Implementation Update on the President's Management Agenda

The Performance Institute Newsletter

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TABLE OF CONTENTS

- Government-wide News
- Budget & Performance Integration
- Improved Financial Management
- Strategic Management of Human Capital
- Competitive Sourcing
- Expanded E-Government
- Agency Spotlight: Small Business Administration (SBA)

Here's the PMA update for October. This month's update is the longest we have ever compiled -there is so much going on to report!

A big welcome to Karen Evans who, in her first week at OMB, has given agencies some solid advice on preparing IT budget requests.

We are also spotlighting the excellent work of the Small Business Administration detailing ways the PMA is contributing to real performance improvements in that agency. Enjoy!

-Carl DeMaio

Government-wide News

House Committees Find Billions in Federal Waste

The House Budget Committee released findings of a two-month inquiry into government waste, fraud and abuse required by the fiscal 2004 budget resolution. This resolution requested that congressional committees detail areas of waste in the mandatory programs that fall under their jurisdiction. Findings show that there is between $80 billion and $100 billion in wasteful federal spending as identified by House committees. In addition, several GAO and CBO reports also identify more wasteful spending not mentioned in the committees' reports. <View article>

Good Government Groups Comment On OMB's Future

With the recent loss of several key OMB officials, and the presidential election little more than a year away, there is some uncertainty about the agency's direction and the outcomes of the Administration's aggressive work as it

relates to the President's Management Agenda. General opinion is that OMB officials have done a good job of selling agencies on the management agenda as a cohesive vision, and they should continue with that plan. The Bush administration's emphasis on the "M" in OMB has been an important part of moving forward. The Administration must quickly hire replacements for the departed officials, and should not be swayed by political expediency. OMB faces several challenges in the months to come. For instance, the outgoing OMB team got numerous e-government systems implemented, but results will be seen only when those systems and services are fully in place. Likewise, OMB officials must battle the perception that e-government, which lacks congressional funding, is not important. <View article>

The Role of Inspectors General

During the past 25 years, Inspectors General have made a significant difference in federal performance and accountability. This is seen from their reports which resulted in billions of dollars in savings to the public. Consequently, they have earned a solid reputation for preventing and detecting fraud and abuse in government, promoting improvements in government operations, and providing helpful analyses on a host of government-wide initiatives. Looking ahead, however, there are new challenges that demand even more from government performance and accountability professionals. GAO suggests having closer strategic planning and ongoing coordination of audit efforts with IGs to enhance the effectiveness and impact of work performed by federal auditors. Working together, they can provide useful insights and constructive recommendations on a broad range of high-risk programs and significant management challenges across government. <View report>

Budget & Performance Integration

HHS's Guide Helps Agency with PART Process

HHS's Office of Budget has developed a guide, called PART Primer, to help agency programs to go through the PART process. This resource was based on the agency's past experiences. It was established thanks to good communication and sharing of information throughout the agency. HHS had 30 PART evaluations for FY 2004 that covered a wide range of programs. Through informal discussions among staff several themes emerged. These resulted in clarifying PART's purpose and usefulness, defining staff roles and responsibilities, and identifying problem areas in specific programs. PART Primer has six sections including a fact sheet, lessons learned, checklist, sample answers from high scoring programs, and supplemental materials. <View article>

2003 Best Practices Forum on Performance-Based Budgeting – Achieving Effective Budget-Performance Integration in Government (November 19-21, Arlington, VA)

With the release of the Program Assessment Rating Tool (PART) in 2002, the administration established the clear commitment to performance and accountability for federal programs. This year, 234 programs were assessed by OMB yielding overwhelmingly alarming results–55 percent were deemed as ineffective or not demonstrating results, while 6 percent were seen as effective. For failing programs, the universal root causes of failure were poor planning, bad measures and weak management. PART will be back for FY05, and OMB will be evaluating 20 percent of programs again, in addition to a re-assessment of the previous 20 percent. In order to equip federal managers with the skills necessary to overcome these deficiencies, the Performance Institute invites you to attend the 2003 Best Practices Forum on Performance-Based Budgeting in Government, being hosted November 19-21 2003 in Arlington, Virginia. <View details>

