Below you'll find your copy of the October PMA newsletter. This month sees a lot of action in the Human Capital Management initiative, as well as some significant legislation that will affect the future of competitive sourcing. In our "Agency Spotlight," you can read about how the Department of Energy used the President's Management Agenda as the framework for its own management reform initiative that focuses on the "bottom line."

- Carl DeMaio



October 2004

If you find this newsletter useful and informative, please forward it to your friends and colleagues!

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Government-wide News

Senate Governmental Affairs Committee Overhaul Approved

A proposal to modify the Senate Governmental Affairs Committee, along with several other committees, was approved by a 79-6 vote. The modification is intended to improve oversight of homeland security and other intelligence matters. The resolution will change the Governmental Affairs Committee into a permanent homeland security committee, reduce the panel members on the Senate Intelligence Committee from 17 to 15 and remove term limits, as well as adding an intelligence subcommittee to the Appropriations Committee. For more information, go to: http://www.govexec.com/dailyfed/1004/101304gsn1.htm

Budget and Performance Integration

Budget and Performance Integration at SBA

The Small Business Administration used an internal Execution Scorecard and an OIG scorecard for major management challenges to institute monthly reviews of key performance indicators, activities, and milestones for measuring and managing its efforts. SBA used these monthly reviews, as well as several other techniques, to earn a green rating on the third-quarter FY04 Management Scorecard. SBA excelled in integrating the Program Assessment Rating Tool (PART) results in its FY05 budget request and in using activity-based cost information in FY05 budget policy recommendations. The agency also established reasonable, yet challenging, performance goals for each SBA district based on consistent methodology. For more information, go to: http://www.results.gov/agenda/report8-04/small_business_administration.pdf

Act to Bring Budget-Performance Accountability to Homeland Security

The Department of Homeland Security Financial Accountability Act (H.R. 4259), which has passed both Houses and is expected to be signed into law shortly, will establish both an Office of the Chief Financial Officer (CFO) and an Office of Program Analysis and Evaluation for the Department of Homeland Security (DHS). Both of these offices will be responsible for program performance and accountability, with the latter ensuring that the DHS meets performance-based budget requirements established by the Office of Management and Budget (OMB). To read the text of this Act, go to:
http://capwiz.com/govexec/issues/bills/?billtype=H.R.&billnumb=4259&congress=108

2004 Best Practices Forum on: Budget & Performance Integration in Government (November 3-5, Arlington, VA)

In the last three years performance-based budgeting has transformed the way the Executive Branch is managed. Propelled by the White House's Program Assessment Rating Tool (PART), program managers and budget officers are finding that linking resources to results is paying off not only with better and larger budgets, but with better management. By now 60% of federal programs have been evaluated by the PART and the link between poor PART performance and lower White House funding requests is undeniable. In this hands-on-training, you will learn how to use your performance-based budget and strategic plan to fulfill the evidence requests of the PART and improve your score. For more information, go to:
http://www.performanceweb.org/financial/p224/p224-2.pdf

Improved Financial Management

Alternative for Estimating Improper Payment Amounts

The CFO Council Working Group on Improper Payments has determined that the guidance for determining improper payments for a small number of large and complex high-risk programs is not achievable, and has offered an alternative approach for obtaining an improper payment rate for such programs. The usual Office of Management and Budget (OMB) guidelines, OMB M-03-13, will still apply for all programs unless an agency receives OMB approval to use this alternative for a specific program. To access this alternative method, go to:
http://www.whitehouse.gov/omb/financial/_improper/cfo_council.html

Improvements Needed in Consolidated Financial Statements

The Government Accountability Office (GAO) released a report on the material weaknesses that continue to prevent GAO from expressing an opinion on the consolidated financial statements of the U.S. government (CFS). GAO makes 25 new recommendations to address weaknesses identified during the FY03 CFS audit. To read this report, go to:
http://www.gao.gov/new.items/d04866.pdf

Improved Systems Needed for FFMIA Compliance

GAO released its annual report on the implementation of the Federal Financial Management Improvement Act of 1996 (FFMIA). GAO found that while there has been progress on FFMIA compliance government-wide, auditors for 17 of the 23 CFO Act agencies failed to comply. GAO recommends that OMB revise its FFMIA audit guidance to include a statement of positive assurance when an agency reaches FFMIA compliance, and clarify the definition of "substantial compliance" to promote consistency. To read this report, go to:
http://www.gao.gov/new.items/d0520.pdf

