OVERSIGHT OF OMB'S GPRA STRATEGIC PLAN

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY

OF THE

COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

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OVERSIGHT OF OMB'S GPRA STRATEGIC PLAN

WEDNESDAY, OCTOBER 6, 1997

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

The subcommittee met, pursuant to notice, at 10:30 a.m., in room 2154, Rayburn House Office Building, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn and Davis of Illinois.

Staff present: J. Russell George, staff director and chief counsel; Jane Cobb, Robert Alloway, and John Hynes, professional staff members; Andrea Miller, clerk; Matthew Ebert, staff assistant; Mark Stephenson, minority professional staff member; and Ellen Rayner, minority chief clerk.

Mr. HORN. The Subcommittee on Government Management will come to order. We will have the gentleman from GAO first this morning, and we will just start with the opening statements.

This is the fourth in a continuing series of oversight hearings on the Government Performance and Results Act of 1993, commonly known as the Results Act. As we have learned in the previous hearings, the Results Act has enormous potential to improve agency performance. It will help to align agency objectives with legislative intent; to eliminate ineffective and duplicate programs; and to improve measurable program results. I underline measurable.

Our focus today is on the role of the Office of Management and Budget in the implementation of the Results Act. We want to know whether OMB is fulfilling its vital role as the primary agent of the executive branch in management reform.

The Results Act advances management reforms by requiring, for the first time, that Federal agencies develop a results-oriented strategic plan, a performance plan that establishes measurable goals, and an annual report of the actual versus planned performance measures.

Agencies must answer the kind of commonsense questions that every business has been asking for years: What is the agency's mission; what are its specific goals and objectives; what strategies and resources are necessary to achieve them; what are the measurable results targets for each program; and what are the actual results achieved?

If the plans and reports are done correctly, agency management, the President, Congress, and the American people will have the

facts to judge government performance agency by agency and program by program. They will have a side-by-side comparison of planned and actual results on an annual basis. This will be a historic achievement, but one that depends entirely on the successful implementation of the Results Act. We must make an extraordinary commitment in both the executive branch and Congress to complete the goals set by this legislation.

The Results Act involves a major reform of Federal practices. Any such reform requires both vigilant oversight by Congress and vigorous administration within the executive branch. The Office of Management and Budget is the specified administrator of this act. The burden on OMB is, therefore, twofold: One, it must improve its planning and results in accordance with the Results Act, just like all other agencies. Two, OMB must ensure the improvement of management, including Results Act implementation, throughout the entire executive branch. Hence, OMB's strategic plan is of particular interest to the success of the Results Act.

In 1994, the Office of Management and Budget implemented its OMB 2000 study. This study included a reorganization plan meant to increase emphasis on management issues in the agencies, management issues such as the Results Act. Three years later, it is time to ask whether this reorganization has produced results. Are management practices throughout the government improving? Has OMB improved the quality of the Results Act strategic plans that we received last week? I assume they will all have the minimal six elements to meet the legislative criteria, but what is their quality? Are all their goals derived from legislative authority? Are their strategies and resources realistic? Did they use evaluations of previous and existing programs to shape their goals and strategies? Has OMB performed its job of quality control?

OMB is required by the Results Act to deliver a governmentwide strategic plan in the next month or so. This appears to be a large and a difficult task, especially in terms of the coordination and duplication aspect of a consolidated plan. Further, OMB is scheduled to deliver the governmentwide performance plan shortly after the agency performance plans are due in February. OMB is also responsible for an annual governmentwide performance report. I would anticipate considerable difficulty dealing with the volume, establishing common performance measures for similar programs, and producing a consolidated report.

This is a task that looks as large as the annual budget consolidations, but it must be accomplished without the years of experience. Recognition of the realities of this task seem to be missing from OMB's plan.

Another common element of strategic planning that seems to be missing from OMB's plan: priorities. Everything is a No. 1 priority. I understand that. That is the way I ran an organization, too. It isn't the right way, but we get enthusiastic. President Carter had that problem also. This simply is not realistic. OMB's guidance for agencies also seems to ignore the element of prioritization. Perhaps this should be added to our growing list of legislative amendments for the Results Act.

Director Raines, in his cover letter for OMB's plan, recognizes the necessity for consultation with Congress on the development of

these plans. However, we apparently have a different expectation. One draft in July does not comply with the consultations requirement. At a minimum, I would expect a revised draft in August. We expect more from OMB, especially in its role of guiding the behavior of all other agencies.

The leadership in Congress has made an extraordinary commitment to this effort. All of us are serious about changing the quality of management in the Federal Government. Management needs to be much more results oriented. The highest levels of the legislative and executive branches of the Federal Government need to work in partnership to implement the Results Act successfully. Only with actual results, instead of fancy promises, will the public know that changes are finally taking place in the performance of their Federal Government.

This morning we will hear from Paul Posner, who is Director for Budget Issues in the General Accounting Office, accompanied by J. Christopher Mihm, the Assistant Director, Federal Management and Workplace Issues, General Government Division, General Accounting Office. We will then hear from G. Edward DeSeve, who serves as Acting Deputy Director for Management at the Office of Management and Budget.

[The prepared statement of Hon. Stephen Horn follows:]

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"OMB's Results Act Strategic Plan"

October 6, 1997

OPENING STATEMENT
REPRESENTATIVE STEPHEN HORN (R-CA)

Chairman, Subcommittee on Government Management, Information, and Technology

This is the fourth in a continuing series of oversight hearings on the Government Performance and Results Act of 1993, commonly known as the Results Act. As we have learned in the previous hearings, the Results Act has enormous potential to improve agency performance. It will help to align agency objectives with legislative intent, to eliminate ineffective and duplicate programs, and to improve measurable program results. Our focus today is on the role of the Office of Management and Budget in the implementation of the Results Act. We want to know whether OMB is fulfilling its vital role as the primary agent of Executive Branch management reform.

The Results Act advances management reforms by requiring - for the first time - that Federal agencies develop (1) a results-oriented strategic plan, (2) a performance plan that establishes measurable goals, and (3) an annual report of actual versus planned performance measures. Agencies must answer the kind of common sense questions that every business has been asking for years: What is the agency's mission; what are its specific goals and objectives? What strategies and resources are necessary to achieve them? What are the measurable results targets for each program? What are the actual results achieved?

If the plans and reports are done correctly, agency management, the President, Congress, and the American people will have the facts to judge government performance agency by agency and program by program. They will have a side-by-side comparison of planned and actual results on an annual basis. This will be a historic achievement, but one that depends entirely on successful implementation of the Results Act. We must make an extraordinary commitment to that effort.

The Results Act involves a major reform of Federal practices. Any such reform requires both vigilant oversight by Congress and vigorous administration within the Executive Branch. The Office of Management and Budget is the specified administrator of this Act. The burden on OMB is therefore twofold. One, it must improve its planning and results in accordance with the Results Act just like all

other agencies. Two, OMB must ensure the improvement of management, including Results Act implementation, throughout the entire Executive Branch. Hence, OMB's strategic plan is of particular interest to the success of the Results Act.

In 1994, the Office of Management and Budget implemented its OMB 2000 study. This study included a re-organization plan meant to increase emphasis on management issues in the agencies - management issues like the Results Act. Three years later, it is time to ask whether this re-organization has produced results: Are management practices throughout the government improving? Has OMB improved the quality of the Results Act strategic plans that we received last week? I assume they all have the minimal six elements to be legal, but what is their quality? Are all their goals derived from legislative authority? Are their strategies and resources realistic? Did they use evaluations of previous and existing programs to shape their goals and strategies? Has OMB performed its job of quality control?

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Another common element of strategic planning seems to be missing from OMB's plan: priorities. Everything is a number one priority. This simply is not realistic. OMB's guidance for agencies also seems to ignore the element of prioritization. Perhaps this should be added to our growing list of legislative amendments for the Results Act.

Director Raines, in his cover letter for OMB's plan, recognizes the necessity for consultation with Congress on the development of these plans. However, we apparently have a different expectation. One draft in July does not comply with the consultations requirement. At a minimum I would expect a revised draft in August. We expect more from OMB, especially in its role of guiding the behavior of all other agencies.

The leadership in Congress has made an extraordinary commitment to this effort. We are serious about changing the quality of management in the Federal Government. Management needs to be much more results-oriented. The highest levels of the Legislative and Executive Branches of the Federal Government need to work in partnership to implement the Results Act successfully. Only with actual results, instead of fancy promises, will the public know that changes are finally taking place in the performance of their Federal Government.

This morning we will hear from G. Edward DeSeve, who serves as Deputy Director for Management at the Office of Management and Budget; and Paul Posner, who is Director for Budget Issues at the General Accounting Office, accompanied by J. Christopher Mihm, Assistant Director, Federal Management and Workforce Issues, General Government Division, General Accounting Office.

Mr. HORN. I am delighted now to yield to the gentleman from Illinois, Mr. Davis, who is the ranking Democrat for this hearing.

Mr. Davis.

Mr. DAVIS of Illinois. Thank you very much, Mr. Chairman. Let me just say good morning to you, and certainly to all of those who are present. I want to thank you for convening this hearing regarding oversight of the Office of Management and Budget's strategic plan as required by the Government Performance and Results Act of 1993.

I also want to thank our distinguished witnesses for taking time to share with us their expertise as it relates to this issue.

This hearing will focus on the content of OMB's strategic plan with respect to its management improvement responsibilities. In addition, we will review the initial compliance of all agencies with the September 30 view date and the schedule for subsequent reports from agencies and OMB.

OMB has broad and specific obligations to improve management throughout the Federal Government. The GPRA is intended to improve the efficiency and effectiveness of Federal programs by establishing a system of goals for program performance and to measure results.

Specifically, the Results Act requires all agencies over $20 million to submit to Congress results-oriented plans that include mission statements, long-term goals and objectives, strategies and resources to achieve goals, and external factors that may affect the plans, to name a few.

It is my hope that this hearing will ensure that the mission statements and strategic plans will have the desired effect of providing improved results for the American people. Moreover, I am interested in hearing some of the external factors that may prevent OMB from achievement of its strategic plan. Therefore, I look forward to hearing from our distinguished panel of witnesses, and, again, I thank you, Mr. Chairman, for convening this hearing, and we are eager to hear from those who will provide us some expert information. Thank you very much.

[The prepared statement of Hon. Danny K. Davis follows:]

PREPARED STATEMENT OF HON. DANNY K. DAVIS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Thank you, Mr. Chairman, for convening this hearing regarding oversight of the Office of Management and Budget's [OMB] strategic plan as required by the Government Performance and Results Act [GPRA] of 1993. I also want to thank our distinguished witnesses for taking time to share with us their expertise as it relates to this issue. This hearing will focus on the content of OMB's strategic plan with respect to its management improvement responsibilities. In addition, we will review the initial compliance of all agencies with the September 30 due date and the schedule for subsequent reports from agencies and OMB. OMB has broad and specific obligations to improve management throughout the Federal Government. The GPRA is intended to improve the efficiency and effectiveness of Federal programs by establishing a system of goals for program performance and to measure results. Specifically, the Results Act requires all agencies over $20 million to submit to Congress results-oriented plans that include mission statements, long term goals and objectives, strategies and resources to achieve goals, and external factors that may affect the plans to name a few.

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may prevent OMB from achievement of its strategic plan. Therefore, I look forward to hearing from our distinguished panels of witnesses.

Again, thank you, Mr. Chairman, for this opportunity.

Mr. HORN. With that, we will now swear in the first panel from the General Accounting Office. Will Mr. Posner and Mr. Mihm come forward and raise your right hands.

[Witnesses sworn.]

Mr. HORN. Please take a seat. What our usual routine here is for everybody, I think most of the witnesses know it, your full statement is put in the record automatically after I have introduced you. We then would like you to summarize that statement, if you could, let's say within 10 minutes for GAO and I am not going to press you on the time because what you have to say is very valuable. But just for the record, why don't we summarize it. We will do the same with OMB, 10 minutes, that leaves us time for Mr. Davis and myself to question the witnesses.

How would you like to proceed?

STATEMENT OF PAUL L. POSNER, DIRECTOR OF BUDGET ISSUES, U.S. GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY J. CHRISTOPHER MIHM, ASSISTANT DIRECTOR, FEDERAL MANAGEMENT AND WORKFORCE ISSUES, GENERAL GOVERNMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Mr. POSNER. Thank you, Mr. Chairman. I will discuss our statement. Again, as you did, I acknowledge Chris Mihm here, who is the Associate Director in our Federal Management Group and works to coordinate all of our work on GPRA.

Let me tell you about the purpose of our study in looking at the strategic plan. Basically in this case it was to discuss OMB's strategic plan and how well it addresses the Results Act, and then to also give some insight on our thinking about what challenges remain for OMB in addressing its overall mission.

What we did is really in two stages. First, we reviewed and reported to Members of Congress our assessment of the July 1997 draft OMB plan. Second, having done that, we reviewed the most recent plan, the September 30 plan, to assess the kinds of changes they made since that earlier draft.

In reviewing the plans, we looked at six elements as defined in the act for strategic planning and as further articulated in OMB's own guidance. We looked to assess the mission statement, the long-term goals and objectives that were set forth for the major functions, the strategies that were proposed to be used in implementing those goals and objectives, the relationship between those goals and the annual performance goals, the key external factors that are suggested as potential barriers to implementing those objectives, and then, finally, how program evaluation was said to have been used in preparing the plan.

In addition, in our discussion of the July plan, we addressed some other issues that the congressional requesters were interested in, including whether the plan reflected crosscutting issues and coordination with other agencies and how the plan addressed management problems that GAO has identified in prior work.

Let me say at the outset that we have, in looking at OMB's plan, recognized that OMB does play a unique role in our system, and

it is a unique agency in several respects. Needless to say, one is its own oversight role of GPRA itself. With regard to the preparation of performance plans, OMB embodies essentially two distinct roles.

One is its role in presenting advice and policy and budget proposals to the President. This role obviously involves certain inherent measurement challenges, as well as challenges to presenting long-term performance criteria that spans the terms of any one President. The second role that we believe lends itself to measurement in the traditional sense—the leadership role for congressional and other management priorities and programs, and those are the kinds of things that we have addressed in our comments today.

Let me first reprise what we said about the July draft plan presented in GAO's August 21 letter to Messrs. Armey, Burton, Kasich, and Livingston. In that study we did say that OMB's plan included elements addressing mission, goals, strategies, and key external factors. We said, however, that more explicit discussion of the long-term goals and strategies would be in order to better highlight the agency's priorities and plans and be more useful for a variety of actors to assess its direction.

We recognized the difficulty in specifying objectives and measures for policy advice. However, we were concerned at that point that there was insufficient specification of some of the management objectives in such areas as financial management and information systems. We also said at that time that the draft plan did not meet two of the Results Act elements. It did not specify how program evaluations were used in developing the plan or how they would be used in monitoring the performance, and it did not specifically have a section discussing the relationship of the plan to annual goals. I will say this was a problem that characterized many of the draft strategic plans that we looked at.

Let me now talk about what we saw when we looked at the most recent September plan. Overall, we would characterize this as a serious effort to address many of the issues that we brought to the table when we looked at the earlier plan. We think that the final plan represents a significant improvement in a number of key areas that makes the plan much more useful as a way to chart OMB's course in its performing its functions.

First of all, the plan, we think, is much better structured. It is much clearer as to how the goals and objectives are laid out. There is a much more structured and explicit discussion of how each objective will be achieved through strategies, its relationship to annual goals, and the external factors that may inhibit or constrain the goals' achievement. Moreover, all six elements that are contemplated under the act for strategic plans are addressed in this plan.

With regard to the goals and objectives, we found them to be far more results oriented. A good example is its goal on regulation and oversight, where they specifically set forth their goal of maximizing social benefits and minimizing costs, and then provide a detailed agenda of some of the issues they want to focus on in that area.

Strategies are much more explicit and defined in this plan as compared to the last one. The procurement objective sets forth a variety of activities, such as working with agencies to promote com-

mercial buying, enhancing agency discretion to adopt best practices, and sets forth as one of their strategies the publication of a document on the best practices in this area.

The objective regarding financial management clearly references the 5-year CFOC, Chief Financial Office Council, plan in this area, which is a very explicit document. It sets forth a detailed agenda of change and improvement across a variety of issues in financial management. Moreover, the plan contains far more explicit references to the OMB's use of interagency councils, which has become a key leadership approach as OMB seeks to partner with agencies in implementing a variety of complicated management goals and objectives.

We also found that the plan had a far better discussion of the relationship of each objective to the annual goals and potential measures. Noteworthy because in many of these cases it is not an easy thing to specify, particularly in budget preparation, how such objectives will be measured. For example, in the financial management area, they clearly discuss the goals of achieving a clean audit opinion for all 24 agencies, and that is something that is measurable, if not difficult to achieve.

We also found there was improved treatment of the external factors relating to each objective and discussion of the kinds of barriers and potential problems that will stand in the way, although we do feel in some cases OMB could say more about how it in its own leadership role will attempt to mitigate some of those barriers.

For example, in the area of promoting accuracy in budget data, while they do say, and understandably, that much of this goal depends on the agency's own budget submissions, OMB clearly does play a role in assisting agencies to improve budget presentations. In such areas as credit reform, for example, OMB has taken on a proactive role by developing models for agencies to estimate their subsidy costs, by sponsoring a working group on credit policy; even with that, some agencies that we have talked about in the review recently still feel a need for more guidance from OMB in this area.

Let me talk about some areas where we see further enhancements being useful in the plan to further clarify their goals and objectives and make the plan still more useful.

In some areas, for example, the long-term goals and objectives are set forth, but we think that OMB could more explicitly address how it will resolve and address some of these issues. For example, they do have an objective on information technology, in improving the Federal management of information resources, that pledges to reduce the problems experienced with IT, to resolve the year 2000 problem, and to improve information security, among others. But we are hard pressed to find in this plan a specific strategy on how they will meet this goal.

Another example is an area that they mention on capital planning, where they reference a guidance that they have done elsewhere, but not enough is provided for the reader to get a sense of really what they have done here. That is a model of how a central leadership agency should provide proactive leadership to define an issue as a problem and, working with the agencies, develop a very excellent set of guidance for them in developing capital plans and programs and budgets. This is an area where perhaps more discus-

sion could have been made about their initiatives that they have piloted elsewhere.

In other areas, certain Governmentwide issues in the management area and problems are not anywhere explicitly discussed in the plan, and these are issues that we have raised in other contexts as being important. One is the high-risk area. There is not an explicit focus on the high-risk program and, as you know, GAO has maintained a focus in this ourselves. Although it very well could be that this is what OMB has in mind in their objective where they discuss working with agencies to solve mission-critical problems, not enough is presented to give a feel for what those problems are and whether they, in fact, do relate to the high-risk areas that we have identified elsewhere.

Another area that has not really been touched on directly in the plan is the whole issue of mission overlap and program duplication, an important area that we have identified. In a recent report we developed for Mr. Armey, among others, we have identified over 30 program areas of GAO's work and documented extensive overlap and duplication among programs. This occurred in such areas as 163 job training programs, 90 early childhood education programs, and a variety of programs in the food safety program. We have, moreover, suggested that GPRA in its strategic plans and the annual performance plans can be a vehicle to address this kind of an issue by ensuring that many of these programs adopt common measures so that we can stack them up against one another. In ensuring that such vehicles as a Governmentwide performance plan also can highlight some of these kinds of issues.

These are longstanding, perennial problems that are not easy to resolve, and yet critical to promoting a more efficient and effective program delivery apparatus from the Federal level down to State and local governments.

Another area that we think could benefit from more attention in the future is the program evaluation area. OMB does discuss some of the evaluations that it referred to, including some of ours, in developing the plan in general, but it does not indicate how they were used in developing particular objectives or strategies. It also does not give a sense of what future studies the agency plans in this area to evaluate its own progress.

Now, I will say there is another concern about evaluation relating to OMB's role as a consumer of evaluations. In other words, sound budget analysis and assessment of performance rests on good qualitative and quantitative studies addressing what we are getting for the Federal program dollars in a variety of areas.

The role of stimulating and supporting, nurturing, if you will, the evaluation infrastructure among the agencies is one that we certainly have defined as needing more central guidance and leadership, and we were encouraged by recent discussions we have had with OMB suggesting they are interested in working on this with us.

Finally, OMB's internal management challenges in promoting a consistent management focus in the budget process in particular could be more explicitly addressed, either in plans or elsewhere, particularly to deal with some concerns that we raised when we did our study of OMB 2000 shortly after it was implemented.

Basically, as you are well aware, Mr. Chairman, implementing management initiatives in a budget environment is not a self-executing proposition. It requires quite a bit of development and institutionalization. We did find that OMB gave attention in the budget cycle we reviewed to management issues. However, we raised some concerns about whether that attention will be sustained over the long term, and particularly focused on a couple of concerns. One that was brought to us by some of the examiners that we talked to was their own capacity to address some of the more technical management issues, such as financial management and information technology. We suggested that OMB develop a more explicit strategy for how that capacity could be enhanced.

We also were able to focus on several different models that existed across different RMO's for relationships with the experts in the statutory offices, regarding a variety of management policies. We suggested that more explicit study be given to the question of how expertise is integrated within OMB itself.

Their fourth major goal in their plan focusing on management addresses some of these issues like training, but we think it does not go as far as perhaps it could in the future to more explicitly address the critical success factors involved in sustaining an institutionwide focus on management leadership.

Having said that, I want to conclude by saying that in general, we found that OMB has made substantial improvements in its strategic plan. Validating GPRA, the plan really for the first time provides a public explanation of OMB's priorities and strategies in a variety of areas and is a very useful document for a variety of people, both within OMB as well as in the Congress, to assess progress made in some of these critical areas. The agenda of Federal management issues remains daunting, and OMB will clearly be expected to provide leadership across a variety of areas.

We recognize there are a number of forums where OMB will further articulate some of their strategies and objectives in addressing some of the issues I have talked about here. Forums such as the Governmentwide strategic plan, the annual performance plan that is due in February; other areas where they may very well articulate more specifically their management priorities. We intend to work with the Congress and OMB and the agencies to review these initiatives as they become more specified and help work together to resolve the outstanding problems we face.

Thank you.

Mr. HORN. I thank you. That is a very useful statement, as are your written documents, all of which will be in the record.

[The prepared statement of Mr. Posner follows:]

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here today to provide our observations on the Office of Management and Budget's (OMB) strategic plan submitted to the Congress on September 30, 1997. As you requested, our testimony today will discuss how well this strategic plan addresses the Government Performance and Results Act (the Results Act) requirements. We will also identify some of the challenges remaining for OMB to address in future strategic planning efforts.

The Results Act is intended to improve the efficiency and effectiveness of federal programs by establishing a system to set goals for program performance and to measure results. Specifically, the Act requires executive agencies to prepare multiyear strategic plans, annual performance plans, and annual performance reports. OMB has a crucial and multifaceted role to play in the successful implementation of the Results Act. Under the Act, OMB is charged with overseeing and guiding agencies' strategic and annual performance planning and reporting. OMB has also prepared its own strategic plan based on Results Act requirements. OMB's strategic plan is important as both a statement of the agency's objectives and to underscore to other federal agencies the importance of effectively implementing the Results Act.

Our comments today are based on our review of OMB's strategic plan and our body of work on OMB and the issues the agency is responsible for addressing. In July 1997, OMB prepared a draft strategic plan, and we reviewed it to assess whether it met Results Act requirements and provided information useful for congressional decision-making.[1] On September 30, 1997, we obtained the strategic plan OMB submitted to the Congress to comply with the Results Act. Our testimony will provide preliminary observations on the September plan.

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[1]The Results Act: Observations on the Office of Management and Budget's July 1997 Draft Strategic Plan (GAO/AIMD/GGD-97-169R, Aug. 21, 1997).

