Policy Dialogue No. 1

Table of Contents

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Transitioning to Performance-based Government: Bipartisan Observations and Recommendations to the New Administration and Congress from 140 Current and Former Federal Government Officials

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Letter to Officials of the New Administration and 107th Congress

November, 2000

Dear Officials of the New Administration and 107th Congress:

As you prepare for the transition into a new Administration and new Congress, you will no doubt receive advice and recommendations from a variety of think tanks and interest groups. Much of the advice you will be inundated with will focus primarily on policy decisions these various groups would like to see made on a multitude of issues.

Too often overlooked during this critical transition period are the less-glamorous, yet fundamentally important issues of how to improve the day-to-day management of government agencies. That is why our organizations—dedicated to improving government performance—collaborated on a unique initiative to develop non-policy specific recommendations on improving the management of the federal government.

In the months leading up to the election, our organizations coordinated and hosted four management-specific discussion sessions under an initiative called "The Transition Dialogue Series." Over 140 individuals participated in these dialogues, with representation from current and former career and political officials from federal agencies, interest groups, academics, management experts, congressional staff, and current and former officials from the White House, Office of Management and Budget, General Accounting Office and the Congressional Budget Office.

The dialogues were specifically designed to produce non-partisan, experience-tested observations and recommendations for the next Administration and Congress in the following four areas:

- Management and Performance Improvement

- Information Technology and E-Government

- Civil Service Reform and Human Capital Management

- Procurement and Contracting

For each of these four areas, the dialogues answer three questions: what progress has been made, what challenges remain, and what key recommendations should the new Administration and Congress consider? This report summarizes the observations and recommendations generated throughout the Transition Dialogue Series, as well as provides a full participant list. A complete transcript for each session is available at www.rppi.org/t2g.html.

It is our sincere hope that you will keep management issues at the forefront of your agendas and continue the positive progress that has been made over the past ten years to improve the management and performance of federal programs. Our organizations stand ready to assist you in any way possible on these important issues.

Sincerely,

Director, 21st Century Government Project
Reason Public Policy Institute

Bruce Josten
Executive Vice President
U.S. Chamber of Commerce

Bob O'Neill
President
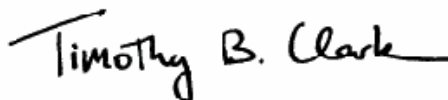National Academy of Public Administration

Executive Director
American Society for Public Administration

Kathryn Newcomer
Chair, School of Public Administration
George Washington University

Pat McGinnis
President
Council for Excellence in Government

Timothy B. Clark
Editor in Chief
Government Executive Magazine

Purposes and Methodology

Over the past ten years the management and performance of the federal government has improved. Statutes such as the Government Performance and Results Act, Chief Financial Officers Act, and the Information Technology Management Reform Act, as well as initiatives such as the National Partnership for Reinventing Government, have had a positive impact on federal agencies. Performance management, customer service, partnership and electronic government concepts are more widely accepted today, but much more work needs to be done to tackle a number of management challenges facing federal programs.

As the new Administration and Congress prepare their agendas and transition into power, management improvement issues must receive adequate focus and attention. Formulating the right policy is only part of the challenge of effective governance. Being able to successfully manage programs that implement statutes and execute policy initiatives is the other critical component of effective governance. If the new Administration and Congress are to provide effective governance and improve the public's confidence and satisfaction with the federal government, an aggressive management agenda must be formulated and actively supported on a bipartisan basis by both branches.

To help generate observations and recommendations on how such an agenda could be formulated and pursued, a group of organizations dedicated to effective governance hosted The Transition Dialogue Series.

Objectives of The Transition Dialogue Series

Consisting of several focus-group-style dialogue sessions, The Transition Dialogue Series was designed to bring together current and former senior government officials and public administration experts to discuss ways to improve the management practices of the federal government.

