



United States
General Accounting Office
Washington, D.C. 20548

Accounting and Information
Management Division

B-277789

August 21, 1997

The Honorable Richard K. Armey
Majority Leader
House of Representatives

The Honorable John R. Kasich
Chairman
Committee on the Budget
House of Representatives

The Honorable Dan Burton
Chairman
Committee on Government Reform and Oversight
House of Representatives

The Honorable Bob Livingston
Chairman
Committee on Appropriations
House of Representatives

Subject: The Results Act: Observations on the Office of Management and Budget's July 1997 Draft Strategic Plan

On June 12, 1997, you asked us to review the draft strategic plans submitted by the cabinet departments and selected major agencies for consultation with the Congress as required by the Government Performance and Results Act of 1993 (the Results Act). This letter is our response to that request concerning the Office of Management and Budget (OMB).

In reviewing OMB's draft plan, it is important to recognize that the agency has two distinct but parallel roles. OMB supports the President by preparing the President's budget, coordinating the President's legislative agenda, and providing policy analysis and advice. This role poses certain challenges in designing measurable, results-oriented goals and specific performance measures. Many statutes have also assigned to OMB a leadership role for a variety of governmentwide responsibilities in areas such as financial, information resources, and general management as well as regulatory and procurement policy. For example, OMB is responsible for overseeing implementation of the Results Act, and its guidance forms an essential part

of the criteria against which we have evaluated its and other agencies' draft strategic plans.

Objectives, Scope, and Methodology

Specifically, you asked us to review OMB's draft plan and assess (1) whether it would fulfill the requirements of the Results Act and its overall quality, (2) whether it reflects OMB's key statutory authorities, (3) whether it reflects interagency coordination for crosscutting programs, activities, or functions that are similar to or complementary with those of other federal agencies, (4) whether it addresses management problems that we have previously identified, and (5) the adequacy of OMB's data and information systems for providing reliable information for measuring results.

OMB prepared a draft strategic plan based on Results Act requirements, and we analyzed the version of the plan that OMB provided to congressional committees on July 23, 1997. Our overall assessment of this plan was based on our knowledge of OMB's operations and programs, our past reviews of OMB, and other existing information available at the time of our assessment. The criteria we used to determine whether OMB's draft strategic plan would comply with the requirements of the Results Act were the act itself, supplemented by OMB's guidance to agencies on developing strategic plans (Circular A-11, Part 2, Preparation and Submission of Strategic Plans and Annual Performance Plans). To make judgments about the overall quality of the draft plan and its components, we used our May 1997 guidance for congressional review of the plans as a tool.¹ As requested, in determining whether OMB's draft strategic plan reflects its major statutory responsibilities, we coordinated our review with the Congressional Research Service. To determine whether the draft plan contained information on interagency coordination and addressed management problems that we previously identified, we relied on our general knowledge of OMB's operations and programs and the results of our previous work. Our work was performed in July and August 1997. We obtained comments on a draft of this letter from OMB. These comments are discussed in the "Agency Comments" section and are reprinted in enclosure I.

It is important to recognize that OMB's final plan is not due to the Congress until September 30, 1997. Furthermore, the Results Act anticipated that it may take several planning cycles to perfect the process and that the final

¹Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review (GAO/GGD-10.1.16, May 1997).

plan would be continually refined as future planning cycles occur. Thus, our findings reflect a snapshot status of the plan at this time. We recognize that developing a strategic plan is a dynamic process and that OMB is continuing to revise this draft with input from congressional staff and other stakeholders.

Background

As a staff office to the President, OMB develops and executes the federal budget, oversees implementation of the President's policies and programs, and advises and assists the President. It also develops and oversees implementation of various governmentwide legislative and administrative initiatives. OMB was established under presidential reorganization authority in 1970, in part to increase the attention given to management issues in the federal government. In fiscal year 1996, OMB obligated \$56 million and employed over 500 staff.

OMB plays a key role in both the presidential and congressional budget processes. In addition to preparing and submitting the President's budget to the Congress, it monitors the congressional budget process to assess how congressional budget decisions address presidential policies. Once the Congress appropriates funds, OMB oversees the execution of budget authority to ensure compliance with applicable laws and presidential policies. The Budget Enforcement Act of 1990, moreover, gives OMB authority to enforce enacted spending ceilings and constraints.

OMB also is responsible 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 agencies. The Chief Financial Officers (CFO) Act of 1990 established CFOs in 24 major agencies to provide financial leadership and mandated significant reforms, which include increasing the accuracy of financial information, modernizing underlying systems, developing reliable cost and performance data, integrating budget and accounting information, and upgrading the quality of financial management personnel. The CFO Act also requires OMB to provide an annual report on progress made in achieving the act's objectives. Additionally, the act established a Controller in OMB to head an Office of Federal Financial Management as well as a Deputy Director for Management within OMB to be the government's key official for financial management. Later, the Government Management Reform Act of 1994 expanded the CFO requirements by charging OMB with (1) providing

guidance for the annual preparation of financial statements by the 24 major federal agencies and (2) coordinating with the Secretary of the Treasury in the preparation of audited governmentwide financial statements.

The original Paperwork Reduction Act (PRA) of 1980, as well as the recent 1995 reauthorization, requires the Director of OMB to oversee the use of information resources to improve the efficiency and effectiveness of government operations. Specifically, the 1995 act requires the Director, in consultation with agency heads, to set annual goals for reducing information collection burdens imposed on the public and for improving agencies' use of information resources to increase the productivity, efficiency, and effectiveness of their programs. The Director is also to report to the Congress each year on how well agencies have achieved their goals. The Clinger-Cohen Act of 1996 builds on the PRA by making the Director of OMB responsible for improving the acquisition and use of information technology by federal agencies and for developing, as part of the budget process, a process for OMB to use in analyzing, tracking, and evaluating the risks and results of all major capital investments for agency information systems.