Since the July draft, OMB has made changes to the plan based on its continuing planning efforts, congressional consultations, and comments from others. Overall, OMB's September plan addresses all required elements of the Results Act and reflects several of the enhancements we suggested in our review of the July draft. Specific improvements include (1) goals and objectives that show a clearer results-orientation, (2) more clearly defined strategies for achieving these goals and objectives, and (3) an increased recognition of some of the crosscutting issues OMB needs to address. However, additional enhancements to several of the plan's required elements and a fuller discussion of major management challenges confronting the federal government could help make the plan more useful to the Congress and OMB. For example, the plan could provide a more explicit discussion of OMB's strategies on such issues as information technology, crosscutting high-risk issues, overlap among federal missions and programs, and strengthening program evaluation.

OMB's strategic plan indicates that the agency will use its annual performance plan, the governmentwide performance plan, other functional management plans, and the President's Budget to provide additional information about how it plans to address some of these and other critical management issues. To support the needs of this and other committees, we will continue to review OMB's plans and proposals as additional detail concerning objectives, time frames, and priorities are established. Our intention is to apply an integrated perspective in looking at these plans, consistent with the intent of the Results Act, to ensure that OMB achieves the results expected by its statutory authorities.

BACKGROUND

Since its creation in 1970, OMB has had two distinct but parallel roles. OMB serves as a principal staff office to the President by preparing the President's budget, coordinating the President's legislative agenda, and providing policy analysis and advice. The Congress has also assigned OMB specific responsibilities for ensuring the implementation of a number of statutory management policies and initiatives. Most importantly, it is the

cornerstone agency for overseeing a framework of recently enacted financial, information resources, and performance management reforms designed to improve the effectiveness and responsiveness of federal departments and agencies. This framework includes the 1995 Paperwork Reduction Act and the 1996 Clinger-Cohen Act; the 1990 Chief Financial Officers Act, as expanded by the Government Management Reform Act of 1994; and the Results Act.

OMB faces perennial challenges in carrying out these and other management responsibilities in an environment where its budgetary role necessarily remains a vital and demanding part of its mission. OMB's resource management offices (RMOs) have integrated responsibilities for examining agency management, budget, and policy issues. The RMOs are supported by three statutory offices whose responsibilities include developing governmentwide management policies: the Office of Federal Financial Management, the Office of Federal Procurement Policy, and the Office of Information and Regulatory Affairs. In fiscal year 1996, OMB obligated $56 million and employed over 500 staff to carry out its budget and management responsibilities.

The Results Act requires a strategic plan which include six elements: (1) a comprehensive agency mission statement, (2) long-term goals and objectives for the major functions and operations of the agency, (3) approaches or strategies to achieve goals and objectives and the various resources needed to do so, (4) the relationship between long-term goals/objectives and annual performance goals, (5) an identification of key external factors beyond agency control that could significantly affect achievement of strategic goals, and (6) a description of how program evaluations were used to establish or revise strategic goals and a schedule for future program evaluations.

Although OMB's July draft included elements addressing its mission, goals and objectives, strategies, and key external factors affecting its goals, we suggested that these elements could be enhanced to better reflect the purposes of the Results Act and to more explicitly discuss how OMB will achieve its governmentwide management responsibilities.

Furthermore, the July draft plan did not contain a discussion of two elements required under the Results Act: (1) the relationship between the long-term and annual performance goals and (2) the use of program evaluation in developing goals.

OMB'S STRATEGIC PLAN REFLECTS THE PURPOSES OF THE RESULTS ACT BUT CHALLENGES REMAIN

The structural and substantive changes OMB made to its July 1997 strategic plan constitute a significant improvement in key areas. In general, OMB's revised plan provides a more structured and explicit presentation of its objectives, strategies, and the influence of external factors. Each objective contains a discussion of these common elements, facilitating an understanding of OMB's goals and strategies. OMB's September plan addresses the six required elements of the Results Act. At the same time, enhancements could make the plan more useful to OMB and the Congress in assessing OMB's progress in meeting its goals.

The September plan's mission statement recognizes both OMB's statutory responsibilities and its responsibilities to advise the President, and the goals and objectives are more results-oriented and comprehensive than in the July draft. For example, the plan contains a new, results-oriented objective for a key statutory mission to "maximize social benefits of regulation while minimizing the costs and burdens of regulation." The breadth of OMB's mission makes it especially important that OMB emphasize well-defined and results-oriented goals and objectives that address OMB's roles in both serving the President and overseeing the implementation of statutory governmentwide management policies.

OMB more clearly defines its strategies for reaching its objectives in the September plan, particularly with regard to some of its management objectives. For example, in the draft plan, OMB did not discuss the accomplishments needed to fulfill its statutory procurement responsibilities. In contrast, the September plan lays out OMB's long-term

goal to achieve a federal procurement system comparable to those of high performing commercial enterprises. It says that OMB will identify annual goals to gauge OMB's success, and discusses the means and strategies (such as working with agencies to promote the use of commercial buying practices) it will use to accomplish this goal. OMB also commits to working with the Federal Acquisition Regulation Council to revise regulations and publish a best practices document. In the area of regulatory reform, OMB also commits to improving the quality of data and analyses used in regulatory decision-making and to developing a baseline measure of the net benefits for Federal regulations. OMB's clear and specific description of its strategies for its procurement and regulatory review objectives could serve as models for developing strategies for its Results Act and crosscutting objectives.

Although strategies to provide management leadership in certain areas are more specific, other strategies could benefit from a clearer discussion of time frames, priorities, and expected accomplishments. For example, to meet its objective of working within and across agencies to identify solutions to mission-critical problems, OMB states it will work closely with agencies and a list of other organizations to resolve these issues. However, OMB does not describe specific problems it will seek to address in the coming years or OMB's role and strategies for solving these issues.

In defining its mission, goals, objectives, and strategies, OMB's plan recognizes its central role in "managing the coordination and integration of policies for cross-cutting interagency programs." The plan states that in each year's budget, major crosscutting and agency specific management initiatives will be presented along with approaches to solving them. The plan also provides a fuller discussion than was included in the July draft of the nature and extent of interagency groups that OMB actively works with in addressing a variety of functional management issues. Specific functional management areas, such as procurement, financial, and information management, are incorporated as long-term objectives.

However, OMB's plan could more specifically address how OMB intends to work with agencies to resolve long-standing management problems and high-risk issues with governmentwide implications.[2] For example, in the information management area, OMB's September plan refers to critical information technology issues, but it does not provide specific strategies for solving these issues. OMB discusses the ability of agencies' computer systems to accommodate dates beyond 1999 (the year 2000 problem) as a potential performance measure and states how it will monitor agencies' progress. However, the plan does not describe any specific actions OMB will take to ensure this goal is met. We have previously reported on actions OMB needs to take to implement sound technology investment in federal agencies.[3] In a related area, OMB has elsewhere defined strategies and guidance for agency capital plans that are not explicitly discussed in the strategic plan.

With respect to programmatic crosscutting issues, questions dealing with mission and program overlap are discussed only generically as components of broader objectives (such as working with agencies to identify solutions or to carry out the Results Act). The Congress and a large body of our work have identified the fragmented nature of many federal activities as the basis for a fundamental reexamination of federal programs and structures. Our recent report identified fragmentation and overlap in nearly a dozen federal missions and over 30 programs.[4] Such unfocused efforts can waste scarce funds, confuse and frustrate program customers, and limit overall program effectiveness. The OMB plan states that the governmentwide performance plan, which OMB must prepare

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[2]High-Risk Series: An Overview (GAO/HR-97-1, Feb. 1997).

[3]Information Technology Investment: Agencies Can Improve Performance, Reduce Costs, and Minimize Risks (GAO/AIMD-96-64, September 30, 1996) and Information Management and Technology (GAO/HR-97-9, February 1997).

[4]Managing for Results: Using the Results Act to Address Mission Fragmentation and Program Overlap (GAO/AIMD-97-146, Aug. 29, 1997).

and submit as part of its responsibilities under the Results Act, will provide the "context for cross-cutting analyses and presentations," but provides no additional specification.

OMB's strategic plan also does not explicitly discuss how goals and objectives will be communicated to staff and how staff will be held accountable. For example, OMB's plan states that OMB staff are expected to provide leadership for and to be catalysts within interagency groups. Yet, the plan does not explain how OMB's managers and staff will be made aware of and held accountable for this or other strategies for achieving OMB's goals. As we noted in our review of the July draft plan, OMB's staff and managers have a wide, expanded scope of responsibilities and many of OMB's goals depend on concerted actions with other agencies. In particular, tackling crosscutting issues will also require extensive collaboration between offices and functions within OMB, which the plan could discuss in more detail. In this environment, communicating results and priorities and assigning responsibility for achieving them are critical.

The September plan more consistently discusses the relationship between annual and long-term goals as part of a discussion of each of its objectives. The plan provides useful descriptions of the performance measures OMB may use to assess its progress in its annual performance plan. For example, the plan suggests that "clean audit opinions" could measure how OMB is achieving its objective in the area of financial management. Such efforts are noteworthy because some of OMB's activities, such as developing the President's budget or coordinating the administration's legislative program, present challenges for defining quantifiable performance measures and implementation schedules.

Although the September plan provides a more consistent and thorough treatment of key external factors in achieving its goals, OMB could explain how it can mitigate the consequences of these factors. For example, OMB states that its goal of ensuring timely, accurate, and high quality budget documents depends on the accuracy and timeliness of agency submissions of technical budget information. However, there is a role for OMB in

assisting agencies to improve the accuracy and timeliness of data, particularly for such complex issues as estimating subsidy costs for loan and loan guarantee programs.

OMB's discussion of program evaluation could provide more information about how evaluations were used in developing its plan and how evaluations will be used to assess OMB's and federal agencies' capacity and progress in achieving the purposes of the Results Act. In preparing its strategic plan, OMB states that it reviewed and considered several studies of its operations prepared by OMB, GAO, and other parties. The plan also states that OMB will continue to prepare studies of its operational processes, organizational structures, and workforce utilization and effectiveness. However, OMB does not indicate clearly how prior studies were used, and OMB does not provide details on a schedule for its future studies, both of which are required by the Results Act. OMB officials have said it would be worthwhile to more fully discuss the nature and dimension of program evaluation in the context of the Results Act. As we noted in our review of the July draft plan, evaluations are especially critical for providing a source of information for the Congress and others to ensure the validity and reasonableness of OMB's goals and strategies and to identify factors likely to affect the results of programs and initiatives.

A clearer discussion of OMB's responses to and plans for future evaluations could also provide insight into how the agency intends to address its major internal management challenges. For example, a critical question facing OMB is whether the approach it has adopted toward integrating management and budgeting, as well as its implementation of statutory management responsibilities, can be sustained over the long term. In view of OMB's significant and numerous management responsibilities and the historic tension between the two concepts—of integrating or segregating management and budget responsibilities—we believe it is important that OMB understand how the reorganization has affected its capacity to provide sustained management leadership.[5]

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[5]Managing the Government: Revised Approach Could Improve OMB's Effectiveness (GAO/GGD-89-65, May 4, 1989).

In our 1995 review of OMB's reorganization, 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.[6] We suggested that the review focus on specific concerns that need to be addressed to promote more effective integration, including (1) the way OMB currently trains its program examiners and whether this is adequate given the additional management responsibilities assigned to these examiners and (2) the effectiveness of the different approaches taken by OMB in the statutory offices to coordinate with its resource management offices and provide program examiners with access to expertise. In commenting on our recommendation, OMB agreed that its strategic planning process offered opportunities to evaluate this initiative and could address issues raised by the reorganization. Although OMB's plan states that it will increase the opportunities for all staff to enhance their skills and capabilities, it does not describe the kinds of knowledge, skills, and abilities needed to accomplish its mission nor a process to identify alternatives to best meet those needs.

In summary, OMB has made significant improvements in its strategic plan. However, much remains to be done in improving federal management. We will be looking to OMB to more explicitly define its strategies to address important management issues and work with federal agencies and the Congress to resolve these issues.

Mr. Chairman, this concludes our statement this morning. We would be pleased to respond to any questions you or other Members of the Subcommittee may have.

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

Mr. HORN. I now yield 5 minutes to the gentleman from Illinois, Mr. Davis.

Mr. DAVIS of Illinois. Thank you very much, Mr. Chairman.

I found your testimony to be quite interesting. Let me ask, if you had to choose one area for OMB to focus on, given all of the parameters and all of the needs, what would that area be?

Mr. POSNER. If in terms of enhancing its own capacity to provide leadership for the Federal Government in management issues, I think probably would be the one area that I would suggest. Although there are a variety of issues that regard specific management problems, but really how it is going to, as I said a little bit ago, sustain its own institutional capacity and focus consistently across budget years on these management issues, I think is one thing that really warrants further attention.

The strategic plan is one factor among many that will condition their success in this area. There is a whole set of questions when you have an integrated focus, like they do on management, as to the skills and training of the examiners that are focusing on specific agencies as to their capacity to address some of these issues.

There is the question about how successful collaboration is within OMB among experts in areas with the examiners, as well as with agencies. One of the things that OMB has been doing far more effectively, in our view, is working on councils with agencies so that you have a partnering approach and a collaboration. Those kinds of strategies need to be examined as well.

Most importantly, the whole premise of OMB 2000 is the fact that you can use the budget to reinforce management priorities and objectives. A real key question is to ensure that that happens consistently so that such criteria as the Raines rules and information technology performance evaluations can be integrated into OMB's review of the budget itself. So there are a variety of critical and internal factors that will be important to sustain this focus over the years.

Mr. DAVIS of Illinois. How well would you say that operating agencies are responding to OMB recommendations?

Mr. POSNER. Well, I don't know.

Chris, do you want to look at that?

Mr. MIHM. In any particular area, Mr. Davis?

Mr. DAVIS of Illinois. No, just pretty much across the board, in terms of the overall responsiveness to OMB directives and recommendations.

Mr. MIHM. Using examples from our work on the Results Act, I think agencies have been pretty good in responding to OMB direction. One of the things that has helped a lot, aside from the fact that when OMB gives guidance, agencies have a tendency to listen, is the attempt to integrate management and performance information into the budget process.

Agencies have seen OMB get serious about that, and increasingly they are seeing Congress get very, very serious about that as well. That has a tendency to focus the minds of agencies and let them know this is not a separate drill to be done by some staff office, but the Results Act is something to speak right to the heart of how they run their agencies and how resources are to be allocated. So the integration of performance information into the budget process

has been instrumental in that regard, both in OMB and up here on the Hill as well.

Mr. POSNER. I think another successful example is the financial management area, where OMB has convened the Chief Financial Manager's Council, that has taken oversight of objectives and guidance, all in the interests of trying to improve the data used in decisions and the financial management of agencies.

Mr. DAVIS of Illinois. Mr. Posner, you indicated that you thought that OMB had made tremendous progress in leadership development, but had not gone far enough. What might be some of the areas that you would see progress being needed?

Mr. POSNER. Well, I think the whole question of, again, the development of skills and training among the examiners is going to be important as we move forward with this approach. Our ability to develop good evaluations of the programs and the management policies that we have so that people are working with data that is validated is important. And I think one of the keys that we all need to keep an eye on is that it is important to sustain interest and attention, for a lot of these initiatives take many years to successfully implement. We have been at improving financial management now since the 1990 CFO Act, the 1994 GPRA, and what we needed to reach even the level we have is an institutionalized focus so that leaders may come and go, but there is a process in place, and the leaders themselves maintain a commitment from the top to make these things work.

As Chris said, agencies will take a close look at the signals being sent from OMB and the Congress on how seriously these initiatives are being taken. Both of those kinds of things, the leadership from, frankly, the Congress and the President, are important to sustain the kind of commitment we are talking about.

Mr. DAVIS of Illinois. Strategic planning isn't always easy to get at in terms of just simply jumping out at you, and sometimes the establishment of goals, that is, where you are really headed and when you are going to get there, takes a great deal.

Do you find the other agencies are as involved in their own strategic planning as you interact with the OMB effort as would be desirable?

Mr. MIHM. I think, Mr. Davis, the extent of agency progress on strategic plans has been very uneven. This is based primarily on our reviews of the draft plans which we did at the request of Congress. We are now looking at the plans that came in on September 30 and will report on them as well.

One of the problems that we saw consistently across agencies was weaknesses in thinking through the strategic goals. That is, often the goals were not nearly as results oriented as they could be, and that is even recognizing, as you mentioned, for many agencies developing such goals is a substantial challenge. But there were just some obvious cases where they were not nearly as results oriented as they could be. In other cases, agencies established goals that did not cover all the major functions of their agency, so there would be a large part of the statutory responsibilities not covered by the draft strategic plans.

A third problem we saw in terms of the goals, which is hard to get a handle on for agencies, there was the lack of clear linkages

throughout strategic plans. They would set goals, and we would see strategies in a different place, and it wasn't clear how strategies were tied to goals.

As Paul mentioned in the initial comments, that was one of the strengths we saw in the OMB plan this time around, and we understand from a number of the plans that came in on September 30 these types of issues have been dealt with at least to some extent. But we expect, based on experience here in the United States and other countries that have done something like the Results Act, that it will take us a few years before we get to goals with agencies; that is, they are as results oriented as they could be.

Mr. DAVIS of Illinois. Thank you very much.

It seems like even though it is tough, we are headed seemingly in the right direction, and ultimately it looks like we might get there.

Mr. MIHM. One of the things we need to keep in mind is we are at the beginning of the process. We have certainly had a 3-year pilot phase. Other countries, such as Australia, New Zealand, Canada, Great Britain, have spent years doing something like the Results Act. When we have talked with officials in those countries, they have underscored two things. First, how far we believe they have to go, and second, based upon how far they have come, how comfortable they are with the progress they made. They say you want to scope your eye on the price at the end, but it certainly is worth going down the journey. You will start seeing improvements as you do implement reforms.

We have heard from a number of agencies, just the congressional consultations they went through last summer, before the plans were done, led to substantial improvements in the quality of their strategic plans.

Mr. HORN. We will have another round. I will yield myself the 8 minutes I gave Mr. Davis. We will start the dialog and then go back to 5 minutes.

I was very interested in the High-Risk Series on which you have done such an excellent job and the lack you feel of followup by OMB in a lot of these matters, which are clearly of interest to Congress in their various authorization and appropriation subcommittees. But I would like to also ask, do you have any sense of the degree to which inspector general reports are reviewed, chief financial officer reports are reviewed, and now chief information officer reports? Do you have any feeling as to what degree OMB follows up on what surfaces in those reports?

Mr. POSNER. That is a good question. I am not sure I can directly answer that. I know when we looked at OMB 2000, I would say it was probably selective in terms of, for example, in the financial statement area. Some RMO's seem to be focusing quite a bit on that, on the financial statement audit reports, and others were still, I would say, in the transitional phase. I am not sure whether these were valuable. Some of the staff indicated they were not sure they quite understood what their implications were or even how to read them.

Whether that has changed in the years that we have looked at it, I don't know at this point. But I think the thing on the high risk that just warrants some mention is that we feel like there should—

in terms of the overall strategy, that we have sustained a commitment to addressing these issues as a body of work, recognizing that these issues take many, many years to resolve. I think you may find further specification by OMB in terms of how they are going to address some of these specific issues in other contexts down the road. But resolving the variety of issues, whether it is student loans, HUD management, or whatever, as you well know, takes many years of sustained commitment.

Mr. MIHM. May I add to that, Mr. Chairman? I think one of the challenges that we face is taking these various different reporting requirements and making them more results oriented; that is, more informative for the types of decisions that Congress faces and with OMB and what the agencies face.

We certainly have been making some progress or can expect some progress because of the Clinger-Cohen Act, which requires agencies to be more disciplined and strategic in their information technology usage. Under the FASAB requirements and the requirements coming out for audited financial statements and the accountability reports, we can expect those to be more improved and useful documents as well.

The next element or the next piece of the puzzle that needs to fall in are reports from the inspectors general. I know this committee has expressed some interest and concern and is working with OMB in making sure that the inspectors general are focusing on Results Act-type questions, and looking at the results of agencies, as well as being positioned to provide Congress and agency decisionmakers with the information they need. So it is getting these reports to provide useful information that is the key thing we think that progress needs to be made on.

Mr. HORN. That is a very important point. Has the General Accounting Office ever done a complete indepth study of OMB and how it functions? Are the people in certain positions at least in the paper record qualified to deal with management issues and not simply budget issues? Have we ever had you look at OMB from that standpoint?

Mr. POSNER. We issued a report in 1989 which was a management review of OMB, which largely did focus on the management process and their approach to implementing a variety of management policies. That report focused on the kinds of instrumentalities OMB uses to implement its leadership, how it sets its priorities. It focused on some of the problems that were occurring that we saw. One of them in particular was the lack of integration between the initiatives pursued on the management side and the budgeters and how the agencies perceived wide disconnects between those two units as they pursued seemingly either conflicting or separate agendas.

So that was the last time we have taken a real indepth look at the institution itself.

Mr. HORN. Was that report asked for by Mr. Panetta, then chairman of the Budget Committee?

Mr. POSNER. I don't believe so.

Mr. HORN. I just wondered, in other words, because at one point he felt they were overlooking the management function completely. He changed his view when he became Director of OMB. He didn't

want us bothering him about managing questions. Get us a few copies of that classic report of which I am not aware until right now.

Mr. POSNER. OK.

Mr. HORN. We will wade through it.

Let me ask you, is it fair to summarize your comments, Mr. Posner, with the following: OMB has made real improvements in its strategic plan since the July draft, but they still have a long way to go. Is that a fair comment?

Mr. POSNER. There are really two ways to address that. One is with regard to the strategic plan, I think it is fair to say they have made considerable progress. They do have some more areas, as I indicated in my testimony, that they could specify objectives more clearly; focus on some things that we think were overlooked, like the crosscutting program problem, if you will; better flesh out how they are going to address the way they evaluate their own initiatives and the kinds of information they are going to use to know whether they are on the right track. So I would say that from that perspective, we, as we are fond of saying, progress with problems, if you will.

In the overall context, beyond the strategic planning, I think there are a variety of elements that need attention beyond just what is in the strategic plan. As I said earlier, to focus on the kinds of management capacity questions, the leadership strategies that are used, how effective they are at different approaches, focusing more on evaluation and how that is used in this whole process, and, most importantly, what kind of followthrough exists with these kinds of initiatives. Are we making sure that we are not focusing on policies for the particular year, but that we are sustaining them over the long term, particularly in the budget review process, because that is where agencies really look to read the tea leaves and see how serious the Government is going to be committed to a variety of different programs and objectives.

So those are all what I would consider open questions at this point that need to be continually monitored.

Mr. MIHM. If I could add briefly to that, Mr. Chairman. The key issue we need to be concerned about is attention to cross-cutting program-particular issues. In that regard, the Governmentwide performance plan that OMB will deliver with the President's budget in February is the key document. As you know, we don't have a Governmentwide strategic plan requirement under the Results Act, so it is going to be absolutely critical that the Governmentwide performance plan be a key document that can address Governmentwide programmatic issues, and we understand from OMB that their thinking is leaning in that direction.

Mr. HORN. You know the high-risk series. Let's take two examples. Is there any evidence of the degree to which OMB—and we will ask Mr. DeSeve that question also—the degree to which OMB has tried to do something about examples of major computer failure, if not scandal, of FAA and IRS, both at the $4 billion, with a B, mark? Is there any followup that you have seen evidence of?

Mr. POSNER. I can address the broader question about their leadership and information systems. As to the questions about FAA and IRS, I would probably defer to Mr. DeSeve——

Mr. HORN. He will get his licks in.