The three primary objectives of the initiative were to:

- Create a non-partisan platform for thoughtful discussion on key management and performance issues facing the federal government;

- Foster a sustained commitment to improving management and performance practices of all federal programs; and

- Communicate lessons learned, helpful practices, and next-step ideas to the incoming Administration and Congress;

Methodology for Generating Observations and Recommendations

In order to provide for manageable discussions, management topics were broken down into four topic areas with one session held on each topic:

- **Management and Performance Improvement:** Financial management, performance measurement, strategic planning, data quality, budgeting, reduction of waste, fraud and errors, regulatory process, inter-governmental relations, customer service, and implementation of the Government Performance and

Results Act, Chief Financial Officer's Act, Government Management Reform Act, Paperwork Reduction Act, etc.

- **Information Technology and E-Government:** Use of information technology for transactional and transformational purposes, security and privacy in government Web sites and information systems, implementation of the Information Technology Management Reform Act (Clinger-Cohen), electronic commerce principles for government, recruitment of IT staff, etc.

- **Civil Service Reform and Human Capital Management:** Recruitment and retention issues, performance evaluations, civil service reforms, affirmative action, training, orientation for political appointees, labor-management relations, background checks and the confirmation process, accountability, human capital planning, workforce assessments, etc.

- **Procurement and Contracting:** Outsourcing options, A-76 reviews, performance-based contracting, procurement reforms, acquisition streamlining, privatization opportunities, contract management, implementation of the Federal Activities Inventory Reform Act, etc.

Each session was professionally facilitated, audio-taped, and addressed three key questions:

- What **progress** has been made over the past 10 years to improve the way government programs address these issues?

- What **challenges** remain to be addressed before additional progress can be made on these issues?

- If you could give only **three action items** for the next Administration and Congress to focus on for this issue, what would they be?

Participant Selection

In order to provide for a manageable discussion, the dialogue sessions were limited to 40 individuals for each session held. Participants were selected with the goal of assembling as diverse and expert a group as possible, with participants chosen based on their current or former experience as political appointees, career officials, congressional officials, Inspectors General, state and local officials, nonprofit/interest group representatives, or academic experts.

Important Note on the Transition Dialogue Sessions

This report provides a brief summary to officials in the new Administration and Congress on a multitude of observations and recommendations on management issues that were offered during four five-hour discussion sessions. When reviewing the contents of this report the reader should be mindful of several things:

- The Transition Dialogue Sessions were NOT designed to seek consensus on the issues raised during the course of discussion.

- The summaries contained in this report summarize the general points made during the course of discussion. By no means should the summary of points made be construed to represent the consensus or agreement of all participants.

- In order to achieve a more robust and deeper understanding of the diversity of ideas and observations made during **The Transition Dialogue Sessions**, the reader is strongly encouraged to review the actual full-length transcripts at www.rppi.org/t2g.html

Where possible and appropriate, actual quotations have been used from the transcripts to illustrate the content and context of observations and recommendations made. In some cases, contradictory quotations are provided to illustrate divergent views and recommendations.

Session One: Management and Performance Improvement (July 17, 2000)