Implementation of HHS Financial System at Risk

GAO released a report on the effort of the Department of Health and Human Services (HHS) to develop and implement a Unified Financial Management System (UFMS) to replace five outdated accounting systems. GAO has found that HHS has not followed key disciplined processes necessary for reducing the associated risks of UFMS implementation. GAO makes 34 recommendations to assist HHS in reducing these associated risks. To read this report, go to:
http://www.gao.gov/new.items/d041008.pdf

To access the Congressional testimony of Jeffrey C. Steinhoff, Managing Director, Financial Management and Assurance on the challenges faced by HHS in implementing this system, go to:
http://www.gao.gov/new.items/d041089t.pdf

Strategic Management of Human Capital

Report Finds that the Federal Government Fails to Hire Appropriately

A new report from the Partnership for Public Service finds that the federal government uses outdated and ineffective methods to assess the skills and qualifications of job applicants, which leads to widespread hiring of individuals who are poorly skilled for their position. The report outlines the flaws found in the government's hiring process and identifies three key steps for improving selection procedures in federal employee hiring. To download this report, go to:
http://www.ourpublicservice.org/usr_doc/PPS_ASSESSMENT_REPORT.pdf

Agency Inaction on SES Reform May Affect Top Managers

Agency delays in submitting new senior executive pay-for-performance plans for approval by the Office of Personnel Management (OPM) could mean that two-thirds of government Senior Executive Service (SES) will be paid under the older system. Total possible pay under the old

system is more than 15 percent below the pay cap of the new system. Seventeen agencies have submitted and are seeking OPM approval of their pay-for-performance plans, where these executives could now receive salary and bonuses of over $200,000 a year. To read more, go to: http://federaltimes.com/index.php?S=371961

Workforce Flexibility Act Expected to Pass

The Federal Workforce Flexibility Act has passed the House and is expected to pass the Senate shortly. This Act provides for a variety of personnel authorities that will give agencies more flexibility in recruiting and retaining a world-class 21st century workforce. Some of these authorities include: comp time for work-related travel, crediting new hires for past work experience for the purpose of accruing annual leave, establishing a management succession program, and providing large bonuses to employees who accept difficult-to-hire positions. To read more, go to: http://federaltimes.com/index.php?S=429299

Chief Human Capital Officers Council Discusses Personnel Challenges

The Chief Human Capital Officers Council (CHCO) was convened recently by OPM Director Kay Coles James to discuss the current progress being made on the "business" of government and e-government solutions for strategic management of human resources. Agenda items for these meeting included discussions of Information Technology Special Pay Rates and the Human Resources (HR) Line of Business. The HR Line of Business will enable a shift in emphasis within agencies from administrative processing to customer service and strategic planning and will enable the Federal government to standardize HR business functions and processes as well as the systems that support them. For more information on these meeting, go to: http://www.opm.gov/viewDocument.aspx?q=575

OPM Director James Addresses the Human Capital Initiative

OPM Director Kay Coles James recently addressed the progress being made in federal agencies on the President's Strategic Management of Human Capital initiative and how OPM is assisting agencies in making progress. Director James said that the more leaders stay focused on strategy, the more managers and human resources professionals will be able to advance this strategy. Director James also addressed future initiatives that OPM is reviewing to continue transforming the federal workforce, including: investing in the training of the federal work force; emphasizing the preparation and performance of the leaders; expanding flexible work arrangements; creating retirement arrangements that allow agencies to preserve institutional knowledge as the "age wave" hits; updating work force emergency planning; and upgrading the competencies of the 21st century HR workforce. To read the press release, go to: http://www.opm.gov/viewDocument.aspx?q=588

HUD to Overhaul Hiring Process

The Department of Housing and Urban Development has requested and is receiving from OPM assistance in updating its hiring process. Senior OPM staff have partnered with HUD officials to create sustainable and measurable advances in HUD's recruitment and hiring practices. OPM and HUD have convened focus groups throughout the country with human resource specialists, hiring officials and recent hires to discuss HUD's hiring performance and to compile staffing metrics. For more information on HUD's progress, go to: http://www.opm.gov/viewDocument.aspx?q=606