Improved Financial Performance

Progress Made to Address Improper Payment Problems

There is a wide disparity in the progress made in government-wide efforts to reduce improper payments. Agencies that had the requirement of reporting erroneous payments as indicated in Circular A-11 have been more active in conducting risk assessments, implementing corrective actions, and reporting on improper payments than other agencies. However, not all agencies have implemented control activities to address internal control weaknesses identified through risk assessments designed to identify improper payments. In actual fact, agencies are relying on general internal control activities already in place to manage improper payments. Nevertheless, agencies say that they will meet the reporting requirements in OMB's guidance on the implementation of the Improper Payments Information Act of 2002. <View report>

GAO/PCIE Updates Financial Audit Manual

In 2001, the General Accounting Office (GAO) and the President's Council on Integrity and Efficiency (PCIE) issued a Financial Audit Manual(FAM). The FAM provides guidance for performing financial statement audits of federal entities. It is a key tool for enhancing accountability over taxpayer-provided resources. Following GAO and the PCIE's commitment to keeping the FAM current, they are requesting comments on an exposure draft that will revise the Checklist for Reports Prepared Under the CFO Act (CFO Checklist). This update will replace the current CFO Checklist in the FAM Volume II, Section 1004. Once finalized, the updated CFO Checklist will be designated in the FAM Volume II at section 1050. <View report>

Non-Compliance with FFMIA Reported by Inspectors General

Even though federal agencies are making progress to address financial management systems weaknesses, 19 of the 24 CFO Act agencies' financial management systems did not comply with a key financial management law. These agencies failed to meet requirements of the 1996 Federal Financial Management Improvement Act (FFMIA). This law requires the 24 major agencies covered by the 1990 Chief Financial Officers Act to maintain management

systems capable of producing reliable, useful and timely financial information that can be applied to budget and policy decisions. The reported problems include: non-integration of financial systems, inadequate reconciliation procedures, lack of accurate and timely recording, lack of adherence to federal accounting standards, and weak security over information systems. This indicates that agency management does not yet have the full range of reliable information needed for accountability, performance reporting, and decision making. <View report>

2003 National Summit on the Cost of Government - Measuring and Achieving Cost Efficiencies in Government (December 2-4, Washington, DC)

Across the nation, the stakes have been raised for financial planning and cost management in government. At the federal line, the Office of Management and Budget has asked that budget allocations be made only after each department and agency show measurable performance goals and can calculate the full cost of providing taxpayer services. At the state and local level, budget cuts have placed a premium on funding and achieving cost savings. To help you calculate and manage costs in government as well as uncover cost efficiencies for your program, you are invited to the 2003 National Summit on The Cost of Government, being held in Washington, DC on December 2-4, 2003. <View details>

Strategic Management of Human Capital

Progress on Human Capital Transformation

Kay Coles James, Director of the Office of Personnel Management addressed attendees at the recent Performance Institute HR Innovations conference, and discussed the progress made on the strategic management of human capital. The Human Capital initiative has moved beyond the planning stage, and agencies are making significant strides. Nearly every agency received a green progress rating, because they are meeting their commitments. More importantly, four more Federal agencies improved to Yellow status in the last quarter. Federal agencies need, not only to recruit and staff

their operations, but constantly and consistently upgrade their workforce by training them to tackle the demanding tasks that are given to them. OPM's e-Training initiative has made thousands of online courses available to federal employees, and 100,000 Federal workers around the world have completed over 60,000 courses. Additionally, James showcased OPM's newest program, Senior Executive Service Candidate Development, which fosters employee leadership development. <View press release>

