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MANAGING FOR RESULTS

Continuing Challenges to Effective GPRA Implementation

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Managing for Results: Continuing Challenges to Effective GPRA Implementation

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

I appreciate the opportunity to be here this morning to discuss the Government Performance and Results Act of 1993 (GPRA). As agreed with the Subcommittee, today I will (1) highlight how the present phase of GPRA implementation holds promise for assisting congressional oversight and decisionmaking and (2) discuss the steps needed to maximize the usefulness of GPRA for Congress and the executive branch. My statement is based on our large body of work in recent years assessing GPRA implementation. As I will discuss in more detail, our work has shown that overall, agencies are continuing to make steady progress in implementing GPRA, but a set of persistent challenges requires additional effort if GPRA is to be fully effective.

Using GPRA to Assist Congressional Oversight and Decisionmaking

GPRA holds great promise in helping Congress and the executive branch ensure that the federal government provides the results that the American people expect and deserve. We are now at a new phase in the implementation of GPRA. The issuance of the first performance reports—showing the degree to which goals were met and the actions, plans, and schedules to meet unmet goals—represents a potentially more substantive phase in the implementation of GPRA. These reports, in addition to federal agencies' strategic and annual performance plans and the governmentwide performance plans, represent the completion of the first full planning and reporting cycle of GPRA implementation. This suggests that we are at an appropriate point in the process to examine the status of GPRA implementation and how it can be more fully integrated into congressional and executive branch decisionmaking.

This examination is important to ensure that the issuance of GPRA planning and reporting documents does not become merely an annual paperwork exercise unrelated to the real work of agencies and Congress. On the contrary, GPRA should be a foundation for congressional oversight and decisionmaking and thereby help Congress maximize the performance and ensure the accountability of the federal government for the benefit of the American people. GPRA also should provide a performance-based management framework for agencies to set goals; measure progress toward those goals; deploy strategies and resources to achieve them; and, ultimately, use performance information to make the programmatic decisions necessary to improve performance.

In that regard, we have often noted that concerted and continuing congressional oversight is key to addressing the federal government's persistent performance, management, and accountability problems. In

recent testimonies, the Comptroller General has suggested that the significant performance problems in federal programs and agencies can be organized around four broad themes.[1]

- **Comprehensively reassess what the federal government does and how it does it:** reconsider whether to terminate or revise outdated programs or services provided.
- **Reexamine and redefine the beneficiaries of federal programs**: reconsider who is eligible for, pays for, and/or benefits from a particular program to maximize federal investments.
- **Improve economy, efficiency, and effectiveness of federal operations**: capture opportunities to reduce costs through restructuring and streamlining federal activities.
- **Attack activities at risk of fraud, waste, abuse, and mismanagement**: focus on minimizing risks and costs associated with the delivery of major federal programs and activities.

GPRA's concepts, practices, and products provide tools that Congress can use to help its decisionmaking and strengthen its oversight, thereby helping to resolve these issues. More specifically, this Subcommittee can have a central role in building GPRA into the congressional oversight process. House Rule X requires standing committees of the House to provide oversight plans to the Committee on Government Reform.[2] These oversight plans are then published by the Committee along with its recommendations for ensuring the most effective coordination of such plans.

The new information now available from agencies' first annual performance reports, along with information being developed under other management reforms such as the Chief Financial Officers (CFO) Act, can provide new opportunities for congressional oversight that House committees can consider as they develop their oversight plans. For example, performance reports will provide annual information on programmatic results that can help Congress systematically review achievements and performance gaps. One opportunity available to this

[1] Managing in the New Millennium: Shaping a More Efficient and Effective Government for the 21st Century (GAO/T-OCG-00-9, Mar. 29, 2000); Managing for Results: Using GPRA to Help Congressional Decisionmaking and Strengthen Oversight (GAO/T-GGD-00-95, Mar. 22, 2000); and Congressional Oversight: Opportunities to Address Risks, Reduce Costs, and Improve Performance (GAO/T-AIMD-00-96, Feb. 17, 2000).

[2] Rules of the House of Representatives – H.Res. 5, 106th Congress, Rule X, Clause 2(d).

Subcommittee is to work with House committees to ensure that this information is used in developing oversight plans.