OPM Trains Agencies on 45-day Hiring Model

Emphasizing the PMA Scorecard, OPM is holding one-day symposiums in various regions of the U.S. on streamlining the hiring process through the use of the 45-Day Hiring Model. The 45-Day Hiring Model, which has been utilized successfully internally at OPM since March, focuses on a series of recommended hiring steps for the screening and selection process, from the date of vacancy announcement closing to the time an offer is made. OPM holds agencies accountable for the Hiring Model through PMA Scorecard reviews. The one-day symposiums feature sessions led by OPM senior officials and other agency representatives on the various hiring flexibilities. For more information on these symposiums, go to: http://www.opm.gov/viewDocument.aspx?q=594

Human Capital Considerations for Reforms in the Intelligence Community

The Government Accountability Office released Congressional testimony from Strategic Issues Director Christopher Mihm on human capital considerations that are critical for the successful reform of the intelligence community under the 9/11 Commission's proposed reforms. This testimony focuses on: lessons learned from successful mergers and organizational transformations; human capital flexibilities that will help achieve reforms; how the FBI is currently using these lessons and flexibilities; and factors that must be considered in the approach to the government's security clearance process to accelerate national security appointments. To read this testimony, go to: http://www.gao.gov/new.items/d041084t.pdf

Human Capital Planning and Workforce Assessment for Government (November 8-9, Arlington, VA)

Those that say the "Human Capital Crisis" has already been averted are overlooking one crucial detail: half of the civilian workforce will still be eligible to retire in a few months. That fact is still a reality unaffected by the nation's economic state. Developing and implementing a strategic approach to human capital management ensures that agencies human capital policies and systems are aligned with strategic goals and that you will be able to motivate the best and brightest to join public service. The plan will provide a framework for assessing current activities, designing and implementing new programs where needed and monitoring and evaluating activities and outcomes. For more information, go to: http://www.performanceweb.org/pi/training/courses/humancapital.htm

Competitive Sourcing

House Votes to Restrict Job Competitions

The House of Representatives passed, by a narrow margin, legislation that prevents agencies from using FY05 funds to run public-private competitions under the May 2003 revision of OMB Circular A-76. Rep. Chris Van Hollen (D-MD) introduced the language as an amendment to the fiscal 2005 Transportation, Treasury and Independent Agencies Appropriations Act. Van Hollen and union leaders have argued that the revisions to Circular A-76 unequally benefit private contractors over federal employees. The amendment encourages OMB to again rewrite Circular A-76 to address these inequalities. Administration officials say that this provision will halt

competitions and have recommended a veto if the final language prohibits the May 2003 rules. To read more, go to: http://www.govexec.com/dailyfed/0904/092204a1.htm

Provision Will Allow for Federal Employee Appeals

A provision to the 2005 Defense Authorization Bill, which has been passed in both chambers and is expected to be signed into law shortly, will give federal employees an option to protest competitive sourcing decisions before the Government Accountability Office or a federal appeals court. This provision was heavily favored and supported by employee unions, while criticized by contractors. To read more, go to: http://federaltimes.com/index.php?S=429176

OMB Reestablishes Targets for Performance-Based Contracts

The Office of Management and Budget has reestablished targets in its push for increased use of performance-based contracting, where agencies will be required to use performance-based contracts for 40 percent of their 2005 service contracts over $25,000. OMB had rescinded these requirements after Congress criticized the targets, but a memo from Robert Burton, associate administrator of OMB's Office of Federal Procurement Policy, restored the targets. For more information, go to: http://federaltimes.com/index.php?S=347517

2004 Best Practices Forum: Performance-Based Service Acquisition (November 17-18, Arlington, VA)

With the new Office of Federal Procurement Policy (OFPP) mandate for all federal agencies to use performance-based contracting on 40% of eligible jobs worth more than $25,000, the need for training is becoming more urgent. The training will simulate the use of the Seven-Step Process for PBSA and the execution of the logic model methodology. Walk away with feedback from both the instructors and training participants in order to acquire the necessary skills and take back to your agency. From start to finish, participants will test their skills in developing and implementing performance measures for writing quality performance-based contracts. For more information, go to:
http://www.performanceweb.org/contracting/c138/c138-web.pdf