Under the Results Act, OMB is charged with overseeing and guiding agencies' strategic and annual performance planning and reporting and is responsible for preparing an annual governmentwide performance plan that presents a single cohesive picture of federal performance goals. The act also required OMB to designate pilot projects on performance measurement, managerial accountability and flexibility, and performance budgeting and prepare a summary on the results of the pilot projects.

OMB has responsibilities for other management policies as well. The Federal Acquisition Streamlining Act, for instance, requires that executive agency heads set cost, performance, and schedule goals for major acquisition programs and that OMB report to the Congress on agencies' progress in meeting these goals. Under the PRA, the Director of OMB is assigned several responsibilities related to federal information collection and dissemination, including reviewing and approving proposed agency collections of information and developing and overseeing the implementation of governmentwide policies on statistical data.

In addition to its statutory management responsibilities, OMB is also responsible for implementing presidential initiatives set forth in executive orders and directives. For example, Executive Order 12866 directs OMB to

coordinate the review of agencies' rules and regulations to ensure that they impose the least burden, are consistent between agencies, focus on results over process, and are based on sound cost/benefit analysis. Since 1967, OMB has been responsible, through its Circular A-76, for carrying out executive branch policy to rely on competition between the federal workforce and the private sector for providing commercial goods and services.

OMB faces perennial challenges in carrying out these management responsibilities in an environment where its budgetary role necessarily remains a vital and demanding part of its mission. At one time, its management functions were carried out largely by separate staff units. In 1994, OMB undertook a major reorganization and process change, known as OMB 2000, intended to integrate OMB's budget analysis, management review, and policy development roles. OMB 2000 created resource management offices (RMOs) that are assigned integrated responsibilities for examining agency management, budget, and policy issues and overseeing agency implementation. The RMOs are supported by three statutory offices that are responsible for developing governmentwide management policies: the Office of Federal Financial Management, the Office of Federal Procurement Policy, and the Office of Information and Regulatory Affairs.

Under the Results Act, executive agencies are required to develop (1) strategic plans covering a period of at least 5 years by September 30, 1997, (2) annual performance plans for fiscal year 1999 and beyond, and (3) annual performance reports, with the first report due by March 31, 2000. Each strategic plan is to 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.

Results in Brief

OMB's strategic plan provides a beginning framework to articulate how OMB proposes to meet the wide range of presidential, congressional, and federal agency expectations for its leadership on federal budget and management issues. The plan includes four of the elements required by the

Results Act—a mission statement, long-term goals and objectives, strategies to achieve the goals and objectives, and key external factors—but these elements could be enhanced to better reflect the purposes of the Results Act and to permit an assessment of OMB's contribution to the many objectives the agency serves. For instance, while defining specific results for OMB's role as presidential advisor is challenging, a more explicit definition of expected results and accomplishments for many of OMB's objectives could better highlight its priorities and goals, particularly for governmentwide management responsibilities. Similarly, the draft plan could be strengthened by more explicitly describing how goals are to be achieved, in many cases drawing on strategies OMB has articulated in other documents. For example, the Congress and the President might be better able to determine OMB's ability to meet its objective of ensuring clean audit opinions on financial statements if specific actions to achieve this objective, such as those in OMB's federal financial management status report and 5-year plan, were identified.

Achieving many of the objectives in the draft plan will require attention to several critical crosscutting and organizational issues. Strategies for addressing governmentwide management issues, such as computer security, agencies' Year 2000 programs to change computer systems to accommodate dates beyond 1999, and reorientation of the regulatory process toward achievement of results, are not fully discussed in the draft plan. Addressing crosscutting goals depends heavily on collaboration between affected federal agencies, and the draft plan could more explicitly define OMB's strategies for promoting such interagency coordination. The draft plan also does not discuss how OMB will use evaluations to develop and assess progress toward its own goals or how it will use and encourage agencies' program evaluations to help make more informed budget and management choices. Moreover, the draft plan does not describe how OMB will ensure that it has the organizational capacity to provide the multidisciplinary leadership needed to address critical budget and management issues. It is important that OMB continue its ongoing efforts to refine its draft strategic plan to provide a road map for achieving its own objectives and a model for other agencies to follow as they develop their own strategic plans.

OMB's Draft Strategic Plan Includes Four of Six Required Elements, but Enhancements Could Be Made

OMB's draft plan includes elements addressing its mission, goals and objectives, strategies, and key external factors affecting its goals, but enhancements could help make the plan more useful in guiding OMB and serving as a basis for assessing the agency's performance. For example, more explicit discussions of the expected results and accomplishments for many of OMB's objectives could better highlight its strategies and priorities as well as permit a more informed analysis of the agency's contributions to public budgeting and management. The plan does not meet Results Act requirements for 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.

Mission Statement

The Results Act requires that each strategic plan contain a comprehensive mission statement covering the major functions and operations of the agency. According to OMB Circular A-11, Part 2, the statement should define the basic purpose of the agency, with a particular focus on its core programs and activities. The guidance also notes that the mission statement may include a concise discussion of enabling or authorizing legislation.

OMB's mission statement begins with a description of its role—"to help the President in carrying out his constitutional and statutory duties." The statement then lists the agency's principal functions—policy-making, overseeing execution of laws, and advising the President—and ends with the statement, "Simply put, OMB helps to create policy and manage execution, and provides analysis and advice." Throughout this mission statement, there is no reference to broader results that OMB seeks to achieve or has been directed to achieve through legislation or presidential decision. Specifically, the plan would be more useful if OMB explicitly stated the linkage between what it does and what it wants to achieve.