Participant List

1. Joe Wright, ex-Office of Management and Budget
2. John Koskinen, ex-Office of Management and Budget
3. Bob Coakley, House Budget Committee
4. Christopher Mihm, General Accounting Office
5. Jonathan D. Breul, Office of Management and Budget
6. Harry Hatry, The Urban Institute
7. Herbert Jasper, National Academy of Public Administration
8. Mark Abramson, PwC Endowment for the Business of Government
9. Kathy Newcomer, George Washington University
10. Mary R. Hamilton Ph.D, American Society for Public Administration
11. Sallyanne Harper, General Accounting Office
12. John E. Mercer, ex-Senate Governmental Affairs Committee
13. Arlene Holen, Congressional Budget Office
14. John Berry, Deptartment of the Interior
15. Barry White, Council for Excellence in Government
16. Walter Groszyk, Office of Management and Budget
17. Chris Wye, National Academy of Public Administration
18. Nicole Petrosino, House Government Reform Committee
19. Hannah Sistare, Senate Governmental Affairs Committee
20. Paul Posner, General Accounting Office
21. Mark Catlett, Department of Veterans Affairs
22. Gary Bass, OMB Watch
23. Faith Cristol, House Education and Workforce Committee
24. Tom Schatz, Citizens Against Government Waste
25. Tom Scully, ex-Office of Management and Budget
26. Ronald Moe, Congressional Research Service
27. Bill Mounts, Department of Defense
28. Joshua Gotbaum, Office of Management and Budget
29. Gail Christopher, Harvard University
30. Wendy Gramm, ex-Office of Management and Budget
31. Bob Bayer, Logistics Management Institute
32. Curt Marshall, Deptarment of Veterans Affairs
33. Nancy Tate, National Academy of Public Administration
34. Gary Steinberg, Department of Veterans Affairs
35. Sam Neill, US Coast Guard
36. Steven Klink, Federal Consulting Group
37. Hal Steinberg, ex-Office of Management and Budget
38. Cynthia Saboe, State Department (OIG)
39. Carl DeMaio, Reason Public Policy Institute
40. Maurice McTigue, Mercatus Center
41. Adrian Moore, Reason Public Policy Institute
42. Robert Shea, Senate Government Affairs Committee

"The challenge is to figure out how the next President wants to treat these management issues. Whether he wants a management office, operations office or some kind of office outside of OMB, that there's continuous and perhaps more structured responsibility for management improvement. It is a decision that should reflect a conscious choice…a deliberate approach."

What progress has been made in improving the management and performance of federal programs?

"The United States is one of about 60 to 65 countries around the world that are going through the same process of moving accountability to public benefits. At the moment, there is no country that started down this course that has gone backwards. So I think that what we're really looking at is an enabled change in the way that government goes about doing its business, a much higher level of transparency and disclosure on what happens, and in my view it's going to be something that will bring about permanent change, not something that's going to be a fad or a fashion."

Progress Point #1: A statutory framework for performance and management improvement now exists for the next administration and congress to use.

Participants discussed the critical importance that the bipartisan passage of the Government Performance and Results Act in 1993, as well as other statutory tools such as the Chief Financial Officer's Act, Government Management Reform Act and performance and management provisions in a number of authorization statutes have had. There was widespread agreement that the new Administration and Congress have important statutory tools at their disposal should they want to drive an aggressive management and performance improvement agenda.

Progress Point #2: Performance and customer service issues have enjoyed improved attention.

Participants overwhelmingly agreed that progress has been made in improving attention and dialogue on performance and customer service issues in the federal government. Customer service and performance measurement are accepted as important issues for agencies to focus on and small but significant cultural changes are occurring within federal programs. Several agencies have launched or are participating in formal performance benchmarking and customer service improvement efforts and are reaching out to communicate more frequently with customers and stakeholders. With still a long way to go, federal agencies are starting to change their focus from processes to results.

Progress Point #3: Agencies are coordinating, sharing and learning about management and performance improvement practices.

The creation of inter-agency councils such as the President's Management Council, Chief Financial Officer's Council, President's Council on Integrity and Efficiency, and the Chief Information Officer's Council are positive vehicles for cross-agency col-

laboration and sharing of best practices. These co-ordination vehicles reflect an understanding that federal agencies do have common management problems and these councils have become important tools for management and performance improvement.

Progress Point #4: Performance leaders are emerging within the federal government.

Progress has been made in creating positions (CFO, CIO, COO, etc.) within each agency that are responsible for management and performance improvement. In addition, participants celebrated a new breed of civil servant who is concerned about and passionate about changing the culture of the federal government to focus more on "managing for results."

Progress Point #5: Sustained leadership and aggressive initiatives have resulted in improved performance of some programs.

Participants agreed that some federal programs and agencies have enjoyed significant success in changing their culture, redesigning their operations and improving customer service and programmatic performance. In each case, participants pointed to the critical ingredients of strong and committed leadership as well as aggressive and sustained management-improvement initiatives.