2004 Best Practices Forum A-76 Competitions (December 6-7, Arlington, VA)

Competitive sourcing aims to increase efficiency and improve performance, but many agencies still lack adequate training necessary to achieve these goals. Continuous changes to Circular A-76 and new legislation make it difficult for agency employees to stay on top of the rules of the game. Agencies need to acquire proper training in order to successfully fulfill their responsibility in the A-76 process. In this program, you will learn to develop a comprehensive strategy for competitive sourcing and conduct A- 76 compliant competitions that are critical to achieving cost efficiency and performance effectiveness success in your agency. For more information, go to:
http://www.performanceweb.org/contracting/c146/c146.htm

Expanded E-Government

New Government Website Offers Online Kit for Federal Webmasters

Webcontent.gov, a new government website that went live on September 29, offers a tool kit to assist federal webmasters in managing federal government websites. The site is run by the Web Content Management Working Group, a group of federal web content managers who came together in January 2004 to recommend policies and guidelines for all federal public websites. Along with the toolkit, this site provides a collection of best practices and a library of additional resources, as well as a discussion forum and listserv. To access this website, go to: www.webcontent.gov

Firstgov.gov Rated Number One Federal Website

For the second consecutive year, Firstgov.gov has been rated the No.1 federal website in the fifth annual "State and Federal E-Government in the United States" report from Brown University's Taubman Center for Public Policy. Researchers evaluated 1,629 government websites for the presence of various electronic features. Some features included: online databases; foreign language or language translation; multiple indicators of security policy; digital signatures; email addresses; quality control; and readability level. Social Security Administration rated second. For more information, go to: http://www.whitehouse.gov/omb/egov/press/press.htm

Citizen Satisfaction Up, But Still Lower Than Private Sector

The public's satisfaction with government web sites is closing in on the private sector, according to the latest quarterly American Customer Satisfaction Index (ACSI). Federal sites received a user satisfaction score of 71.2 on a scale of 0 to 100, while private-sector sites scored an average of 74.4. This is a 5.4 percent increase from results a year ago. Forty-one percent of the 54 federal websites evaluated, however, scored lower than the last quarter with 33 percent increasing their rank. Experts say that while the results are promising, continued improvements are necessary to remain competitive with the private sector. For more information, go to: http://www.fcw.com/fcw/articles/2004/1004/mgt-egov-10-04-04.asp
To view the results from the ACSI, go to: http://www.theacsi.org/government.htm

Information and Technology Management Progress at DHS

The Government Accountability Office (GAO) released a report on the progress made by the Department of Homeland Security (DHS) in meeting its information technology management challenges. DHS is in the process of instituting seven information and technology management disciplines that are key elements of an effective information and technology management structure. GAO recommends that DHS establish IT goals, performance measures and milestones, and analyze whether its IT staffing adequately supports those goals. To read the report, go to: http://www.gao.gov/new.items/d04702.pdf

IT Security for the Non-Technical Manager

Discover what IT security is all about in the basic of organizational terms. Jim Litchko (PI instructor, Johns Hopkins' adjunct professor, and IT Security expert) has published KNOW IT Security - Secure IT Systems Las Vegas Style. KNOW IT Security is an entertaining story about four people's efforts to secure an e-business operation, an Internet Gambling Casino. The knowledge provided in this book relates to every IT system. The reader will understand firewall and encryption applications, why IT security is only 20% technical solutions, and how to approach

IT security from a business and total security perspective. For more information on this book, go to: http://www.knowitsecurity.com

Recommended Security Controls for Federal Information Systems

The National Institute of Science and Technology (NIST) has released for public comment a second draft of recommended security controls for federal information systems. The draft guidelines provide a recommended set of security controls for low, moderate, and high impact information systems. To view the report, go to: http://csrc.nist.gov/publications/drafts/SP800-53-Draft2nd.pdf

Certification & Accreditation of Government Information Systems (December 16-17, Washington, DC)

Federal mandates require that agencies certify and accredit their information systems in compliance with FISMA. Additionally, now that agencies have begun this process, it is imperative that the C&A documentation process be verifiable for upcoming system audits. Attend this forum to hear from NIST, your peers in federal government and leading experts in IT security to develop a cost-efficient, automated and verifiable C&A process in your agency. Plus, hear updates from Marianne Swanson at NIST on important upcoming security mandates including one set for final publication in January 2005. For more information, go to: http://www.performanceweb.org/technology/t197/t197_web.pdf