Mr. POSNER. I think basically on the information area, it is one that is still in the process of being—where the leadership function is being articulated. As you know, there is a CIO Council, and CIO's are being appointed. OMB has articulated a process through both the Raines rules, which is a series of criteria they are going to apply in making their budget decisions, as well as a variety of formats that agencies are required to submit data to them on information acquisitions.

So there is a lot of development that is in the process of taking place. I would say in our view, they are not as far along as they are in financial management. Of course, they have not been at it as long.

Again, the key question is whether these initiatives bear fruit in making more appropriate investment decisions in the budget. I know we have on record expressed concern about the budget proposal last year for IRS suggesting that IRS have a 2-year budget for a large information system for the TSM program without what we felt was a detailed plan specifying how that was going to be spent, and given their track record, we raised some serious questions about proceeding with that proposal.

Mr. HORN. One last question on this area, and that is leaving aside the OMB budgetary responsibilities, do you feel that OMB has a sufficient mandate in various management agencies, and that mandate, to what degree are they not fulfilling it? In other words, it has a lot of obligations that they need to do under the management area throughout the Federal Government. Do we have any idea through the General Accounting Office that they are not fulfilling some of those obligations?

Mr. POSNER. I can address a portion of that by saying that we have been heartened by—recognizing there are numerous management policies that OMB is responsible for, and their limited staff—the development of their role not as a doer, but as a catalyst and as a provocateur in engaging agency partnership in implementing many of these as being absolutely critical. The CFOC Council being perhaps the best example of that, the way they developed their recent capital planning guidance is another good instance of how they achieved partnerships with a variety of Government agencies involved in planning.

Having said that, I feel like there are some areas where we feel that OMB probably could be focusing more on some issues that are important, and Chris mentioned one with the crosscutting programs, which is an area that has not received the kind of push that it needs. Lacking a central push, agencies probably need to focus on issues where they are performing related activities that perhaps they themselves are not sufficiently aware of. That is the kind of example where central leadership is called for; not necessarily central doing, but a convening role to stimulate agencies to get going on some of that.

Another one as I talked about earlier is program evaluation, and really program design issues, where we think that OMB can do more. They have indicated an interest in doing more to stimulate that infrastructure out there to make sure as GPRA is coming online, we are getting the kind of studies we need to generate the in-

formation to validate some of these measures. So those are two areas that we think——

Mr. HORN. I yield 7 minutes to my colleague, Mr. Davis.

Mr. DAVIS of Illinois. Thank you very much, Mr. Chairman.

Mr. Posner, I know that in planning it is not always as easy to be as specific as those of us who want to look at the plans would like to be able to have in front of us, but it seemed to me the means and strategies used to achieve goals in the plan are somewhat general and do not suggest what resources are needed; what are we going to have to do to really move. Could you share some more detailed thoughts and ideas about what we are going to need?

Mr. POSNER. I think in our reading of the plan, it is fair to say it is uneven across the various objectives. For example, in the procurement, in the regulatory objectives we felt that given the constraints of a plan that it was a pretty good effort to indicate the kinds of strategies that they were going to pursue to achieve those goals: In the procurement area, working with agencies to develop a best practices guide, for example, and working with agencies to improve access to commercial products.

In other areas, we felt that it was too vague to give us a sense of how they were going to be working to pursue these objectives. Information technology was one example of that. Critical mission areas of problems was another, where we really didn't get a sense as to what specific areas they were going to target.

Now, in fairness, I think, I will leave this to Mr. DeSeve to fill in, these are some areas that OMB may decide to defer to the annual performance plan or the governmentwide plan, and perhaps what is more important for those of us who have an oversight interest is making sure that the variety of goals and purposes and strategies become publicly accountable in some forum. The plan is obviously one opportunity. There are a variety of others that OMB may choose to use. But what is really important is making sure that we follow them as they articulate these approaches and review them.

Mr. MIHM. Mr. Davis, I can speak more broadly to all the agencies' draft plans from the summer that we reviewed. Questions of strategy were one of the things that we focused on most directly. I quite agree with you, it would be unreasonable in a general sense and foolish in the specific sense of anyone to be expecting that every day-to-day element be detailed in the strategic plan. You would end up with a document that wasn't strategic, and you could break your foot if it fell on it. Indeed, some of the plans that came in their strategic plans were quite voluminous in that regard. The threshold question we were asking ourselves is, the strategies articulated in this plan, would they give an external user of the plan—that is, the Congress; OMB; or a key manager within the agency—a fairly good feel for how this organization is going to achieve its goals?

One of the concerns that we had is that it often seemed to us that what agencies were taking their existing program structure—the existing things they did every day—and then building the goals off of that, rather than the other way around, which is exactly what you want to do in a strategic plan, start out with your mis-

sion, figure out your goals, and then focus on the strategies you will be using to achieve that.

You are quite right, we don't want to have every single thing detailed in a plan, but what concerned us is often in plans we did not see a level of detail that would even give an external user such as the Congress a good road map for how is this organization planning on achieving its goals.

Mr. DAVIS of Illinois. I just have one additional question. When we talk about becoming more results oriented, are we talking about becoming more cost effective at the same time that we are talking about becoming more efficient in reaching the goal; that we are going to do two things in all likelihood: We are going to do a better job of reaching the goal, and we are going to do it more efficiently and more cost effectively?

Mr. POSNER. I would endorse that. I think that both issues should be focused on.

If I can address an issue regarding that, it is important in this whole process to not lose sight of the cost side. As we focus on results and outcomes and seek to understand the impact our programs are having on improving societal well-being and other objectives we are trying to pursue, we have to focus on what is the most cost-effective way of doing that. That means it rests on making sure we have adequate cost data.

Agencies do not have cost accounting systems. There is a process under way that hopefully in several years will ensure that agencies can generate data so that you can associate how much it costs to provide this service to the public, for example. We don't have that kind of information readily available right now. Very often it has to be hand generated and generated on an ad hoc basis.

Hopefully down the road we will be able to systematically associate the costs of doing a particular line of business and the costs of alternative levels of what our target performance will be. Until we do that, it is going to be more difficult to address the second part of your question, how we more cost-effectively achieve these things.

Mr. DAVIS of Illinois. Do you think that might be one of the reasons we have so much conversation about privatizing and outsourcing; that if we had this handle on costs internally, in terms of what it was costing us to do, that this may reduce some of that conversation?

Mr. POSNER. Well, at the very least it would promote a more level playing field to analyze those alternatives.

Mr. MIHM. I would add it would also inform that conversation. One of the things that we have seen in our examinations overseas—in fact, a deputy defense minister for Australia was over at the GAO just a few days ago, and he was underscoring for us that you want to have good cost information on hand that shows how much is it costing the government to do an activity before you make contracting and privatization decisions. Other than that, you could be giving away the store and not know it.

Mr. DAVIS of Illinois. Thank you, gentleman, very much.

Mr. HORN. I thank you. That was an excellent series of questions and dialog. Let me pursue a few more here, and some of them relate to what has been brought up by Mr. Davis and myself in earlier questions.

The previous Deputy Director for Management, in one of his last appearances on the Hill before this committee, insisted that all 540 people at the Office of Management and Budget are focused on management improvement. Now, does GAO see that level of effort impacting the agencies last year?

Mr. POSNER. Well, I think it is important to distinguish between the big M and the small M. When you talk about the big M, how many people were involved in looking at financial management, the CFO implementation, IT, GPRA, well, we don't know. I mean, again, we have not been in there for several years to even really address these questions. But I would be able to probably say that every budget analyst should be doing small M management; that is, how well is my program working, what data do I have, how well-designed is it, what does the implementation record look like, do we need to rethink the formulas we are using, the matching rates, the administrative arrangements, and that kind of thing. If they are not doing that, they are not doing good budget analysis.

That is why integrating budget and management together really not only, as OMB argues, may give you more leverage in the management side, but should improve the quality of your budget analysis. It is hard to imagine a budgeter overlooking financial statement data and doing an analysis of an important agency program or making decisions on IT without using some of the tools that we have now given in that process.

So it's a question that we have not addressed directly, but I think it partly depends on what specific management focus you have.

Mr. HORN. We will give you a large list of questions to which you're free to add your own on this very subject.

In the OMB 2000 reorganization, as I remember, OMB moved a total of 68 staff members from management staffs to the five resource management offices where the budget is considered. I agree now and I agreed 30 years or so ago, when I wrote "Unused Power: The Work of the Senate Committee and Appropriations." I suggested we merge committees up here, which, you know, that will be the day, but we could merge appropriations subcommittees into a similar five areas so we could deal with the budget.

They sent up a unified budget. We rip it into 13 congressional appropriations subcommittees on both sides of the rotunda. I have always felt that was a little silly, but we'd have to have the unhappy departure of eight people before we ever get to that.

But I'm interested in the business of moving the management staff into these offices. Now, you'd think, and we will be asking—Mr. DeSeve has had an hour there to know what kind of questions he's going to get, which is rare around here, but I want you on the record, too. But I think that ought to help with budget examiners. But a good management team can send over a whole bunch of questions to every budget examiner, also. You don't need to sit there, but you just need to make sure that the budget examiner understands what the management problems are in that particular agency.

Obviously, my query to GAO, and maybe this will be in your forthcoming study, a best seller, do you see that the level of management improvement being delivered through the resource man-

agement offices has been improved as a result of those 68 people moving from management staffs to the resource management offices?

Mr. POSNER. Well, we have no recent data to base this answer, but I will tell you what we saw in OMB 2000 when we did that report several years ago, which was just the first year of implementation, was a mixed picture. In other words, in some cases, these additional management people that moved over were working side-by-side with the program examiners to enhance their ability to address issues. In other cases, these management people were essentially given budget accounts to examine.

And so there were a variety of practices across the agency that complicate the answer to that question. And I also want to say one other thing. We found it a mixed picture, too, in terms of the impact that this shift had on the examiner's focus on management. Some of them felt, frankly, uncomfortable at that time, although this was the first year, in addressing issues that they had very little familiarity with, the financial management and statement analysis being a good example.

On the other hand, we did record impressions at the very least and looked at the budget documents that suggested that there was more attention given to some of those management issues after the reorganization than there was before. Part of that clearly reflected the top commitment that the director at the time conveyed to the staff about addressing performance information. But part of it also reflected that there was a greater sense of ownership by the RMO's over these issues, that there was a greater sense that they were being held accountable in the director's reviews, for example, to address some of these issues.

Now that—obviously we haven't been there for 2 years. Whether that's being sustained at this point, whether some of the initial nervousness and discomfort about addressing these issues has evaporated with the passage of time, we don't know.

Mr. HORN. Has GAO kept any data in terms of what New Zealand, Australia, and the benchmark program in Oregon are doing? These are good examples of best practices of public management in public programs.

Obviously, in the private sector, one can say, hey, it's the bottom line. Either you make a profit, or you're out of here. We can't say that in the public sector. Our goal is to serve people, meet certain needs.

Now, is there sort of a data bank where you have examples of what a performance measure really is? I think I've said in this committee before, the idiocy I once saw by the Department of Justice on this subject when I was chairman of the National Institute of Corrections. Without any consultation with the agency, not even hello, they send over a dumb report made on the one thing they knew that they could consider effectiveness. Which was a crazy bunch of numbers they found somewhere that had nothing to do with effectiveness. They never asked us how effective are you and they never consulted with us.

I'm trying to avoid that in this type of endeavor, where we could talk about what are reasonable performance standards, just as Oregon talked with its citizens, its taxpayers, its agency executives,

and the non-profits that relate often to government programs. What can you tell us to be helpful in that area?

Mr. MIHM. Mr. Horn, we've issued separate reports within a couple years ago on the lessons from leading foreign countries, Australia, New Zealand, Canada, and Great Britain in particular. We've issued reports looking at leading States here in the United States, both in terms of performance budgeting and results-oriented management more generally; and part of that included a review of Oregon.

More recently we've been continuing to track work that has been done through the OECD and I know that OMB has been particularly involved in this. Former OMB Director Rivlin was at a Minister meeting, I believe, in March 1996 on this in which they talked about public management initiatives and how to share ideas among the OECD countries.

So there is a fairly robust body of information that is beginning to emerge from around the world on what's going on. One of the things I will let you know about is, although a number of other countries have been at this longer than we have and that we have some important lessons to learn from them, in terms of the scope of the effort and the seriousness of the effort, the United States is really pretty far out ahead of the rest of the world. Certainly just the size of our government means that we would be a bigger effort than the rest of the world.

But we're dealing more directly with some of the very difficult issues in performance measurement and goal setting that Mr. Davis was alluding to earlier. More so than other countries around the world. So while we're learning from them, they're learning equally from us as well.

Mr. HORN. That's an excellent summary. And furnish another set of the reports for the minority and majority members.

Mr. MIHM. Yes, sir; I'd be happy to.

Mr. HORN. My question comes, since you brought it up, on the duplication of programs there. Have you seen anywhere near 540 staff members talking about ending the duplication of the Federal programs in the Office of Management and Budget? Is there any evidence that even 10 have talked about the duplication of Federal programs?

Mr. POSNER. We haven't been in there to really ascertain that.

Mr. HORN. Let's ask Mr. DeSeve that. If you can—Mr. Davis, do you have any more questions?

Mr. DAVIS of Illinois. [Nodding in the negative.]

Mr. HORN. If you can wait through Mr. DeSeve's testimony. It would be helpful, I think, if you heard it and gave us whatever your perspective is. So we're going to now have the Acting Deputy Director of the Office of Management and Budget, Mr. DeSeve.

I think we want to swear in Mr. DeSeve and those who will be testifying, if you've got aides that will also be testifying.

Mr. DESEVE. No. We're just organizing the materials. Thank you.

[Witness sworn.]

Mr. HORN. The clerk will note that the witness has confirmed. And we'll be glad to give you 10 minutes, 15 minutes for your opening statement. I know it can be read in that time. But I would just sort of really like your summary of it.

STATEMENT OF EDWARD DESEVE, ACTING DEPUTY DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET

Mr. DESEVE. Thank you, Mr. Chairman. I would like to talk about two things today. First, I'd like to talk about the Governmentwide strategic plans that have been received so far. Second, I would like to talk about OMB's strategic plan. But before I begin, because I know that you're a professor of management, I brought with me my well-thumbed copy of Peter Drucker's "Management, Tasks and Responsibilities," so that we could have a reliable source to fall back on.

Drucker talks about strategic planning. Now you've seen the quote in my testimony, but I would like to comment on it again, because I think it's apt. He says: "Management has no choice but to anticipate the future, to attempt to mold it, and to balance short-range and long-range goals. It is not given to mortals to do well any of these things. But lacking divine guidance * * *" Other than that provided by GAO management. I'm sorry, he didn't actually say that—"management must make sure that these difficult responsibilities are not overlooked or neglected, but taken care of as well as humanly possible."

And I think this is where we are at OMB. We are certainly not purveyors of divine guidance, but we are purveyors of guidance. And it's very important to distinguish, as you look at our own work, the role of guidance from that of actualization along the way.

In terms of the Governmentwide plans, I've provided or will provide a list to you. Do they have the list?

Mr. HORN. I think we have it.

Mr. DESEVE. Do you have this list? Good. This is a list of 94 agencies. I did not personally count them. They were counted by Mr. Groszyk, who is one of the fathers of the GPRA process. These agencies represent approximately 94 percent of the number of strategic plans that agencies were required to file. They were timely and they were compliant.

How did these plans come to be? Did the M in OMB cause them to happen? Yes. Did the B in OMB cause them to happen? Yes. Did the resource management offices [RMO's] who represent both the M and B cause them to happen? Yes. In terms of guidance, we provide agencies with guidance on the budget each year, as well as a series of bulletins and circulars and manuals; the guidance, while not divine, is OMB guidance on how to do it.

As the plans arrived in July, OMB reviewed each plan. It was not done by the M side or the B side. Nor was not done by the RMO side. It was done by all. And the working together of people who were intimately familiar with the programs, the budget examiners, if you will, we now call them program examiners, along with the people who were intimately familiar with the budget process, folks in the budget review division [BRD], as well as my good friend, Mr. Groszyk, and the folks on the M side we believe caused themselves to become more perfected, but not totally perfect. It's not given to human beings to be perfect or even perfectible.

We believe that when GAO studies the plans, they will take out their two stamps. One stamp says progress made, the other says more progress needed. And we'll see the progress made, and others

will have room for improvement. We will see that in the headlines as we go forward.

Our commitment, like yours, is to consistently over a long period of time to make things better. OMB had a strong hand in creating the Government Performance and Results Act, working with Mr. Roth, Mr. Glenn, and others to create that bill, as well as Members here, as Mr. Clinger and others here in this House. So we're in for the long haul.

We agree with you that it's necessary and appropriate to emphasize not only a plan's timeliness and compliance of the plan with the statute, but its quality as well. And you have our commitment that we will continue to emphasize that quality.

We believe you will see most definitively in the performance plans that have begun to arrive with the budget and will be coming in as we go forward.

On my far right is a stack of probably 8 or 10 strategic plans. Beyond those plans there were performance plans that were at least as detailed and in many cases more detailed. In terms of the list I gave you earlier, we will be happy to make available copies of any of those plans. If you want all of the plans, the size of the stack would multiply about 10 or 12 times, just because of the scope of the agencies.

We talked about how the plans came into existence, that is, the OMB guidance, the review, and the work done to perfect those plans. That was done by 540 people. It was done by program examiners who met continuously with the agencies as well as my staff, and the BRD staff, supported by the administrative staff.

Why did we do that? Well, if you look at OMB's mission, you will see that it is to help the President carry out his constitutional and statutory duties; to create policy relating to expenditures, receipts, regulations, information, and legislation; to manage the executive branch of the Government in the faithful execution of laws, policies, and programs; and to provide the highest quality analysis. In assisting the President with the management of the executive branch, OMB has numerous OMB-specific statutory responsibilities and, there, exercises various delegated authorities.

But if we use the word "manage," I believe, other than in the title of OMB, at least twice and maybe already three times, we should define what management is. So, again, I pick up my well-thumbed copy of Drucker. This page is even dog-eared. It says: "Management in turn is the organ of the institution." And I believe he means internal organ as opposed to pipe organ here. I wasn't quite sure when I read it. "It has no function in itself, indeed, no existence in itself. Management divorced from the institution it serves is not management." He then goes on to define management. He says that management is the enabler to achieve the specific purposes and missions of an institution, whether it be a business, enterprise, hospital, or university. Management is about making work productive and the worker achieving and managing social impacts and social responsibilities.

The comportment between Drucker's definition of management and OMB's overall mission statement, of the indecipherable Office of Management and Budget, is, I think, very high. There's a high degree of consonance between the two.

So we can find no way, as some would have us do, to separate management and budget, or even as Mr. Posner suggests to have a big M and a little M. We think managing social impacts and the economic environment, the long-range nature of the economy, and the balanced budget is itself management. It is the organ of the institution, the essence of the institution.

Turning to the OMB strategic plan, it's easiest, perhaps, to look at it on a goal-by-goal basis. You were very thoughtful in your critique. You said we should put the goals on the first page. To be quite honest with you, and it has been very handy for me, as I've had to go through the goals with people, to have them on the first page.

The goals are then followed by a series of objectives. You asked about priorities. If you would like me to prioritize, I'll be happy to say along with the Director, that objective one, is balancing the budget by the year 2002. It has the highest priority.

But to do that, there are other priorities that have to come into play as well. And under each of the goals, I'll indicate those elements which I think have the highest category of priority. I think it's probably safer to say that, rather than a list of the top 10, where 1 is much higher than 5, a banding is probably more appropriate.

Balancing the budget. How will we know if we've done it? Well, this is the budget. You're going to receive one in January or February. Congress will then fund appropriately, because it has the power of the purse, to make the decisions necessary to reach balance. We will provide guidance. We will provide help. We will provide a roadmap. We will argue back and forth with our counterparts in the departments, and with you, about what "balanced" means. But we are fully, firmly, and completely committed to the Balanced Budget Act, which we helped draft along with the Congress, and we are very excited about its implementation.

The second objective is quality. I don't mean to diminish the objective that quality is a priority of OMB, but quality is always a priority at OMB. We believe the quality of the budget document is extraordinarily high. The information available to Members of Congress and scholars, regardless of which volume, the cross-sectional historical analysis over long periods of time will enable us to do the Governmentwide performance plan on a much more thoughtful timetrack than would otherwise be possible.

In your own statement, you mentioned this is really the first time we've actually had to do this. That's true for writing it out and laying it down. But we think the budget is a very strong template, and we'll use that very thoughtfully.

The third element is consistency with the President's plan. The aspect of management, and I'll mention this twice in my comments this morning. That is very much overlooked at OMB is that of coordination. It's one thing to provide guidance, but it's quite another to try to shepherd people along as they work.

The clearance function within OMB is one of the strongest powers we have to ensure consistency. Anyone who thinks that a management activity can occur without the kind of coordination that comes through our A–19 legislative clearance process, is very mistaken.

All roads lead to OMB. You can't get to the Hill with a legitimate piece of testimony unless you came from OMB. You can't get to the Hill with a legislative proposal unless you come through OMB. We then send it out to the appropriate agencies for review and comment. We then receive their comments and resolve disputes.

That, sir, is management. It is managing a very thoughtful, complicated process. And the consistency that we ensure comes largely through the coordination that we undergo.

We then move on to goal 2, which is really—if goal 1 could be characterized as the budget goal—making sure the budget is consistent with policy, the budget is of high quality and timely, and is balanced—goal 2 is management. And this is more focused than anything else because we already talked about the management aspects of goal 1.

The first objective is working with agencies on mission-critical tasks. Mr. Posner was exactly right. In the OMB performance plan, you will see a detailed list of these. Following the Director's review this year, we intend to work with you and your staff, as I've previously indicated, to see if there are any that we have overlooked, and we will ask you to add them.

We will then publish those in the management chapter of budget document, for want of a better word and again as a performance plan for goal 2.

One of the difficulties we had was, again, following your dictum. You said to make it the right length. But there's no right length or wrong length. We made it a length that's consistent with OMB needs. This gave us the ability to do it, to make it that length. Mr. Posner would have, to get a couple of steps ahead of ourselves. And, remember, I look for guidance to the folks from GAO. I'm a real consumer of their reports.

But it's time in the performance plans to be very explicit. But first, we need to consult. This is the list of the Director's objectives. As soon as we've taken it through, which we're doing over the next month or so, the Director's review process we'll be sitting down with you. It will be very explicit.

It talks about FAA reform. It talks about the IRS. It talks about HUD management. But it also talks about some things that we would like to do proactively that don't necessarily represent the risks, but we want to discuss that with you as we go along.

The second item is GPRA itself. We don't think that GPRA is finished. And I would like to make one correction in the record. There is nothing called the Governmentwide strategic plan. There is no such thing. And it's not due in the next several weeks. The statute does not provide for one, and I know of no other statutory basis. I've checked with Mr. Mihm and Mr. Posner. They know of none.

The next milestone that you will begin to see is agency performance plans coming up with their budget as well as the Governmentwide performance plan, which will obviously include OMB's performance plan. And although we will be talking with you, but primarily with the appropriations committees. Why? They will be the recipients of the plans. The plans will come, as they were supposed to interleaved with the budget documents themselves, because we're trying to make resources and results parallel.

We'll be talking to the appropriators about new program structures that would enable these objectives to be shown in a more comprehensive way. Rather than having 20 or 30 different appropriations that are tin-cupped, perhaps we can collapse those into 5 or 6, just as you would collapse the appropriations committee structure. We would—I shouldn't say we would—I would applaud such a reorganization, and we would be happy to work with you on it at any point.

So GPRA——

Mr. HORN. Let me just say to the gentleman, if he'll agree to the Office of Management, we'll be glad to work together on that.

Mr. DESEVE. Mr. Chairman, I would be delighted to agree to the Office of Management as soon as you decide that it's required, having looked at the functions of management in the Federal Government and, at the same time, we'll pass them in the same bill.