A second opportunity is to look across House committees and lead the development of integrated oversight agendas that target areas of congressional emphasis. Specifically, information from annual performance reports, by focusing on the results to be achieved, should suggest program areas and agencies that cut across individual committee jurisdictions, and that would benefit from more coordinated oversight. Scheduling joint hearings, for example, can provide synergy in addressing crosscutting issues.

Finally, the House Government Reform Committee could play a central role in coordinating oversight hearings related to how different governing tools (for example, intergovernmental partnerships, performance-based contracts, and financial credits) will be, or can be, used in achieving goals. Such oversight could assist in the development of a base of governmentwide information on the strengths and weaknesses of various tools used to address differing public policy issues.

Key Challenges to GPRA Implementation

Over the past several years, we have reported on a consistent set of challenges for agencies in using GPRA to become high-performing organizations.[3] These challenges include

- articulating a results orientation,
- coordinating crosscutting programs,
- showing performance consequences of budget decisions,
- showing how daily operations contribute to results, and
- building the capacity to gather and use performance information.

Articulating a Results Orientation

The cornerstone of federal efforts to successfully meet current and emerging public demands is to adopt a results-orientation. That is, to develop a clear sense of the results an agency wants to achieve as opposed to the products and services (outputs) an agency produces and the processes used to produce them. Adopting a results-orientation will require a cultural transformation for many agencies—it entails new ways of thinking and doing business.

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

In our assessment of the fiscal year 1999 plans, we identified the lack of comprehensive sets of goals that focused on results as one of the central weaknesses that limited the usefulness of the performance plans for congressional and other decisionmakers. Important progress was made over the next year, and all of the fiscal year 2000 plans we reviewed contain at least some goals and measures that address program results.

Still, additional opportunities for improvement continue to exist. For example, the Small Business Administration's (SBA) fiscal year 2000 performance plan goals and measures generally focus on outputs, rather than results. To assess progress in its goal to "increase opportunities for small business success," SBA relies on measures such as an increase in the number of loans made by SBA, the number of clients served, the number of bonds issued, and the amount of dollars invested in small businesses. This is important information, but the plan does not show how the measures are related to increasing opportunities for small businesses to be successful—the key result SBA hopes to achieve. SBA revised some of its performance goals in the fiscal year 2001 plan; however, SBA continues to focus its performance goals and measures on outputs instead of results.

With the issuance of the first performance reports, Congress now has information on the extent to which agencies met their fiscal year 1999 goals. For example, the Department of Veterans Affairs (VA) showed progress in providing quality healthcare at a reasonable cost. Specifically, VA reported that it met one of its most important goals—that is, to reduce the average healthcare cost per patient by 13 percent since fiscal year 1997; actual performance reported was a 16 percent reduction. VA slightly missed one of its other key goals—that is, to improve quality as measured by the Chronic Disease Index. The goal was to achieve a score on this index of 91 percent; VA's actual performance was 89 percent.

Setting goals that focus on results and reporting on the performance that has been accomplished will provide critical information needed for making judgments about the continuing value of a given program. As goals are being set, Congress can make decisions on whether the goals are appropriate and whether the expected level of performance is sufficient to justify the federal expenditure and effort. Later, as results are being reported, Congress can determine if progress is being made on the expected level of performance.

Coordinating Crosscutting Programs

Virtually all of the results that the federal government strives to achieve require the concerted and coordinated efforts of two or more agencies. Although the fiscal year 2000 performance plans indicate that the federal

government continues to make progress in showing that crosscutting efforts are being coordinated to ensure effective and efficient program delivery, agencies still need to complete the more challenging task of establishing complementary performance goals, mutually reinforcing strategies, and common performance measures, as appropriate.

Unfocused and uncoordinated crosscutting programs waste scarce resources, confuse and frustrate taxpayers and program beneficiaries, and limit overall program effectiveness.[4] Our work in over 40 program areas across the government has repeatedly shown that mission fragmentation and program overlap are widespread, and that crosscutting federal program efforts are not well-coordinated. For example, we have reported on the 50 programs for the homeless that were administered by 8 federal agencies. Housing services were provided under 23 programs operated by 4 agencies, and food and nutrition services were under 26 programs administered by 6 agencies.[5]

If GPRA is effectively implemented, the governmentwide performance plan and the agencies' annual performance plans and subsequent performance reports should provide Congress with new information on agencies and programs addressing similar results. Once these programs are identified, Congress can consider the associated policy, management, and performance implications of crosscutting programs as part of its oversight over the executive branch. This will present challenges to the traditional committee structures and processes.

