that previous management reforms, such as the Planning-Programming-Budgeting-System and Management by Objectives, suffered when they were not integrated with routine budget presentations and account structures.

- Effective coordination and collaboration with the agencies—through such approaches as task forces and interagency councils—has, as I have noted, emerged as an important central

[8] Office of Management and Budget: Changes Resulting From the OMB 2000 Reorganization (GAO/GGD/AIMD-96-50, Dec. 29, 1995).

leadership strategy in both developing policies that are sensitive to implementation concerns and gaining consensus and consistent follow-through within the executive branch.

- Support from Congress has proven to be critical in sustaining interest in management initiatives over time. Congress has, in effect, served as the institutional champion for many of these initiatives, providing a consistent focus for oversight and reinforcement of important policies. In fact, a study of management reforms over the postwar period found that the responsibility for initiating management reforms shifted from the president to Congress since 1978, although it was recognized that the executive branch in general, and OMB in particular, played important roles in developing these statutory approaches.[9] For example, Congress'—and in particular this Subcommittee's—attention to the Year 2000 problem, information management, and financial management has served to elevate these problems on the administration's management agenda.

Any number of organizational arrangements is possible, but I believe that OMB can serve as the executive branch's management focal point. However, several additional steps must be taken by OMB for governmentwide management issues to be effectively addressed. First, OMB needs to take more initiative in setting the agenda of governmentwide issues. Crosscutting issues such as human capital, computer security, and program fragmentation call for a more decisive and assertive OMB role in defining the problem, developing appropriate strategies and approaches to implementation, and overseeing progress. As I have noted, this often might entail devolving principal responsibility to others, such as federal agencies, with OMB serving more as a catalyst and convenor. In other cases, more active encouragement and review might be called for,

including such activities as developing guidance, benchmarking, and disseminating best practices.

OMB can take more advantage of the new governmentwide management reforms as leadership tools. For instance, the governmentwide performance plan has great promise to provide a decisionmaking framework for considering crosscutting policy, program, and management issues. The process of preparing the plan can help prompt decisionmakers to focus on the relative contributions of programs and tools addressing common performance goals. The planning process can, thus, present tradeoffs for decisionmakers that cut across conventional program, department, and OMB organizational lines.

I recognize that positioning OMB to be an effective focal point for governmentwide management issues may raise issues about OMB's capacity and resources to do the job. First and foremost, there is a need for a confirmed Deputy Director for Management to provide a champion for management issues at the highest levels of OMB. OMB also needs to understand how its organization affects its capacity to provide sustained management leadership. In our 1995 assessment of OMB 2000, we recommended that OMB review the impact of its reorganization as part of its planned broader assessment of its role in formulating and implementing management policies for the government. OMB has not formally assessed the effectiveness, for example, of the different approaches taken by its statutory offices to promote the integration of management and budget issues, nor has it formally assessed the skills and training of its program examining staff. Additional targeted resources could ultimately be part of a broader strategy to enhance OMB's leadership capacity.

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[9] Paul Light, The Tides of Reform: Making Government Work 1945-1995 (Yale University Press, 1997).

CONCLUSIONS

In summary Mr. Chairman, the government faces important challenges and opportunities as we look ahead to the future. Many of these issues call for an integrated and comprehensive approach if we are to make real sustainable progress in improving performance governmentwide. Marked changes in federal agencies' workforce, technology, cultures, and service delivery networks may very well be necessary as well. These kinds of changes call for an effective central leadership focal point that can both identify the agenda of governmentwide management issues and prompt concerted action and support by federal agencies and other actors who bear ultimate responsibility for delivering services to the American people.

Although we have suggested a central focal point in the executive branch, Congress is clearly a key player in improving governmentwide performance as well, and its leadership in enacting governmentwide performance, financial, and information management reforms has already had a substantial impact. Congressional oversight of individual programs and agencies is also absolutely vital to promoting and sustaining needed performance improvements. The new performance and financial information arising from recent management reforms will provide new opportunities for congressional oversight to identify weaknesses and reinforce programs that are working effectively. For instance, the performance reports recently issued by agencies should help Congress pinpoint problems more systematically.

However, just as we are challenging the executive branch to strengthen its focus on crosscutting issues, so too should Congress consider approaches to enable it to more effectively address common performance and management issues that cut across its own jurisdictional and committee boundaries. Elsewhere, I have suggested that Congress could use the governmentwide performance plan as a starting point to prompt a more concerted oversight agenda to focus its attention on the most pressing crosscutting management concerns and alternative strategies offering the greatest promise to achieve performance goals and federal missions. A more coordinated congressional oversight agenda could be identified by the oversight committees of each chamber and possibly in a "congressional performance resolution" linked to the budget resolution.[10]

Ultimately, the broad-based and rapid changes confronting government may call for a longer term and more fundamental review of the structure for major federal activities and the processes used for service delivery, decisionmaking, and oversight. We stand at an important crossroads, and the new challenges may indeed call for a comprehensive reexamination of what government should be doing and how it does it. Freed of the constraints of the cold war and chronic deficits, this current situation may provide a golden opportunity to review the legacy of existing activities and programs with an eye toward weeding out or reforming those proven to be outdated and freeing up resources to address emerging needs. A recently proposed Commission on Government Restructuring offers one mechanism to institute such a systematic reexamination.

[10] Budget Issues: Effective Oversight and Budget Discipline Are Essential—Even in a Time of Surplus (GAO/T-AIMD-00-73, Feb. 1, 2000).

We at GAO are ready to assist both Congress and the executive branch in addressing the agenda of important governmentwide management issues facing us. Our work, including our Performance and Accountability and High-Risk Series, the Budget Implications reports, as well as other information and issues identified in our Strategic Plan could help identify the agenda of key issues as well as potential solutions to improve performance for key areas of government.[11] When our work is coupled with the GPRA plans and reports, financial audits, the work of inspectors general, and other government reports, we can engage both Congress and the executive branch in constructive partnerships to make real and sustainable progress in improving government performance.

This concludes my statement. I would be pleased to answer any questions that you or other Members of the Subcommittee may have.

[11] Performance and Accountability Series: Major Management Challenges and Program Risks (GAO/OCG-99-22SET, Jan. 1999), and Budget Issues: Budgetary Implications of Selected GAO Work for Fiscal Year 2001 (GAO/OCG-00-8, March 2000).

Mr. HORN. Thank you.

As usual, you come well prepared and you have a very fine professional force that backs you up in the General Accounting Office.

Director Lew testified that agencies should not be expected to meet all their stated goals. He also said that OMB is making progress coordinating the Results Act implementation.

What are your reactions to his comments?

Mr. WALKER. First, I think it is important that you set stretched—but attainable—goals. You don't want to set goals that are so easy to meet that they are a lay-up. I think you do want to try to stretch people. But you want them to be attainable. Therefore, I believe that a vast majority of the goals that you set for a particular year should be achieved.

I think progress is being made with regard to the Government Performance and Results Act, but I don't think it is anywhere near where it needs to be. I think people still viewing GPRA too much as an annual paperwork exercise rather than recognizing that this is the foundation for how they ought to be operating. People need to recognize that in addition to preparing these plans, they need to effectively change the way they do business consistent with these plans in order to focus more on outcomes rather than outputs and to focus more on results rather than processes.

Mr. HORN. Have you and your colleagues in the General Accounting Office had a chance to assess OMB's fiscal year 2001 plan and the fiscal year 1999 performance report?

Mr. WALKER. We have looked at it on a preliminary basis. We haven't completed it. I would say that the plan that I just referred to, which is the 2001 plan—our preliminary review is that we are somewhat disappointed. While clearly they prepared it and it did meet the required timeframe, some of the goals and measures were not as clearly defined and as measurable as they should be. And candidly, I question whether they met their own standards for what the agencies are supposed to do.

I think it is important for us at GAO, being the lead accountability organization, as well as for OMB, being the representative of the President in this area, to lead by example. So we haven't finished our review, but it is somewhat disappointing.

Mr. HORN. Director Lew also testified that he would not separate management from the Office of Management and Budget because the budget issues drive the management ones.

What are your reactions to those comments?

Mr. WALKER. Well, Mr. Chairman, I have mixed emotions about whether or not to separate management from budget. I care more about the result and what needs to be done rather than how it gets done.