Because hundreds of statutory authorities and executive orders have assigned various responsibilities to OMB, the draft plan's mission statement is broad and general in its discussion of OMB's purpose. OMB could consider providing additional specificity to its mission statement as the plan is further revised by, for example, discussing the major results expected from key governmentwide management statutes. The breadth of OMB's mission makes it especially important that OMB develop 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.

Long-Term Goals and Objectives

Under the Results Act, a strategic plan is to list general goals and objectives, including outcome-related goals and objectives, for the major functions and operations of the agency. OMB's guidance states that the plan should contain long-term programmatic, policy, and management goals for the agency and outline planned accomplishments and the schedule for their implementation. The guidance further provides that goals and objectives, even if not quantifiable, should be stated in a manner that will allow a future assessment of whether the goals were or are being achieved.

Developing results-oriented goals for OMB will be challenging but critical. Many of OMB's responsibilities involve coordinating or facilitating the work of others to achieve an end. Although OMB may not control an outcome, its actions will, and are expected to, influence the results. Similarly, 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. Following the guidance in Circular A-11, the plan's goals need not all be quantitative, but they should be expressed in a manner permitting subsequent assessment.

OMB's draft plan sets four goals: (1) assist the President in creating policies that allocate resources within the federal government, and establish legislative and regulatory programs to achieve fiscal, economic, and investment goals in a cost-effective manner, (2) ensure the faithful execution of the enacted budget, programs, regulations, and policies, (3) assist the President by providing analysis and advice on other significant issues, and (4) improve OMB's development and use of its human resources and enhance its means of accomplishing work. Each goal is supported by three or more objectives.

Some of OMB's goals and objectives articulate explicit results and can be evaluated to determine if they have been achieved. For example, one objective is to achieve and sustain the agreement to balance the budget by 2002. OMB also commits to assuring reliable financial information capable of generating clean audit opinions on financial statements.

Other objectives, such as assisting the President in developing the budget and legislative agenda, could be stated in a more results-oriented manner. OMB has objectives espoused outside this strategic plan that could guide budget preparation. For example, a stated goal of OMB 2000 was to integrate the review of management issues in the budget process—a goal

that is amenable to assessment, as suggested by our 1995 report.² Further specification of the draft plan's budget preparation goal could include the use of financial statement data in budget reviews where appropriate and the use of investment criteria when reviewing information technology projects—both objectives OMB has articulated in other published documents.³ Another potential budget preparation activity that could be included in a strategic plan involves the analyses OMB conducts for the Analytical Perspectives volume of the President's budget covering such areas as public investment, credit programs, tax expenditures, and the long-term outlook for the budget and the economy; OMB could articulate the kinds of issues that will become the focus of future analyses. OMB's responsibility for overseeing the implementation of accrual-based estimates under the Federal Credit Reform Act of 1990 could also be presented as a strategic activity with significant implications for the budget estimation function.

The plan does state several other objectives with a bearing on budget preparation and review, including providing for capital planning and addressing programs with similar goals spanning multiple agencies. For capital planning, no specific accomplishments or schedules are articulated in the plan. In guidance to agencies, however, OMB has developed an extensive set of criteria for the development and review of agency capital plans and has articulated a potentially measurable standard of up-front funding for capital items.⁴ With regard to multiple programs, the objective is not sufficiently specified to indicate which areas OMB plans to address or what criteria it has in mind for improving overall program effectiveness.

Identifying results-oriented goals and objectives and needed accomplishments is especially important to determine whether OMB's statutory management mandates are being achieved. For example, OMB reflects its specific statutory responsibilities for overseeing the use of information resources to improve the efficiency and effectiveness of government operations in a single objective to "obtain agency solutions to identified mission-critical problems including the effective and efficient use of information and information technology by agencies to support their mission." This objective could be strengthened if it briefly described related problems or issues and relevant statutory authorities as well as a concise schedule and accomplishments needed to fulfill OMB's statutory

²Office of Management and Budget: Changes Resulting From the OMB 2000 Reorganization (GAO/GGD/AIMD-96-50, December 29, 1995).

³See, for example, the OMB documents Evaluating Information Technology Investments (November 1995) and Federal Financial Management Status Report and Five-Year Plan (June 1997).

⁴See, for example, OMB Circular A-11, Part 3 (June 1997).

responsibilities in this area. OMB's strategy for overseeing sound technology investments under the Clinger-Cohen Act could be discussed, including how OMB will evaluate the results of and enforce accountability for agency investment decisions.

Similarly, OMB's Office of Federal Procurement Policy (OFPP) is by law responsible for prescribing governmentwide procurement policies and providing leadership, coordination, and oversight in the formulation and implementation of executive branch positions on procurement-related issues. It also has responsibility for (1) overseeing the collection, development, and dissemination of procurement data through the Federal Procurement Data System and (2) developing innovative procurement methods and procedures to be tested by selected executive agencies. OMB reflects these authorities in one objective—to "achieve savings, improve quality, and increase customer satisfaction in agency procurement programs"—without providing a brief discussion of accomplishments needed to fulfill its statutory responsibilities.

Strategies to Achieve Goals and Objectives

The Results Act requires that each strategic plan describe how the long-term goals and objectives are to be achieved, including a description of the processes, skills and technology, and other resources required to meet the goals and objectives. OMB's guidance also states that agencies are to include schedules for completing significant actions and any underlying assumptions or projections. The guidance states that this section of the plan should outline the process for communicating goals and objectives throughout the agency and for assigning accountability to managers and staff to achieve objectives.