Mr. HORN. Let me just note on that appropriations bill, I assume you're also sending that document to the authorizing committee.

Mr. DESEVE. It will go to everyone.

Mr. HORN. Because the rule of the House is you cannot legislate on an appropriations bill.

Mr. DESEVE. Absolutely.

Mr. HORN. That rule is regularly waived by the Rules Committee. And we all know they legislate on appropriations bills. But they do it in this Congress only if the Chair of the authorizing committee has concurred.

Mr. DESEVE. Absolutely.

Mr. HORN. And we need to clue in everybody around here.

Mr. DESEVE. Absolutely. I was really talking more about the structure in the way in which the plans will come up, because we would like to have—just a parenthetical—we would love to see, and GAO would as well, a single budget submission that came to OMB in September and then—except for numbers and verbiage about changes in those numbers—have the same thing that was ultimately enacted the next fall.

I realize that we're a long way from that. But I think in individual appropriations committees, as we begin to get that, other appropriators will see the wealth of information that can be tied to the budget and will begin moving in that direction from the justification they currently have.

Right now, agencies have to prepare two budgets—one for us and one for the Appropriations Committee. We would like to work around that. I'm sorry, I do digress.

When we talk about the third objective under management, we talk about the Office of Federal Procurement Policy. Mr. Posner was nice enough to talk about the capital programming guide. It's this kind of guidance that we refer to in our strategic plan and we make reference to. We will use this tool as a way to evaluate how well agencies are programming.

You asked earlier about information technology systems and other elements of capital programming. Again, we're in the guidance business. Agencies never had this guidance before. Why? There was never a capital budget. If there's no capital budget, arguably, you don't need a capital program. So the discipline of plan-

ning, budgeting, procurement, management, and use was lost in the Federal Government.

I come from an environment of State and local government, as do you in the university system, where that would have been intolerable. So this is the first time there's ever been a guide for capital programming. The Office of Federal Procurement Policy put that out as well as the changes in the FAR.

We talked about the fourth objective, which is improving financial management. And, again, Mr. Posner was nice enough to refer to the CFO 5-year plan and status report. Part of the reason I'm bringing these documents today is to incorporate them by reference. We think that things like the 5-year plan and status report are elements of the OMB strategic plan by reference.

What do I mean by that? If this blue-back document is the home page, you should be able to hot link to the individual component plans. We will very shortly be working with the CIO Council, in fact, in about a month, at their retreat to create a plan that parallels this one, and over a year or two has the same kind of commitments.

Our work in information technology is relatively new. We talk about it under objective 6. Mr. Clinger, who I see looking down on me from Center County, PA, at the airport there, looks fondly at us; and he realizes that there was a need in information technology for that same kind of parallel planning. We will be doing that, and then, by reference, a CIO Council plan will have that same level of incorporation.

But when you get down to the detailed nature of planning, you have to get to our friends in the regulatory arena. When we talk about preparing the annual regulatory plan of the Federal Government under the regulations section, there it is. It may be mammoth, but it can also be summarized. This is really a summary of the important regulations and how they've been achieved. Who did this? M did this. Who does this? The RMOs do this. They work with the agencies, they screen the regulations through the clearance process.

Mr. HORN. Just for the record, so the average citizen will understand what you're talking about, if you don't mind, spell them out. Don't give me the initial bit.

Mr. DESEVE. I will be happy to. This is the Regulatory Plan and Uniform Agenda of Federal Regulatory and Deregulatory Activities. The new one will be out very shortly. This one is dated October 1996, and I would say it's somewhat larger than the Manhattan phone book for those of you who will read the transcript as opposed to those who will see it.

Within that context, we think there is a way to create a smaller document that is a report to the President from the Office of Management and Budget, Office of Information and Regulatory Affairs, that offers guidance on the right way to do some regulations as well as some principles about how regulatory burden should be adjusted.

We're in both businesses. We're in the retail business, as this big book demonstrates, but we're also in the wholesale guidance business as the B and M sides as they interact with each other.

Mr. HORN. Without objection, I would like to have the staff on both sides try to put some of the examples in the record. We obviously can't put everything in but——

Mr. DESEVE. We'll be happy to.

Mr. HORN. We will put some examples so people know what you're talking about.

Mr. DESEVE. I'm going to ask Mr. Breul and Mr. Groszyk to work with your staff to get that done.

Mr. HORN. Fine.

Mr. DESEVE. And at least they can fully be incorporated by references and a number of exhibits.

And finally our last objective, and I mentioned this earlier, is legislative clearance. We call it legislative clearance, but it's really testimony clearance and other things. Again, it too is tremendously important coordinate of force.

Before I move on, I'm sorry, I missed one thing. We call this the Steve Horn Companion Report. When we talk about Y2K, we again see the power of management and budget working together. As you know, the sanctions in M for Y2K are budget related. You're familiar with this report. And you saw that what we did was to draw on the very good work that you've done, in our efforts to report to you and other Members of Congress, on the agencies' progress on Y2K.

We've put in place budget sanctions on three agencies. We've told them that they will get no more money in 1999, because that's the next budget, but also that there will be strictures put in place for 1998 until they get the money to do the Y2K fix that needs to be done. Again, this is the integration that we see time and time again within OMB. That's important. And managing across that interface is important.

Goal 3 talks about——

Mr. HORN. I might add that we will be asking the Director for a list of the reprogrammngs that have been done at the close of fiscal year 1997 directed to the year 2000 problem.

Mr. DESEVE. Thank you.

Mr. HORN. And without objection, it will be put in the record at this point, plus the appropriate hearings that will follow.

[The information referred to follows:]

Most agencies were able to cover their FY 1997 Year 2000 activities within the amounts already programmed for Year 2000 or other information technology activities.

Agencies which did reprogram FY 1997 funds include the IRS, in the amount of $80 million, the Marine Corps, in the amount of $4 million, and the US Agency for International Development, in the amount of $4 million.

Mr. DESEVE. Fine. Would you like us to respond in that way? Or are you going to be sending a letter as well? I'm happy to do it either way.

Mr. HORN. Well, let's do it the easiest way we can.

Mr. DESEVE. Fine.

Mr. HORN. If you want to get a staff to put it in the record that's fine.

Mr. DESEVE. I'll ask Ms. Kountoupes to take that, and we'll get the folks started working on it.

Goal No. 3 looks more long range. It looks at the policy aspects of the OMB. And, again, as Mr. Posner testified, on the one hand this is the most difficult for us. On the other hand, when we begin starting to work with agencies on creating accountability reports under the Government Management Reform Act, we believe we're assembling information in one place on the financial status of each agency. This happens to be Social Security's report.

They'll be adding, Mr. Horn, their IG's reports under FMFIA and their own reports under FMFIA to this fairly readable document, which has performance measures, financial information, and internal control information. It also will have the IG's semiannual report for that period at the same time. The IG has already agreed to that.

We need to expand this prototype. We need to carry this prototype forward Governmentwide, which we will be doing this year. The guidance Mr. Posner talked about and others is, again, an example of us frequently trying to manage the Federal Government often through guidance.

We didn't create this report. We created the framework and structure. We created the leadership on the Hill to get GPRA to include it. And then we created the form and content guidance that allowed agencies to understand how to do this. And that's our job.

We do the same thing in statistical areas, in long-term forecasting. The budget isn't just the main budget document. It's also, as I mentioned earlier, historical tables and analytic perspectives that give both the scholar and practitioner an ability to relate forward, as well as backward, to what's going on.

We couldn't do any of these first three goals without goal four, which is recruiting a diverse and strong work force, and repeatedly training that work force, both on-the-job training, which has been a practical OMB way. We just sponsored a seminar last week for about 70 examiners who felt they needed help in financial management. And we did the same thing the week before in information technology. We do that kind of training continuously.

But, in addition, we have to find ways to get them out into the agencies to understand more about, not just data, but reality, as our friends in IBM have said.

Finally, technology. OMB now, more than ever, is technology driven. If I didn't have the e-mail, if I didn't have a word processing program, if I didn't have my spreadsheet programs, if I didn't have access to the MAX system, which shows me budgetary accounts, I couldn't function. Now, it's all on my console. I have a lot of ability and flexibility because of it.

But it can be better. It can be better integrated with agency systems. We can create a better way for Treasury data to flow in. And we'll be more explicit about that with Mr. Posner than we have been in the past and we will be in the future.

I think I've exhausted my exhibits, Mr. Chairman, and I would be happy to answer any questions.

[The prepared statement of Mr. DeSeve follows:]

STATEMENT OF
G. EDWARD DESEVE
ACTING DEPUTY DIRECTOR FOR MANAGEMENT
OFFICE OF MANAGEMENT AND BUDGET

SUBCOMMITTEE ON GOVERNMENT MANAGEMENT, INFORMATION, AND TECHNOLOGY
HOUSE COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT
OCTOBER 6, 1997

Mr. Chairman, I am here this morning before this subcommittee to discuss the OMB strategic plan. This plan was transmitted to Congress on September 30, 1997, as required by the Government Performance and Results Act of 1993 (GPRA).

GPRA -- or as it is often called, the Results Act -- requires that a strategic plan cover the major functions and operations of an agency. The strategic plan is for a minimum six year period, with the statute requiring that it be revised and updated within three years of the previous submission.

The strategic plan includes the statutorily required elements: a comprehensive mission statement; a set of long-term goals and objectives; a description of how the goals and objectives will be achieved, which we refer to as means and strategies; a description of the relationship between the long-term goals and objectives in the strategic plan and the performance goals in the annual performance plan; an identification of those key factors, external to the agency and beyond its control, that could significantly affect achievement of the goals and objectives; and a description of any program evaluations used in preparing the strategic plan, and a schedule for future program evaluations. The OMB strategic plan addresses each of these six elements.

Nearly 100 Federal agencies are submitting strategic plans to Congress, as well as to OMB. The submission of these plans is the first step in the government-wide implementation of the Results Act. The second step, which is already underway, requires agencies to submit annual performance plans to OMB, and subsequently to Congress. The annual performance plans contain measurable goals defining what an agency will accomplish in a specific fiscal year. The first of the annual performance plans -- for fiscal year 1999 -- are now at OMB. These plans, revised as necessary to reflect the President's budget decisions, will be sent to Congress as part of the annual budget submissions in February. OMB will use the agency annual plans and other analyses to form the government-wide performance plan, which will be part of the President's budget. The government-wide plan will also be sent to Congress in February. The third step is the annual program performance report, comparing actual performance to the goal targets in the annual performance plan. The first of these reports, covering fiscal year 1999 performance, is due to the President and Congress by March 31, 2000.

Let me hasten to add that as these plans and reports are sent to Congress, they are made available to the public as well, so we should not overlook that we have embarked on a very public journey of responsibility and accountability.

Even more unprecedented, by nearly any historic measure, is the sheer scope of government enterprise encompassed by these agency strategic plans. Together, these plans set out a general course of action for how approximately ten trillion dollars will be spent, and what that money will buy -- whether it be products, service, benefits, or security -- for the American taxpayer. Certainly, no Western democracy has prepared strategic plans on this scale, or even attempted the task.

This first set of plans is not perfect, each will have flaws to some degree. This lack of perfection is widely recognized. Renowned management expert Peter Drucker says of strategic planning, "Management has no choice but to anticipate the future, to attempt to mold it, and to balance short-range and long-range goals. It is not given to mortals to do well any of these things. But lacking divine guidance, management must make sure that these difficult responsibilities are not overlooked or neglected but taken care of as well as is humanly possible."

We are still learning how to do this, and so changes will be made, improvements introduced, and future plans will be better. And I hope never to see a 'perfect' plan. We must look at these plans as dynamic instruments, not immutable documents for a museum case or dusty shelf.

I noted earlier that nearly 100 agencies are submitting plans to meet the strategic plan requirement of the Results Act. I have available today a list of more than 90 agencies whose plans are characterized as timely and compliant. This represents a total timely compliance ratio of 94 percent -- an "A" in anybody's book. For a handful of agencies, their plans will be delayed by several weeks to several months, but all will be sent to Congress well in advance of the transmittal of their annual performance plans next February.

The OMB plan is the first-ever strategic plan prepared by OMB under the Results Act. Working to prepare such a plan has been an experience we have shared with many agencies. It has not been easy, nor should it be easy. While a strategic plan may be simple in concept, it is difficult to execute well. And we have learned and profited from our effort, including our consultation with Congress and our stakeholders, and we have a better sense of what we will do, and how we will do it.

While every agency is unique, OMB has many characteristics which set it apart from others. Our strategic plan tries to capture the dimension of our uniqueness -- as a primary source of policy advice and assistance to the President, and having very specific statutorily-assigned roles and responsibilities that cover the entirety of the Executive Branch, and its many and varied programs and functions.

The plan contains four general goals, complemented by 16 objectives. The first goal is centered on the President's budget, its formulation and execution. Allied with this goal are those actions of an economic, fiscal, and regulatory nature that support the President's policies and courses of action.

The second goal focuses on OMB's various management responsibilities, the primary statutes that address how programs are carried out and the government is managed. Many of these statutes originated with this Committee, and this section defines our leadership role for implementing these laws.

The third goal covers the development of analyses and studies of longer-term issues, particularly those of an economic, fiscal, and demographic nature. OMB's fourth goal addresses the internal functioning and capability of OMB.

This plan is much revised from the earlier draft used for consultation with Congress, and to obtain the comments and views of agencies and interested parties. A major change was made to the format and presentation of the various elements of the plan, and we have striven to coalesce various plan elements, such as external factors, with each objective so that both elements and objective can be read in context.

Earlier, I listed the six elements of a strategic plan that is prepared under the Results Act. Four of these elements, the general goals and objectives, the linkage between the general goals and the annual goals, the means and strategies, and the external factors can be found throughout the plan. The mission statement appears once, at the beginning, and a discussion of program evaluations appears in the first section of the plan.

The initial portion of the plan also includes a summarized but comprehensive description of what OMB does, as well as summaries of the relationship of the annual performance goals to the general goals and objectives in the strategic plan, the means and strategies OMB expects to use in achieving these goals and objectives, and the external factors.

Unlike nearly every other Federal agency, OMB has no direct responsibility for an operational program. By not having such programs, we are unable to look at programmatic purpose as a guide for defining the outcomes and results we would seek to achieve. I think it fair to say this introduced a particular challenge to us as we developed our plan.

The very nature of providing policy advice to the President also means that much of the specifics of this advice cannot be anticipated nor described in a strategic plan. An indication of this is that our plan spans two Presidents. We are looking to the annual performance plans, with their more immediate and temporal focus, to provide further detail on specific policies and initiatives to be pursued over a particular fiscal year.

Writing a strategic plan can never be an overnight assignment. OMB began writing this plan over two years ago, and we have used various approaches -- top-down, bottom-up, and organizationally stratified teams -- in the course of its preparation. It is no exaggeration to say that virtually every OMB employee at some point in the past two years has been involved in some way in helping write this plan. This has been an organization-wide effort. Development of the plan began under the leadership of OMB's former Deputy Director for Management, John Koskinen, and has had the active support and involvement of OMB's top leadership, including both Alice Rivlin and our current Director, Frank Raines. As the leader of the group that has produced this September 1997 plan, I would like very much to acknowledge and thank all those in OMB who have worked over these months to help produce this plan.

As we proceed to complete our annual performance plan, our strategic plan will be used as a basis for the annual plan. That will require a close correspondence between the general goals and objectives and the annual performance goals. As we further develop that correspondence, there may be a need to make minor adjustments to our strategic plan. If we do so, we will use the annual performance plan that we send to the Congress next February to identify and describe those changes to the strategic plan. The President of the United States -- our primary customer -- has received a copy of the plan.

The prospect for change in a document so new should neither surprise nor disturb. We must never view these plans as immutable. They are only good and useful when they are able to reflect and represent current circumstances and thinking.

Mr. Chairman, that concludes my written statement, and I am ready to answer the questions you may have.

Office of Management and Budget

Strategic Plan
FY 1998 - FY 2003

September 30, 1997

STATEMENT OF MISSION

The mission of the Office of Management and Budget (OMB) is to help the President in carrying out his constitutional and statutory duties. OMB fulfills this mission primarily by assisting the President:

(1) To create policy relating to expenditures and receipts, regulations, information and legislation;

(2) To manage the Executive Branch of the government in the faithful execution of laws, policies and programs;

(3) By providing the highest quality of analysis and advice on a broad range of topics.

In assisting the President in managing the Executive Branch, OMB carries out numerous, OMB-specific, statutory responsibilities, and exercises various delegated authorities.

GOALS

Four general goals related to OMB's major management and policy responsibilities are presented in this Strategic Plan.

Goal 1: Recommend to the President spending, regulatory, tax, and other policies that fulfill the President's policy goals and promote sustainable economic growth.

Goal 2: Provide management leadership to ensure the faithful execution of the enacted budget, programs, regulations and policies.

Goal 3: Assist the President by providing analysis and advice on critical longer-range demographic, fiscal and economic trends, and on other significant issues

Goal 4: Improve OMB's means for accomplishing work, including development and use of its human resources and information systems.

I. Introduction

The Office of Management and Budget has served the Presidency since 1921, when it was established as the Bureau of the Budget. The career staff of OMB works with policy officials to provide an institutional memory for the President and competent, objective staff support to help develop and carry out Presidential policies and programs and implement Executive Branch responsibilities.

A. OMB's Functions

OMB advocates the appropriate allocation and effective utilization of government resources. OMB assists the President in the preparation of the Federal budget and in managing its execution in the departments and agencies. In helping formulate the President's spending plans, OMB examines the effectiveness of agency programs, policies, and procedures; assesses competing funding demands among agencies; recommends funding priorities; and provides policy options. OMB works to assure that proposed legislation, and agency testimony, reports, and policies are consistent with Administration policies, including the President's Budget. Particular emphasis is placed on managing the coordination and integration of policies for cross-cutting interagency programs. On behalf of the President, OMB often leads in presenting and justifying major policies and initiatives related to the budget and government management before Congress.

OMB has a central role in providing leadership in the development, oversight and coordination of the Federal government's procurement, financial management, information, and regulatory policies as well as in their implementation. OMB helps to promote better program management, strengthen administrative management, develop better performance measures, and improve coordination of Executive Branch operations.

OMB carries out responsibilities under more than 200 statutory provisions, including the Budget and Accounting Act, the Budget Enforcement Act, the Antideficiency Act, the Balanced Budget Act of 1997, the Impoundment Control Act, the Line-Item Veto Act, the Government Performance and Results Act (GPRA), the Chief Financial Officers Act (CFOs Act), the Government Management Reform Act, the Federal Acquisition Streamlining Act, the Office of Federal Procurement Policy Act, the Paperwork Reduction Act, the Clinger-Cohen Act, and the Federal Credit Reform Act.

B. Relation of Annual Performance Goals to General Goals and Objectives

Selective descriptions of the performance goals and indicators that OMB expects to include in its annual performance plan are displayed for each of the four general goals in Part II of this strategic plan. Annual performance goals will be used in assessing the achievement of the general goals and objectives.

Frequently, policy issues that OMB addresses cannot be forecast in advance Nevertheless, judgments can be made about the performance of some of OMB's work

using measures such as the timeliness of its products, the degree to which specific goals are achieved, and its role in the formulation and discussion of major Administration policies and issues.

Several annual performance measures will require OMB to develop baseline information. While OMB does record certain workload data, the amount and type of information collected will need to be expanded.

C. Means and Strategies Used in Achieving Goals and Objectives

Means and strategies specific to each general goal are described in Part II of this plan.

Over the next five years, OMB has assumed essentially stable funding, as contained in the President's fiscal year 1998 Budget. Most of OMB's funding is used to pay staff salaries and benefits, and the goals and objectives are premised on future OMB staffing that corresponds to present levels. The expertise and experience of OMB's staff is crucial to dealing with the broad array of major issues that have to be addressed, many on very short time lines, and to providing leadership for the development of policy and the improvement of management across the Executive Branch. OMB's resources are also used for information technology, which not only assists OMB staff to do its work in support of the President's Budget and many other endeavors, but also helps to provide the Congress with timely, accurate, coordinated information.

OMB uses many strategies to achieve its goals and objectives. The entire budget process, with its instructions, hearings, reviews, budget drafting, and justifications drives the development and coordination of policy; examines efficiency and effectiveness in order to improve programs; allocates resources in accord with Presidential priorities; and presents the President's program. The legislative and regulatory review processes likewise helps to sharpen and coordinate policies. OMB has many authorities to require and define the budgetary, performance, accounting, and other information that agencies must develop, the systems they use to keep and share it, and the analyses they should undertake.

OMB has other authorities to improve, by providing guidance and other means, the financial, procurement, grant, and other management functions of the Executive Branch. OMB staff is expected to provide leadership for and to be catalysts within interagency groups, including the President's Management Council, the Chief Financial Officers Council, the Budget Officers Advisory Council, the Chief Information Officers (CIO) Council, and other professional and programmatic groups. (See illustrative list at Appendix 2.)

OMB works cooperatively with the Congress and with congressional agencies such as the Congressional Budget Office and the General Accounting Office (GAO). OMB also works continuously with the agencies on a wide variety of policy development, budget, coordination and management issues. This contact occurs through formal Councils, informal working groups and individual meetings and conversations.

OMB does not operate programs, make grants or transfers, extend credit or insurance, collect revenues, or benefit from tax expenditures. OMB issues very few regulations.

The OMB annual performance plan will provide more information linking annual performance goals to OMB's overall goals and objectives. This plan will be consistent with OMB's internal planning process and will reflect the information and analyses used in preparing the fiscal year 1999 Budget, including program, policy, and management initiatives that may emanate from agency strategic and performance plans.

D External Factors

A number of external factors, several of which are similar to those identified by other Federal agencies, can affect OMB's ability to achieve its goals and objectives. These include: a significant change in future OMB funding amounts from the assumed levels; enacted legislation that changes the statutorily-prescribed scope of several of OMB's functions, or changes in the respective policy or analytic responsibilities of various offices within the Executive Office of the President (EXOP). Particular external factors that could affect specific OMB goals and objectives are described in Part II of this plan.

E. Program Evaluation

In the course of drafting the plan, OMB reviewed and considered several analyses or studies of OMB's organization, work environment and processes, and implementation of several statutes. These analyses or studies were prepared both by OMB and by other parties, such as GAO.

OMB does not operate programs and a future determination of whether the general goals and objectives in this strategic plan were achieved will not require a program evaluation as such, and no program evaluations are scheduled. However, OMB will continue to prepare specific analyses or studies of its operational processes, organizational structure, and workforce utilization and effectiveness. OMB expects that these studies will be complemented by reviews of particular facets of OMB operations by outside parties, such as GAO.

II. General Goals and Objectives

Four general goals and 16 objectives related to OMB's major management and policy responsibilities are presented in this part of the plan.

The first goal focuses on OMB's assistance to the President in developing policies that will contribute to the fiscal strength of the Federal Government and the economic health of the Nation. This is reflected every year in the annual budget process which promotes analysis of options, policy and program recommendations, and resource allocation decisions.

All OMB staff are involved in assuring effective: management of programs, execution of statutory responsibilities, and implementation of policies and regulations in Federal agencies. OMB provides leadership, guidance and coordination to agencies in developing and administering systems and processes that promote greater efficiency and enhance managerial performance. These activities are the subject of goal two.

OMB provides analyses, estimates, projections and advice on a wide array of longer- range demographic, fiscal, and economic trends, and on other significant issues that affect the entire government. Goal three describes these functions.

Finally, to carry out these goals, OMB must attract and retain a high quality, diverse staff and wisely use its human, financial, and technological resources. Goal four indicates what actions OMB proposes to take to provide an attractive and effective workplace environment

Goal 1. Recommend to the President spending, regulatory, tax, and other policies that fulfill the President's policy goals and promote sustainable economic growth.