Lack of Rules May Prove Anti-Discrimination Law Ineffective

The Notification and Federal Employee Antidiscrimination and Retaliation Act, called No Fear for short, is a new federal law designed to hold agencies accountable for discrimination and retaliation in the workplace. Tough penalties could result for federal managers and other employees who violate a co-worker's civil rights. However, the law is not specific as to the actions agencies should take in these cases. It only says that agencies should take "appropriate disciplinary actions" against employees who violate civil rights or retaliation laws. The lack of specifics seems to concern stakeholders affected by this law. Employee advocates who fought for the law say the administration should require agencies to impose harsh penalties, including termination. Managers' groups fear agencies will overreact and ruin the careers of supervisors and executives over a simple mistake. And agencies' civil rights offices say ambiguity in how to carry out the law's provisions could make their jobs more difficult. <View article>

Workforce Succession Planning Helps Cultivate Leaders

During the past few years, lawmakers, workforce planning experts and administration officials have pointed to a looming retirement wave, with recent projections estimating that more than 70 percent of the federal workforce will be eligible to retire by 2010. Those

projections prompted OPM and other agencies to develop workforce planning strategies. While retirements have not taken place at the rate anticipated, agencies have benefited from the attention given to this issue. Agencies with good workforce succession plans that focus on recruiting and nurturing employees will not be affected by potential retirements. To have a good succession plan, agencies must glean what competencies they have now and determine what competencies and skills will be needed in the future to meet the agency's overall mission and goals. <View article>

Designing the Human Capital System at DHS

There are important elements being used to design a human capital management system for DHS to achieve an effective transformation. One of the strengths of this effort has been the on-going commitment of both DHS and OPM leaders to transform the culture of organizations going into DHS. Strong leadership also ensures that the development of human capital policies are integrated into DHS strategic plan goals. Also, there are principles that serve as a critical framework for the human capital system, such as to support the mission and employees of the department, protect basic civil service principles, and hold employees accountable for performance. A further aspect is DHS communication plan that provides a structured and planned approach to communicate with stakeholders regarding the human capital system. Employees are provided multiple opportunities to be included in the design process. Agency officials established an ambitious 9 to 10 month timeline for completing the design process, aiming to issue final regulations in early 2004. <View report>

2003 Best Practices Forum on Human Capital Planning and Workforce Assessment (December 1-2, Arlington, VA)

Government agencies must recognize that a more strategic approach to human capital management is essential to improve performance. Good management starts with good planning. Human capital plans must be

aligned with agencies' missions. The Performance Institute is hosting a forum to help agencies develop a strategic approach to attract qualified employees, conduct a workforce assessment to effectively managed their human capital, and identify the most effective performance measures. <View details>

Competitive Sourcing

Agencies Set Own Job Competition Targets

Two months after the Bush Administration eliminated government-wide numerical targets for competitive sourcing, 21 agencies have set a wide range of individual goals. In the past, OMB required most agencies to aim for placing 15 percent of commercial jobs up for competition in order to earn a yellow light on its quarterly scorecard. Now the OMB decided to let agencies set goals appropriate to their specific circumstances. Recently, OMB issued a report on competitive sourcing developments since July, showing that some agencies are putting only a small percentage of their commercial jobs up for competition. For example, the Veterans Affairs Department plans on subjecting only 2,500, or 1 percent of the designated 190,500 positions to be commercial to public-private competitions. At the other end of the spectrum, the Environmental Protection Agency plans to compete roughly 36 percent, or 215, of its 600 commercial positions. <View report>

Federal Employees Keep Their Jobs at NIH

Grants management assistants at the National Institutes of Health prevailed in a public-private job competition. The in-house team of 677 NIH employees who provide technical and administrative support for grants managers won a bid to keep their jobs after the one company vying for the work submitted a proposal that fell short of the contract's requirements. Workers on the in-house team assist NIH physicians and scientists in charge of awarding roughly $22 billion worth of research and training grants to medical schools and laboratories each year. By putting the jobs up for bid, NIH has assured taxpayers of its good

management. NIH's grants department will be better off overall as a result of the competition. The department will be able to operate more efficiently because of the reductions in the grants administrative staff, which come mostly from the higher pay-grade assistant positions. The win ultimately reaffirms the agency's ability to effectively carry out its mission to improve people's health. <View article>