What challenges remain to be addressed before additional progress can be made on this issue?

"There are a few elements that are missing in a lot of what we try to accomplish in government, and one of them is clear-cut goals and strategies for achieving those goals. Most agencies do not know what strategic rationale underlies their programs. They do not have a sense of what specific contribution each individual program is making to national outcomes. As such, they do not have clear linkages between strategic goals and their individual program performance measures. Most of the agencies' plans seem to be self-justifying statements rather than strategic documents that lay out a real and compelling case of why an agency does what it does with its various programs. The agencies just haven't been effective yet at connecting their activities day-to-day with tangible and measurable results."

Challenge Point #1: Institutional commitment and capacity (both within the executive branch and within the Congress) for addressing management and performance issues need improvement.

While recognizing considerable efforts made by some individuals in both branches, participants generally agreed that leaders within the executive and legislative branches have not sufficiently nor consistently pursued a management and performance improvement agenda. Several participants noted that performance and management issues are not adequately considered in the budget and appropriations process and that congressional oversight of federal agencies has been weak and severely uneven. Finally, the capacity within the Office of Management and Budget for advancing an aggressive management reform agenda has been severely diminished over the past 20 years, or at the very least has been much weaker than its interest and leadership in advancing policy objectives.

Challenge Point #2: Long-standing management problems continue to plague government agencies.

Participants agreed that some agencies have made progress in improving performance and management. Nevertheless, Congress and most agencies must accept responsibility for a number of severe performance and management challenges. Reports by the General Accounting Office, Inspectors General and other watchdog groups have identified weaknesses in:

- Program design: Programs that lack clear missions or goals, or rely on outdated approaches

- Financial management and controls: Antiquated or inadequate financial management systems that fail to produce accurate cost data and reliable financial statements

- Use of information technology: Ineffective use and/or management of information technology to achieve mission-critical objectives of government

- Regulatory Analysis: Ineffective or suspect processes for reviewing and analyzing the costs and benefits of regulations

- Management of the workforce: Inability to effectively link people to performance through management, human resource, and compensation services

- Customer service: Inability of some programs to provide services that meet and exceed the expectations of their constituents

- Payment Systems: Payment errors that are costing the taxpayer tens of billions each year in duplicative, erroneous or fraudulent payments

- General Waste, Fraud and Abuse: Poor internal controls that allow for inappropriate and inefficient use of taxpayer resources

Challenge Point #3: Most federal programs still have not developed and used results-oriented performance measurements.

Most federal programs continue to struggle with devising and using outcome-oriented performance measurements to track and report the tangible and unique results of their activities. Some programs are measuring the wrong things, and some are measuring too many things. In addition, few federal programs have been able to secure the buy-in and agreement for their measures by their employees, stakeholders, customers and policymakers. Finally, whatever the quality of measures used on published plans, the use of the same performance measures in GPRA plans for internal management as well as resource allocation and oversight is a rare occurrence at present.

"We do not yet have any substantial consensus on what are the particular measures by which most agencies should administer their programs, and until we do, it will not be possible effectively for us to please the public or the oversight agencies whether they are OMB or Congress."

Challenge Point #4: Collecting quality and reliable performance information in government is a major challenge for most agencies.

Identifying performance measurements for programs is only part of the challenge of performance-based government; having reliable and valid sources of performance data (including rigorous program evaluations) is another. Participants agreed that most agencies face significant shortfalls in their performance data systems and need to develop better ways to validate and verify the accuracy of the data they collect and report to policymakers on the effectiveness of their programs.

"The lack of a real data-driven understanding of what we do on a day-to-day basis and how it contributes to results outside the agency is still a missing gap or a missing part of the agencies' efforts."