In theory, having the ability to leverage the budget process is a powerful tool. If properly exercised, I think it is desirable to keep them together. In practice, I think that we have seen that the "M" has been clearly secondary to the "B." I think there are different ways we can try to achieve more equilibrium. If we don't see more leveraging of the "B," then other alternatives need to be looked at. But I care more about focusing more of the right kind of skills and attention on the "M" than what the organizational structure is.

Mr. HORN. Your shop, the General Accounting Office, has done a marvelous job over the years at the beginning of each Congress to give us a high-risk series. Could you sort of summarize the five most important things that the executive branch, regardless of party—you can go back to 1991, if you want to—what is happening on that front? Are they listening to the General Accounting Office, which is part of the legislative branch? We depend on you very greatly for the fine work that you do. But what about some of these high-risk series? Are they just reports that gather dust for Ph.D. students to analyze? Or is the executive branch taking it seriously?

Mr. WALKER. OMB has reviewed our high-risk list. They are aware of it. In fact, with regard to the priority management objectives, most of the items—not all, but most—that are included in our high-risk list are addressed one way or the other in the priority management objectives. A couple of examples of ones that are not included would be the farm loan programs and NASA contracting activities.

Yes, it is on their radar screen. As you know, Mr. Chairman, not many of these areas have come off the high-risk list—not as many as we would like—and in some cases they represent problems that it took years to create it and will take years to get them off. I do think it is important—as part of the agencies' performance plans, as part of the budget process and as part of the oversight process in Congress that this be one of the central elements that continually gets focused on as an important area. What kind of progress is being made in order to eventually deal effectively with these areas?

Mr. HORN. What are the worst cases that we have? Medicare is certainly one under the high-risk, but what else is there?

Mr. WALKER. There are a number. Computer security is one that I know is of interest to yourself and Mr. Turner, in particular. That is an area that, quite frankly, I would say is bigger and more important than Y2K. Why do I say that? I say that because it relates not just to national security and economic security issues—those are obviously important in and of themselves—but it also deals with personal privacy. When you are talking about health records and financial records and things that individuals hold close and very dear to themselves, it cuts very close to the bone.

Acquisitions, DOD management—whether it be financial management or whether it be acquisitions at DOD—major challenges. Much more needs to be done, and frankly, we are never probably going to get a clean opinion on the Government's financial statements until DOD gets its act together. And while DOD is clearly an "A" in fighting and winning armed conflicts, which is their primary mission, they are a "D" at best with regard to economy and efficiency.

Those would be some examples, Mr. Chairman.

Mr. HORN. Well, I am glad we agree on that. I once held a hearing, what did you do with the $25 billion we can't find? We gave them a couple of years and they finally got the inventories matched with the combined various purchase orders and all the rest and got it down to $10 billion. But you are right, that is a real mess. And the first Secretary, Mr. Forestall, should have said, we are not

going to have 149 different accounting systems, we are going to have one. I don't know how many they have now.

Mr. WALKER. For the record, Mr. Chairman, let me say that we have been somewhat encouraged by what we have seen at DOD over the last year or two. They do seem to be taking these issues more seriously, but they have a long way to go.

Mr. HORN. Let me just mention one more question and then I will have Mr. Turner the rest of the time.

Please elaborate on the point you made in your written testimony, "OMB has not formally assessed the effectiveness of the different approaches taken by its statutory offices to promote the integration of management and budget issues."

How does this comport with the argument that budget and management must go hand in hand?

Mr. WALKER. There has been clearly some linkage in the past—and we issued a report within the last couple of years. That report looked at to what extent there has been some linkage between management and budget issues—and we noted that there had been greater linkage recently than there had been in the past. My point is, not nearly enough.

And there hasn't been enough considered analysis of how best to go about doing that, which I think is important.

Mr. HORN. I thank you and turn back my remaining minute and a half and 10 minutes to the gentleman from Texas, Mr. Turner.

Mr. TURNER. Thank you, Mr. Chairman.

Mr. Walker, you heard my questions directed to Mr. Lew. My first question to you, you have already answered. I was going to ask you if there was a need for greater emphasis on information technology and its utilization. That was one of your four items that you placed as areas of great need in our Federal Government.

I was looking through your written statement and it is replete with thoughts about the importance of the emphasis on information technology. One of your statements is, "The Government's use of information technology has suffered from management weaknesses that have resulted in widespread, untapped potential to improve service delivery."

Then later in your written statement you begin to discuss the various approaches to provide flexibility in addressing management issues. And you list several that I won't go into, but things like the single central leader approach, the council approach, the task force approach, etc.

I want to thank you, at the outset, for the help your staff has given me. Dave McClure and Jack Brock have been working with me and my staff to try to address the issue I discussed at length with Mr. Lew. For that I am very grateful. They are outstanding individuals and they bring a lot to the issue. It has been very helpful and I appreciate them working through this with me and helping me draft some proposals.

But let me just ask you, as a beginning point, if you can articulate your opinion regarding the way OMB addresses the issue of information technology. And in particular, Is it fulfilling the role of developing and implementing long-term information technology for the Federal Government?

Mr. WALKER. This is an area that OMB had been placing effort on, but frankly, they don't have enough people with the right type of skills to get the job done here. You mentioned before about OIRA, for example. The answer Director Lew gave was that OIRA has responsibility for the information technology area. At the same point in time, if you listened—which I am sure you did—to all the different responsibilities that OIRA has, all very important, but very diverse responsibilities. Then if you look at how many people OIRA has to be able to accomplish those responsibilities and if you look at the skills it takes in order to be successful in addressing each of those, they have almost an impossible task.

We clearly need more focus on information technology. We need more skills in this area. We need to raise the profile of this issue. But I think there are different ways to accomplish that end. OMB is trying to do the best with what it has, but they need to do a lot more.

Mr. TURNER. In your testimony a moment ago, when you were discussing ways the Federal Government should address some of these issues—information technology, human capital, and the others that you mentioned—the first thing you said was that there needed to be an absolute commitment from the top. As you heard from my questions to Mr. Lew, that is really the place where I begin as well, trying to figure out how we can structure something that would put information technology in the hands of someone who actually had that commitment from the top to do the job, long-term information technology planning and implementation.

You have two able staff members working with me, but I would invite you—if you have any thoughts of how, perhaps, we should structure our approach to dealing with this information technology issue—I have been pretty forthcoming regarding my suggestions. You noted the reluctance of OMB with regard to the Koskinen-type model.

Do you have any thoughts? I welcome your input and your suggestions.

Mr. WALKER. Let me give you several thoughts, Mr. Turner.

First, as I mentioned before, form has to follow function. There are various different forms that you can use in order to try to address a management challenge, and they are noted in my testimony. But part of it has to do with the function you are trying to achieve.

I would say that in the information technology area we have certain short-term needs and certain recurring needs. One of our short-term needs is that we really need to raise the visibility, and raise the priority of a range of challenges in the area of information technology. Computer security is one example and e-commerce is another example. They are related, but not the same issue.

Therefore, one might say, "How best can that be done in order to jump start it, in order to get the attention of all the persons in the Government—and in some cases outside the Government—that need to be mobilized?" That means cabinet officials as well. Therefore, one might make an argument that there might need to be some focal point similar to a John Koskinen-type situation in order to get this thing going, and in order to get it focused, and in order to try to achieve certain measurable milestones.

However, there clearly is a recurring need in the area of information technology, in the area of knowledge management, for example, within the Government. There is clearly a recurring need for a CIO, and for that CIO to be able to have high-level visibility and support. And that is not something that I think in and of itself would necessarily call for the czar model or the special assistant to the President model.

You may want to think about the different roles and functions that need to be achieved and what we are trying to accomplish over what timeframe. There might be more than one model that would make sense, depending on the functions that are involved.

Mr. TURNER. When you mention the CIO, are you referring to the concept of a Federal CIO that would have oversight over and the relationship of all the agency CIOs that are already provided for in present law?

Mr. WALKER. That is correct, Mr. Turner. That is a recurring need. That is a recurring function. And one could argue, as Director Lew did, whether or not you need a czar-type function because a lot of the activities the czar will be doing will be recurring in nature. Unlike Y2K where you had a date certain that you knew you were going out of business shortly after that date certain—either you got it right or you didn't and you would know, then there is a market test, and then you could end up closing that down.

In the case of some of the activities in computer security and e-commerce, it will be ongoing. At the same point in time, I think that what you can say is, do you need to do some things differently to get it started, to get it on the right track, and then to put it back to another function and merge it with the CIO and recognize that it is part of ongoing responsibility. You might need to do something supplemental in order to jump start it.