A continuing issue for Congress to consider is how to best focus on common results when mission areas and programs cut across committee jurisdictions. More specifically, at present, Congress has no direct mechanism to use in responding to and providing a congressional perspective upon the President's governmentwide performance plan. Congress also has no established mechanism to articulate performance goals for the broad missions of government, to assess alternative strategies that offer the most promise for achieving these goals, or to define an oversight agenda targeted on the most pressing crosscutting performance and management issues.

I mentioned earlier the promise that House Rule X holds in this regard. Another possible approach would involve modifying or supplementing the

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

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

current budget resolution.[6] Already organized by budget function, similar to the program performance section of the President's governmentwide performance plan, the resolution could be adapted to permit Congress to respond to, and present a coordinated congressional perspective on, the President's governmentwide performance plan.

Showing Performance Consequences of Budget Decisions

A key GPRA objective is to help Congress develop a clearer understanding of what is being achieved in relation to what is being spent. Toward this end, GPRA requires that annual performance plans link performance goals to the program activities in agencies' budget requests.[7]

We reported that agencies are making progress in developing useful linkages between their annual budget requests and performance plans, but much additional work is needed.[8] We observed that the fiscal years 1999 and 2000 performance planning cycles produced useful experiments in "connecting resources to results." Collectively, the actions by many agencies constituted important first steps in forging closer links between plans and budgets and could be seen as a baseline from which to assess future progress.

Agencies have developed a variety of approaches and techniques to show relationships between budgetary resources and performance goals. In each case, agencies were able to make their performance plans more relevant for budget decisionmaking by showing the performance consequences of requested levels of funding. For example,

- The Environmental Protection Agency (EPA) and the Nuclear Regulatory Commission revised their budgets' program activity structures to reflect their plans' strategic goals and supporting performance goals.
- The Internal Revenue Service and the Federal Bureau of Investigation fully integrated their performance plans with their budget requests into a single submission.
- Several administrations within the Department of Health and Human Services and the Department of Housing and Urban Development (1)

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

[7] Subject to clearance by the Office of Management and Budget and generally resulting from negotiations between agencies and appropriations subcommittees, program activities are intended to provide a meaningful representation of the operations financed by a specific budget account.

[8] Performance Budgeting: Fiscal Year 2000 Progress in Linking Plans With Budgets (GAO/AIMD-99-239R, July 30, 1999); and Performance Budgeting: Initial Experiences Under the Results Act in Linking Plans With Budgets (GAO/AIMD/GGD-99-67, Apr. 12, 1999).

developed summary crosswalks that consolidated or aggregated funding from separate budget accounts and/or program activities and (2) related this funding information to strategic objectives or discrete sets of performance goals.

We also noted that agencies continue to face many challenges in this area—from challenges in goal definition and measurement to deficiencies in cost accounting systems. Given these challenges, we recommended that Office of Management and Budget (OMB) take the initiative to develop a practical and constructive agenda to further clarify the relationship between budgetary resources and results, beginning with the fiscal year 2001 plans. Recent actions by OMB hold promise for reinforcing and strengthening agency efforts in this area. OMB issued guidance and policy expectations for the 2002 process that should spur further development and improvement. For example, agencies will be expected to develop integrated plans and budgets that associate budgetary requests "insofar as possible with each goal."

Showing How Daily Operations Contribute to Results

Understanding and articulating how agencies' day-to-day operations contribute to results is important for congressional and executive branch decisionmakers to (1) design and implement cost-effective strategies to achieve results and (2) pinpoint initiatives to improve performance. Such understandings are by no means easy or straightforward. As I previously noted, virtually all of the results that agencies hope to achieve must be accomplished through the coordinated efforts of several players. The challenge for agencies is to understand how they can best influence the results to be achieved. Simply stated, agencies that do not have clear understandings of how what they do now contributes to results are hard pressed to determine what they need to do to improve performance.

We have found that although agencies' fiscal year 2000 plans contain valuable and informative discussions of how strategies and programs relate to goals, substantial opportunities exist to make continued improvements in presentations of strategies and resources. Specifying clearly in performance plans how strategies—including the use of capital assets—are to be used to achieve results is important to Congress and managers in order to determine the right mix of strategies and to maximize performance while limiting costs. As an example, the National Aeronautics and Space Administration's fiscal year 2001 performance plan does not provide a clear rationale for how information technology-related strategies and programs will contribute to achieving its goals or show any allocation of information technology-related dollars and personnel to performance goals.