The annual budget process provides a structure for the analysis and prioritization of spending, tax and other policies. Much of the work done by OMB is longer range (see Goal 3) but the results of that work are continuously reflected in the President's Budget

<u>Objectives</u>

A. **Implement the five-year budget agreement to reach balance by 2002.** Follow up in each succeeding year to obtain enactment of tax, appropriations, and mandatory spending program policies consistent with the balanced budget agreement.

Relationship to Annual Performance Goals

The ultimate achievement of a balanced budget is not controlled by OMB. However, OMB's contributions in developing policy to affect this outcome can be measured. In particular, OMB's role in achieving enactment of a budget that conforms to the agreement can be assessed. In addition, the President's Budget contains recommendations for reforming or, where necessary, eliminating less effective or lower priority programs; and for shifts in resource allocations or policy changes to meet Presidential priorities more effectively within a balanced budget framework. Goals based on these recommendations will be included in the OMB annual performance plan.

Means and Strategies

OMB will work with the Congress to follow up on the Balanced Budget Act and seek to assure that balance is achieved in 2002 and sustained thereafter. In particular, OMB will follow up to ensure that: (1) the discretionary caps and PAYGO limits are not breached; and (2) within those limits, the President's priorities and policies are protected to the maximum extent possible. OMB's work will include analyses of the effects of particular tax, appropriation, and mandatory spending policies, continued enforcement of sound budget concepts, and cross-cutting efforts to enhance fiscal discipline.

External Factors

Achievement of a balanced budget by 2002 is premised on spending and revenue projections that are based on economic assumptions for the next five years. A significant change in economic conditions could affect the ability to achieve this objective. In addition, Congressional cooperation, through the enactment of revenue and spending measures that achieve balance by 2002, is essential.

B. Ensure that the budget documents are timely, accurate and of high quality. Provide prompt and accurate scoring for legislation that affects the budget.

Relationship to Annual Performance Goals

This objective lends itself to clear, quantifiable measures of performance, such as the timeliness and accuracy of budgetary documents and of the scoring of legislation. OMB currently asks users to comment on the quality of the budget document.

Means and Strategies

Offices in OMB will continue their well-defined roles in reviewing and critiquing agency plans and budget requests, making resource allocation recommendations, producing the budget documents, supporting the budget during the Congressional budget process, and working to sustain budget concepts. OMB will propose policy options that meet overall budgetary objectives and shift resources away from programs which are less effective or important in order to fund programs which support economic growth or advance Presidential priorities. OMB will make recommendations to the President for budget requests to Congress based on critical review of agency planning and budget submissions. In this context, for example, a significant effort is underway to improve agency planning for capital projects.

External Factors

While OMB has overall control over the development of the annual budget documents, and over legislative scoring, its ability to develop the budget accurately and on time depends to a large extent on the accuracy and timeliness of agency submissions of technical budget information and the timeliness of Congressional action on yearly appropriation bills. While OMB should be expected to detect and correct serious errors in agency submissions, it would be impossible to prepare an accurate and timely budget if agency submissions were significantly delayed or of poor quality.

C. Ensure that policies developed and reviewed by OMB are consistent with the President's fiscal, economic and other policy priorities as reflected in the budget.

Relationship to Annual Performance Goals

Each annual budget contains a series of new initiatives as well as descriptions of ongoing programs designed to achieve policy objectives. The extent to which these initiatives and objectives are achieved and lead to improved results can be described in both quantitative and qualitative terms. It will be important to properly characterize OMB's role in the results achieved.

Means and Strategies

OMB provides fiscal, economic, and other advice to the President on ways to shape his policy goals and on methods to achieve those goals, with emphasis on such issues as increasing economic growth by improving fiscal discipline, assessing whether the benefits of current and proposed government programs outweigh

costs, and increasing the efficiency of government operations. OMB also reviews current and proposed policies, including regulatory policies, to ensure that they are consistent with statutory principles and the fiscal, economic, regulatory and information policy priorities of the President. As appropriate, OMB staff will include the impact of policy decisions on growth in their budget, legislative, and regulatory review issue papers.

External Factors

OMB's ability to achieve this objective will depend to at least some extent on the other offices in the Executive Office of the President and other agencies that may have important roles in such policy development.

Goal 2: **Provide management leadership to ensure the faithful execution of the enacted budget, programs, regulations and policies.**

Management of the Federal government is a complex process that requires OMB to provide policy guidance, coordinate activities and assist with implementation within and across agencies. All organizational units within OMB are actively involved in the tasks of management: planning, analysis, organization and direction.

To leverage its own staff capacities, OMB provides leadership to groups of agency managers who share the work of policy development and identifying and implementing the means to better manage Federal resources. (For an illustrative list of these groups see Appendix 2.)

Linking budgetary resource decisions to the management of agency programs is critical. For example, implementation of new information technology initiatives requires both thoughtful guidance and proper allocation of budget resources over the expected development period.

To more effectively link resource allocations and program management, OMB undertook a major reorganization in 1994. This reorganization, called OMB2000, placed the responsibility for oversight of program management in OMB's Resource Management Offices. In their role, the Resource Management Offices receive support from OMB staff offices; and technical assistance from the three statutory offices (the Office of Federal Financial Management, the Office of Federal Procurement Policy, and the Office of Information and Regulatory Affairs). The statutory offices retain the responsibility for developing and issuing policy.

Objectives

A. Work within and across agencies to identify solutions to mission critical problems.

Relationship to Annual Performance Goals

OMB works continuously with the agencies on a range of management initiatives including identifying major management problems and, in cooperation with the agency or agencies affected, attempting to find ways of reducing or eliminating the problems. In each year's budget, major cross-cutting and agency specific management initiatives will be presented along with approaches to solving them. OMB's role will be clearly highlighted. These presentations will serve as one source of information for the OMB annual performance plan.

Means and Strategies

For cross-cutting issues such as credit policy, financial systems standards, the year 2000 and others, OMB will work closely with agency representatives, the Congress, the GAO, the National Performance Review and others inside and outside government to find the best resolution to these issues. For individual agency problems, general guidance is supplemented with the sharing of good practices and hands-on assistance in resolving specific problems.

External Factors

Responsibility for accomplishing this objective largely rests with agency managers, who must actively and effectively carry out both agency-specific and cross-cutting management initiatives.

B. In carrying out the Government Performance and Results Act: ensure that agency performance plans are fully integrated into the budget process; prepare a government-wide performance plan that presents performance goals on a functional basis and includes performance information for program and policy initiatives in the budget; complete the performance budgeting pilot projects; and, ensure that agency program performance reports are coordinated with the agency accountability reports prepared under the Government Management Reform Act.

Relationship to Annual Performance Goals

Prospective measures include: the extent that performance information was available to be used in making budget decisions; the extent that the government-

wide performance plan presentation is consistent with the format and content specification in the objective; the meeting of milestone dates for designating performance budget pilot projects, preparing the required alternative presentation in the President's budget, and transmittal of the OMB report to Congress; and the issuance of guidance covering preparation and submission of an integrated program performance and accountability report.

Means and Strategies

OMB will use its processes for budget formulation to promote integration of the performance plans with the budget process. A function-based presentation of performance goals will provide a context for cross-cutting analyses and presentations. OMB must consult with potential pilot project agencies to identify candidate pilots, and develop adequate selection criteria that will allow pilots to be designated and proceed. The evolving relationship of the program performance and accountability reports will be discussed with the agencies and Congress.

External Factors

None identified

C. Achieve savings, improve quality and increase customer satisfaction in agency procurements.

Relationship to Annual Performance Goals

OMB's long term goal is a Federal procurement system comparable to those of high performing commercial enterprises. OMB will identify annual goals that gauge OMB's success in promoting establishment of a high performing procurement system in which agencies pay less for products and services, increase the value received for the dollars spent, and ultimately improve the support acquisition provides to government programs.

Means and Strategies

To achieve this goal, OMB will work with agencies to facilitate and promote agency use of commercial buying strategies and practices. In doing so, OMB will work with the National Performance Review in maximizing the use of discretion and business judgment by contracting officials and minimizing rule-based procedures to permit negotiation of the most advantageous agreements. OMB will also collaborate with the Federal Acquisition Regulation (FAR) Council, the Federal Procurement Council, and front-line contracting professionals to

accomplish these goals. Specifically, to increase agency use of commercial buying strategies and processes, OMB will work with these groups to secure the discretion under applicable laws and regulations necessary to employ commercial buying practices and will issue appropriate policy guidance. For example, in seeking to make consideration of past performance the norm in source selection, OMB will work with the FAR Council to complete necessary regulatory revisions and will publish a revised best practices document. In addition, OMB will encourage and monitor agency progress in adopting reforms with high potential for improving acquisition. For example, OMB will obtain, review, and conduct follow-up on agency plans to convert services contracts to performance-based ones. And to facilitate conversion, OMB will work with agencies to draft model contract documents.

External Factors

These efforts cannot succeed without the assistance of the agencies. In particular, the Department of Defense, the General Services Administration, and the National Aeronautics and Space Administration, as members of the FAR Council and the largest buying and procurement training entities, as well as other major procuring agencies, have a critical role in institutionalizing these reforms.

D. Partner with agencies to achieve the goals set forth in each year's Federal Financial Management Status Report and Five Year Plan, emphasizing particularly the priority goals relating to financial systems, audited financial statements and GPRA implementation.

Relationship to Annual Performance Goals

OMB will assist agencies in their efforts to obtain clean audit opinions on their financial statements (for the 24 agencies subject to the CFOs Act) and on the government-wide financial statement. As part of the fiscal year 1997 financial statement audits, OMB and the Congress will receive information on the extent to which agency financial systems comply with the Federal Financial Management Improvement Act of 1996. As part of the overall effort to integrate agency systems, OMB will work with the agencies to increase the use of the multi-purpose application card to make payments for travel, small purchase transactions and fleet management.

Means and Strategies

To accomplish this objective, OMB will issue policy and guidance to agencies; offer expert advice to solve problems; help agencies address cross-cutting issues; and help remove obstacles.

External Factors

Continued progress in systems development for both core and feeder financial systems in the agencies is essential to meet the objective. This progress will depend on timely joint development of new systems specifications and a new approach for procuring these systems. The number of clean audit opinions is contingent, in part, on OMB, GAO, Treasury, and the agencies resolving several crosscutting issues in audit policies and procedures both on an agency-specific and government-wide basis.

E. Maximize social benefits of regulation while minimizing the costs and burdens of regulation.

Relationship to Annual Performance Goals

OMB conducts comprehensive, timely and objective reviews of regulations, in particular to assess their benefits and costs, to assure that they accurately reflect Administration policy, and to assure that they appropriately carry out statutory requirements.

Means and Strategies

OMB will work to ensure that the quality of data and analyses used by agencies to make regulatory decisions improves. This will require more focussed use of agency resources and better planning to ensure adequate time and support for such data gathering and analysis. OMB will work with agencies to support further research to develop and improve techniques to measure benefits and costs. Using its role as central regulatory reviewer, OMB will support more uniform application of standardized assumptions and methodologies across regulatory programs and agencies. Similarly, OMB will work with agencies to develop data and methodologies to determine whether existing regulations need to be reformed and, if so, how resources should be devoted to such reform. OMB will develop a pilot baseline measure of net benefits for Federal regulations, and will work with agencies to increase quantitative measures of net benefits. OMB will work with agencies in seeking to maximize net benefits for all regulations reviewed by OMB

External Factors

Performance depends to a great extent on agency capability, which in turn is affected by current program demands; by the need in some agencies to respond quickly to emergencies, such as health, safety or environmental crises, and Administration and legislative priorities. Also, potential regulatory reform legislation or oversight activities may affect OMB's ability to achieve this goal

F. Improve the performance of Federal programs and the quality of public access to information and services by promoting sound Federal and national information, information technology, and statistical policies and practices.

Relationship to Annual Performance Goals

Although OMB does not control how agencies use information and technology, OMB can help agencies decrease the number of troubled IT systems, solve the year 2000 problem, eliminate unnecessary duplication, increase electronic dissemination of information, improve the Federal statistical system, and improve information security and privacy.

Means and Strategies

To achieve this objective, OMB creates policy and oversees its implementation by the agencies. OMB leverages the efforts of interagency groups such as the Chief Information Officers Council to improve the quality of policy, increase its adoption, share best practices, and reduce duplication of effort. For example, OMB developed reporting requirements to measure agency year 2000 progress in consultation with the CIO Council and the Congress. These reports are being used as a management tool by the agencies, OMB and the Congress to assure that all mission-critical Federal systems are year 2000 compliant by December 31, 1999

External Factors

Performance depends to a great extent on agency capability. Policy changes in turn are subject to the astonishing speed with which technology is advancing in the information technology area.

G. Conduct an effective interagency legislative and executive order coordination and clearance process.

Relationship to Annual Performance Goals

Two traditional and long-standing OMB functions are to coordinate the interagency review and clearance for submission to Congress of agencies' legislative proposals, testimony, and views letters on legislation, and to coordinate the interagency review and clearance of draft executive orders for submission to the President

Means and Strategies

OMB strives to ensure that the views of all concerned agencies are taken into account and addressed in communications to Congress on legislation and that these communications reflect Administration policies accurately. OMB also strives to ensure that the views of all concerned agencies are taken into account and addressed in draft executive orders that are submitted to the President for consideration. OMB will continue to work cooperatively with Executive branch agencies to manage effectively functioning interagency legislative and executive order coordination and clearance processes.

External Factors

The primary external factor is the cooperation of agencies in the interagency legislative and executive order coordination and clearance processes and allocation of appropriate resources by the agencies to these activities.

Goal 3: Assist the President by providing analysis and advice on critical longer-range demographic, fiscal and economic trends, and on other significant issues.

OMB provides the President with analysis and advice on long range demographic, fiscal and economic trends and other issues. OMB maintains expertise across a broad range of programs, policies and economic issues and uses a variety of analytical tools, including macroeconomic analysis and cost-benefit analysis.

Objectives

A. Provide accurate and timely assessments of the financial condition of the Federal Government.

Relationship to Annual Performance Goals

OMB will continue to publish with the President's Budget annual analyses of how the Government's and the Nation's financial condition have changed and may change in the future as a result of the Government's operations. These analyses may be judged by the comprehensiveness of the conceptual framework, the quality of the data, the clarity of the assumptions on which the projections depend, and the usefulness to decision-makers of the results.

Means and Strategies

Providing assessments of the financial condition of the Federal Government has both management and analytic components. In addition to its work on agency and

government-wide financial statements, OMB also provides analyses of aspects of the financial condition of the Government, and prepares and publishes long-range estimates that present the effects of various demographic, economic, and other assumptions on the Federal budget.

External Factors

Assessments of the financial condition of the Federal Government will depend greatly on data supplied by individual Federal agencies, and generally the assessment can only be as accurate as the data supplied. In addition, OMB depends on other outside information, and the accuracy of this information can influence the accuracy of the OMB assessment.

B. Develop and present accurate long-range demographic, fiscal and economic trends each year in coordination with the Treasury and the Council of Economic Advisors (CEA).

Relationship to Annual Performance Goals

The accuracy of economic and technical assumptions is measurable through comparison to actual economic data. A difficulty with such measurement is the time lag that occurs between the development of the assumption and the availability of data with which to measure its accuracy. For example, it may be a number of years before the accuracy of default rate assumptions for longer-term loans can be measured.

Means and Strategies

The "Troika" consultation with Treasury and CEA, which develops the major economic assumptions for the President's Budget, is based on analysis of the historical trends and relationships among economic indicators, assisted by a macroeconomic model. However, considerable judgement is required to assess incomplete data, and to identify changes and discontinuities in economic relationships. Technical assumptions for the programs are made by the responsible agencies, with OMB exercising some quality control. Because of the nature of government programs, many of these assumptions are extremely difficult to estimate; in these cases, the strategy is experimentation with alternative methods and specifications with a goal of improving the estimates over time.

External Factors

The economic and technical assumptions on which the Budget is based represent the Administration's estimates of what is most likely to occur if the President's

policies are enacted and implemented. Thus, they may not match the "actual" data if some of the President's policies are not enacted and implemented, if understanding of the effects of policies or the underlying relationships is less than perfect, or if unexpected events occur. Economic assumptions are affected by the quality of economic statistics, such as the measurement of productivity and prices. Technical assumptions are affected by the quality of agencies' program data, their accessibility, and the quality of analysis of the factors that influence them.

C. Complete objective and high-quality analyses on priority policy issues, and disseminate the results to the President and/or other appropriate policy officials in the Executive Office of the President.

Relationship to Annual Performance Goals

Neutral, dispassionate analysis of programs is among the most fundamental functions of OMB. Perhaps more than any other function, this is, and has been, the way OMB can best serve the President. While final recommendations will and must consider other factors as well, OMB has historically performed this type of analysis. Analysis can be essentially of two types: (1) analysis of programs in preparation for events (appropriating or authorizing legislation) that can be readily identified well in advance, or (2) analysis of fast breaking issues or problems (such as the desired response to a natural disaster). Providing judgments informed by analysis unfettered by biases others may bring to the matter is a goal to be sought consistently by OMB.

Means and Strategies

During annual planning processes and throughout each year, OMB identifies policy issues appropriate for analysis. Some of those issues will be for purely internal OMB consumption; some of those issues will be for consumption outside OMB, up to and including the President. Some of the those issues will be prepared by individual OMB staff, and some will be prepared by OMB teams, possibly in combination with other agency staff or in consultation with other EXOP agencies. OMB involvement in policy analysis and advice may include participation in interagency meetings on Administration policy development, both short- and long-range, or other discussions among policy officials. In most cases, OMB analysis of issues will include discussions of the advantages and disadvantages of a variety of policy choices, and the implications and tradeoffs among policy choices.

External Factors

External factors that could affect achievement of this objective, in part, include: the need for cooperation of other participating agencies; and the extent to which

other key actors can provide the primary data and analyses necessary as inputs to OMB analyses. Also, longer range analysis of programs can be interrupted by shorter range, more immediate fiscal crises and/or "firefighting" assignments.

Goal 4: Improve OMB's means for accomplishing work, including development and use of its human resources and information systems.

Objectives

A. Recruit, develop, and retain a high quality and diverse staff.

Relationship to Annual Performance Goals

The following performance measures may be used for this objective: differences between current staff and recruited staff with respect to gender, ethnicity, and disability (reporting will be against a baseline, no quantitative goals will be set); turnover rate among entry level staff compared with their government cohort; and increase in opportunities for staff access to mentors.

Means and Strategies

To accomplish this objective, OMB will: develop and carry out a plan for improving the effectiveness of on-campus and mid level recruiting; explore options for creating a work place environment that recognizes individual needs within workload and resource constraints; and continue and enhance mentorship programs, encouraging highly qualified senior staff members to serve as mentors.

External Factors

The training and experience of OMB staff make them highly attractive in the job market. Despite the importance of the work done at OMB and the high value placed on it, a substantial upward change in the current private-public sector pay differential for OMB staff with highly valued analytic and knowledge-based skills in certain high-demand business areas, e.g., health care economics, could offset OMB's initiatives to improve retention.

B. Increase the opportunities for all staff to enhance their skills and capability.

Relationship to Annual Performance Goals

Among the performance goals OMB may use to record achievement of this objective are: the percentage of OMB staff during the fiscal year in rotational assignments (internal and external), or on temporary assignment or detail

elsewhere; each division develops and carries out a staff training and development plan; training and development opportunities are available to all staff; and the performance appraisal and awards process for all staff is strengthened and enhanced.

Means and Strategies

To accomplish this objective, OMB will: increase the number of staff participating in both internal and external rotational opportunities; continue to assign an "on the job" coach for the initial year of each new employee; encourage managers and staff to develop and fulfill individual development plans, especially for new hires.

External Factors

None identified.

C. Leverage information technology resources to aid OMB staff in fulfilling their mission requirements.

Relationship to Annual Performance Goals

Among the performance goals OMB may use to record achievement of this objective are: an increase in the number and types of information resources available to the OMB staff; improved methods of accessing information and information processes to make information more readily available; ensure that the computer systems used in support of OMB's responsibilities for budget decision making, preparation and execution keep pace with technological change and evolving budgeting requirements; and improved methods for communicating information internally and between OMB and other agencies

Means and Strategies

Examples of activities that have been or will be undertaken to achieve this objective include: placing official statements of policy on the external Homepage; broadening the content and facilitating the use of OMB's internal Homepage; improving the tracking of controlled correspondence; automating routinely used forms; making legislation-related information and statistics and status reports on paperwork reviews and regulatory reviews available electronically to OMB staff; using electronic means to deliver to OMB staff current economic data, economic and technical assumptions, analytical databases and models, staff analyses of short-and-long term economic and fiscal conditions, and other cross-cutting analyses; moving budget systems over the next few years from an outdated mainframe computer to distributed technology; improving electronic communications between

OMB and the agencies; and facilitating "Work from Home" via personal computers.

External Factors

Implementation of each of the above depends heavily on the availability of resources, not only in OMB but also in the Office of Administration (OA) in the Executive Office of the President. Progress is dependent not only on assistance from OA, but also on further refinements in the products which are available from vendors. Agency cooperation is needed to make progress in moving to the electronic transfer of information.

Appendix I

Plan Development

This section provides a brief description of the process used by OMB to develop its strategic plan.

Steering Group: In the early summer of 1995, a "Steering Group" (SG) was established within OMB to oversee the process of preparing an OMB strategic plan. Chaired by OMB's Deputy Director for Management (DDM), the SG was composed of about a dozen staff from various units in OMB, and assured that all OMB staff had an opportunity to participate in the evolution of the plan.

First Phase: The first phase of the development of OMB's plan lasted about a year -- from early in the summer of 1995 to the end of the summer in 1996. Initially the SG reviewed a broad range of information about the development of GPRA, strategic planning techniques, the historical context of OMB, and experiences with strategic planning in other countries and agencies.

After reviewing the information and holding a number of discussions, the SG concluded that a wide-ranging dialogue about OMB's mission, organization, functions and priorities among senior OMB staff was required in order to establish the foundation for an effective OMB strategic plan. It was decided that a two-day, off-site meeting in August 1996 was the best forum for such a dialogue.

The SG developed the agenda and put together the background materials for the meeting. A series of four "brown bag" meetings, to which all OMB staff were invited, was held in July 1996 on "the strategic issues likely to confront OMB in the next decade" as part of the preparation for the August session. A summary of these discussions was included in the materials provided to those attending the off-site meeting.

The OMB Strategic Plan Working Session was held on August 15-16. The participants included almost all OMB policy officials and senior career staff but there were also a number of other career staff present including branch chiefs, support staff and examiners/analysts.

Second Phase: This phase lasted from August 1996 until July 1997. The objective was to produce a draft OMB strategic plan that could serve as the basis for Congressional consultations and review and comment by other stakeholders.

Several activities were the focus of this stage of the process:

- Briefing the Director: Franklin D. Raines, the Director of OMB, was confirmed by the Senate on September 6, 1996. In early fall, the SG briefed the new Director on the planning process to date and received his views and guidance on both process and

substance. He took an active role in preparing the Mission Statement and has carefully reviewed the entire plan.

- Producing a Draft Plan: The SG prepared a summary of the August Working Session, and subsequently produced outlines and then drafts of an OMB strategic plan. These documents were reviewed and commented on by OMB staff in an iterative process.

- Operating Plans: In order to meet the needs of the agency's internal planning process, each office in OMB was asked to prepare an operating plan covering its activities. The units were asked to prepare their plans in the context of the draft outline of the OMB strategic plan. The SG then reviewed the individual plans to assure that there was consistency between the OMB strategic plan and the operating plans and that they reinforced one another.