In narrative following each goal statement, OMB describes some general strategies, such as issuing guidance and reviewing regulations, that will be used to achieve its goals. For certain policy-making and advisory goals, this description may be all that is needed to explain how goals and objectives will be achieved. However, for goals related to long-term management responsibilities, the plan could be strengthened by adding a concise, organized statement of actions and resources needed to achieve a specific goal or objective. For example, OMB could mention the specific initiatives it is using to promote objectives, such as the effective utilization of personnel across the government and achieving savings and quality improvements in procurement. Clarifying and linking strategies to goals and objectives is especially important because achieving many of OMB's goals depends on its acting in concert with other agencies.

OMB's draft plan briefly describes overall resource requirements and refers the reader to separate capital and operating plans for details on the information technology and human resource capabilities needed to achieve its goals. The draft plan is predicated on an assumption of stable funding and staffing levels and emphasizes the need for a high-quality, diverse staff and the wise use of human, financial, and technological resources. However, the draft plan does not discuss whether any specific technology or training initiatives will be necessary. For example, OMB's effectiveness in overseeing the implementation of recent federal IRM reforms will depend greatly on its staff's capacity to produce sound evaluations of the agencies' information technology investment portfolios. The draft plan does not indicate that any major training or outside support is needed to build this capacity.

OMB's strategies generally are not associated with defined time frames. Although such time frames may be statutorily- or self-defined for regular activities such as budget preparation and policy advising, they are needed for determining progress in achieving the longer-term expectations of statutory mandates. The draft plan could be improved if critical actions among its many activities were identified and ordered into steps needed to achieve a goal or objective. For example, in its 5-year plan on governmentwide efforts related to financial management, OMB has identified priorities and milestones for its CFO Act efforts, but these priorities and milestones are not mentioned or referred to in OMB's draft strategic plan.⁵

While OMB's draft plan indicates that staff and managers were involved in developing goals and strategies, it is not clear (1) how the final goals and strategies will be communicated throughout OMB or to other agencies and (2) how managers and staff will be held accountable. An OMB strategic plan steering group invited all staff to meetings on identifying strategic issues, and OMB held a "standdown day" where staff devoted a day to discussing their units' operating plans and the draft strategic plan. However, OMB's draft plan does not explain how managers and staff, or other agencies, will be made aware of and held accountable for the goals that are ultimately developed. As a result of OMB's reorganization (OMB 2000) and various governmentwide management reform legislation, OMB's staff and managers have a wide, expanded scope of responsibilities. They also generally have more influence than control over the ultimate outcome of OMB's work. Additionally, many of OMB's goals depend on concerted actions with other agencies, but little mention is made of strategies to leverage the actions of

⁵See Federal Financial Management Status Report and Five-Year Plan (June 1997).

other agencies to achieve OMB's goals. In this operating environment, communicating results and priorities, and assigning responsibility for achieving them, are critical.

Relationship Between Long-term Goals and Objectives and Annual Performance Goals

The Results Act requires that each strategic plan describe how the agency's annual performance goals will be related to its general, or long-term, goals and objectives. OMB guidance states that agencies should briefly outline (1) the type, nature, and scope of the performance goals to be included in a performance plan, (2) the relation between the performance goals and the long-term goals and objectives, and (3) the relevance and use of performance goals in helping determine the achievement of long-term goals and objectives.

Especially for OMB's statutory responsibilities, linking long-term goals and objectives and annual performance goals can (1) help clarify the meaning of its long-term goals and objectives and (2) ensure that OMB's day-to-day operations produce desired long-term results. The section of OMB's draft plan entitled, "Relation of Annual Performance Goals to General Goals and Objectives," states OMB's capability to meet its goals and measure its performance, but it does not describe any relationship between annual and long-term goals.

However, other sections of the draft plan discuss selected performance measures for each of the long-term goals that might form the basis for annual goals. For example, OMB lists several performance measures for its goal of ensuring "faithful execution of the enacted budget, programs, regulations and policies," including the number of agency strategic plans that comply with the Results Act and the receipt of clean audit opinions on agency and governmentwide financial statements. Each of these measures could be associated with specific performance indicators during the development of the annual performance plan. It can be expected that the relationship between long-term and annual performance goals will be further defined as the Results Act planning process continues.

Key External Factors

The Results Act stipulates that the strategic plan must identify those key factors external to the agency and beyond its control that could significantly affect the agency's ability to achieve its goals and objectives. OMB's guidance states that these factors may be economic, demographic, social, or environmental and may result from action by the Congress, other federal agencies, states, local governments, or other nonfederal entities.

The guidance states that the strategic plan is to briefly describe each key external factor, indicate its link with a particular goal, and describe how each factor could affect achievement of a goal.

Throughout its draft plan, OMB acknowledges that its work is affected by several outside factors. For example, OMB recognizes that national economic circumstances, as well as different views about the appropriate roles of government, can affect such goals as assisting the President in resource allocation and fiscal and economic policy-making. However, OMB's plan does not consistently or completely discuss important external factors. For instance, the plan does not discuss the potential influence that the Federal Reserve Board or international economic developments can have in achieving fiscal and economic policies. With regard to OMB's goal of executing statutory management policies, the plan could discuss the need for the Congress to actively support the use of performance measures in budget decisions and the impact of rapidly changing technologies on agency information resources management.