The Department of Transportation (DOT), in its performance report for fiscal year 1999, shows why it is important that agencies know the factors that affect results. Such knowledge is key to designing improvement strategies. DOT did not achieve its fiscal year 1999 goal concerning recreational boating fatalities. DOT notes that most recreational boating fatalities are the result of accidents involving factors under the operator's control, and that boaters tend not to wear life jackets, although doing so would vastly improve their chance of surviving accidents. To achieve this goal, DOT's strategy now includes boater education and research on life jackets to promote greater use.

Building, Maintaining, and Marshaling the Human Capital Needed to Achieve Results. Effective implementation of performance-based management, as envisioned in GPRA, hinges on agencies' abilities to strategically manage their most important asset—their people resources or "human capital"—to achieve results.[9] However, most of the fiscal year 2000 performance plans do not sufficiently address how the agencies will use their human capital to achieve results. Although the plans often discuss human capital issues in general terms, such as recruitment and training efforts, they do not consistently discuss other key human capital strategies used by high-performing organizations. For example, few agencies discussed how they would build, maintain, and marshal the human capital needed to achieve their performance goals. This suggests that one of the critical components of high-performing organizations—the systematic integration of human capital planning and program planning—is not being adequately and uniformly addressed across the federal government.

In June, President Clinton issued a memorandum to the heads of executive departments and agencies detailing actions to further improve the management of human capital. Among other things, the memorandum directs agencies to clearly state specific human capital management goals and objectives in their strategic and annual performance plans. This is an important and helpful reminder to agencies that GPRA requires agencies to describe in these documents how they will use their human capital to support the accomplishment of agency goals and objectives.

Resolve Management Challenges and Program Risks. Any serious effort to fundamentally improve the performance of federal agencies must address management challenges and program risks. Unfortunately, we found that the fiscal year 2000 annual performance plans showed inconsistent attention to the need to resolve the mission-critical management

[9] Human Capital: Managing Human Capital in the 21st Century (GAO/T-GGD-00-77, Mar. 9, 2000).

challenges and program risks that continue to undermine the federal government's economy, efficiency, and effectiveness.

For example, the Department of Agriculture's performance report shows varied progress in resolving the major management challenges identified by GAO and its Inspector General in fiscal year 1999. In particular, progress has been made in improving the agency's farm loan portfolio—the delinquency rates for direct loans and the loss rates for direct and guaranteed loans were all within the target levels for fiscal year 1999. Conversely, the report does not demonstrate progress in addressing or resolving other previously identified management challenges. For example, the report shows little, if any, progress in reducing inefficiency and waste throughout the Forest Service's operations.

Building the Capacity to Gather and Use Performance Information

Agencies need reliable information during their planning efforts to set realistic goals and later, as programs are being implemented, to gauge their progress toward achievement of those goals. Our work over the past several years has identified limitations and selected approaches to improve agencies' abilities to produce credible program performance and cost data.[10] These limitations are substantial and long-standing, and they will not be quickly or easily resolved. We found in our assessment of the fiscal year 2000 performance plans that agencies provide limited confidence in the credibility of their performance information. This limited confidence in the credibility of performance information is one of the single, greatest continuing weaknesses with GPRA implementation.

One challenge confronting agencies in obtaining timely and reliable results-oriented performance information is their dependence on state and local agencies to provide data. For example, the Administration for Children and Families could not report on its progress in meeting fiscal year 1999 goals for the Temporary Assistance for Needy Families or child support programs. According to the Department of Health and Human Services' performance report, time lags in obtaining these data from the states make it difficult to provide a comprehensive summary of agency performance.

We have noted that agencies can use their GPRA planning and reporting documents to discuss their actions to compensate for unavailable or low-

[10] Managing for Results: Challenges Agencies Face in Producing Credible Performance Information (GAO/GGD-00-52, Feb. 4, 2000); and Performance Plans: Selected Approaches for Verification and Validation of Agency Performance Information (GAO/GGD-99-139, July 30, 1999).

quality data. For example, EPA highlights discrepancies between its data and state water quality data. EPA discusses its strategies for improving water quality data, including state-specific training for data entry into the Safe Drinking Water Information System.