Mr. TURNER. Maybe a short-term, year-long effort to place emphasis on it through some special high-profile type individual, but also in conjunction with that there should be a Federal CIO that would have ongoing, continued responsibility?

Mr. WALKER. I think you might want to consider that. As far as the length of time and the scope of responsibility, that is something that obviously deserves additional consideration and deliberation. It is tough to get a whole lot done in a year, especially by the time you get the thing started. But I think that is something you may want to consider.

Mr. TURNER. It could be a Federal CIO and this individual that is going to elevate the profile of the issue for a shorter period of time. Could that perhaps be the same person?

Mr. WALKER. It is possible that it could be the same person. And I think part of it has to do with what is trying to be accomplished. Whoever it is, obviously, is going to have to have a tremendous amount of support. And as Director Lew talked about, John Koskinen is one person. John Koskinen had to have the support of OMB, he had to have the support of the CIOs in all the different departments and agencies, and ultimately whoever has this responsibility or these responsibilities is going to have to have some backup support both on the central basis as well as decentralized.

Mr. TURNER. As you could tell from Mr. Lew's testimony, it is going to be somewhat of a problem to be sure we structure such

a proposal so that we can get—as you pointed out in your written statement—the buy-in of OMB to this idea as well as the buy-in of the various agencies and CIOs in those agencies. But I am confident that your staff has the expertise to help us do that. I would like to thank you again for your efforts to help move us in that direction.

Mr. WALKER. Thank you, Mr. Turner.

I might also note that while I agree with Dr. Lew that OMB has outstanding staff, I would hold the GAO staff up against them.

Mr. TURNER. Thank you.

Mr. HORN. I thank the gentleman for that round of questioning. I think we have gotten very good answers from both you and Mr. Lew.

General, we don't need to detain you any longer since we have had you on a number of committees here and working through the performance issues. We appreciate very much you coming up. I particularly enjoyed seeing your accountability study. That is a good masterpiece and you do have a first-rate staff that does these things.

I am interested, obviously, in the measurement and what is a measurement while we are looking at some of these programs. I asked OMB if they had a unit to deal with that, so I may as well ask you, does the General Accounting Office have a unit that is functioning in that area?

Mr. WALKER. We have an Office of Quality and Risk Management. That unit, combined with our different operating units, works together to try to define appropriate measures. You mentioned, Mr. Chairman, that we just published our first accountability report, which really ought to be called a performance accountability report. Even in that, while we are trying to lead by example—and we think we are in that report—there it is.

Mr. HORN. That is Thomas Jefferson's memorial, correct?

Mr. WALKER. That is right. In fact, it includes a quote from Thomas Jefferson in 1802 on the inside cover talking about the importance of effective Federal financial management. It took us a little while. We are still not there yet, but we are working on it. That was 1802.

Mr. HORN. Here it is, April 1802. "I think," said Thomas Jefferson, "it is an object of great importance to simplify our system of finance and to bring it within the comprehension of every Member of Congress. The whole system has been involved in impenetrable fog. There is a point on which I should wish to keep my eye, a simplification of the form of accounts, so as to bring everything to a single center."

He was quite a President. He was the first one to impound money when the Army had too many barrels of oats and not enough horses to eat them up. So he just impounded it. That is what Presidents ought to have now, sometimes.

Mr. WALKER. And let me just say that even for our report, while we are very proud of it—we are getting a number of positive compliments back—and while I might note for the record, Mr. Chairman, I believe on your grading scale, we would have gotten an "A." Of course, we wouldn't want anything less than an "A."

The fact of the matter is that we are constantly looking at how we can revise ours and how we can improve ours. We all need to be doing that.

So, thank you, Mr. Chairman.

Mr. HORN. We thank you. Thank you very much for coming.

We now go to panel three: Mr. James C. Miller III, counselor, Citizens for a Sound Economy; Mr. Dwight Ink, president, emeritus, Institute of Public Administration; and Mr. Herbert N. Jasper, senior associate, McManis Associates.

[Witnesses sworn.]

Mr. HORN. We will begin with Mr. James C. Miller III, who is a former director of the Office of Management and Budget from the years 1985 to 1988. We are delighted to have you here.

STATEMENTS OF JAMES C. MILLER III, COUNSELOR, CITIZENS FOR A SOUND ECONOMY; DWIGHT INK, PRESIDENT, EMERITUS, INSTITUTE OF PUBLIC ADMINISTRATION; AND HERBERT N. JASPER, SENIOR ASSOCIATE, MCMANIS ASSOCIATES

Mr. MILLER. Thank you, Mr. Chairman. I have a statement I have prepared.

Mr. HORN. Without objection, your prepared statement will appear in the record.

If you could summarize your testimony, we could then get to questions.

Mr. MILLER. I will do that.

First, I want to affirm a comment I heard from Director Lew. The OMB staff, in my judgment, is the best in the Government. It is the best I have ever seen. I think protecting and preserving the professionalism, and integrity of the OMB staff is something you ought to be concerned about and try to maintain.

The management side of OMB is much more difficult than the budget side. When you talk money, people listen. When you talk management, they don't. The budget side is the benefits that agencies receive. The management side is the cost because you followup on what they are doing. The incentive structure is such that people in agencies don't want to pay attention to the management side.

Let me just give you a case in point. Mr. Turner raised the business of collecting loans. Agencies don't care about collecting loans. Moreover, if you use information technology to engage in more efficient management, just think of the incentives. First of all, from the budgetary side, especially with hardware, you have to pay for it all up front. You don't amortize it in the Federal Government. You pay for it up front. The benefits flow over a long period of time—after most people who are heads of agencies are gone. Their incentives are not to do that.

Second, if I had to add one recommendation to my testimony it would be to privatize as many functions as you can. But you have to bear in mind that sometimes you really get results. So be careful what you ask for because you might get it.

During my tenure at OMB, we were successful in getting Congress to enact legislation that allowed the administration to farm out the collection of debts to private companies. And guess what?

They collected the money. But there was such an uproar from some people that there was an estoppel on the collection of debts.

So you realize that some of these things are going to generate some backlash as well.

I don't want to suggest that it is impossible to improve management. There are some good case studies. Jerry Ellig, a colleague of mine at George Mason University, just finished a study where he found that FEMA was wonderfully productive and its leadership had turned the agency around. Mr. Witt's inspired leadership, the use of information technology, the redirection and the refocus of the agencys is a real success story. So it can be done.

Let me give you several recommendations. Give managers more freedom to manage, but hold them responsible for results.

Second, you need to recognize superior management and success cases, superior performance. I ask, rhetorically, when is the last time you had an agency head up here and said, "Joe, you and Sarah have done a terrific job. Tell us what you did and how we can apply those lessons to other agencies?" So you need to use the carrot as well as the stick.

I know, from experience, that Government officials are often the object of criticism. It is those few little times that you get praise that you remember and that spur you on.

Three, I think we need to be honest about all this reform and what we can accomplish, what we can't accomplish, what we have accomplished, and what we haven't. Frankly, some of the representations made about the National Performance Review and the Results Act, are terribly disappointing and/or misleading. I don't think they have done well at all. Coining names like reinventing or reengineering—or all those acronyms—I mean, that is not going to improve the management of Government.

Fourth, get rid of the agencies and the programs that don't work. Part of good management is knowing what works and what doesn't. If you are the CEO of a major firm, you are going to be constantly on the lookout for programs that work and expand those, and diminish on drop those programs that don't work. There is this long list of agency programs.

My former boss, President Reagan, used to say that there is nothing quite so permanent as a Government agency.

Fifth, you need to support OMB in grading of agencies. It is not an easy job. You need to give them a lot of support.

Sixth, finally, I know it is controversial, but I urge you to try not to separate the management and budget functions. The budget is the stick that makes it work. Budgeteers pull on strings, management people push on strings. It seems to me that you need the power of the budget side to force the management responses.