Acquisition Officials Push Share-In-Savings IT Contracting

Federal acquisition officials are soliciting ideas for changing the Federal Acquisition Regulation to allow agencies to use share-in-savings contracts for information technology projects. The premise behind share-in-savings is that contractors are paid, up to a fixed dollar amount, from the savings generated by the projects they are assigned to complete. Under these contracts, an agency could avoid paying large, upfront costs for a product or service, hence improving efficiency without big investments. Specifically, feedback is requested on preparing share-in-savings proposals, determining the ratio of savings to share with the contractor, how to set up a payment schedule, how to determine costs for canceling or terminating the contract, how contracts should be structured and potential share-in-savings projects. Some agencies, such as the Education Department's Office of Student Financial Assistance, have already generated savings using the method. <View article>

Performance-Based Contracting and Outsourcing Strategies for Government IT (December 3-5, Arlington, VA)

Given that approximately 85 percent of government technology is being outsourced, it is important to design and manage your agency's contracts to achieve maximum results. To this end, The Performance Institute is hosting "Performance-Based Contracting & Outsourcing Forum for Government Information Technology" where solutions and frameworks for effective contracting will be presented. This forum will provide you with a walkthrough on creating a contract, measuring the results you achieve, and exploring new IT strategies in order to chart a course that will prepare

your agency for FY 2004 and beyond. <View details>

Expanded E-Government

Evans Expects Agencies to Press Forward with E-Gov Initiatives

At a recent conference, Karen Evans, OMB's E-Gov Chief, said that she will focus on completing current e-government initiatives and reducing redundant tech spending. She vowed to continue developing the federal enterprise architecture and implementing the E-Government Act of 2002. Her predecessor, Mark Forman, did a tremendous amount of work that she plans to continue with equal fervor. She added that the Administration does stand fully committed to the e-government initiative of the president's management agenda. Evans expects agencies to press forward with the 24 e-government initiatives. Changes at OMB in the last few months do not mean changes to the President's Management Agenda. The agenda is in place and agencies are going to achieve the results laid out in the PMA. The key to meeting ambitious e-government goals is cooperation among agencies and OMB. <View article>

Moving to the Next Phase on the E-Government Initiative

The first two phases of e-government -- bringing a government presence to the Internet and allowing for online transactions by citizens -- have been completed. IT officials suggest that as e-government initiatives evolve, future phases could produce more citizen involvement in policies and regulations, through public forums and discussions so they can participate in government more efficiently. Also, future initiatives may involve agencies working together on cross-government issues. Looking ahead, important issues to overcome include security, privacy, culture, money and leadership to successfully implement e-government initiatives. <View article>

Benefits of E-Gov Initiatives Not Well Presented

According to a new study by Deloitte Consulting, governments are good at measuring internal cost savings from IT investments, but do poorly on conveying e-government's financial benefits to citizens. E-government can be a very powerful tool for economic development in terms of creating economic competitiveness by reducing compliance costs on businesses and individuals. For example, the Small Business Administration has created a

one-stop business compliance Web site that saves businesses about $526 million annually by reducing their time and expenses. By streamlining processes and Web-enabling rules, regulations and transactions, governments can provide potential businesses and others the tools for finding, understanding and complying with regulations. In doing this, governments can calculate the benefits to businesses and citizens by using the average direct costs of postage, printing, gas and travel, professional fees and personnel time for businesses, and by determining how many of those are eliminated by using e-government applications. Those expenses that are avoided could determine savings for businesses as a whole within a municipality and state. Government officials, at all levels, must realize how internal cost benefits from an IT investment reduce compliance costs. This becomes a much more effective argument for future IT investments. <View article>

Lack of Skilled Federal IT Managers Worries Officials

According to several government officials, there is a shortage of well-trained federal IT project managers. The IT workforce is adept at technological innovation but lacking in business acumen. But more progress is needed because performance is being affected. IT managers end up taking too long to complete work and spend more money than planned. Failure to meet deadlines and overspending can in turn influence OMB's recommendations for future project funding. When forced to prioritize among various technology initiatives during the budget process, the administration favors projects for which managers present a strong "business case" and demonstrate that they have met previously agreed upon performance standards. Nevertheless, the Bush administration is engaged in a major effort to develop skilled technology managers in-house. The Office of Personnel Management is addressing the gap in IT management skills through its e-learning web site–one of its five e-government projects. Privately run programs also offer management courses for federal technology experts.