- "Standdown" Day: At the end of February 1997, all OMB units devoted an entire day to having their staffs discuss two subjects: (1) the unit's operating plan (then under development); and (2) the draft outline of the OMB strategic plan (each unit was asked to provide written comments on the draft).

The various reviews and multiple discussions described above culminated in a draft plan (dated July 23, 1997) that was used as the basis for Congressional consultation and stakeholder review. Copies of the draft strategic plan were provided to the House and Senate Appropriations Committees, the House Government Reform and Oversight Committee, and the Senate Governmental Affairs Committee. Copies of the draft plan were also made available to GAO and the Congressional Research Service (CRS) in the Library of Congress. Several Congressional consultation meetings were held on the plan.

Copies of the draft plan were also provided to all Cabinet departments, many independent agencies, and other offices within the Executive Office of the President. A specific distribution was made to all agency Chief Financial Officers, Inspectors General, Chief Information Officers and members of the President's Management Council. In addition, the draft plan was posted on OMB's website so that the general public could have access to it.

The draft strategic plan was revised significantly as a result of views expressed during the Congressional consultation meetings, written assessments prepared by GAO and CRS, and comments from several agencies and public individuals. The final plan reflects the salient comments received during the consultation process and a final internal review within OMB.

Third Phase: The operating plans referred to above are currently being reviewed in the context of the strategic plan to elicit from them key performance measures which will be used in the development of the OMB performance plan.

Appendix 2

Illustrative List:
Interagency Working Groups

Accounting and Auditing Policy Committee
Budget Officers Advisory Council
Chief Financial Officers Council
Chief Information Officers Council
Electronic Processes Initiatives Committee
Encryption Task Force
Executive Council on Integrity and Efficiency
Federal Accounting Standards Advisory Board
Federal Acquisition Regulation Council
Federal Credit Policy Working Group
Federal Procurement Council
Government Information Technology Services Board
Information Technology Resources Board
Interagency Council on Administrative Management
Joint Financial Management Improvement Program
National Partnership Council
President's Council on Integrity and Efficiency
President's Management Council
Regulatory Working Group
SBREFA Small Business Panels

Mr. HORN. They're very interesting exhibits. And if OMB can do it, I would like to have sets sent to both majority and minority staff and sets sent to the Members that want it, and I would start with myself, Mr. Davis, Mrs. Maloney, Mr. Davis of Virginia, and Mr. Sessions of Texas who are the ones that have the main interest in this operation.

Mr. DESEVE. We'll be very happy to, sir.

Mr. HORN. Give us both sets of all those wonderful reports you just told us about.

Mr. DESEVE. I would be very happy to do it.

Mr. HORN. Very good. Do you have any concluding statement, then?

Mr. DESEVE. No, sir.

Mr. HORN. I now yield to Mr. Davis of Illinois for 5 minutes.

Mr. DAVIS of Illinois. Well, thank you very much, Mr. Chairman.

You know, Mr. DeSeve, I was thinking that maybe GAO takes the position that OMB is always becoming, that you're on the way, that you're moving.

Let me just ask you, do I understand you to suggest that, in order to really get a handle on what you do and how well you're doing it, that you need to look at, not only the strategic plan, but also the performance plans, pretty much at the same time, that is, you——

Mr. DESEVE. Yes, sir.

Mr. DAVIS of Illinois [continuing]. Balance the two.

Mr. DESEVE. It's not enough to look at the Ten Commandments. You have to see how the congregation is doing. We had the Promise Keepers over the weekend who showed us very strongly that they were committed to getting it done. So we have to go beyond just a strategy and get down into the bowels of performance by making very specific annual commitments that can be measured in the following year as to how they've been achieved.

Mr. DAVIS of Illinois. And so some of the questions that might get raised about the strategic plan, the answers are really found in the performance plans?

Mr. DESEVE. We completely agree with that.

Mr. DAVIS of Illinois. Let me ask you, how do you respond to the overall, I guess, characterization of OMB's strategic plan by GAO?

Mr. DESEVE. I think it's very good. I think it's a very positive characterization. The two things that GAO really focused on were crosscutting responsibilities and program evaluation. I've taken a very strong, focused approach that says I need to be satisfied that the performance plans of each agency are consistent with the goals and objectives of that agency before I can get in the business of doing crosscutting evaluation.

Next spring, as part of an organized process called spring review, we will look at those crosscuts. We're trying to organize them functionally. For example, the people at the Office of Drug Control Policy [ONDCP], the drug control folks, have looked at a drug control crosscut. And you'll see that as part of their performance plan. But that crosscut requires them to understand the measurements for other agencies.

And, on another front, the Federal Credit Policy Working Group has looked at debt management and debt collection initiatives. So

we'll be convening these groups in detail next spring. But until we have performance plans, which don't come in until February, it's very difficult to sort through the crosscuts, because you don't know the exact performance objectives for those agencies.

Program evaluation is similar in the GAO critique. I've talked to Mr. Posner and would extend the invitation to this staff as well. I would like to sit down for several hours and talk broadly about what we all think program evaluation means. There's been a historic context in program evaluation where you would, over a long period of time—7, 8, 10 years—evaluate the success of the WIC Program, for example, or the Joint Training Partnership Act program, by looking at outcomes in terms of the lives of those youths, or Head Start, and you would then make a judgment on that.

If that's program evaluation, then we have to decide where we're going with it. I'm not sure that that is the same kind of program evaluation that's in everyone's mind.

I would like to get some definitions behind us. That certainly was the kind of program evaluation that the statute seemed to contemplate, that fairly long and linear look at how well the programs have done. We very much need that look, but we also need to have other looks in benchmarking our programs against other perhaps even outside entities. Your point about privatization is an example. That's a kind of program evaluation that is looking at the benchmark of how well we do something.

So I would like to start a dialog with our friends here on the Hill, as well as at GAO and in the agencies, to improve upon our program evaluation efforts. But even that has to follow understanding what you're supposed to be doing in your missions, goals, and objectives, in which you will be doing performance objectives on an annual basis. Obviously, it would be nice if we had program evaluations to feed into it. And we do in some cases, but we don't in others.

So I would like to have an agreed-upon definition of program evaluation, and then we'll be happy to hand out guidance. We're in the guidance business. And we will be happy to hand out guidance on this just as we have in other areas.

Mr. DAVIS of Illinois. What would you consider to be the real strength of OMB as it relates to the ability to develop the kind of management leadership that we need for all of our agencies?

Mr. DESEVE. Well, this is going to sound self-serving, but it's really the commitment of the President and the Vice President, and their ability to work with Congress, as recently demonstrated over roughly the last 2 years, to come together and solve problems.

Acting alone the executive branch, as Mr. Horn noted, nor the congressional branch can focus on and bring solutions to problems. So our greatest strength is working together and that's where we do the best. The Balanced Budget Act is a very good example. The Debt Collection Act is a good example. The folks in Treasury, Mr. Horn, know that they have to come up here periodically, quite often, probably more often than they would like, to testify about the success of that particular bill, but it's one we crafted together.

So, Mr. Davis, our ability to be successful depends upon our ability to use our authorities and powers, and the authorities and pow-

ers of Congress to motivate and guide the agencies. That's how we are successful in managing.

Mr. DAVIS of Illinois. How do you respond, if I might, to the idea of separating the functions, that is, taking the management function, separating it from the budgeting function? Do you think there would be any real purpose or reason to do that?

Mr. DESEVE. I don't know yet. Now, that's a kind of weasel answer, but let me try to clarify that. What I've said to Mr. Horn and to Mr. Sessions and will say to you, is that we want to work together with you to more carefully and closely define what we all mean when we use the term "management." I've given you some examples today.

It's my belief that the proper integration, with proper resources devoted and a proper set of techniques, that the integration is the best way to go. You can separate hydrogen and oxygen, and you can still have hydrogen and oxygen, but you don't have water. I want water.

So that's my belief. But I've also said that I'm willing to learn about this. I don't rule it out. Others in the past may have ruled out any idea of a separate office. I think that, as we all explore this together, we'll conclude that it makes sense to have them hanging together as opposed to hanging separately. And as Solomon, I think, said, "You can break any one twig, but if you put the twigs together in a stack, it's very hard to break them." That's what I think about the concepts of management and budget.

Mr. DAVIS of Illinois. Well, I'll wait. I think I'm done for right now. And thank you very much, Mr. Chairman.

Mr. HORN. I thank you for those questions. Let me ask, on the OMB strategic plan, what input did the President have to that plan?

Mr. DESEVE. I would not comment on any discussions that we had with the President of the United States. We don't talk about what he says or said.

Mr. HORN. Well, did he see this?

Mr. DESEVE. Yes, he did.

Mr. HORN. Did he approve it?

Mr. DESEVE. We didn't ask him to approve it.

Mr. HORN. OK. But he did see it?

Mr. DESEVE. He did see it, yes, sir. I've stated so in my testimony.

Mr. BURTON. Did he send comments back to OMB?

Mr. DESEVE. I didn't see any.

Mr. HORN. It would have gone to the Director.

Mr. DESEVE. They would have gone to the Director. But I probably would have seen them.

Mr. HORN. Because this is his office.

Mr. DESEVE. Right.

Mr. HORN. And I would be amazed if he didn't approve it. I would be amazed, since he's an avid reader and has a lot of views on things if he didn't make a lot of comments. I'm not asking for those, I'm just asking did he approve it?

Mr. DESEVE. And I've already testified, sir.

Mr. HORN. Well, I'm not quite——

Mr. DESEVE. We didn't ask him to approve it. It wasn't sent for his approval.

Mr. HORN. But he did——

Mr. DESEVE. Director of OMB is the agency——

Mr. HORN. Let's look at the negative. He did see it, but he didn't disapprove it.

Mr. DESEVE. He did see it, but he didn't disapprove it. As far as I know, your statement is correct.

Mr. HORN. OK. We'll ask the Director that also.

Let me ask you now on some of the things we asked GAO, particularly on these crosscutting high-risk issues. I agree with your approach here. If you're talking about crosscutting with most of these agencies, I think that's quite in order. But I would then ask you the questions I asked them: to what degree are your people taking into account the inspector general's report, the chief financial officer's report, and hopefully the CIO's?

Mr. DESEVE. We meet almost continuously with the IG's and the CFO's on the problems that are listed in the GAO high-risk series. And when I say we, I'm really talking now about program examiners as well as the management office.

Now, you can't talk about HUD management, without looking at Susan Gaffney's reports. Alan Rhinesmith, who is the deputy associate director for that area, and his staff were on the phone continuously with Ms. Gaffney about those reports, as well as the financial reports.

When agency financial reports arrive at OMB, they come through the RMO's. The RMO's review them and then get them to the statutory offices. We review them. The RMOs then send them up to the Hill.

So if you looked at the clearance chain, the financial report would have originated with the program examiner and gone through two or three people in their office, then to my office to be reviewed by two or three people, and then it would have been sent up to the Hill. They make comments as it moves along the chain.

Mr. HORN. Well, the question is, do they make use of these reports in the budget "management process"?

Mr. DESEVE. Yes, very much so. And, again, on an account-by-account basis, you have to look at how things have changed. But the Director's review this year will feature a series of questions that focus on findings from the inspectors general, or elements in CFO reports, as well as questions about, whether we are going to achieve the goals in the 5-year financial management plan for a full audit of financial statements across the board.

Mr. HORN. As you know, your predecessor John Koskinen was Deputy Director for Management of OMB. When I asked him the question of how many people were involved in management at OMB, he said, "oh, 540." They're all involved. Well, this is, of course, nonsense. Everybody involved means nobody's involved. So I guess I would ask the question, if they're all involved, how many recommendations did we have for ending the duplication of Federal programs, which GAO noted in its testimony?

Mr. DESEVE. I guess I would say, and I think John would agree, that if we took a matrix and laid out an allocation of time study, I truly believe, setting aside the approximately 35 or 40 purely sup-

porting individuals, you would have to allocate their time as you allocate any overhead to the other functions, but if you took any program examiner in OMB, that some significant portion—what do I mean by significant? It would vary by account. But at a minimum of 10 to 15 percent of a program examiner's time will be devoted to tasks that would fall under what Mr. Posner would call big M, whether they be financial statements or information technology. There is a significant amount of big M infused with everybody.

So while 85 percent of this—this one junior analyst who just came on Tuesday—I was sitting in my office when a junior analyst showed up who has probably been on the job 2 or 3 months. He wanted to talk to me about the organizational structure in the Commerce Department. With him was somebody from our Legislative Reference Division, Mr. Breul, and I don't know who the other guy was. I've got to find out who that was. He may have been with the NEC. Anyway, this young analyst and I talked about whether we should do this. Should we have this kind of a PBO? What should the procurement authorities be? That mentality is infused throughout the organization.

So when John said there were 540 people involved in management, I don't think he meant to convey that they were working every day, all day, only on those issues. Rather, I think he meant they had a significant familiarity and had a tool box of things that they needed to do.

In terms of the high-risk series, how are we getting from those folks? It would be useful, though it's not something that we could ever do, to have you sit through an IRS modernization management board meeting and watch Kathleen Turco, who is a GS–15 program analyst who is one of the folks who used to work in OFFM, sent over to the other side to work with Art Gross, Larry Summers, and Mike Dolan—I realize I'm bringing up IRS—to try to recraft the way they're doing information technology practices.

And I think you will find in the next couple of years that IRS will have gone from being what you quite often refer to as an information technology basket case to be someone who's leading the pack.

There's enough money there. They've forged a very strong partnership with their vendors, as well as their strategic vendors. They've taken Raines' rules to heart.

But it's Kathleen who, on a day-to-day basis, interacts with them on that management issue. She probably spends 40 or 50 percent of her time on management issues, because IRS is facing those kinds of management challenges.

Mr. HORN. Well, I guess I would ask the question, if she can spend that time now, where was she, and where was OMB somewhere between the $4 million mark, the $40 million mark, or the $400 million mark before it got to the $4 billion mark.

Mr. DESEVE. I would like to get the basis for the $4 billion mark I don't have the $4 billion engraved in my mind. That seems a little larger than any number I have. But I'll be happy to go back and take a look at it.

Mr. HORN. I think you'll find the implementation costs down the line would be near $30 billion. But, apparently, they stopped at the

$4 billion mark, realizing they weren't getting anywhere. And I guess OMB's main role, in my humble opinion, is the early warning signal. If you don't have those links coming in from inspectors general reports, CFO's, now CIO's, then OMB isn't serving the President.

Mr. DESEVE. I think that's exactly right.

Mr. HORN. It's the one purpose of OMB to serve the President of the United States in his policy formulation functions and his management functions as Chief Executive of the executive branch. And it just seems to me, when these disasters happen, and we've poured money in it at both ends of Pennsylvania Avenue, that OMB, I don't care if it was a Republican President or a Democratic President, they ill-serve the President when they don't say we've got a problem here and send the people over that are now being sent.

But it took $4 billion down the drain to get those people assigned. That's what bothers me and why I think the merger of OMB—which I supported 100 percent with President Nixon, I was on his reorganization of the White House task force, and it just isn't working—and those are the big examples of why it isn't working. If you can do something to patch it up, I'll listen with great interest.

Mr. DESEVE. See, that's where I beg to differ with you. OMB 2000 came into being in 1994. It didn't come in with the tax system modernization plan. You've heard that as well as I have. In fact, it came in because of those kinds of problems.

One of the first things we did was to work with Mr. Clinger, and Secretary Cohen to create ITMRA, which was a recognition of those problems. It was an act that we were delighted to join in the creation of.

So I would say that the OMB 2000 initiative was a reaction to the things that you've talked about. And I'm glad to hear you say you supported the merger. It's what's going to help us solve the problems. And if I can't convince you of that over the next 6 months or so, I'm going to have to find another occupation, because you won't invite me up here anymore, and I won't be able to testify.

I really do believe——

Mr. HORN. You would as Director of the Office of Management, assuming you had the President's pleasure satisfied. Those are pleasure appointments, both Director of OMB and any son or daughter or grandchildren of OMB as the case may be.

Mr. DESEVE. Right.

Mr. HORN. Well, when OMB's Governmentwide performance plan is due early next year, are you going to get into the crosscutting or duplicating functions that were stressed by GAO in that report?

Mr. DESEVE. The report, as structured, will do that, and the agency performance plans will do that, but not to the extent that I want to see done in the future. It will be a first step. And, again, part of this is me modeling that in my own mind, as others are now doing as well.

Mr. HORN. It's become an annual report——

Mr. DESEVE. Oh, yes.

Mr. HORN [continuing]. Is your idea?

Mr. DESEVE. Yes; and we need a lot more work. I can't promise you that between now and February I can go in and show you how *x* number of training programs and *x* number of education programs can be combined. Part of the reason is that we all labor under the "iron triangle."

One of the reasons those programs are there is because there are many people who support them in communities, for a lot of different reasons, and each of them has a sponsor, or sponsors, on the Hill. So pointing out the overlapping nature and the redundant nature is one thing, finding ways to eliminate them is something else.

Mr. HORN. Well, my friend Wilbur Cohen used to describe to me that, every time he devised a program, he had an interest group to back it up. You're absolutely right.

Mr. DESEVE. I'm not sure which is the chicken and which is the interest group.

Mr. HORN. Long before we called it the iron triangle. Do you have your feeling that in this annual report, which I think is a great idea, that you're prioritizing what is the first emergency to deal with and then the second, the third, and the fourth. Obviously the year 2000 bit is one of them because we've got a date certain to end the ball game. But I assume some process is——

Mr. DESEVE. Let me use an example. The Director's management list, has about 15 items that are of the highest priority out of about 45. Of those, about five or six are crosscuts like the year 2000 problem. And then of the 15 and then about 10 are agency specific items—DOD accounting practices, Bureau of Indian Affairs trust funds, FAA, HUD management, and so on. So we have done some triage in that way. We agree that prioritization is very important.

Mr. HORN. I've got two more questions in this area, and then I'm going to ask Mr. Davis to question and give him all the time I've taken.

What role do you believe that you have with regard to ensuring the adequacy or reliability of the agency's data sources and information and accounting systems that must exist to support performance plans and reports required by the Results Act?

Now, I think that's a very valid question given my hearing on DOD, which is what did you do with the $25 billion, fellows? We can't find it. And they have 49 accounting systems, and they have several thousand computer systems. So how do we know we can have reconciliation of the data base that you have to depend on in that budget spreadsheet you mentioned? Who's anointing that there are some comparability here so you're adding apples and apples, not apples and oranges?

Mr. DESEVE. Let me separate the data into two parts: financial data and performance data. We believe that for proprietary financial information and proprietary financial statements, the process of audit that we began with the CFO's act in 1991—and fiscal 1996 is the first year that all of the agencies have been audited—we believe that that process has scrubbed that data to the point where GAO is satisfied and we're satisfied with the data.

Now, having said that, we know where the problems are. We know about the big problems and the little problems. We track those problems agency by agency, month by month, day by day. So, yes, DOD continues to be our largest problem.

But even GAO is beginning to see the light at the end of the tunnel in respect to the IRS. When we get it from the GAO, if you read the IRS 1996 audit, you'll see that GAO has begun—both on the administrative expenses as well as on the revenue systems side—to see the light at the end of the tunnel on progress on cleaning up that data.

The State Department did an extraordinary job in cleaning up their data this year. The Energy Department did an extraordinary job. Now, what we don't yet have is cost accounting data. And I think of when my old friend Morgan Kinghorn, who used to be the CFO at the IRS, was asked why he didn't have audited financial statements. And somebody said, well, no one ever asked for them. That was not a good answer.

We're going to need cost accounting systems. We are working very closely with the agencies, GAO and the Treasury in trying to incentivize this. NASA is about to undertake a major procurement. I believe they have actually announced the procurement at this point, to help them, talk to Dan Golden sometime about the need for cost information.

So agencies are coming to that point and it's going to take several years. But the fundamental financial information is available. Again, I'm not going to speak for DOD. And we understand the problems. We're cleaning it up. And the cost accounting data will be available as we go forward.

We're supposed to provide guidance. We're supposed to provide technical assistance. We're supposed to provide resources where necessary. I will have to talk to the budget folks about funding the NASA system. They'll have to understand why it's a priority, and I'll do that.

Mr. HORN. As you've said and GAO has said, obviously a base report to help in getting accurate cost data are the reports of the inspectors general. Well, I would assume the Chief Financial Officers' reports and the Chief Information Officers' reports would also be helpful. Do you use them and the Golden case right now with NASA?

Mr. DESEVE. Yes.

Mr. HORN. Have your analysts poured over these reports?

Mr. DESEVE. Yes; very much so. Again, I wish you could see it. I wish you could see what happens when the NASA IG comes out with one of her reports. Our folks will literally, as soon as they get the report become consumers of it. They'll check it against the last semiannual report to see how well or poorly things have been done.

The NASA IG has looked at financial management systems and given us some good advice, and we make sure that NASA feeds that advice back into the process. We don't have the same tradition in the CIO Council, and I think we need to create something like that. But we haven't done that yet.

Mr. HORN. Just to round out some of the GAO testimony, we have touched it in various phrases General Accounting Office, was concerned about your plan and various agency plans on the strategic side, feeling they did not adequately cover management and other high-risk areas the GAO has carefully anointed at the beginning and identified at the beginning of each Congress in recent

years. I wonder what is your feeling as to whether that will be included, since they give us a high-risk series?

I don't think there should be any secrets around here. It would be nice if you all had their next batch of high risk in the budget so you could be dealing with it. Particularly, in your management review you are now talking about, going along with the budgetary analysis, and shipping that up as part of the President's budget to the American people and to Congress.

Mr. DESEVE. I think that is what I testified to earlier. We call them management objectives. For example, implementing GPRA is not a high risk, but it is one of our objectives. So we will be doing that.

Mr. HORN. I take it the high-risk series of GAO would be, would you say, a first or second priority to deal with in each of these areas, where they have written something?

Mr. DESEVE. It is very hard to put them into a second priority category. Some of them are agency specific; some of them are cost-cutting. I would have to review the whole series. There are eight or nine volumes, and I don't have them all in mind. I actually have done a crosswalk, which I didn't bring with me today, that shows me where they are, and then where some of the positive things are.

But we want to make sure that, if there is something in the studies that needs to be addressed, we help the agency create a management plan that addresses that issue.

HUD management is a classic example. I work very closely with Inspector General Gaffney, with Secretary Cuomo, and with Deputy Secretary Robinson in trying to understand the issues and help implement those.

Mr. HORN. I thank you, and I now yield 17 minutes to the gentleman from Illinois. I thank his indulgence of me.

Mr. DAVIS of Illinois. I will not take 17 minutes, Mr. Chairman, but I thank you very much.

Mr. DeSeve, in an independent assessment of OMB by both the GAO and CRS, both of them have indicated that they think OMB should make a better effort of specifying its functions and roles as mandated by statutes, Presidential directives, and administrative authorities, all of those things that become a part of determining function. It seems to me that the final plan still does not have a full range of OMB functions and the authorities from which they come. Could you comment on those, and perhaps could you maybe provide the committee with a list of what they are with the legal authorities mandated in them?

Mr. DESEVE. I will be happy to do that. I will have our general counsel work with the committee counsel. We have such a list. I have one here that runs to about five pages that we use internally. It has the major authorities. There is a second list that outlines about 200 authorities. Our dilemma—we consolidate them down into about 30 or 40 important ones—was whether to give a list of 200 in the strategic plan. I believe we make reference in the plan to our having more than 200 authorities.

We will be happy to sit down with your counsel, and anyone else who wants to and have our counsel go over the authorities. You will be able to see the crosswalk. We know how the crosswalk works.