There is one suggestion I have if you really do separate the budget and management functions. You give the management person the right to fire people, even cabinet officers. You get their attention. I don't think the President is going to want to do that. After all, these agency heads report to the President, not the Director of

OMB or the management Deputy Director. But save that, it is going to be very difficult, without the stick of the budget, to get them to do something they don't want to do.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Miller follows:]

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PREPARED STATEMENT
of
JAMES C. MILLER III[1]
before the
SUBCOMMITTEE ON GOVERNMENT MANAGEMENT,
INFORMATION, AND TECHNOLOGY
of the
COMMITTEE ON GOVERNMENT REFORM
of the
U.S. HOUSE OF REPRESENTATIVES
on
APRIL 7, 2000

Thank you for the invitation to be here this morning, Mr. Chairman. As a former director (1985-1988) I am always encouraged when Members of Congress show an interest in the Office of Management and Budget, particulary its management "side."

First, let me say that nowhere else in government have I observed the commitment and caliber of the personnel at OMB. They are truly the cream of the crop of government service. One goal of the committee should be to preserve and protect these professionals from undue influence.

Second, I also know from experience that the management side of OMB is tougher than the budget side. If you control the money, you get people's attention. If you go to a cocktail party and see some Assistant Secretary fawning over a "20-something" or "30-something," a good bet is that the latter is the former's budget examiner. The equivalent management examiner

[1]Citizens for a Sound Economy accepts no money from the federal government and, to the best of my recollection, neither have I during the relevant period.

doesn't get the same treatment.

Also, budgets are easy to measure — dollars — whereas performance is not. This is no trivial matter. It's often said that government performance suffers because there is no "bottom line." That's true. In the private sector a firm that doesn't perform well goes out of business. In government, an agency can survive forever no matter how inefficient. Moreover, the incentives are perverse: when an agency fails, it usually gets more money.

To make matters worse, it's difficult to measure output in government, not to mention productivity. And some measures that do exist are often far from the mark. Let me give you an example. Shortly after I took over as chairman of the Federal Trade Commission (FTC) in 1981, my Executive Director, who was an economist by training, came to me and said, "Jim, the BLS (Bureau of Labor Statistics) just called and wanted our latest data on productivity. You'll never guess how they measure the agency's productivity." The answer was: number of lawsuits brought by the agency per employee. Yes, number of lawsuits was the output. That's like judging a police force by the number of arrests it makes and ignoring statistics on the rate of crime.

While I was director of OMB we held various symposia, at which we heard from industry leaders and productivity experts. The underlying theme at all these meetings was the difficulty in transferring management-improvement techniques to the public sector — in part because of the inherent difficulty in measuring progress.

I don't want to leave the impression that the task is hopeless — quite the contrary — but I do think it appropriate to stress that we are dealing with a very difficult challenge. We will have to work hard and think innovatively, be bold and resolute, but even then reforms will take time.

It is possible, of course, to turn agencies around. For example, my colleague at George Mason University's Mercatus Center, Jerry Ellig, reviewed several federal agencies and concluded that the Federal Emergency Management Agency has done a truly superior job of improving its service delivery.[2] How did it do this? According to Ellig, the reasons included the inspirational leadership of FEMA director James Lee Witt, use of computer

[2]Jerry Ellig, "Results-Based Management of the Federal Emergency Management Agency," Mercatus Center, George Mason University, March 2000.

technology, and a shift in mission emphasis from Cold War-era civil defense to natural disasters.

In some cases turnaround can be accomplished within current authority and existing incentives. But in other cases it will require facilitation by Congress. Let me make a few suggestions.

First, you need to give government managers more authority and hold them accountable for results. I'm sure you've had a host of career managers tell you how difficult it is sometimes to take the initiative — whether with respect to personnel, acquisition, or service improvement — given the current set of legal and bureaucratic constraints. Free them up to allow managers to manage. But at the same time, hold the managers accountable. I've often said that when you walk down the hall of some government agency and see people in offices reading magazines or doing cross-word puzzles, it's as likely the fault of some ineffective manager than sheer laziness on the part of the people you see.

Second, you need to reward superior managers and recognize successful units. When was the last time you had the head of an agency that did a truly superlative job up before the committee — to brag on them and to ask their advice on how to bring other agencies along? Why not reward excellence more? I know we give out presidential awards to members of the SES corps, and that is important -- not only for the few thousand dollars they receive, but for the recognition. I once heard Peter Grace tell President Reagan in the Oval Office that if he really wanted to improve management in government, he'd be handing out million-dollar awards. Until we get a better handle on measuring productivity in the public sector I'm not sure I would adopt that recommendation. But Peter's point has merit.

Third, you, and everyone else, need to be honest about what can and cannot be, and what has or has not, been accomplished. Mr. Chairman, I must say that I have been dismayed by some of the claims made on behalf of this administration's National Performance Review. Tossing around buzz words such as ""reinventing" and "reengineering," or making up new acronyms such as "REGO" are no substitute for well-focused reforms that change incentives to accomplish an effective, customer-oriented federal service. Hard work and constant prodding is necessary. If you doubt this, look at the dismal

record of agencies in even responding to requirements of the Government Performance and Results Act.

Fourth, as part of a comprehensive plan to improve management you need to cut away the dead wood. Just as a good manager in the private sector will review a company's activities and eliminate those that are no longer contributing to the bottom line, you should pare those programs that no longer serve a public purpose. As President Reagan was fond of saying, there's nothing so permanent as a government program. Despite a few well-publicized terminations (the "tea-tasters," for example), the real work in streamling government has hardly begun.

Fifth, you need to be supportive of OMB in its efforts to induce agencies to improve their performance. Understandably, agencies don't like to be "graded" anymore than you or I do. Toward the end of my time at OMB, the rest of the management team and I put together a set of performance scores for cabinet agencies — measuring their progress in meeting previously agreed-upon goals. We then had a meeting of the Economic Policy Council to go over these scores, just before we were to release them. Well, it would be an understatement to say the opposition was fierce and the rancor wide-spread. The upshot was that nothing was accomplished: the officials felt they were being mistreated, and OMB didn't publish the scores -- in part because OMB had nothing to gain from doing so.

Finally, and I realize this is controversial, you need to acknowledge that more progress will be made by having OMB "marry" the budget and management efforts. As I indicated earlier, it's just a fact of life that agency personnel pay more attention to budget decisions than to management decisions. The budget folks pull strings; the management folks push strings. To get management results you often need the budget folks to pull strings. I think you will be more successful if you encourage the budget folks to be the "enforcers" in getting agencies to meet goals for management improvement.

Mr. Chairman, that completes my statement. I shall be happy to address any questions you might have.

Mr. HORN. We thank you. That is a very interesting bit of testimony and you have had a vast experience on that.

Mr. Ink.

Dwight Ink is president, emeritus, Institute of Public Administration, former Assistant Director for Executive Management in the Office of Management and Budget. And that covers 1969 to 1973, the Nixon administration.

Mr. Ink, we are going to have to move along a little, so don't read it. Just summarize it.

Mr. INK. I think I can summarize in about 5 minutes, if that is acceptable.

Mr. HORN. That is terrific.

Mr. INK. My management views are based on a fair amount of experience both as agency and bureau heads and in the OMB. So it is an area where I have walked the walk.

I also had lead responsibility for what you mentioned earlier, persuading Congress to support the establishment of OMB back in 1970, intended to give the President a better instrument for providing leadership in Government management. That has not worked. The OMB has become more dominated by the budget process rather than less, thereby limiting severely its capacity to provide this management leadership.

OMB has had some very able people heading its management role people such as John Koskinen and Ed DeSeve, and they have done some very good work. But the budget dominated structure, in my view, has made it almost impossible to achieve the broad and sustained leadership role we and the Congress contemplated for OMB.

Why? First, the budget process has become more complicated. Within this budget pressure cooker, there is very little opportunity or time left for top OMB officials to give more than just passing attention to more than a few management issues. That is one reason I support the chairman's concept of transferring management functions to an Office of Management within the Executive Office of the President, where the leadership could devote full time and energy to the task of making Government work better.

Second, the OMB budget process fosters tunnel vision. That makes it very difficult to address cross-cutting issues that affect many different departments and many different programs. OMB examiners are extremely talented, but the work of each one is necessarily focused on a few related programs. And it is very difficult for them to shift attention from their main role to that of dealing with management problems that cut across organization lines.

Third, the 12-month budget process places undue weight on the annual budget targets and gives priority to the annual objectives over long-term investments that can provide long-term economies and higher quality. I found this contributed significantly, Mr. Chairman, to our difficulties in developing the computer and information systems and other technological improvements that are needed to modernize Government operations. Federal managers today have similar complaints.