In addition, the e-government bill gives agency CIOs the option of sending staff members on exchange programs, where they could temporarily switch positions with private sector technology managers. <View article>

Challenges in Implementing OPM's E-Gov Initiatives

The Office of Personnel Management (OPM) is in charge of five e-government initiatives (Recruitment One-Stop, e-Clearance, Entreprise Human Resource Integration, e-Training, and e-Payroll) to transform the way human capital functions and services are carried out in the federal government. To implement these, the OPM faces several challenges that could prevent it from meeting its objectives and realizing projected improvements and dollar savings. Alterations have already been made to the acquisition plans for several of the 25 OMB sponsored e-government initiatives because of a perceived need for quick results. In managing the migration from agency-specific systems to consolidated systems, it is crucial for OPM to implement effective change management and communication policies, including the development of standards. Further, OPM also faces a significant challenge in realistically estimating the cost savings to be derived from these E-Gov initiatives. In many cases, estimates of cost savings are only loosely based on measures that are difficult to quantify. To be truly effective in meeting its goals, OPM needs to establish complete, meaningful, and quantitative measures of cost savings. <View report>

Agencies Need Help with Developing Business Cases

A FCW survey identified several issues that need to be resolved in order to see measurable results from the Administration's effort to reform the way government manages information technology. These include the need to secure systems, seek out more management training, focus on making business cases for information systems and increase collaboration with other agencies to develop systems. A specific problem was that IT managers lack the

time and knowledge to write good business cases, and hence reforms are at risk of failing. Survey respondents believe business cases are important, but they do not have the time to devote to writing comprehensive cases. Further, they said they did not have the knowledge or training to write good cases. One of OMB's high-profile reforms is the development of business cases to justify the investment in specific information systems. OMB has withheld funding in cases in which IT managers have failed to specify how a system will result in better service to citizens or improved agency operations. After only a few years of enforcing business cases, with the rules changing each of those years, agencies are struggling with this. <View article>

OPM Announces Important Milestone of E-Government Initiative

The Office of Personnel Management (OPM) announced the initial deployment of the Enterprise Human Resources Integration (EHRI) data repository. The EHRI initiative will automate the personnel records of over 1.8 million federal employees. EHRI supports human resources management across the federal government at all levels from front-line employee to senior management. The result is comprehensive electronic personnel record-keeping and an analysis system covering the entire life cycle of federal employees from hire to retirement. EHRI will eventually replace the current paper-based Official Personnel Folder with an Official Electronic Record and will support managers across the government in analyzing and planning human capital requirements. In addition, EHRI will allow employees to view their own personnel records; streamline work force reporting; allow for the electronic exchange of human resources data; and support work force planning and forecasting including timely and accurate data for retirement claims. EHRI is scheduled to achieve full operating capability by September 2004. <View press release>

Government Web Sites Boost Public Service

It seems that the Administration's E-Gov initiative is seeing progress in terms of improving the use of the Web to interact with citizens. A E-Government Satisfaction Index study, led by the University of Michigan Business School and ForeSee Results Inc., measured citizen satisfaction with 22 federal sites. The average e-government score was 70.9, which is higher than the satisfaction with offline government service. This shows that citizens prefer the Internet to communicate with government. The same American Customer Satisfaction Index methodology that is used to rank commercial site satisfaction was used in this study. As for lower scores in the 50s of several agency sites, this is an indication that this sector is still evolving in its understanding of user habits and. One problem with many federal sites is that the front end may be very user friendly, but once visitors make it past the first few layers, the information and services are still hard to follow, depending on what portion of the agency is providing the content. Over time, however satisfaction should increase across the board as more agencies turn to user-performance evaluations as their top measures of success. <View article>

Agency Spotlight: SBA

The U.S. Small Business Administration oversees the delivery of financial and business development tools to America's entrepreneurs. With a portfolio of business and disaster loans worth more than $45 billion, SBA is the largest single financial backer and facilitator of technical assistance and contracting opportunities for the nation's small businesses.