For each goal, the plan discusses major barriers to achievement. Some of these barriers include agency administrative capacity and cooperation and the diversion of OMB staff to temporal crises. Although these factors clearly constitute barriers to the achievement of several goals, it is not clear that they are invariably beyond OMB's control or influence. The short-term pressures of the budget process clearly absorb significant staff and management attention within OMB, but the strategic plan can outline approaches to help sustain policy and management priorities in this environment. For example, in fiscal year 1996, the OMB Director articulated clear priorities for OMB's examiners to consistently address agencies' streamlining plans and performance information throughout that budget cycle, and our evaluation showed that this direction transcended immediate budgetary concerns and resulted in greater attention to management issues.⁶ Statutory offices, such as the Office of Federal Financial Management and the Office of Information and Regulatory Affairs, also provide the expertise and longer-term focus to address certain key policy and management issues throughout the year. With regard to agency cooperation, OMB could discuss in its draft plan how it uses such mechanisms as councils, task forces, and the engagement of agency Inspectors General to gain agency input and support.

⁶GAO/GGD/AIMD-96-50, December 29, 1995.

Program Evaluation

Under the Results Act, agencies' strategic plans are to describe the program evaluations used in establishing or revising long-term goals and objectives, with a schedule for future program evaluations. Program evaluation is defined by the Results Act as an assessment, through objective measurement and systematic analysis, of the manner and extent to which federal programs achieve their intended objectives. According to OMB guidance, the strategic plan should describe the evaluations that were used in preparing the plan and outline the general scope and methodology for future evaluations, key issues to be addressed, and when such evaluations are to occur.

OMB's draft plan does not provide a description of program evaluations used to prepare the plan nor does it include a schedule for future program evaluations. In its draft plan, OMB states that it does not administer programs and, therefore, "no program evaluations, as that term is usually defined, were available for use in preparing the plan." OMB's plan, however, could address the need for program evaluations in at least two ways. First, OMB could address evaluations of its own internal operations and programs. Second, OMB could be considered a consumer of agencies' program evaluations to better inform its resource allocation role and, in this capacity, could become a catalyst to enhance agencies' evaluation capabilities.

Evaluations are especially critical for OMB because it is charged with overseeing and implementing some of the most critical managerial functions of government. Such evaluations can provide a critical 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 overseen by OMB. In recent years, we have conducted assessments of OMB's functions or programs, with particular emphasis on its management role and the factors associated with sustaining attention to management issues in the budget process.⁷

Additionally, OMB's draft plan discusses a number of activities that would benefit from program evaluation. The draft plan states that issuing guidance to agencies is one strategy for its goal of ensuring the faithful execution of the enacted budget, programs, regulations, and policies. However, the draft plan is silent on whether OMB will assess the effectiveness of its guidance to agencies. For example, the policy of

⁷See, for example, [GAO/GGD/AIMD-96-50](#), December 29, 1995, and [Managing the Government: Revised Approach Could Improve OMB's Effectiveness](#) ([GAO/GGD-89-65](#), May 4, 1989).

contracting out to the private sector for providing commercial goods and services is embodied in OMB Circular A-76. This circular's effectiveness has been questioned both in the executive branch and in dozens of congressional hearings. Because OMB views Circular A-76 as a tool for achieving needed efficiencies in agency operations, an assessment of its effectiveness would help determine how this guidance is working and whether other changes are needed.

OMB is also statutorily required to undertake evaluations similar to those intended under the Results Act. For example, the Paperwork Reduction Act of 1995 requires the Director of OMB to "evaluate statistical program performance and agency compliance with Governmentwide policies, principles, standards, and guidelines." Further, the act requires OMB, in conjunction with four other federal agencies, to assess the efficiency and effectiveness of agency IRM activities. The Federal Financial Management Improvement Act of 1996 requires the Director of OMB to submit an annual report to the Congress regarding implementation of the act. None of these evaluation-related requirements are explicitly mentioned in OMB's draft strategic plan.

OMB's draft plan could also discuss how it will use agencies' program evaluations to further its goals in both budgeting and management. Improving program evaluation across government is vital for promoting more informed budget choices in an environment of scarce resources. As we have reported earlier this year,⁸ the lack of results-oriented performance information will hamper Results Act implementation. Furthermore, our review of other agencies' draft strategic plans showed that many agencies had not yet addressed the need for program evaluations in their plans.

Draft Plan Generally Reflects Most of OMB's Key Statutory Authorities

OMB's draft strategic plan generally reflects and identifies many of OMB's key statutory authorities, but it could be improved if the goals and objectives were more clearly linked to the underlying statutory authorities upon which they rest. For the most part, the draft plan focuses much more on OMB's responsibilities to advise and assist the President and on its managerial and policy-making roles than it does on the specific statutory requirements OMB must carry out. While the former responsibilities are critically important, the draft plan could be improved if it contained an

⁸The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997).

enhanced discussion and reflected greater recognition of the specific statutory mandates for which OMB is responsible.

Crosscutting Issues Could Be More Fully Discussed

OMB's draft plan states that achieving its goals and objectives depends heavily on "input from and the collaborative efforts of all Federal agencies." Many of OMB's activities, in addition to its annual collaboration with agencies to prepare the President's Budget, involve coordination with other agencies or facilitating coordination among agencies to address crosscutting issues. Crosscutting issues have several dimensions for OMB. OMB must engender the cooperation of all agencies to achieve many key goals, such as financial and information management. For certain policies, OMB shares leadership responsibility with one or more agencies, requiring collaborative approaches to promote goals. Finally, several issues OMB must address are interrelated and require cooperation across various offices and functions within OMB.