Fourth, the preoccupation with the budget has, at times, weakened the ability of agencies to improve operating effectiveness or prevent waste and abuse. I recall instances in which this budget

domination directly, although inadvertently, contributed to scandals in agencies.

Fifth, OMB is embroiled every year in fierce political battles over many budget issues, whereas the Office of Management would be free of most of the baggage—through not all of it—that handicaps bipartisan approaches to management reform.

Sixth, as has just been mentioned by the Comptroller General, the OMB has neither the staff nor the type of contacts that provide adequate early warnings of emerging agency problems that become public issues.

Seventh, OMB lacks much of the specialized expertise that cannot be stockpiled in the various individual agencies. This includes program management, Government corporations, decentralization, how to increase productivity, governmentwide reform—the list could be very long.

An Office of Management would be freed of the mythology that one must have the leverage of the budget to force agencies to improve management. We found in the Executive Office of Management that in most cases, the more we could distance our staff from the budget process, as distinguished from distancing them from the knowledge of the budget examiners—which we didn't want to do—and substitute for budget threats the positive leadership and assistance, the greater our credibility, and the greater our influence, both with the agencies and with Congress.

Although I do not regard direct involvement of the budget as necessary, an Office of Management would need important tools in order to have the necessary impact. In my written testimony I have listed a number of those tools, such as the drafting of Presidential Executive orders, legislative clearance, GPRA, and a number of other important tools.

I believe that the needs of the President and the executive branch require a management leadership capacity that is not, and cannot be, provided by the OMB, no matter how able the Deputy Director for Management might be. The Congress, I believe, has a right to expect more with respect to the timely and effective implementation of legislation and Presidential initiatives. And perhaps even more important, our citizens have a right to expect a management leadership capacity, which OMB has provided, one that is not so preoccupied with the budget process that it has little time to focus on program outcomes and effectiveness of service delivery.

Thank you.

[The prepared statement of Mr. Ink follows:]

Testimony of

DWIGHT INK
President Emeritus, Institute of Public Administration

Before the

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY

Oversight Hearing on Office of Management and Budget

April 7, 2000

Mr. Chairman and members of the Committee:

I appreciate the opportunity to testify at your OMB Oversight hearings. My personal views are based on experience in heading several agencies and bureaus and leading management reforms for several U.S. presidents. I served as Director of the Office of Executive Management (OEM) in the Bureau of the Budget and was the first assistant director of management in the Office of Management and Budget (OMB).

OMB remains an extremely important agency with highly talented staff that is respected, if not always popular, in the executive branch. However, I continue to believe we made a mistake in making the program associate directors political, because I believe the president needs to have the candid, unfiltered views of professional career men and women in addition to political advice from White House and departmental political appointees.

The balance of my comments will be directed toward the management leadership role of OMB, both because that is the area with which I am most familiar and because it is the area in which I believe OMB is not equipped to carry out its mission effectively.

I had lead responsibility in 1970 for persuading Congress to support the establishment of the Office of Management and Budget in the hopes of placing the "M" in OMB on an equal footing with the budget, thereby giving the president a more effective instrument for government management leadership. That has not happened. The OMB has been even more dominated by the budget process than was BOB, thereby limiting its capacity for providing management leadership.

When OMB has had particularly able persons heading its management work, such as John Koskinen and Ed DeSeve, some very useful efforts have moved forward, but the budget dominated structure has made it almost impossible to achieve the broad

and sustained leadership role we and the congress contemplated for the new OMB. Why?

First, the budget has become far more complicated with major program and economic issues on which the OMB leadership is constantly in difficult negotiations with departments and Congress. Within this budget pressure cooker there is little time left for most top OMB officials to address more than a few management issues. And because the budget is such an overwhelming activity, presidents look for budget or economic experience, not managerial knowledge, in choosing OMB directors and associate directors.

To solve this and other problems, I have supported the concept of the Chair of this Committee that would transfer the management functions to an Office of Management within the Executive Office of the President. That action would equip the president with top level management leadership, supported by a team of highly qualified managers who would devote their full time and energy to the formidable task of making government work better.

Second, the OMB budget process fosters tunnel vision, which makes it difficult for OMB to thoroughly address crosscutting issues that affect a number of departments. OMB examiners are very talented, but the work of each one is necessarily focused primarily on only a few related programs. Their work is difficult and performed under short deadlines, leaving little time to shift their attention to look at management problems that cut across organization lines. For example, they simply cannot look at the combined impact of government actions on families, communities or businesses, a critically important management function.

Third, the 12-month budget cycle gives undue weight to annual budget targets over long-term investments that provide more economies and higher quality solutions over the longer term. I found this contributed to our earlier difficulties in developing the large computer systems and other technological improvements

needed to modernize government operations. Federal managers today have similar complaints. A separate Office of Management could look more carefully at the long-term payoffs before final budget decisions were made.

Fourth, preoccupation with the budget has at times undermined the ability of agencies to improve operating effectiveness or prevent waste and abuse. I could provide concrete examples in GSA and HUD in which the budget dominated OMB inadvertently contributed to scandals in both agencies.

Fifth, whereas the OMB is embroiled every year in fierce political battles over many budget issues, the Office of Management would be free of the political baggage that accompanies most of these issues and the partisan political pressures involved. Although there are exceptions, a majority of management improvements have little or no partisan political overtones if developed properly. Bipartisan approaches would be easier to develop in an Office of Management.

Sixth, an Office of Management, being largely free of the budget controversies, could restore the close working relationship with Congress that once existed with the OEM, a relationship that benefited both Congress and the White House.

Seventh, an Office of Management could regain the specialized expertise we once had for basic organization actions, expertise which cannot be stockpiled in individual departments. This includes such areas as performance-based organizations, government corporations, decentralization, and abolition of bureaus and agencies.

Eighth, an Office of Management would be freed of the mythology that one must have the leverage of the budget to force agencies to improve management. My experience in EOM was that in most cases the more I could distance my staff from the budget process, as distinguished from the valuable knowledge of budget examiners, the greater our credibility and influence with the agencies and with

Congress. We continued exchange of information and cooperation with examiners in a number of areas, but that did not require a merger. Interestingly, federal agencies long ago recognized the folly of meshing the budget process and management people in the same units or positions.

Although I do not regard direct involvement of the budget as necessary for an Office of Management, it would need important tools to compete for attention within the Executive Office of the President.

1. The Director must have occasional direct access to the president, though nothing like that needed by the OMB director.
2. Issuance of management circulars, many of which are designed to reduce red tape, should be transferred to the Office of Management. This new office should also regain the OEM role of drafting the president's Executive Orders related to government operations.
3. The Office should again have a few staff members that spend much of their time in the field monitoring interagency and intergovernmental coordination, as well as expediting actions that are slowed by turf issues and red tape. The budget process does not permit OMB to give much attention to field operations, despite the fact that that is where most of the federal workforce is located and where most of the personal interaction with the public and local officials takes place.
4. The Office should regain the OEM responsibility for drafting and clearing legislation dealing with management and organization.
5. It should provide advice on the workability of proposed programs and legislation as they are being developed. This management advice would have been invaluable to President Clinton in developing his earlier health care proposals.
6. The new Office should provide leadership for systems needed to make GPRA a success, a role that requires knowledge far beyond that of the OMB budget

process. Resources required to meet program goals would remain within an Office of Federal Budget.

7. The OMB has neither the staff nor the type of contacts that provide early warnings of emerging agency operating problems that are likely to become public issues. The S&L management accountability and the earlier HUD disastrous shift from preventive program management to relying upon IG after-the-fact investigations are examples of costly mistakes that a good warning system could have caught at a far earlier stage of development.
8. Finally, although at times the management leadership in OMB has been outstanding, through much of its life the quality has been uneven and the turnover appalling.

In summary, I believe that the needs of the president and the executive branch require a management leadership capacity that cannot be provided by the OMB no matter how able the Deputy Director for Management might be. The Congress has a right to expect more with respect to the timely and effective implementation of legislation. Perhaps most important, our citizens have a right to expect the very best functioning government that is possible, one whose management leadership is not so preoccupied with the budget that it has little time to focus on program outcomes and effectiveness of service delivery.

Mr. HORN. Thank you, Mr. Ink. I appreciate that.

Herb Jasper is the senior associate for McManis Associates Consulting Firm. He is a former professional staff member for the Bureau of the Budget from 1956 to 1969. Now, despite my youth, I do remember those years. You were there when the Eisenhower administration was there, you went through Kennedy and up to Johnson. We are delighted to have you with us. You have had a vast experience there.