[The information referred to follows:]

Selected Major OMB Statutory Authorities

2 USC 621-92, 900-22	Congressional Budget Act (incl. Line Item Veto Act), Balanced Budget and Emergency Deficit Control Act
2 USC 1531-38	Unfunded Mandates Reform Act
5 USC 305	Systematic review of agency operations
5 USC 306 31 USC 1115-19, 9703-04	Government Performance and Results Act
5 USC 552a	Privacy Act
5 USC 609	Regulatory Flexibility Act (small business review panels)
5 USC 801-08	Congressional Review Act
31 USC 501-06, 521-22	OMB, establishment and organization
31 USC 902-03	Chief Financial Officers Act
31 USC 1101-14	Budget and appropriations authority and functions
31 USC 1511-19	Apportionment authority
31 USC 1531	Transfer authority
(Various provisions in Title 31 and uncodified)	Federal Managers Financial Integrity Act Government Management Reform Act Federal Financial Management Improvement Act
40 USC 1401-1503	Clinger-Cohen Act (Information Technology Management Reform Act)
41 USC 403-34	Office of Federal Procurement Policy Act
44 USC 3501-20	Paperwork Reduction Act

Citation	Subject
2 USC 621-87, 900-22	Congressional Budget Act, Balanced Budget and Emergency Deficit Control Act of 1985 (booklet).
3 USC 301	Presidential delegation authority.
5 USC 305	Systematic review of agency operations.
5 USC 552	OMB issues Freedom of Information Act fee guidelines.
5 USC 552a	Privacy Act, computer matching, systems of records, guidelines.
5 USC 1213-14	Special Counsel notifies OMB of criminal violations.
5 USC 3133	Senior Executive Service positions.
5 USC 4111	Non-profit payments of travel expenses.
5 USC 4112	Employee training programs, costs.
5 USC 5304	President's Pay Agent for locality-based comparability payments.
5 USC 5377	Critical pay authority.
5 USC 5707	Travel expenses by employees, reports.
5 USC 5911	Quarters for civilian employees, rules.
5 USC 5948	Physicians Comparability Allowances.
5 USC 8147	Employee's Compensation Fund.
5 USC App.	OMB reorganization.
5 USC App.3	List of designated Federal entities under the Inspector General Act.
7 USC 499c	Perishable Agricultural Commodities Act Fund, financial statements.

7 USC 1736f . . . Agricultural commodities, transfer of funds. . . . . .

7 USC 1765 . . . Application of Foreign Service appropriations to Agriculture Dept. personnel abroad. . . . . .

7 USC 2235 . . . Working capital fund, Agriculture Department. . . . . .

8 USC 1525 . . . U.S. Coordinator for Refugee Affairs. . . .

10 USC 126 . . . Defense Department reorganizations, transfer of appropriations. . . . . .

10 USC 221 . . . National Defense account, report on scoring of outlays. . . . . .

10 USC 2401 . . . DOD Aircraft, lease and charter. . . . . .

10 USC 2685 . . . Commissary surcharge proceeds. . . . . .

12 USC 1827 . . . Federal Deposit Insurance Corporation, reporting of financial information. . . . .

14 USC 650 . . . Coast Guard Supply Fund. . . . . .

15 USC 78m . . . Paperwork burden, SEC. . . . . .

15 USC 278g-3 . . . National Institute of Standards and Technology, computer systems standards. . .

15 USC 278g-4 . . . Computer System Security and Privacy Advisory Board, report. . . . . .

15 USC 328 . . . National Weather Service, surplus equipment for Arctic weather stations. . . .

15 USC 638 . . . Small Business Innovation Research Program. . . . . .

15 USC 644 . . . Contracts awarded to handicapped concerns, reports of. . . . . .

15 USC 648 . . . Small Business Development Centers. . . .

15 USC 687 . . . Federal expenditures to businesses, reports of. . . . . .

15 USC 1521 . . . Working capital fund, Commerce Department. . . . . .

15 USC 1525 . . . Joint projects, waiver of costs. . . . . .

15 USC 2904 . . . National Climate program, budget. . . . . .

15 USC 2932 . . . Committee on Earth and Environmental Sciences, OMB member of. . . . . .

15 USC 4109 . . . Arctic Research program, budget. . . . . .

15 USC 4902 . . . Interagency Trade Data Advisory Committee, OMB member of. . . . . .

15 USC 5511 . . . National High-Performance Computing Program. . . . . .

16 USC 544l . . . Scenic areas, OMB certification. . . . . .

16 USC 742e . . . Commercial fisheries. . . . . .

20 USC 1221-3 . . . Education information and data, acquisition. . . . . .

20 USC 3424 . . . Federal Interagency Committee on Education. . . . . .

20 USC 3483 . . . Working capital fund, Education Department. . . . . .

20 USC 4353 . . . Gallaudet University, allowable expenditures. . . . . .

21 USC 1502 . . . Drug control budget requests. . . . . .

22 USC 1475h . . . USIA grants. . . . . .

22 USC 2124a . . . Tourism Policy Council. . . . . .

22 USC 2186 . . . Israel loan guarantee program. . . . . .

22 USC 2194 . . . Foreign currencies. . . . . .

22 USC 2226 . . . Voluntary contributions to international organizations, reports of. . . . . .

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22 USC 2576 . . . Arms control. . . . . .

22 USC 2679 . . . Per diem rates, foreign exchange programs. . . . . .

22 USC 2684 . . . Working capital fund, State Department. . . . . .

22 USC 2695 . . . Administrative services, State Department. . . . . .

22 USC 2776 . . . Arms sales, reports of. . . . . .

22 USC 2877 . . . Radio Free Europe. . . . . .

22 USC 3101-08 . . International Investment and Trade in Services Survey Act. . . . . .

22 USC 3144 . . . Information exchanges between Bureau of Economic Analysis and Bureau of Labor Statistics. . . . . .

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22 USC 3925 . . . Foreign Service personnel system. . . . .

22 USC 3930 . . . Board of the Foreign Service. . . . . .

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22 USC 4608 . . . Institute of Peace, budget. . . . . .

24 USC 415 . . . Retirement Home Board, OMB member of. . . . . .

25 USC 385c . . . Indian irrigation projects. . . . . .

26 USC 6103 . . . Tax return matching on loan applications. . . . . .

28 USC 527 . . . Working capital fund, Justice Department. . . . . .

28 USC 605 . . . Administrative Office of the United States Courts, budget. . . . . .

29 USC 49h . . . U.S. Employment Service, audit guidelines. . . . . .

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29 USC 1579 . . . Employment impact of energy development/ conservation, data on. . . . . .

29 USC 1673 . . . Native American and migrant worker job training. . . . . .

29 USC 1753 . . . Labor market information data systems. . . . . .

30 USC 1803-04 . . National Critical Materials Council. . . .

31 USC 322 . . . Working capital fund, Treasury Dept. . . .

31 USC 501-06, 521-22 . . OMB, establishment and organization. . . .

31 USC 716 . . . Comptroller General, certification to withhold document from. . . . . .

31 USC 719 . . . Comptroller General provides information on expenditures and accounting. . . . . .

31 USC 902 . . . Chief Financial Officer's annual report to agency head and OMB. . . . . .

31 USC 903 . . . Appointment of Deputy Chief Financial Officer. . . . . .

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31 USC 1531 . . . Transfer authority. . . . . .

31 USC 1537 . . . Intergovernmental agreements. . . . . .

31 USC 1554 . . . Obligations and balances, reports of. . . .

31 USC 1556 . . . Comptroller General provides reports on audit activities. . . . . .

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31 USC 3512 . . . Accounting and other financial management report and plans. . . . . .

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31 USC 3719 . . . Debt collection. . . . . .

31 USC 3726 . . . Miscellaneous receipts, reports of. . . .

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31 USC 7504-05, 7507 . . State and local single audit requirements. . . . . .

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31 USC 9105-06 . . Government corporations, reports of. . . .

31 USC 9109 . . . Wholly-owned Government corporations, agency for fiscal matters. . . . . .

31 USC 9503 . . . Government pension plans, reports of. . . .

33 USC 1329 . . . Environmental Protection Agency, list of programs under Federal-State intergovernmental review. . . . . .

33 USC 1703 . . . Ocean pollution research and development and monitoring, budget. . . . .

33 USC 1803 . . . User charges, inland waterways. . . . . .

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37 USC 418 . . . Military clothing and cash allowance. . . .

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38 USC 1733 . . . Financial aid for Philippines for veterans' medical care/treatment. . . . .

38 USC 1974 . . . Advisory Council on Servicemen's Group Life Insurance, OMB member of. . . .

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39 USC 2002 . . . Transfer of property involving Postal Service. . . . . .

39 USC 2009 . . . Postal Service, budget. . . . . .

40 USC 72, 72a . . National Capital Planning Commission, land acquisition. . . . . .

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40 USC 481 . . . Procurement and supply of personal property and non-personal services. . . . .

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40 USC 485 . . . Expenses for utilizing excess property and disposing of surplus property. . . . . .

40 USC 486 . . . Federal Property and Administrative Services Act, transfers to carry out. . . .

40 USC 487 . . . Excessive stocking of property, report of. . . . . .

40 USC 490 . . . Federally owned or leased office buildings, transfer of custody. . . . . .

40 USC 490a-1 . . . Federal Buildings Fund, repay Federal Financing Bank. . . . . .

40 USC 514 . . . Disposition of foreign excess property, transfers to carry out. . . . . .

40 USC 757 . . . Information Technology Fund. . . . . .

40 USC 759 . . . Procurement of ADP equipment and components. . . . . .

40 USC 902-04 . . . Motor vehicle expenditure control. . . . .

41 USC 401-24 . . . Office of Federal Procurement Policy. . . . . .

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42 USC 248 . . . Approval of hospital sites for Public Health Service. . . . . .

42 USC 267 . . . Approval of hospital sites for quarantines. . . . . .

42 USC 295h-2 . . . Health & Human Services Dept., reports of. . . . . .

42 USC 300e-14 . . Health & Human Services Dept., reports, review of. . . . . .

42 USC 300j-9 . . . Public water systems, reports of. . . . . .

42 USC 300aaa-5 . . Public Health Service, transfers of appropriations. . . . . .

42 USC 1490n . . . Agriculture Dept. rulemakings, reports of OMB actions. . . . . .

42 USC 1592m . . . Recreational or day-care centers for national defense, transfers of appropriations. . . . . .

42 USC 2211 . . . Compensation for damages involving nuclear reactors on U.S. warships. . . . .

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42 USC 2652 . . . Reasonable medical rates for recovery from liable third parties. . . . .

42 USC 2996d . . . Legal Services Corp., budget. . . . . .

42 USC 2996f . . . Legal Services Corp., income eligibility. . . . . .

42 USC 2996k . . . Legal Services Corp., support functions for. . . . . .

42 USC 3334 . . . Development loan applications, guidelines for local review. . . . . .

42 USC 3535 . . . Housing and Urban Development Dept. rulemakings, reports of OMB actions. . . .

42 USC 3541 . . . Housing and housing finance programs, paperwork burden. . . . . .

42 USC 5048 . . . Requests for aid under two or more programs, policy functions regarding. . . .

42 USC 6361 . . . Energy conservation plan for Federal buildings. . . . . .

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42 USC 6617 . . . Office of Science and Technology Policy, statutory functions. . . . . .

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42 USC 6982 . . . Resource Conservation Committee, OMB member of. . . . . .

42 USC 7607 . . . Environmental Protection Agency draft Clean Air Act rules, OMB comments on. . . . . .

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42 USC 8254 . . . Energy Conservation, Federal buildings. . . . . .

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42 USC 8820 . . . Office of Alcohol Fuels, budget and legislative submissions. . . . . .

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42 USC 9611 . . . Superfund, administrative costs. . . . . .

42 USC 10156 . . . Interim Storage Fund, budget. . . . . .

42 USC 10222 . . . Nuclear Waste Fund, budget. . . . . .

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44 USC 1108 . . . Printing of periodicals. . . . . .

44 USC 2904 . . . Records creation, maintenance, use and disposition. . . . . .

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47 USC 305(a) . . . Commerce Department frequency assignments, appeals. . . . . .

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49 USC App. 1461. . International aviation decisions, Presidential review. . . . . .

49 USC App. 1607a . Procurement systems of transportation block grant recipients. . . . . .

50 USC 403f . . . Transfer of CIA monies. . . . . .

50 USC 403g . . . Reports on CIA, prohibition. . . . . .

50 USC 404a . . . Transfer of CIA monies. . . . . .

50 USC App. 2099 . Annual report on impact of offsets. . . .

50 USC App. 2158 . Advisory committees for voluntary agreements on preparedness. . . . . .

50 USC App. 2161 . Defense Production Act, allocation or transfer of funds. . . . . .

50 USC App. 2170 . Review of mergers involving foreign entities. . . . . .

50 USC App. 2260 . Federal Civil Defense Act, allocation or transfer of funds. . . . . .

P.L. 101-576 . . . Chief Financial Officers Act of 1990. . . . . .

P.L. 101-168 . . . Federal water/sewer payment to D.C. . . . .

P.L. 102-25 . . . Desert Storm, report on costs. . . . . .

P.L. 102-190 . . . OMB report on deficit effect of "M" account law. . . . . .

P.L. 102-242 . . . OMB study on de minimus levels for appraisals of commercial real estate. . . .

P.L. 102-245 . . . Study and report on FEDLINE. . . . . .

P.L. 102-484 . . . Environmental contractor indemnity/ Defense Operations Fund. . . . . .

P.L. 102-486 . . . Agency energy consumption and conservation, guidelines and study. . . . .

P.L. 102-496 . . . Transfer of CIA monies. . . . . .

P.L. 102-538 . . . Telecommunications coordination. . . .

P.L. 102-550 . . . Lead Exposure rules/statistical model for risk-based capital test. . .

P.L. 102-564 . . . Small Business Technology Transfer. . .

P.L. 102-588 . . . NASA study on risk allocation. . . . .

P.L. 103-62 . . . Government Performance/Results Act. . .

P.L. 103-66 . . . OBRA '93; BEA Extension. . . . . .

P.L. 103-82 . . . Corp. for Nat'l/Community Service. . .

P.L. 103-123 . . . GSA report on transportation payments. .

P.L. 103-160 . . . Closing Overseas Installations. . . . .

P.L. 103-188 . . . Egg Board Orders. . . . . .

P.L. 103-226 . . . Federal Workforce Restructuring Act. . .

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P.L. 103-252 . . . Community Service Block Grants. . . . .

P.L. 103-272 . . . Mass Transportation Block Grants. . . .

P.L. 103-296 . . . Social Security Transition. . . . . .

P.L. 103-322 . . . Violent Crime Reduction Trust Fund. . .

P.L. 103-325 . . . Study on Interest Rates. . . . . .

P.L. 103-329 . . . ISOO transfer to OMB. . . . . .

P.L. 103-337 . . . DoD information systems/emergencies . .

P.L. 103-355 . . . Federal Acquisition Streamlining Act. .

P.L. 103-356 . . . Government Management Reform Act. . . .

P.L. 103-373 . . . Evaluation of D.C. report. . . . . .

P.L. 103-382 . . . National Center/Education Statistics. .

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P.L. 103-434 . . . Loan/Obligation Prepayments. . . . . .

P.L. 103-448 . . . School lunches. . . . . .

P.L. 104-4 . . . Unfunded Mandates Reform . . . . . .

P.L. 104-106 . . . Information Technology Management . . . . . .

P.L. 104-113 . . . National Technology Transfer and Advancement . . . . . .

P.L. 104-121 . . . Small Business Regulatory Enforcement Fairness . . . . . .

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P.L. 104-156 . . . Singe Audit Act of 1996 . . . . . .

P.L. 104-208 . . . Federal Financial Management Improvement Act, Title VIII Federal Financial Management Improvement . . . . . .

P.L. 104-208 . . . Voluntary Separation Incentives for Employees of Certain Federal Agencies . . . . . .

Mr. DAVIS of Illinois. I only have one additional question. We have talked a great deal about the leadership issue and that being a direction for the Office of Management and Budget to provide leadership initiatives and directives. What would you consider to be the most critical leadership issue that we are facing right now?

Mr. DESEVE. I am actually going to give you and Chairman Horn an opportunity to help me with that one. I think we have moved in a new direction. I don't have my briefcase with me, but there is a wonderful piece that the Harvard Business Review did on the history of management. I think they probably started in the 1890's, they didn't go all the way back.

There it is. Thank you.

It is kind of a management timeline. It takes into account the changes in management. Let me just see where they start here. Of course, they pinpoint all the Harvard Business Review articles along the way. They start in 1922.

Mr. HORN. This is like going from the caveman up to the Renaissance.

Mr. DESEVE. Yes, sir. They actually started in 1922 when the Harvard Business Review was created. They don't admit management before then.

Mr. HORN. I take it we will get a few copies for members? How do we do that? Do they want hard cash at the Harvard Business School?

Mr. DESEVE. I don't know. I think we are evolving now in a new direction. In fact, I am going to give a speech tomorrow. Mr. Horn leads off this afternoon, I think, down in Richmond.

Mr. HORN. I did it last night. I only had to sit on the highway coming back an hour and a half. They are paving the road. If you leave at 10 p.m., you are in trouble.

Mr. DESEVE. Thank you for telling me. I will try to get out earlier.

I am going to talk about a concept, and this is going to sound like the flavor of the week or the buzz word, called network management. I think what is evolving now, instead of command and control management, is we are moving away from the mainframe strategies that we have seen historically toward a strategy where a set of users can band together in the presence of authority—and they need to have authority available to them—to solve problems collectively and then take those solutions back to their own home agencies or back to their own functional groups.

OMB needs to be the network administrator. We need to help the information flow back and forth. We need to maintain the network. We need to assemble it and maintain it. We need to route and reroute information, and we need to deal with rules and regulations that help that information flow back and forth.

So I think there is a new analog to leadership. It isn't by doing, and it isn't even by just providing guidance and walking away. It is leadership by continuously making sure that problems are solved, that partnerships are formed, and that information is taken back and forth.

Again, when we did the capital programming guide, we had 80 people at different stages working on the four phases of this, doing the things they did well. And our job at OMB was to integrate it

into the whole that we see here today. That was our job, to administer that network.

So when I get this paper a little further along, I am going to share copies with you and Mr. Horn to see if you can give me ideas and comments on how to make it better. But I believe there is a new essence of leadership evolving in that way.

Mr. DAVIS of Illinois. Thank you very much. I have no further questions. It seems to me like that process fits with my very simple definition. I always liked to say that leadership is the ability to get other people to do what you want them to do, but because they want to do it, and it seems to me that this kind of networking might lead into that direction. So, I thank you very much.

Mr. DESEVE. Thank you very much.

Mr. HORN. We only have a few more questions here. As is our usual routine, we might send them down to you, and you can have those bright young analysts on your staff help us answer some for the record. So I will not get into too many. But it is my understanding that OMB has a number of Presidential obligations to improve agency management; for example, the Executive order that created the chief operating officer, your coordination of antiterrorism, and the implementation of the National Performance Review recommendations. Are these the major ones, just off the top of my head? Or what am I basically forgetting here besides statutory ones that you have mentioned?

Mr. DESEVE. The streamlining plans Executive order was overtaken by the Federal Work Force Restructuring Act. That is a big one. There is a new one out on IG internal investigative complaints that is very important to us.

Mr. HORN. The process?

Mr. DESEVE. Yes.

Mr. HORN. We would like to see that, because we did hold a hearing on that, and the way I left it was that the IG's would get together and give us a process that we could discuss here by the end of August. I haven't seen that yet.

Mr. DESEVE. We need to remind them. This is the Executive order on setting up the Integrity Committee. We administer that Executive order. There is a new one on the President's Interagency Council on Administrative Management. The old PCMI was abolished by that Executive order, and we are creating a new network. Basically, the assistant secretaries for management are under Executive order as well.

What am I missing, guys?

Mr. HORN. I gather you have mentioned a couple of times the President has 10 or 15 different priorities. Will that appear first in your budget document?

Mr. DESEVE. These are actually the Director's priorities. When they become part of his budget, yes, they will be in the management chapter, chapter 4, in the President's budget. They then become Presidential priorities at the point at which they are in the President's budget. They haven't gotten that far yet. Some of them may be eliminated along the way for one reason or another.

Mr. HORN. It will wait until what, the end of January, early February?

Mr. DESEVE. You will get a preview of them in early December. And I want to sit and talk with this committee about them. You will see them at that point. You may have ones that we don't have. There are some areas in which we had to prioritize and didn't include things that may be close to your heart.

Mr. HORN. I will tell you one that really isn't the jurisdiction of this subcommittee, but it is close to my heart. I think President Carter deserves great praise for having been able to create the Senior Executive Service, and I would hope that as part of the administrative obligations to improve agency management, that we look at the Service and the degree to which it is really fulfilling its promise and mission.

For example, last night when I was speaking at this leadership conference, many of them there are senior executive people. The old worry if they leave their agency and go to another one, is that looked down upon? Or if they leave their agency and go work a year in the private sector, is that looked down upon?

My bias is that it is marvelous. They are getting a new perspective and they don't have to stay forever with one agency. I think moving around among agencies, just as we mandated with the military; that if you are going to be a general or an admiral in this Department of Defense, you need joint service on the way up. Not just after you become a general or an admiral, you need to work on that as a lieutenant colonel, colonel, and so forth.

So I, for one, while it is in Mr. Mica's jurisdiction, would like to see some creative work done here by OPM, at your direction, that might appear in that budget, because if we do not have the top leadership in the civil service, we are in trouble, no matter who is in charge at the White House. We need the first-rate people recruited out of the schools of America, and we need incentives to keep good people in the Government. There were a lot of retirees down there last night.

Mr. DESEVE. Let me give you a sense of how we are going to try to operate. We had a very extensive 3-hour discussion about the SES among the Deputy Secretaries that was led by Janice LaChance, the new Director-designate for OPM. I think although I would like to be able to tell you that everything will be in the list of the top 15 priorities, that this will be a priority of the President. It has been and will be, as office closures were a priority of the President's Management Council, just as some of the other things are priorities of the CFO Council; and although by reference, we will incorporate helping the President's Management Council and that certainly will be one of the things that we worry about. You may have to look down the list a little bit to find it, because the PMC cares very much about this.

Janice was wonderful. She put a big manual together on the history of the SES, that looked at staffing levels by function. What we are finding is it has been a reward in some cases in terms of technical expertise, but that expertise is not transferable outside the agency. So we get folks stuck with a supergrade that would not be very helpful in other places. So we agree with you.

If you talk to James Lee Witt from FEMA, if you talk to Gen. Jack Dailey from NASA, they are moving their SES's all over the place, out into the field and bringing them back and so on. So there

is a lot of that going on in the agencies. I think you are right, a joint service would be helpful as well. It is a little harder.

Mr. HORN. I think on the year 2000 issue which you and I discussed a little earlier, various things have popped up already, and we have seen some horrible examples of what can happen if we do not do that job in time.

You agreed to file the reprogramming of funds in the record at an earlier point, but some of my constituents have been harmed because of hasty postings of the year 2000 compliance rumors on the Internet. I realize none of us can do anything about the freedom of speech of the Internet, and I have said, and others have recommended, that we need to focus on this in OMB or anyplace else the President wants to focus on it. But, somebody in the executive branch has to be the coordinator to make sure this is happening.

The Director cannot spend all his time on it. He has done very well, I think, in getting them to reprogram the money, which was certainly one of his aims from the beginning, and that is something which I heartily agree with.

Do you have any suggestions as to how we solve the executive direction problem to get that thing in on time in the executive branch?

Mr. DESEVE. Well, I think that Administrator Katzen has testified here and in other places about this issue, and she is the official responsible. She and I have worked together, along with the CIO Council, to try to get it done. I think the quarterly reports that she submits to you, with the feedback that you give her, will be a very strong guide, and I think it is just continual blocking and tackling at this point.