Discussing data credibility and related issues in performance reports can provide important contextual information to Congress. For example, Congress can use this discussion to raise questions about problems the agencies have had in collecting needed results-oriented performance information and the cost and data quality trade-offs associated with various collection strategies.

Program Evaluation. A federal environment that focuses on results—where federal efforts are often but one factor among many that determine whether goals are achieved—depends on program evaluation to provide vital information about the effect of the federal effort. Program evaluation studies are important for assessing the contributions that programs are making to results, determining factors affecting performance, and identifying improvement opportunities. However, we continue to be concerned that many agencies lack the capacity to undertake program evaluations. In our 1997 review of agencies' strategic plans, we found that many agencies had not given sufficient attention to how program evaluations will be used in implementing GPRA and improving performance.[11] In another report, we noted that agencies' program evaluation capabilities would be challenged to meet the new demands for information on program results.[12] It will be important that the updated strategic plans, to be issued this fall, contain fuller discussions of how agencies are using program evaluations.

Financial Management Capabilities. The long-standing inability of many agencies to accurately record and report financial management data on both a year-end and an ongoing basis for decisionmaking and oversight purposes continues to be a serious weakness. Without reliable data on costs, decisionmakers cannot effectively evaluate programs' financial performance or control and reduce costs. As this Subcommittee is well aware, the CFO Act laid the legislative foundation for the federal government to provide taxpayers, the nation's leaders, and agency program managers with reliable financial information through audited

[11] Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

[12] Program Evaluation: Agencies Challenged by New Demand for Information on Program Results (GAO/GGD-98-53, Apr. 24, 1998).

financial statements. In addition to requiring annual audited financial statements, the CFO Act sets expectations for agencies to build effective financial management organizations and systems and to routinely produce sound cost and operating performance information throughout the year.

Although obtaining unqualified "clean" audit opinions on federal financial statements is an important objective, it is not an end in and of itself. The key is to take steps to continuously improve internal controls and underlying financial management information systems. The Federal Financial Management Improvement Act (FFMIA) focuses, among other things, on ensuring greater attention to making much needed improvements in financial management systems. The primary purpose of FFMIA is to ensure that agency financial management systems routinely provide reliable, useful, and timely financial information. With such information, government leaders will be better positioned to invest scarce resources, reduce costs, oversee programs, and hold agency managers accountable for the way they run government programs.

For fiscal year 1999, auditors for 21 of the 24 CFO Act agencies reported that those agencies' financial systems did not substantially comply with FFMIA's requirements. The three agencies in compliance were the Department of Energy, National Aeronautics and Space Administration, and the National Science Foundation.

Summary

In summary, Mr. Chairman, GPRA has the potential to help Congress and the executive branch ensure that the federal government provides the results that the American people expect and deserve. Agencies have completed their first full set of GPRA planning and reporting documents. The performance and cost information that are required in these documents have the potential to help Congress set its oversight agenda and agencies address challenges to becoming high-performing organizations. These documents also provide a performance-based management framework for agencies to improve performance and reinforce accountability throughout their organizations.

We are very pleased that Congress continues to rely on us to assess the implementation of GPRA and assist Congress in its use. Most recently,

- At the request of Chairman Dan Burton of the House Government Reform Committee, we are reviewing the use of performance agreements as an approach for instilling accountability for results within organizations.

- At the request of Chairman Fred Thompson and Ranking Minority Member Joseph Lieberman of the Senate Committee on Governmental Affairs, we reviewed the 24 CFO Act agencies' fiscal year 1999 performance reports and fiscal year 2001 performance plans to assess the extent to which the agencies addressed key outcome areas and management challenges. Chairman Thompson also requested that we update our reviews of agencies' efforts to better align their performance plans with their budgets.

- At the request of Chairman George Voinovich of the Subcommittee on Oversight of Government Management, Restructuring and the District of Columbia, Senate Committee on Governmental Affairs, we are conducting a follow-up to our 1996 survey to obtain information on federal managers' experiences with and attitudes about results-oriented performance and management issues.

- At the request of Ranking Minority Member Joseph Lieberman of the Senate Committee on Governmental Affairs, we will begin work on the relevant foreign experiences in public-sector management reforms and the possible application of those experiences to the United States.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you or other Members of the Subcommittee may have.

Contacts and Acknowledgments

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