Crosscutting goals and objectives require concerted efforts and strategies, but it is unclear whether OMB coordinated with other agencies in preparing this draft plan. OMB's description of its draft plan development process does not mention that its plan was shared with any other agencies or that any external stakeholders were consulted. The draft plan also does not explicitly mention coordination with other agencies that have related functions. For example, OMB's draft plan could recognize that other entities—for example, the Department of the Treasury; the National Economic Council; and the administration's major management improvement initiative, the National Performance Review; and two other central management agencies, the Office of Personnel Management and the General Services Administration—share its mission of creating policy, managing execution, and providing analysis and advice to the President.

When OMB's goals or objectives point to coordinated efforts, OMB's draft plan could be strengthened by referencing the plans of other agencies and by discussing strategies to gain the cooperation and support of these agencies. For example, the Paperwork Reduction Act of 1995 requires the Director of OMB, in consultation with agency heads, to (1) set annual governmentwide goals for reducing information collection burdens by at least 10 percent during each of fiscal years 1996 and 1997 and 5 percent during each of fiscal years 1998, 1999, 2000, and 2001 and (2) set annual agency goals for reducing information collection burdens on the public to the maximum extent practical. Although one of OMB's objectives is to review current and proposed policies to ensure consistency with the

President's information collection policy priorities, the draft plan does not describe how OMB will ensure burden reduction goals are incorporated in agencies' plans and hold agencies accountable for their actions to meet these agency burden reduction goals.

OMB's draft plan could better describe how it will achieve the coordination needed to address other crosscutting issues as well. In the financial management area, the draft plan articulates the objective of improving financial management information to attain clean audit opinions. However, it does not discuss OMB's role and specific goals in working with agencies to improve financial management practices throughout the government. A separate document, the Federal Financial Management Status Report and Five-Year Plan, contains objectives and strategies that OMB might draw from for its strategic plan. This financial management plan discusses strategies for working with agencies, councils, and other groups and sets specific objectives and milestones for financial management reform. For example, the financial management plan proposes such specific tasks as issuing guidance on managerial cost accounting system requirements, training agencies to implement audit guidance, and providing guidance for the forthcoming governmentwide financial statement audit. OMB's strategic plan could note whether OMB intends to review agencies' strategic and financial management plans to ensure its financial management objectives are also reflected in agency plans.

In the information management area, the draft plan proposes to promote effective and efficient use of information resources but does not discuss how it will work with agencies to resolve critical crosscutting issues. OMB does not describe its strategy for carrying out its expanded responsibilities in overseeing the effective implementation of PRA and the Clinger-Cohen Act and for addressing specific issues, such as agencies' Year 2000 programs to change computer systems to accommodate dates beyond 1999 and information security. We have previously reported on actions OMB needs to take to implement sound technology investment in federal

agencies.⁹ Additionally, given the urgent need to accelerate federal agencies' year 2000 programs, the plan can specify how OMB intends to monitor critical aspects of this problem. Similarly, in light of the increasing importance of information security and the widespread security problems that have already emerged, we have previously suggested that OMB, as chair of the Chief Information Officers Council, take the lead in prompting agencies to identify weaknesses and take corrective actions.¹⁰

In the regulatory management area, the draft plan notes that OMB reviews agencies' regulations and conducts certain analyses, but does not fully discuss what those reviews and analyses are intended to achieve. The draft plan states that OMB seeks to maximize the public benefits while minimizing the public burden of regulations and that OMB reviews agency documents for consistency. Additionally, Executive Order 12866 gives OMB direct responsibility for ensuring that agencies' regulations focus on results instead of process and are based on sound economic analysis. Delineating these kinds of outcomes in OMB's plan would give the Congress and others clear criteria that could be used to evaluate how well OMB is carrying out its crosscutting regulatory management responsibilities.

The draft plan does not discuss most of the 25 issues we have identified as high risk because of vulnerabilities to waste, fraud, abuse, and mismanagement. OMB recently discontinued its high-risk list because it determined that more progress could be made on these issues by helping agencies focus on system changes and management challenges. The draft plan could specify how OMB will provide the leadership needed to help resolve high-risk problems. Although the plan discusses some of OMB's responsibilities related to recent management reform legislation, which, if implemented successfully, will help resolve some of these problems, the

⁹In *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), we reported that OMB needs to take action on several fronts to help implement sound technology investment decision-making processes at federal agencies, including (1) requiring agencies to use explicitly defined criteria in deciding what technology projects to fund, (2) ensuring that agencies' technology investment control processes comply with the new information resources management legislation and OMB guidance, (3) improving OMB staff's capacity to analyze the soundness of the agencies' technology portfolios, and (4) establishing an internal evaluation process to determine whether its reviews of the agencies' investment processes and results are having an effect on reducing the risks and improving the returns on federal information technology investments. OMB's strategy for overseeing the implementation of the IRM reforms should also include continuing to monitor the appointment of chief information officers and their efforts to develop and implement integrated agencywide information architectures; build their agencies' capacity to acquire needed systems and deal with emerging technology issues; and devise effective performance measures for OMB to assess the progress their agencies are making in using information technology to achieve stated goals.

¹⁰See *Information Security: Opportunities for Improved OMB Oversight of Agency Practices* (GAO/AIMD-96-110, September 24, 1996).

high-risk areas involve long-standing problems that can be corrected only with sustained management attention and congressional oversight.

Tackling crosscutting issues will also require extensive collaboration between offices and functions within OMB, which the plan could discuss in more detail. The draft strategic plan contains an objective to use internal interdisciplinary and interagency work groups to address issues in more depth but does not provide any specific strategies for or areas where these groups will be used. OMB recognized the importance of integrating management into the budget process through its 1994 reorganization where RMOs were assigned responsibilities for examining agency management issues during the budget review process.