Mr. JASPER. Thank you, Mr. Chairman and Mr. Turner. I appreciate the opportunity to offer my comments on oversight of the Office of Management and Budget. I understand that your principal focus is on the management functions, with which I have been associated for most of my career, particularly governmentwide management and organization. I would suggest that you would be hard put to find that OMB has spent much time during the past almost 20 years on governmentwide organization and management. So I am tempted to say you could have a brief oversight hearing, but that would perhaps be unfair and I will explain more about that.

The 1993 OMB reorganization was based on the presumption that you have heard frequently, that you can't separate management from budget. I evaluated this curious claim in detail in my early 1999 testimony before this subcommittee on the proposal to create an Office of Management. Contrary to that theoretical proposition, this administration has demonstrated by its actions that one can, indeed, separate management from budget. I refer, of course, to the creation of the NPR whose work has not been distinguished by its integration with the budget process.

Mr. HORN. The NPR being what?

Mr. JASPER. The National Performance Review, initially, and now the National Partnership for Reinventing Government.

But OMB insists that it has elevated the role of management by integrating it with the budget functions. GAO did find some evidence that management issues have received more attention during the budget process since then. But on the broader issues, I met with the GAO study team when the study was just getting underway and urged them to examine the totality of OMB's management responsibilities. Unfortunately, they didn't do that. You can read their report and you won't even find any recognition that there is no capacity left within OMB to deal with governmentwide organization and management issues, with the possible exception of GPRA and the three statutory offices of which you have heard, OIRA, Financial Management, and Procurement Policy. But I want to focus on what they have not done at all, rather than what they have not done well. And in that category, I would include the GPRA. But what they haven't done at all is working on governmentwide organization.

You will recall I also had the privilege of testifying on executive branch restructuring in 1995. Curiously, you did not have an OMB witness. And that is because OMB doesn't know anything about executive branch organization. They have no people that work on that. They have no experts on the subject.

Let me contrast that with the situation when I was in the former Bureau of the Budget. In addition to a Management Improvement Branch with about 10 professionals, there was a Government Orga-

nization Branch in which I was 1 out of about 9 professionals. We worked nine people, full-time, year-round on governmentwide organization and management issues. They have nobody now who does that.

We worked on interagency coordination matters, sometimes accomplished through Executive orders, we cleared legislation with respect to management issues; we wrote legislation; we wrote testimony; we wrote reorganization plans; we worked very closely with your predecessor committee and its counterpart in the Senate; and last but not least, we recommended vetoes of bills with unacceptable organization and management provisions, practically unheard of in recent years.

The absence of professional expertise in matters I have talked about is illustrated by such developments as these. Executive orders are now handled by OMB's general counsel, not by the management staff. It is not known that lawyers are experts at issues of Federal management.

Mr. HORN. Do you mean the counsel to the President?

Mr. JASPER. No. OMB has a general counsel to whom many years ago, the responsibility to draft and review Executive orders was transferred. Those often deal with precisely the kinds of things I am talking about agency roles and responsibilities, interagency coordination arrangements, and so forth. They used to be handled in the Management and Organization Office, where I worked.

Another point. Political appointees have multiplied from three or four when I was there to more than a dozen now. The five PADs, or program associate directors, have had decentralized responsibility for things that we used to do, at least in an advisory capacity, on a centralized basis either through the legislative reference process or through the Office of Management and Organization, to which the bills and testimony would be referred. I am again referring to these so-called resource management offices where the perspective is typically programmatic and oriented toward the political image of the administration and its ability to get the bill passed, no matter what the consequences are in horrendous administrative and management provisions.

The result is that your efforts to elevate the "M" by establishing a new post of Deputy Director for Management have been substantially in vain. That is notwithstanding the fact that there have been excellent people in that position when it was filled.

It is said that the White House doesn't know or care anything about management. That is probably true, not only in this administration, but in others. That makes it all the more important that there be a non-political perspective on management issues somewhere in the President's family. We need to recreate the distinction between serving the President and serving the Presidency. So long as OMB is layered with political appointees and embroiled in the partisan politics surrounding budget decisions, that will not happen in OMB.

During the Reagan administration, I was in a room where about six or seven former directors of management or OMB were present. They represented 40 years of experience in that position. Without exception, they had all come to the conclusion that it would never work effectively when harnessed with the budget process, which is

not to say there is not a close relationship between the two. I fully agree that there is. But, bearing in mind Mr. Turner's question about how to elevate attention to information technology, we need to elevate attention to management across the board.

I would respectfully suggest that the chairman's notion of a new Office of Management is the best way to achieve your objectives of elevating the attention to information technology because it can't logically be separated from financial management or from procurement policy, or from any of the other management issues in the agency. They must all be integrated.

The chairman will also recall that I appeared here on behalf of the National Academy of Public Administration on IRS legislation. We forecast then that the ultimate consequences of that bill would be terrible, but they will be felt in the next administration, by the next Commissioner. So this administration doesn't care very much about that. And we have already begun to see some of the unfortunate consequences of that so-called reform legislation.

I will conclude by saying that I think you need to institutionalize the professional expertise on management matters, and there are three things you can do in that regard. One is to create the Office of Management, which you have talked about for a couple of years now. I have a copy of my testimony from previous occasions if you want another one for the record.

Mr. HORN. Without objection, your prepared statement will appear in the record.

Mr. JASPER. Thank you.

Second, mandate the reduction of political appointees in OMB by 50 percent. And third, support legislation to establish a new Commission on Government Organization, since OMB hasn't a clue as to how to deal with those issues.

Thank you very much.

[The prepared statement of Mr. Jasper follows:]

Testimony by Herbert N. Jasper

Fellow of the National Academy of Public Administration

and Senior Associate, MMI/McManis Associates

on Oversight of the Office of Management and Budget

Before the House Subcommittee on Government

Management, Information and Technology

April 7, 2000

Mr. Chairman and Members of the Subcommittee, I appreciate the opportunity to offer my comments on oversight of the Office of Management and Budget (OMB). My views are shaped by my 13 years at the former Bureau of the Budget (mostly in the then-Office of Management and Organization), as an employee of the U.S. Senate (both as Legislative Counsel to a Senator and as Research Director and Chief Counsel of a Senate Committee), as an employee of the General Accounting Office (GAO) and the Congressional Research Service, as a management consultant, and as a Fellow of the National Academy of Public Administration (NAPA). The views that follow are my own, and do not necessarily correspond with those of NAPA or MMI/McManis Associates (McManis).

OMB's Management Role. I understand that your principal focus is on oversight of OMB's management functions. Much of my career has been concerned with government-wide management and organization issues, subjects upon which you will be hard put to find that OMB has spent much time during the past almost-20 years. It would overstate

the case, somewhat, to observe that your examination could, therefore, be very brief. However, I will attempt to put into context both what OMB has done in the management area and, more importantly, what it has not done.

The OMB 2000 reorganization in 1993 was based on the presumption that "you can't separate management from budget." I evaluated this curious claim in detail in my February 4, 1999 testimony before this Subcommittee on the proposal to create an Office of Management. Contrary to this theoretical proposition, the Administration has demonstrated by its actions that one can, indeed, separate management from budget. I refer, of course, to the creation of the originally-titled National Performance Review, now the National Partnership for Reinventing Government (NPR), whose work has not been distinguished by its integration with the budget process.

But OMB insists that it has elevated the role of management by integrating it with the budget functions. Perhaps this may have increased attention to agency management issues as a part of the resource allocation process in some, but certainly not in all, of OMB's Resource Management Divisions. GAO did report that there was some evidence that management issues have received more attention during the budget process but, contrary to congressional intent, it failed even to consider the broader and more important question of what happened to the performance of the totality of OMB's management responsibilities since the reorganization. I met with the GAO team and urged them to examine these issues. Unfortunately, however, GAO's report overlooked entirely the complete loss of any OMB capacity on government-wide organization and management

issues, with the possible exceptions of: 1) implementation of the Government Performance and Results Act (GPRA), and 2) the specialized functions of the three statutory units – the Office of Information and Regulatory Affairs (OIRA), the Office of Federal Procurement Policy (OFPP), and the Office of Federal Financial Management (OFFM). I'll not take time to discuss how OMB has fallen short in GPRA implementation because I want to focus on what it has not done at all, but I'd be glad to elaborate on that matter if you wish after I conclude my statement.