Agency Spotlight: Department of Energy

The Department of Energy (DOE) states that its central mission is to advance critical aspects of national security through promoting a diverse supply and delivery of reliable, affordable, and environmentally sound energy; safeguarding nuclear material and information; and protecting the U.S. from the threat of nuclear terrorism or contamination. While most of the nation's energy is owned and supplied by private entities, DOE sets appliance efficiency regulations; helps develop and promote new technologies; produce accurate and timely reporting on the U.S.'s energy situation; and is steward of the nuclear weapons stockpile.

DOE has readily embraced the President's Management Agenda (PMA), which has become the framework for organizing their efforts and focusing on the "bottom line." The Department has incorporated the PMA into its own "Results Agenda" and has made "Getting to Green" on the five initiatives a departmental priority since 2001. As a result, the Department of Energy has achieved two yellows and three greens in status on the latest Management Scorecard.

Budget and Performance Integration

DOE has taken an active role in ensuring that funding spent in each program supports DOE's overall mission. The Department has developed a 10-15 year plan for every program that serves as a conduit between annual budget requests and long-term goals outlined in the Strategic Plan. DOE tracks approximately 250 annual performance targets for its programs on a quarterly basis, with any program failing to achieve set milestones being identified. Senior management can then take corrective action before small problems become large ones. These actions have kept this

initiative a solid yellow in status and a green in progress.

Improved Financial Management

DOE has improved to green in status for financial management due to the excellent quality and timeliness of the financial data being used to make program and policy decisions. DOE has decreased the timeline for issuing financial statements from 149 days to 76 days, with the Department planning to further accelerate issuance by 30 additional days for FY04 statements. A modernized accounting and reporting system is slated to be implemented early in FY05, which will improve DOE's ability to provide program and project managers with useful, timely, and reliable financial data.

Strategic Management of Human Capital

All of DOE's major components have analyzed employee skills, identified gaps in those skills, and are addressing them through a variety of means. Administrative structures have been assessed and duplicative efforts have been eliminated or centralized. DOE has adopted a performance management system that links performance to mission outcomes. The Department has also developed comprehensive workforce, succession management plans and a project management certification program. These efforts have greatly increased the efficiency of the entire department and ensured that there will be no gaps in its workforce talent. These efforts have improved DOE's status in human capital to green.

Competitive Sourcing

DOE has maintained its green status in competitive sourcing by yielding significant savings and making competition a key principle for the work of the Department. Comparative studies have been conducted of four programmatic areas where in-house teams competed with the private sector to perform these functions. The in-house team won three of the four competitions through consolidation and reengineering. One program to deliver financial services won by the federal employees is projected to yield a $31 million savings over the next five years. DOE has also developed a database of over 4,000 small business vendors that is available to program offices and procurement personnel to assist in the identification of potential contractors.

Expanded E-Government

DOE receives an annual information technology (IT) budget of $2.7 billion that is used in a myriad of mission critical services. To better manage these funds, senior leadership has transformed the Department's thinking that IT is an end to itself into how IT can assist the Department in achieving its strategic goals. DOE launched an integrated business management system, called I-MANAGE, with the data warehouse and finance/accounting system to be launched this fall. This service will be combined with a service from the Department of Labor to identify a cross-agency financial management solution to improve performance and reduce the 120 overlapping systems currently in operation. DOE has maintained a yellow in E-Government with a green in progress.

For additional information go to:
http://www.results.gov/agenda/report8-04/department_of_energy.pdf

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The Implementation Update on the PMA is provided as an informational newsletter to all federal employees about the latest news from the federal government and independent news media about the President's Management Agenda and the Administration's plan to improve performance of government.

The Performance Institute is a private think tank that serves as the nation's leading authority and repository on performance-based management practices for government organizations. Its mission is to identify, study and disseminate the leading management innovations pioneered by "best-in-class" government programs at federal, state and local levels. Through its national conferences on pressing issues, interactive executive training programs, and best practice research projects, the Institute provides cutting-edge expertise in the design, implementation and evaluation of strategies to solve operational challenges and enhance government performance.

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