Mr. HORN. With all due respect to Administrator Katzen, she has a full plate without having this dumped on her. I mean, her office must have the phones ringing all day in terms of proposed regulations.

Mr. DESEVE. And all night.

Mr. HORN. And all night. And I just think when you pile on something else to an executive that is already up to their neck and working long hours, as you all do down there, that we are not solving the problem. I have suggested that to the President, to Mr. Raines, and to anybody else that would listen. We need somebody that will give this focus, because it isn't happening as rapidly as it should, and, of course, it will not be mud on the Congress' face, because we have been on this subject for 2 years trying to get the executive branch moving in it. It is now moving. It needs somebody to be the daily nudge and nag.

Mr. DESEVE. I would say Mrs. Katzen is good at that, but she wouldn't be happy if I said that.

Mr. HORN. I am saying we need someone in that role. I don't think she is the person because I think she already has plenty of work to do. Somewhere the executive branch is going to have to organize itself in a task force way, a Rickover way, if you will, a project where a person is in to solve that problem and that is it.

Now, maybe that is one of your CIO's that becomes a lead CIO for the Nation, at least in the Federal executive branch. I think the self-reports we got from the agencies, you talk about data base and the purification of it, so we are adding apples and apples, not ap-

ples and oranges. That is a good example of what we have gone through on that. We don't know how truthful that is. GAO looked into five of them, and they certainly gave us an earful on the degree to which the agencies knew what was happening. I think somewhere the Director and the President have to face up to this issue.

Any thoughts?

Mr. DESEVE. Again, I would ask you to invite Sally up here and have a chat with her, and I am sure you will very shortly. I think she believes that, with the quarterly reporting process and the work she has done with the CIO Councils and IG's, they are making good progress. But I can't testify for her.

Mr. HORN. We will be holding more hearings on this. We will be also holding hearings on the implementation of the Clinger-Cohen Act and the degree to which agencies have taken advantage of the flexibility that your fine agency, this committee, the Senate committee, and the Congress, as a whole, authorized them to do. If we are still in the same old rut and haven't had creative proposals and initiatives in this area, we are missing a major opportunity.

Mr. DESEVE. That is correct.

Mr. HORN. OK. Well, we thank you, and we will have other questions to submit to you, which we will put at this point in the record without objection.

[The information referred to follows:]

Questions for OMB
OMB's Results Act Strategic Plan
October 6, 1997 at 10:00 in 2154

1. You have already answered one of my questions by your comments about the dynamic nature of OMB's plan. Apparently you agree that strategic plans should be revised every year. If there are no revisions (a very unlikely event) then, just change the date. But update those portions of the plan that require changes. Do you agree?

A dynamic strategic planning process does not require annual revisions to strategic plans. The Government Performance and Results Act calls for two sets of plans -- a long-range strategic plan, and a short-range annual performance plan. The strategic plan is intended to form a stable foundation so that government managers can use it in setting out specific courses of action for what their programs will do in any year. As GPRA requires an agency to undertake a significant, months-long consultation and outreach process when preparing a strategic plan, a yearly revision cycle would mean that an agency would no sooner complete one year's plan when it would begin revising it. This does not mean a strategic plan should be a static document. OMB guidance allows agencies to use the annual plan as a vehicle for making minor changes to a strategic plan to keep it current during the two years before the next full-ranging revision and update of a strategic plan is required. Any time that major changes to a strategic plan are required, the agency is expected to make those changes to its plan as quickly as possible, using the process established for preparing and submitting the initial strategic plans to Congress and OMB in September 1997.

2. It is my understanding that OMB has a number of Presidential obligations to improve agency management. For example: the Executive Order that created COOs, your coordination of anti-terrorism, and implementation of NPR recommendations. Are there major ones, just off the top of my head, that I am forgetting?

Presidential Executive Orders assign a number of management responsibilities to OMB (from membership on committees to receiving and reviewing agency reports). Below are major interagency management groups headed by OMB under Presidential Direction:

President's Management Council (PMC) -- Presidential Memorandum of October 1, 1993 -- OMB Deputy Director for Management and the agencies' Chief Operating Officers.

President's Council on Integrity and Efficiency (PCIE) -- Executive Order 12805 -- OMB Deputy Director for Management and the establishment agencies' Inspectors General; and the Executive Council on Integrity and Efficiency (ECIE) comprised of designated Federal entity Inspectors General.

Chief Information Officers Council (CIOC) -- Executive Order 13011 -- OMB Deputy Director for Management, other OMB/EOP officials, and the agencies' Chief Information Officers.

Regulatory Working Group (RWG) -- Executive Order 12866 -- OIRA Administrator, other EOP officials, and representatives of regulatory agency heads.

Interagency Council on Administrative Management (ICAM) -- Executive Order 13048 -- OMB Deputy Director for Management and agency senior administrative management officials.

OMB chairs other Councils that are established in statute (e.g., the Chief Financial Officers Council) or administratively (e.g., Electronic Processes Initiative Committee (EPIC), the Federal Credit Policy Working Group, and the Federal Procurement Council.) These Councils assist OMB in policy development, and help to identify and implement ways to better manage Federal resources. The groups meet regularly to initiate action, undertake projects, exchange information, set priorities, and recommend policy direction.

3. I believe that OMB also has a number of what I call Administrative obligations to improve agency management. What level of effort has OMB expended in the past and what kind of help can agencies expect from you to address the GAO high-risk projects?

OMB expends considerable resources to improve agency management. Throughout the budget formulation and execution processes, resources are identified for agency management and program needs; and OMB staff assist agencies in their efforts to improve program operations and administrative management. For example, OMB staff are working with nearly 100 departments and agencies as they prepare to issue annual performance plans required under GPRA. OMB, Treasury and GAO are working closely with the agencies subject to the Chief Financial Officers Act to remove obstacles to agency efforts to issue unqualified and timely audited financial statements. To leverage its own staff capacities, OMB also provides leadership to inter-agency working groups which share the work of policy development and identifying and implementing the means to better manage Federal resources.

Other examples of OMB's leadership on management improvement initiatives include: spearheading year 2000 compliance; pushing for better debt collection results; actively supporting electronic commerce; working with the Treasury Department on IRS modernization; and promoting agency implementation of performance-based service contracting. Several of these initiatives are also on GAO's high risk list. Resources for staffing these initiatives are drawn from across OMB -- the Resource Management Offices, the Office of Federal Financial Management, the Office of Federal Procurement Policy, the Office of Information and Regulatory Affairs, and the Budget Review Divisions.

As part of the Government-wide Performance Plan, required by the Government Performance and Results Act, there is a three part description of the executive branch's Management Agenda. This includes a list of 22 Priority Management Objectives. 11 of these are cross-cutting Objectives and 11 are agency specific. Commitments for each of these Objectives are included in the President's Budget and measures will be available on the OMB Home Page.

4. Of course, OMB also has a number of legislative obligations to improve agency management, like:

Federal Managers Financial Integrity Act
Paperwork Reduction Act
Chief Financial Officers Act
Government Performance and Results Act
Government Management Reform Act
Regulatory Reform Act
Federal Financial Management Improvement Act
IT Management Reform Act

Do you have any more to add?

This information was already submitted for the record with the hearing transcript on December 19, 1997.

5. Plus, of course, things that pop-up from time to time. Like the Y2K problem that this subcommittee has spent so much time investigating. OMB has been a major factor in helping agencies report their progress but I am afraid it may be too little too late. Some say we need a Y2K czar to prevent these kinds of problems and provide the focused management attention required. Do you think OMB can handle the workload of Y2K and other things that pop-up?

As it does on many management issues, OMB works cooperatively with an interagency group -- in this case, the CIO Council -- to leverage its resources. In the Y2K arena, the CIO Council is proving to be an effective means of developing and sharing best practices and communicating OMB's management priorities. This collaborative approach permits OMB to remain a small, effective organization that integrates management and budget in its oversight of Federal agencies. We will continue to evaluate our needs for resources on a case by case basis.

6. Have you heard of Larry Olsen, CIO for the State of Pennsylvania. He has only a handful of people but has provided free to his state agencies database software that does agency management and tracking with electronic updating for his central reporting. It is embarrassing when a couple of state guys out-do the whole Federal Government. Why didn't OMB have the resources to do what PA did and avoid the waste and duplication of

every Federal agency doing its own? Plus, of course, the confusion and error from having each agency count things differently, despite OMB guidance. Has OMB looked at this software that PA is giving away free?

OMB has worked with Larry Olsen to organize a very successful State-Federal summit on the year 2000 computer problem in November 1997. We will contact Mr. Olsen about his software. Today, agencies already track their management objectives using their existing management information systems, many of which are commercial products that have been acquired from the private sector.

7. Collectively your workload is pretty impressive. OMB has obligations to improve agency management in general and in specific from both the President and the Congress. Lets turn now to your strategic plan and see just how you intend to accomplish all this. Are our lists of obligations adequately covered in your mission statement and long term goals?

OMB's Strategic Plan adequately covers all of our obligations. The Strategic Plan is supported, with more detail in the FY 1999 President's Budget and the OMB Performance Plan. In the President's FY 1999 Budget, Section IV, Improving Performance Through Better Management, we present a comprehensive discussion of the full Management Agenda which includes the National Performance Review's High Impact Agencies, the 22 Priority Management Objectives, other critical management initiatives, and the work of the many interagency Councils, such as the CIO Council and CFO Council. These initiatives are supported in even more detail in published documents and usually also made available on Internet web sites. For example, the CFO Council's Status Report and Five-Year Plan, issued in June 1997, describes the eight CFO Council priorities, is posted on the OMB Home Page and is footnoted in Section IV of the Budget. The version of the Management Agenda that is posted on the OMB Home Page will include "hotlinks" to each of the websites that is footnoted in the budget so that the reader will be able to see the breath and depth of the broad Management Agenda.

8. When I look at your mission statement I get concerned. Management seems to be taking a back seat to the budget. When I look at Goal 2, I just see oversight not any doing. OMB does the budget, but apparently OMB doesn't do management. Now I agree that the budget is vitally important, but, does budget pressure just elbow-out improving management in the agencies?

Goal 2 in OMB's Strategic Plan is: Provide management leadership to ensure the faithful execution of the enacted budget, programs, regulations and policies. The Strategic Plan goes on to state that "Management of the Federal Government is a complex process that requires OMB to provide policy guidance, coordinate activities and assist with implementation within and across agencies." Goal 2 includes 7 objectives ranging from identifying solutions to mission critical problems; carrying out GPRA requirements;

improving the acquisition process, financial management, information technology, and statistical policies and practices; regulation management; and legislative coordination and executive order clearance.

OMB staff work on the full range of management and budget functions. There's no question that for three months of the year the process of formulating the President's budget is a primary activity of OMB staff. But budget formulation includes management, and still is just one of the many functions that OMB staff perform. OMB staff developed the budget, and assessed agency performance for Year 2000 transition; worked with Treasury and GAO to identify and work to remove obstacles to agencies efforts to obtain unqualified opinions on audited financial statements; and worked with the agencies to implement GPRA, among other tasks.

In addition to OMB resources, we also leverage the efforts of inter-agency Councils to help us achieve our goals, what I call Network Management. In Section IV of the Budget, the work of the these inter-agency groups is highlighted. These groups meet regularly to initiate action, undertake projects, exchange information, set priorities, and recommend policy direction. The groups include the President's Management Council, the President's Council on Integrity and Efficiency, the Joint Financial Management Improvement Program, the National Partnership Council, the CFO Council, the CIO Council, the Electronic Processes Initiative Committee, the Federal Credit Policy Working Group, and the Federal Procurement Council.

9. Let us look at a couple of the objectives in the plan. They sound great but it is not clear what OMB intends to accomplish. For example, Goal 2, Object A: *Work within and across agencies to identify solutions to mission critical problems.* Could you comment please on just what it is that OMB expects to do? Perhaps it would help me if we looked briefly at what OMB did this year: How many new mission critical problems did OMB identify? How many did OMB improve? How many did OMB fix? Does OMB do these things or just oversee others doing them?

As I briefly mentioned in my testimony, the Director has identified 22 Priority Management Objectives, some of which are long-standing weaknesses that need to be fixed, while others are areas that we have identified so that we can take a proactive stance to assure efficient and effective Government. The Priority Management Objectives are divided into two categories -- inter-agency and agency specific. Included on the inter-agency list are: Year 2000, GPRA, Financial Management, Information Technology, Selected inter-agency systems, Acquisition Reform, Loan Portfolio Management, Debt Collection, International Credit Programs, Statistical Programs, and Regulation. On the Agency-specific list, objectives are identified for the following agencies: DOD, Education, Energy, HUD, Interior, Transportation, Treasury, VA and the Social Security Administration. These 22 objectives are discussed in more detail in Section IV of the Budget and also are posted on OMB's Home Page.

10. Next, lets look at Goal 2, Objective B OMB's obligations for the Results Act itself. Nowhere in this objective is quality mentioned at all. This concerns me as we begin looking at Results Act strategic plans from all the agencies. In Goal 3, Objective B you recognize your obligation to exercise quality control, but not here. Is part of OMB's objective to improve the quality of these plans? And, should we judge the performance of OMB on the quality and the quality improvement of agency plans?

OMB has and will continue to work with the agencies and the Congress in developing agency strategic and annual performance plans. We have engaged in a major effort to ensure that plans are transmitted to Congress as required by law on a timely basis. We plan to work with appropriators, authorizers, oversight committees and others to ensure that these plans are useful in making resource and other policy decisions.

11. There seems to be a few objectives missing if OMB is to fulfill all its management improvement obligations. Where is IT strategic planning as required by the Clinger-Cohen Act? Where is program de-duplication as part of your administrative obligations? Where is anti-terrorism per Executive Order? Where is the government-wide strategic plan, the government-wide performance plan, and the government-wide performance report as required by the Results Act? Where are these obligations covered?

Although some of these items may not be specifically identified in the OMB Strategic Plan by name since we tried to keep the Plan to a manageable length, they are, nonetheless, activities that OMB undertakes. To answer your specific questions, IT strategic planning is covered in Goal 2, Objective F. There are no specific "administrative obligations" on "program de-duplication," but as a regular part of budget formulation, OMB takes into consideration programs that have similar legislative authorization as budget proposals are developed. With respect to the Presidential Decision Directive on U.S. Policy on Counterterrorism (PDD-39), this fall OMB conducted its first crosscut review of government-wide funding to combat terrorism to ensure the adequacy of funding for FY 1999 of top priority programs to combat terrorism. This effort helped us minimize the duplication of efforts in FY 1999 and provides a basis for future government-wide programmatic and budgetary reviews. While there is no requirement for a government-wide strategic plan, the government-wide performance plan and agency performance reports are addressed in Goal 2, Objective B.

12. Your Goal 2, Objective A, I assume, includes fixing the GAO high-risk projects. However, I just do not see the level of resources, the strategy and resources, necessary to actually make a difference. The objective may be OK, but how do you expect to pull it off? Where is the strategy and resources?

OMB works continuously with the agencies on a range of management initiatives including identifying major management problems and, in cooperation with the agency or agencies affected, attempting to find ways of reducing or eliminating the problems. As previously discussed, the FY 1999 Budget identifies 22 priority management objectives on which substantial progress will be made in the next 18 to 24 months. For the eleven cross-

cutting objectives (e.g., year 2000, GPRA, loan portfolio management, debt collection), OMB and appropriate inter-agency working groups are identifying and implementing solutions. OMB staff and agency managers are pursuing a number of different approaches to the eleven agency-specific objectives. For example, OMB participates on Education's Student Aid Modernization Board and the IRS Modernization Board, which are responsible for resolving those problems. For each of the 22 objectives, the Budget includes a performance measurement/commitment on what will be accomplished, and each of these objectives will be backed up by an action plan. In looking at the overall Management Agenda and the GAO high risk list, you will see that there is considerable overlap between the two.

13. I am simply concerned about OMB's capacity to accomplish all its obligations. Are you confident that OMB's resources are sufficient for its strategies, objectives, goals, and mission?

I am confident that OMB's resources are sufficient for the accomplishment of our mission, goals and objectives.

14. We should be able to see a clear logical connection from mission to goals and objectives to strategies and resources to performance goals. What is the linkage between performance and Goal 2, Objective E? *Maximize social benefits of regulation while minimizing the costs and burdens of regulation.* Is it just how many regulations OMB reviews? Which, of course, is process not results. Is it, rather, how many are eliminated? What results measures does OMB intend?

A major objective of regulations is to produce the greatest amount of benefits for society with the least amount of costs to society. Before issuing a significant regulation, agencies are required by Executive Order 12866 to provide OMB with information on the costs and benefits of the regulation and its feasible alternatives. OMB assesses the information and works with the agency to, among other things, "maximize net benefits" and "impose the least burden on society." The number of regulations reviewed or the number eliminated are not meaningful indicators without information on the net impact those regulations produce on society. OMB will work with agencies to improve techniques to measure benefits and costs; and by using its role as central regulatory reviewer, OMB will support more uniform application of standardized assumptions and methodologies across regulatory programs and agencies.

15. Lets take another, Goal 2, Objective F. *Improve the performance of Federal programs and the quality of public access to information and services by promoting sound Federal and national information, information technology, and statistical policies and practices.* Your performance discussion on this objective looks more measurable but it is missing IT strategic planning. Clinger-Cohen says OMB shall ensure IT strategic plans derived directly from agency strategies. In other words, the Results Act plans should drive

the IT strategy. Its not here. I am looking for OMB quality control of agency IT strategic plans; the success rate of IT projects; fewer IRS billion dollar computer failures; etc. Where are they?

Under goal 2.F the plan states, "OMB can help agencies decrease the number of troubled IT systems . . . ." This directly addresses the success rate of IT projects and will be accomplished by promoting sound capital programming practices -- aligning investments with strategic missions -- in the agencies.

16. The high-risk projects are well known and have been well documented by GAO and others for years, but I do not see them getting fixed. Everybody has known about the management problems at the IRS, now thanks to the Senate hearings, there is some publicity. I assume its Goal 2, Objective A which is supposed to address these known management problems. But, how will next year be any different from this year? If OMB did not have the resources to do anything about these known problems last year, or this year, why should I believe you will next year?

I would take issue with your statement that these known problems, such as the IRS modernization, languished last year or this year. The IRS is a good example to reflect on the progress that has been made. The IRS Modernization Board (IRSMB) was first established in late 1996, with a mission statement and charter approved by the Secretary of the Treasury. Later, the President issued an Executive Order on June 24, 1997 extending the authority for the IRSMB. The Deputy Director for Management (Acting) fully participates and attends the monthly IRS Modernization Board meeting. OMB staff from the Resource Management Office (RMO) participate extensively on the IRSMB and work closely with the IRS on a day-to-day basis, and staff from the Office of Information and Regulatory Affairs (OIRA), the Office of Federal Procurement Policy (OFPP), and the Office of Federal Financial Management (OFFM) contribute to issues in their area of expertise. OMB worked with the Treasury Department to recruit the new IRS Commissioner whose vast management and information systems knowledge are necessary for modernizing the IRS. Further, a new Chief Information Officer and the new Assistant Commissioner for Electronic Tax Administration were recruited, both with extensive experience in information systems development and electronic filing and software, respectively. Finally, the development of the IRS Modernization Blueprint and the advance funding in FY 1998 for the first phase of the modernization project are important steps in the effort to reform the IRS. These are just a few of the action items that have been completed; and more remains to be done. The Administration is working with the Congress on this and other serious management issues.

17. To summarize, it looks to me like OMB's obligations for management improvement are considerable. This strategic plan, in contrast, looks too light. Missing obligations. Insufficient resources. Strategies that appear unrealistic in light of your obligations. Tell me, Mr. DeSeve, how are you going to pull this off?

As I have stated in responding to this comprehensive set of questions, I believe that the OMB Strategic Plan reflects our mission, goals and objectives; that OMB has adequate resources to address to its Strategic Goals; and that we achieve our objectives drawing upon the full resources of the Federal Government.

18. I look at your Appendix 2, the list of Interagency Working Groups. That is a lot of processes. However, this is The Results Act. What will OMB do? Where are your resources? What are your measurable performance goals? How can we judge OMB, in fact, how can you judge OMB performance on all these Councils? Do they like you? Or rather, did agency management improve?

The OMB annual Performance Plan will provide more information about performance goals in support of the Strategic Plan. For example, the measure in support of the financial management objective will be the number of agencies that obtain an unqualified and timely opinion on their agency's audited financial statement. This is a measure that looks to a result, but it is also a measure that indirectly is affected by OMB's actions. Each agency CFO and IG are responsible for issuing and auditing the agency's financial statement. OMB has no direct role or responsibility. However, OMB has a major role and responsibility for assisting each of the agencies in achieving this goal. OMB (a) issues policy; (b) trains agency staff in implementation and understanding of these policies; (c) works to remove obstacles to achieving policy; and (d) partners with Treasury, GAO and the agency CFOs and IGs to obtain the end result -- unqualified audit opinions. And yet, we do not issue the financial statement, and we do not audit the financial statement.

OMB's performance can also be measured through the commitments and priorities that are adopted by the inter-agency groups. For example, the CFO Council and the CIO Council both have published strategic plans that identify priorities and workplans for achieving these priorities. These plans are updated and progress is measured annually.

19. OMB's February performance plan may make the measurements clear, but, I still have real problems with the goals and objectives, both the ones that are here and the ones that are missing. Do you think your strategic plan needs revision now rather than waiting 3 years?

Prior to submitting our strategic plan to Congress, several consultations on the content of the plan were held with both Congressional members and staff. We received numerous views on the draft plan, and made significant revisions to it based on these views. We would be pleased to receive and consider any further specific suggestions for either new goals or changes to the goals they we now have. Ultimately, however, a strategic plan is an agency product reflecting agency decisions on what it will accomplish, and how these accomplishments will be achieved.

20. I still have problems with your strategies and resources, or lack thereof. Even Director Raines' cover letter says these are dynamic plans that will be periodically updated. I'll ask you again, do you think its time to revise your strategic plan next month, rather than waiting 3 years?

As OMB completes its annual performance plan for fiscal year 1999, we have found no reason to undertake a substantive revision of our strategic plan. Any interim revisions to the strategic plan will be identified, and communicated to Congress when we send the annual plan to Congress in February, 1998.

21. The Results Act legislation provides for consultation with Congress. This subcommittee is the cognizant oversight for OMB. Lets do just that, lets get together and consult on the content of this strategic plan - the management improvement areas. Is that agreeable to you Mr. DeSeve?

We are, of course, pleased to work with you and other interested Members of Congress on the OMB Strategic Plan and other matters of interest to the Chairman. In fact we look forward to working with you on the Management Agenda that is included in the President's Budget.

Mr. HORN. I would now like to ask our friends from GAO, do they have any comments they want to make after this round on OMB? Any thoughts? You could come back to the table if you like. You are all still under oath and so forth.

Mr. POSNER. We have nothing further to add to our testimony at this point.

Mr. HORN. OK. Did we miss anything?

Mr. POSNER. I don't think so. It was very comprehensive.

Mr. HORN. Well, we are getting there. We will give us a C this morning on my interchanges then. I am a tough grader.

I now want to thank the following people that are responsible for preparing this hearing. Russell George, the staff director and chief counsel to the subcommittee; Jane Cobb a professional staff member on the full committee; Robert Alloway, the professional staff member in this area and on my immediate left, and he has a fine creative mind that will generate numerous hearings down the line; John Hynes, professional staff member next to the staff director; Andrea Miller, our clerk; and then Matthew Ebert, staff assistant. We are delighted to have his services.

On the minority side we have Mark Stephenson; and we have the chief clerk, Ellen Rayner; and we also have two great court reporters, Bob Cochran and Vicky Stallsworth.

With that, this meeting is adjourned.

[Whereupon, at 12:50 p.m., the subcommittee was adjourned.]