Management Functions Not Being Performed by OMB. As the Chairman will recall, I also had the privilege of testifying before this Subcommittee on Consolidating and Restructuring the Executive Branch on May 16, 1995. Despite the fact that there were many proposals then pending in Congress to drastically revise the composition of the executive departments, OMB did not provide a witness at your hearings. If it had wanted to do so, it would surely have had a problem finding anyone knowledgeable about such issues to prepare or deliver its testimony.

Let me contrast that situation with my experience in the Budget Bureau in the late 50's and early 60's. First, there was a Management Improvement Branch with about ten professional staffers that worked on government-wide management. It also assisted federal agencies, at their request and without charge, on internal management matters. Staffed by management specialists, it offered the kind of help that no one could credibly expect from budget or resource management examiners. Note, again, that most federal

agencies have declined to follow OMB's model of integrating management and budget staffs.

When I was in the Budget Bureau's Government Organization Branch, we had usually about nine professional staff members – yes, nine – devoted on a full-time basis to issues of government-wide organization. We worked on such matters as:

- Inter-agency coordination, often leading to Memoranda of Understanding
- Executive Orders, often prescribing lead-agency roles, or establishing formal coordinating mechanisms
- Setting policies for the operation of interagency and advisory committees
- Reviewing agency legislative proposals and testimony with respect to their management and organization features
- Designing organization structures for Administration program initiatives
- Drafting Administration proposals and testimony on organization and management matters
- Drafting and supporting Reorganization Plans
- Working closely with your predecessor committee and its counterpart in the Senate
- Recommending vetoes of bills with unacceptable management provisions

What Happened to the "M" in OMB? The absence of professional expertise or participation in many of these matters is illustrated by such developments as follow:

- OMB's role in drafting and reviewing Executive Orders has for some years been assigned to its General Counsel, not to its management personnel.

- The multiplication of political appointees from three or four to more than a dozen has greatly curtailed the role of career personnel in matters depending on professional expertise.
- In particular, the creation of five positions of Program Associate Directors (PADs) early in the Nixon Administration has diminished the role and status of the management offices.
- The legislative clearance function has been greatly weakened by the existence of these posts, as the Legislative Reference Division has increasingly delegated responsibility for legislative issues to the PADs.
- When management issues arise, the PADs identify more closely with agency and White House interests or perspectives, in which those matters typically receive low priority. The result is that there is little knowledge about or concern for the past precedents, or the setting of undesirable precedents.
- As suggested by the foregoing statements, OMB's management functions are now dispersed among at least nine, separate organizational entities, so that there is no consistency and no opportunity to apply government-wide perspectives.
- One can conclude, therefore, that the Congress' effort in the Chief Financial Officers Act to strengthen the M in OMB by establishing a new post of Deputy Director for Management has been substantially in vain, despite the filling of that position by some highly capable and dedicated individuals.

What Needs to be Done. It has been noted by more than one participant or observer that "the White House doesn't know or care anything about management." That makes it all

the more important that there be a non-political perspective on management issues strongly represented in the President's management office. There needs to be re-created the distinction between "serving the President" and "serving the presidency." So long as OMB is layered with political appointees, and embroiled in the partisan politics that surround budget decisions, that will not happen.

That prompts me to turn to what the solution might be to the unfortunate developments that I have described. For many years after the emergence of the proposal to separate management functions from OMB, I resisted supporting it. But I was very impressed at a meeting in NAPA during the Reagan Administration when, I think, every former head of management at the Budget Bureau or OMB from Don Stone in the 40's to Arlene Triplett in the 80's was present. Without exception, they had all given up hope that the performance of management and organization functions would ever succeed when housed in the budget orbit. But I did not become converted until the OMB 2000 reorganization virtually destroyed the last semblance of capacity for focusing on government-wide general management and organization matters.

As Dwight Ink points out in his testimony, separation of management issues from the political arena in which the budget process now operates would offer the prospect that the issues could be addressed more objectively and not be subordinated to the political pressures of "getting the bill through Congress," no matter what the cost in organizational features that are guaranteed to frustrate the accomplishment of the agency's mission.

The Chairman will also recall that I appeared before this Subcommittee two years ago along with Tom Stanton, on behalf of NAPA, to comment on the proposed legislation to "reform" the Internal Revenue Service. We warned then that the bill would be counter-productive, as events have already demonstrated. But the worst consequences will be experienced in the next Administration and under the next Commissioner when the so-called Oversight Board will be running the agency, and no one will be accountable for the results. That illustrates 1) the absence of any capacity in OMB or elsewhere in the Administration to analyze or appreciate the management consequences of poorly-conceived legislation and 2) the lack of concern of most White House staffs (and, maybe Presidents as well) for what happens after the end of their Administration. Therefore, I think that Congress needs to take a number steps to institutionalize expertise on such matters.

Recommendations. I recommend that you consider three legislative proposals:

- Create an Office of Management (I have already referred to my 1999 testimony here in support of that proposal, so I will not go over that again. However, you might want to include that statement in these hearings.)
- Mandate the reduction of political positions in OMB by 50%.
- Support legislation now being discussed in the Senate Committee on Governmental Affairs to establish a new commission on government organization, since OMB "hasn't a clue" as to how to deal with such issues.

Thank you very much for this opportunity. I would be pleased to answer any questions.

Mr. HORN. We thank you for that.

I just want to recognize Mr. Ink. I believe you have testified before Congress for 50 years. Is that not correct?

Mr. INK. This is the 51st year.

Mr. HORN. Well, you look younger than ever, so it must be good to testify before Congress. [Laughter.]

I want to call on the gentleman, the ranking member, Mr. Turner, the gentleman from Texas.

Mr. TURNER. Thank you, Mr. Chairman. I don't have any questions. I just want to thank all three of our panelists. It is always a treat to have you before the committee. It is amazing how colorful and candid testimony can be from individuals who have "former" before their Government titles. We appreciate the fact that you have continued to try to help strengthen the operation of our Government, improve the management, and we always welcome your ideas. I think that our role as a committee is to try to highlight those suggestions in the best way we can. By having you come testify, it certainly helps that.

I would just like to say that each of you have a little bit different perspective, but I gather that all of you believe rather strongly that we are deficient in terms of the emphasis on management. We will continue to work on those issues. As you all know, the chairman has been an advocate of this suggestion of separating budget and management for at least 2 years. And we want to continue to seek your input and your help.

Thank you very much.

Mr. HORN. I have just a few questions before we adjourn.

Mr. Miller, looking back, did you devote more hours of your day as Director of OMB on management or budget matters?

Mr. MILLER. Budget, in part because that is where the political leadership, the elected officials, wanted to go. I don't think I ever recall receiving a call from a Member of Congress asking about a management issue. A lot of times I received calls about budget issues.

Mr. HORN. So it is fair to say that you spent 100 percent of your time on the budget?

Mr. MILLER. No, not 100 percent, but probably more like 80/20 than 50/50.

Mr. HORN. And 20 percent were really on management?

Mr. MILLER. Yes. That would include regulation in that.

Mr. HORN. But nobody was looking at reorganization, better efficiency, better measurement of programs, and all of that?

Mr. MILLER. Let me amend the statement by saying that my Deputy, Joe Wright, was an expert in management issues and we did have some division of labor. Joe spent more of his time—I would say greater than 50 percent of his time—on management issues.

But I agree with these gentlemen that at least the potential for management improvement in Government has not been met. Where we disagree is over how you accomplish it. I think, frankly, and with all due respect, unless you have the management program or the chief manager with sufficient tools, the agencies simply are not going to pay attention to him or to her. You must have

appropriate incentives. Providing leadership and encouraging positive results simply is not going to work, in my experience.

Mr. HORN. In other words, you feel the budget clout presumably helps reform on management. But the evidence is they don't do anything.

Mr. MILLER. I was just sitting here thinking and listening to what they had to say. You wouldn't lose much by trying. That is to say, it hasn't worked so far very well. If you set up a separate Office of Management, I don't think it would work, either, but you might learn something from doing it.

So I am not so opposed to it, except to say that you have to have the person who leads the office with appropriate incentives that are going to change behavior. Right now, the Director of OMB has the budget incentive to cause changes in behavior. If you split it off, what do you have left? You have to replace it with something.