Recent statutory management initiatives will challenge OMB to mount an effective organizationwide effort. For example, collaboration across units within OMB will be necessary to bring financial information systems into compliance with both the Federal Financial Management Improvement Act and the Clinger-Cohen Act. We have testified that the performance information produced by the Results Act will be most useful to congressional and executive branch decisionmakers if it is integrated with accurate cost data drawn from agency financial accounting systems; OMB has efforts underway to develop accountability reports that consolidate and integrate the separate reporting requirements of the Results Act, CFO Act, and other specified acts that could be discussed in its plan. Similarly, preparation of the governmentwide performance plan under the Results Act, due in early 1998, will call for OMB to draw on expertise across many units within the agency.

Major Management Challenges Are Not Fully Addressed

We and other organizations have evaluated OMB's ability to provide leadership on critical budget and management issues. Although some of the major challenges we have raised are mentioned in the draft plan, OMB could more specifically describe how these challenges will be addressed.

Our 1989 report on OMB¹¹ examined the agency's repeated reorganizations and management improvement efforts and concluded that OMB had been unable to coordinate its management and budget functions effectively and had not established a stable management capacity. We found that OMB's short-term, budget-driven focus often made it difficult for the agency to address long-term management problems. OMB's internal 1994 review of its operations reached similar conclusions.

¹¹GAO/GGD-89-65, May 4, 1989.

We made recommendations to improve the agency's effectiveness in addressing management and budget issues, and OMB has implemented some of them. For example, we recommended that a second Deputy Director position be established to enhance OMB's leadership role on management issues, and OMB has filled this position, which was created by the CFO Act. We also recommended that OMB budget divisions be explicitly charged with overseeing agency implementation of selected management improvement efforts, evaluating the effectiveness of the management of individual agencies and programs, and ensuring that corrective action is taken to solve identified problems. OMB's 1994 reorganization (OMB 2000) was intended to integrate its budget analysis, management review, and policy development roles.

In our 1995 review of OMB 2000,¹² we observed that this approach has the potential to improve the agency's capacity to address management issues, but it will require a sustained focus to institutionalize an integrated approach over the longer term. 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. 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 would address issues raised by the reorganization. However, such a review is not described in OMB's draft plan and neither of the two concerns we raised is explicitly discussed.¹³

Furthermore, OMB's draft plan does not discuss initiatives to improve its working relationship with other federal agencies and the Congress—a key factor in its ability to effectively carry out its mission and responsibilities. In our 1989 review of OMB's management leadership, agency officials told us that OMB is most effective when it serves as a catalyst and provides leverage for officials to get attention within their agencies. These officials also stressed the importance of consistent communication and involvement of agency officials in formulating policies. A National

¹²GAO/GGD/AIMD-96-50, December 29, 1995.

¹³For a discussion of other management challenges, see GAO/GGD/AIMD-96-50, December 29, 1995.

Academy of Public Administration study also supported a consultative relationship for agencies and OMB. As previously mentioned in this correspondence, OMB is working in such a manner with various interagency councils, and its draft plan could discuss more of these groups' initiatives and responsibilities.

Similarly, we found that obtaining congressional cooperation has been an important factor in OMB's success. Our discussions with congressional staff in conducting the 1989 study indicated that OMB could gain more support for its initiatives through earlier and more frequent contact with the Congress and a clearer communication of its priorities. OMB's draft plan recognizes the need to work cooperatively with the Congress but could specify what changes, if any, it will seek in its relationship with the Congress.

Capacity to Provide Reliable Information on Achievement of Goals

OMB's draft plan indicates that it will need a variety of measures to determine whether its goals are being achieved. The draft plan suggests that many of its goals will be measured qualitatively. For example, OMB suggests performance in identifying less effective programs, improved personnel utilization, and timeliness of analysis as potential performance indicators. OMB will need reliable tracking systems to support the performance indicators it chooses. Additionally, determining whether some of OMB's objectives, such as savings in agency procurement programs, have been achieved will depend on the quality of information generated by agencies' information systems. We have not reviewed OMB's financial and information systems in recent years; therefore, we cannot comment on the capacity of OMB's current systems or any plans to develop such systems.

Agency Comments and Our Evaluation

We requested comments on a draft of this letter from the Director of OMB. On August 15, the OMB Acting Deputy Director for Management provided written comments. (A copy of those comments is included in enclosure I.) OMB's comments characterized our letter as a comprehensive assessment of OMB's draft strategic plan and said that it contained constructive and helpful suggestions for improving the plan. OMB also commented on our observations regarding two elements missing from its strategic plan: (1) a description of the relationship between general goals and objectives and annual performance goals and (2) a discussion of the use of and future schedule for program evaluations. Our response to OMB's comments is included in enclosure I.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this correspondence until 30 days from its issue date. At that time, we will send copies to the Minority Leader of the House of Representatives, the Ranking Minority Members of your Committees, and the Director of the Office of Management and Budget. We will also send copies to the Chairmen and Ranking Minority Members of the Senate Appropriations, Budget, and Governmental Affairs Committees. Copies will be made available to others upon request.

Please contact Nye Stevens at (202) 512-8676 or Paul Posner at (202) 512-9573 if you or your staffs have any questions concerning this letter. Major contributors to this report are listed in enclosure II.



L. Nye Stevens
Director, Federal Management and Workforce Issues



Paul L. Posner
Director, Budget Issues

Enclosures

Comments From the Office of Management and Budget

Note: GAO comments supplementing those in the letter appear at the end of this enclosure.