In addition to the President's Small Business Agenda, the agency's mission, and the Small Business Act, the SBA is also guided by the President's Management Agenda. As Melanie Sabelhaus, SBA's Deputy Administrator, put it "The PMA set the bar for excellence and delivering results, and now SBA is executing." The SBA has taken implementation of the PMA very seriously, and as a result has successfully developed a performance management system which has made it a model of transformation in government.

Budget and Performance Integration

Planning is a road map that leads the agency toward the achievement of its goals. Achieving goals takes not only planning, but execution of plans and appraisal of progress as plans are carried out. To this end, the SBA developed and implemented an internal performance management system, named Execution Scorecard, which links all the agency-wide strategic goals to the office level milestones, champions, and budget requirements. The Scorecard tracks goals in addition to actual results. This intranet-based system is used on a daily basis to monitor progress toward achieving each of the agency's strategic goals. This system serves as a means to communicate offices' goals to senior management, as a management tool used to formalize plans and monitor progress, and as an educational resource for offices to share their efforts and best practices. By FY 2006, SBA is planning to have all program and support offices tie their plans and performance to their budget submissions. By FY 2008, all major SBA programs rated by OMB will receive a PART evaluation of "effective."

Improved Financial Management

SBA has been working hard to address all of the issues raised in the FY02 financial audit. The agency is in the final stages of developing a new credit subsidy model for its Disaster loan program which will address the loan asset sale accounting issues raised by GAO and SBA's auditor. SBA is also completing the development of a new model for estimating the cost of the 7(a) Secondary Market Guarantee Program. In preparation for the FY03 financial statement production and audit process, the Office of the CFO reengineered its financial reporting process to increase efficiencies and quality assurance. The new approach to reporting combined with the new modes SBA developed will result in improved results for FY03. In addition, the agency is finalizing a new econometric model for the 504 loan program, which provides growing businesses with financing for major fixed assets. This model will be used for fiscal year 2005. In September, SBA implemented a new Lender Monitoring System (LMS) which allows SBA to rank its lenders by level of risk.

Strategic Management of Human Capital

The SBA aligned its human capital strategy with its mission, goals and organizational objectives and integrated the strategy into its strategic plans, performance plans and budgets. To achieve this, the SBA has developed a performance rating system, the Personal Business Commitment Plan, for all employees. This system links individual performance to SBA's mission and goals, and effectively differentiates between those performing at an acceptable level from those at the extraordinary level. Ratings are distinguished among five levels of performance and provide consequences based upon performance.

Competitive Sourcing

SBA has been obtaining bids and determining how private sector performance compares to the current in-house function. If the private sector is more efficient, the SBA proceeds with plans to award a contract to a private bidder and transition staff from the Agency. SBA completed 3 streamlined competitions for clerical, mail, and customer service activities in the Disaster Assistance program (total 190 FTE). Overall, taxpayers will save $1.6 million through these three competitions. In addition, OMB approved SBA's plan that includes six more standard competitions (985 FTE) in addition to the 3 streamlined competitions completed and the 2 in progress.

Expanded E-Government

SBA is committed to the expansion of e-government principles, practices and projects throughout the agency in accordance with the PMA. E-government solutions are driven by the business requirements of SBA's customers. The objective is to reengineer work processes and information management to deliver greater value to customers and reduce agency costs. SBA, as the managing partner, is leading The Business Gateway initiative designed to reduce the federal paperwork burden on the business community, and provide a framework for government-wide Government Paperwork Elimination Act (GPEA) compliance. The Business Gateway is envisioned to eventually become the federal government's one-stop services portal for American businesses. SBA also participates in 17 other cross-agency initiatives. For example, there is a joint e-government partnership with the Department of Labor on www.women-21.gov.

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