Mr. HORN. Let me ask these two gentlemen who preceded Mr. Miller's term as to the number of people that were interested in and responsible for management questions within the former Bureau of the Budget and what might be now.

As I remember, in the Eisenhower administration, you had maybe two dozen people. Am I wrong on that?

Mr. JASPER. Probably more.

Mr. HORN. More?

Mr. JASPER. What I think would dramatize it is if I contrasted the two branches, which I mentioned in my testimony, which aggregated about 19 professionals, with what is left now doing all of that. The answer is one. That is a counsellor to the DDM.

But the point is that the rest of the people in the number you are remembering—it was probably more like 40—do have counterparts remaining in Procurement Policy, Financial Management, and OIRA. Those all had precursors back in the Office of Management and Organization that I was in before Dwight came. But the point is that we had about 19 people doing what one is doing now.

Mr. INK. I had about 60, but we were doing all kinds of things that OMB doesn't even attempt to do now. We had to put a great deal of effort, for example, into the outcome area, and not just the input. We were very much concerned about outcomes from the standpoint and perspective of families and communities. So I had a group of my staff spending almost half their time out in the field working with the field people. By the way, that is where most of the Federal bureaucracy is, out in the field, not in Washington. The OMB people now have no time to get out in the field. They have no time to get out and see what is really happening, how things are really working in the field where the interface with the public exists. I had a number of people focusing on that.

We spent time drafting Presidential Executive orders, which by the way, gave us some real leverage. The congressional clearance process gave us leverage. But these were more in the way of positive leverages. They weren't threats to the agencies. Our influence grew the more we distanced ourselves from the budget.

By the way, departments and agencies learned long ago not to mesh the budget and management people together the way they are at OMB.

Mr. HORN. One of the things I remember was the development of the Marshall Plan. That was done within the old Bureau of the Budget, was it not?

And TVA and Government corporations. They all had charters figured out by a management group in the old Bureau of the Budget.

Mr. JASPER. And recently, when an issue arose about Government corporations, what they are, when to use them, and how to use them, there wasn't anybody at OMB who knew anything about it. So they came to alumni on those and similar issues.

Mr. HORN. I think the important thing to remember is that the same group that helped Roosevelt and Truman also helped Eisenhower. There were not political intrusions on the professional staff under Eisenhower. He went in with more experience in management and administration than any President in the history of the country. He looked around the White House and he said, "Good heavens, this place isn't even organized." He started with cabinet secretaries, staff secretaries, congressional liaison, and so forth. But he always had an interest in the management side.

We didn't know and didn't care if they were Democrats or Republicans or Socialists or Libertarians or what. We just wanted their expertise as to doing something in the management area. And that is whom they called on.

Mr. INK. It was much easier for us to work with Congress on a bipartisan basis than it is now. That is in part because the budget issues are so formidable and there is so much partisanship associated with them. But it also grows out of the fact that when you are involved in these kinds of budget issues, it spills over into the management area.

When I headed the Office of Executive Management, I had some distance from the budget process. When I came up to the Hill, as I did frequently, I didn't carry the political baggage with me that was associated with these controversial partisan budget issues.

Mr. JASPER. Could I add just a point there?

I did the statistics on this once before, so I don't have it readily at hand, but if you look at the split in party control between the Congress and the White House in the 20th century, you will find that in the first half it was an aberration to have other than the same party control both ends of the avenue. In the second half of the 20th century, it has become virtually the model.

So the point is that partisanship has become much more of an issue in public policy. And Dwight is exactly right. If we could divorce the management from the budget, perhaps we could get more agreement on the management issues than will ever be possible to get with split party control on the budget issues.

Mr. INK. We always worked with the committees on a bipartisan basis. And I would generally meet together with the Chair and the ranking minority member, regardless of whether the Chair was from the same party as the President or not. I worked under several different Presidents and under those different circumstances.

Mr. HORN. Mr. Miller.

Mr. MILLER. Mr. Chairman and Congressman Turner, I have a final suggestion.

Do you know who the first Director of the Office of Management and Budget as opposed to Bureau of the Budget was?

Mr. HORN. Wasn't it Dawes?

Mr. MILLER. No, it was George Schultz.

Mr. HORN. You mean under Nixon. I was going back to 1921.

Mr. MILLER. No, he was the first BOB. But when they changed it to the Office of Management and Budget, it was under George Schultz.

Mr. HORN. And Weinberger also.

Mr. MILLER. Yes, Weinberger was then his Deputy.

Here is a person—actually, both of them—who have had enormous experience in very high levels of Government and leading corporations. They know management inside and out.

I would urge you to ask of them what they think and whether they feel that their vision has been achieved. And if not, why not. And ask them what they recommend you do going forward.

Mr. HORN. I was in to see the vice chairman of the U.S. Commission on Civil Rights and I went over to see them to get a cross-cutting analysis in the budget on how much we spent on civil rights activities. I had my own 12 lawyers go into every agency and we graded them. That is where we got our grading mania. We got some results, and they were very supportive on the management side to really make sure something happened.

Any other questions, my colleague?

I want to thank the staff that put this together, and I thank this panel. On my left, your right, is the staff director and chief counsel to the Subcommittee on Government Management, and Randy Kaplan is here with us also. And Matt Ryan and then Louise Debenedetto from the General Accounting Office, and Heather Bailey, professional staff member. Bonnie Heald is here, the director of communications, professional staff member, Brian Sisk, our clerk, and Ryan McGee, staff assistant, and Michael Soon, intern—welcome Michael—and minority staff to Mr. Turner is Trey Henderson, counsel, and Jean Gosa, minority clerk. In this last 2½ hours we have had our court reporter, Arthur Emmerson, and we thank you for coming.

With that, we are adjourned.

[Whereupon, at 12:37 p.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]

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(Original Signature of Member)

106TH
CONGRESS
1ST SESSION

H. R. _____

IN THE HOUSE OF REPRESENTATIVES

Mr. HORN introduced the following bill; which was referred to the Committee on _____

A BILL

To establish an Office of Management in the Executive Office of the President, and to redesignate the Office of Management and Budget as the Office of the Federal Budget.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 **SECTION 1. ESTABLISHMENT OF OFFICE OF MANAGEMENT.**
4 (a) ESTABLISHMENT.—There is hereby established in
5 the Executive Office of the President the Office of Man-

1 agement, the purpose of which shall be to improve Federal
2 management and organization and to promote efficiency
3 and effectiveness in the operation of the Federal Govern-
4 ment.

5 (b) DIRECTOR; DEPUTY DIRECTOR.—(1) There shall
6 be at the head of the Office of Management a Director,
7 who shall be appointed by the President by and with the
8 advice and consent of the Senate. The Director shall be
9 compensated at the annual rate of basic pay for Executive
10 level I as provided in section 5312 of title 5, United States
11 Code.

12 (2) There shall be a Deputy Director of the Office
13 of Management, who shall be appointed by the President
14 by and with the advice and consent of the Senate. The
15 Deputy Director shall be compensated at the annual rate
16 of basic pay for Executive level II as provided in section
17 5313 of title 5, United States Code.

18 (c) TRANSFER OF AUTHORITY AND FUNCTIONS.—(1)
19 The following offices in the Office of Management and
20 Budget are abolished, and the functions and authorities
21 of the heads of such offices are hereby transferred to the
22 Director of the Office of Management:

23 (1) The Office of Federal Procurement Policy.

24 (2) The Office of Information and Regulatory
25 Affairs.

1 (3) The Office of Federal Financial Manage-
2 ment.
3 (4) The Office of the Deputy Director for Man-
4 agement.
5 (5) The Office of the Chief Financial Officer.

6 **SEC. 2. REDESIGNATION OF OFFICE OF MANAGEMENT AND**
7 **BUDGET.**

8 The Office of Management and Budget is hereby re-
9 designated as the Office of the Federal Budget. Any au-
10 thorities of, and functions performed by, the Director and
11 other officers and appointees of the Office of Management
12 and Budget before the date of the enactment of this Act
13 and not transferred under section 1 shall remain the au-
14 thorities and functions of the Director as the head of the
15 Office of the Federal Budget and such other officers and
16 appointees as appropriate.

17 **SEC. 3. CONFORMING AMENDMENTS TO OTHER LAWS.**

18 Not later than 90 days after the date of the enact-
19 ment of this Act, the President shall submit to Congress
20 recommendations for any conforming amendments nec-
21 essary to carry out the purposes of this Act.