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

August 15, 1997

Mr. Gene L. Dodaro
Assistant Comptroller General
U.S. General Accounting Office
Washington, DC 20548

Dear Mr. Dodaro:

Thank you for giving us the opportunity to review and comment on the draft GAO Report, "The Results Act: Observations on OMB's July 1997 Draft Strategic Plan". The report is a comprehensive assessment of our draft strategic plan, with constructive and helpful suggestions for improving the plan. The various OMB staff who are preparing the final plan have been given a copy of the draft GAO report for their reference and use as they work on completing the plan before it is sent to Congress next month.

We took particular note of your comment that the draft OMB plan does not meet two requirements of the Results Act: a description of the relationship between the general goals and objectives and the annual performance goals, and use of and future schedule for Program Evaluations. A general description of the relationship between general goals and performance goals is included in our plan. An additional description of this relationship will be included as part of our performance plan. The strategic plan should outline the type, nature, and scope of the annual performance goals, but it was not intended that the plan present a comprehensive list of specific measures.

Program Evaluations have been a subject of much discussion in regard to the Results Act. As contemplated in the Act, Program Evaluations were intended to focus on program outcomes and effectiveness. OMB does not run programs. As a result, we did not use Program Evaluations, as such, in forming our strategic plan and have so stated. Many evaluations of OMB including specifically those performed by GAO regarding OMB 2000 were used in developing our strategic plan. We encourage all agencies to take advantage of these evaluations, while not technically Program Evaluations, in preparing their plans.

OMB continues to be a strong supporter of Program Evaluations. We use them whenever they are available in allocating resources and promoting better program management. It might be worthwhile for OMB and GAO staff, and others as well, to have a future, more detailed discussion on the nature and dimension of Program Evaluation in the context of the Results Act.

See comment 1.

See comment 2.

Enclosure I
Comments From the Office of Management
and Budget

We appreciate the effort that GAO has made in reviewing not only our plan, but the plans of more than 20 other agencies as well. Implementation of the Results Act will be a major challenge and undertaking across the government, and we look forward to working with GAO in the months ahead to help bring about a successful implementation.

Sincerely,

A handwritten signature in black ink, appearing to read "G. Edward DeSeve". The signature is fluid and cursive, with the first name "G." and last name "DeSeve" clearly distinguishable.

G. Edward DeSeve
Acting Deputy Director
for Management

The following are GAO's comments on the Office of Management and Budget's letter dated August 15, 1997.

GAO's Comments

1. OMB commented on our observation that its draft plan did not describe the relationship between general goals and objectives and performance goals. OMB said that its plan contains such a description. OMB also said that an additional description of this relationship will be included in its annual performance plan. OMB noted that the strategic plan should outline the type, nature, and scope of the annual performance goals, but it was not intended that the plan present a comprehensive list of specific measures.

We agree that strategic plans are not intended to provide comprehensive listings of specific performance measures. However, our letter notes that the section of OMB's draft plan entitled "Relation of Annual Performance Goals to General Goals and Objectives" does not describe any relationship between annual and long-term goals. Thus, we continue to believe that OMB's plan could be more useful if it discussed the relationship between the performance goals and the long-term goals and objectives and the relevance and use of performance goals in helping determine the achievement of long-term goals and objectives.

2. OMB commented on our observation that its draft plan did not include a discussion of the use of and schedule for program evaluations. OMB reiterated that it does not run programs and therefore it "did not use Program Evaluations" to develop its plan. OMB said that "many evaluations. . . while not technically Program Evaluations," were used in developing its strategic plan and that it "continues to be a strong supporter of Program Evaluation."

We note that the Senate report that accompanied the Results Act described program evaluation in broad terms, specifically "including evaluations of . . . operating policies and practices when the primary concern is about these issues rather than program outcome." In this context, we believe that evaluations are especially critical for OMB because it is charged with overseeing and implementing some of the most critical managerial functions of government. Thus, we continue to believe that OMB's strategic plan could be more useful if OMB provided more information on its use of program evaluations in developing its plan.

Major Contributors to This Letter

Accounting and
Information
Management Division,
Washington D.C.

Gloria L. Jarmon, Director
Michael J. Curro, Assistant Director
John P. Finedore, Assistant Director
Danny R. Latta, Assistant Director
Denise M. Fantone, Senior Evaluator
Laura E. Hamilton, Senior Evaluator

General Government
Division, Washington
D.C.

J. Christopher Mihm, Acting Associate Director
Joseph S. Wholey, Senior Advisor for Evaluation Methodology
Curtis W. Copeland, Assistant Director
John K. Needham, Assistant Director

Office of General
Counsel

Alan N. Belkin, Assistant General Counsel
Carlos E. Diz, Attorney

Ordering Information

The first copy of each GAO report and testimony is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. VISA and MasterCard credit cards are accepted, also. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

Orders by mail:

**U.S. General Accounting Office
P.O. Box 37050
Washington, DC 20013**

or visit:

**Room 1100
700 4th St. NW (corner of 4th and G Sts. NW)
U.S. General Accounting Office
Washington, DC**

**Orders may also be placed by calling (202) 512-6000
or by using fax number (202) 512-6061, or TDD (202) 512-2537.**

Each day, GAO issues a list of newly available reports and testimony. To receive facsimile copies of the daily list or any list from the past 30 days, please call (202) 512-6000 using a touchtone phone. A recorded menu will provide information on how to obtain these lists.

For information on how to access GAO reports on the INTERNET, send an e-mail message with "info" in the body to:

info@www.gao.gov

or visit GAO's World Wide Web Home Page at:

<http://www.gao.gov>

**United States
General Accounting Office
Washington, D.C. 20548-0001**

**Bulk Rate
Postage & Fees Paid
GAO
Permit No. G100**

**Official Business
Penalty for Private Use \$300**

Address Correction Requested