Challenge Point #5: The structure and processes of the federal government are outdated and need redesign.
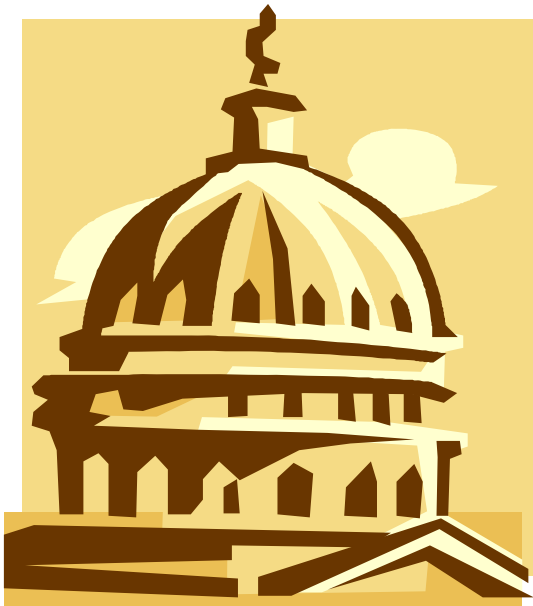
Participants observed that the current structure of the federal government is plagued by overlap, duplication, mission fragmentation, redundancies, and in some cases cross-purposed programs. Several participants endorsed the need for a top-to-bottom re-

structuring of the federal government through a special commission; all agreed generally with the need to use vehicles such as the Government Performance and Results Act to better define, reorient, and redesign organizational and programmatic structures of the federal government. The duplicative and overlapping nature of congressional committee jurisdiction was also cited as a challenge to management improvement efforts. In addition to organizational structure, several participants noted that the current budget process (annual cycle and activity/input-oriented) and civil service system significantly hamper efforts for innovative management and performance improvement efforts.

"In terms of restructuring, if there's still part of government that has not adopted the lessons of business, it is because we don't have the systems in place, whether they are personnel, technology, or leadership, or whatever. In fact, all of our systems are set up through the system of checks and balances to make change hard."

Challenge Point #6: The new administration and new congress will be tested by rising expectations of customers and taxpayers—expectations that might be met with aggressive action.

Several participants pointed to the impact the Inter-

net and customer service improvements in the private sector have had in raising the bar on government agencies. Customers of federal agencies and the taxpayers in general have rising expectations, expecting services to be provided faster, better and cheaper. Government might be able to improve its management and performance in an absolute sense, but still look immobile or regressing in a relative sense.

"The real time access to information and services is going to create an expectation that we all step up. Whatever reforms we make, citizens are going to be dissatisfied if we don't measure up in terms of the access to information and services."

What action items should the next Administration and Congress focus on for this issue?

"Act as if you believe that excellence in program management is integral to your success and how history will judge you. I don't care if you believe it, act as if you do. Impose that way of thinking on your appointees and have your Chief of Staff know and reinforce it."

Recommendation Theme 1: Show leadership on performance and management issues: consistently, aggressively and strategically support reformers within government.

"Articulate a clear agenda, setting out more expectations about performance and accountability inside government and build a working coalition with Congress on a vision of shared accountability for results. Then, create the most open and transparent government ever seen by the American people based upon measures of the effectiveness of gross government activity and progress."

"If you are going to ask someone to come in and make bold changes in big programs, you have to give them the mandate to do it and then basically

track what they are doing and have a mechanism to make sure that people know what they are doing and give them credit for it, instead of being run out by whatever interest group is bruised by it."

Recommendation Theme 2: Make managerial competency a key prerequisite for your appointees; designate a chief operating officer for each agency.

"I would presume that the President has already appointed good people who know how to manage. I would make that presumption. Then what I want to do is have the President tell that individual that he or she is responsible for spending time to evaluate and improve the operations and delivery of that agency. A job of that individual is to improve the delivery of the operation of that agency and not just spend all of their time on policy."

"Appoint strong managers as CIOs, CFOs and Inspectors General."

"Institutionalize the President's Management Council, make the deputy secretaries the chief operating officers and hold them responsible for day-to-day management."

Recommendation Theme 3: Support aggressive and collaborative implementation of the Government Performance and Results Act to measure results of government.

"First and foremost, I would say continue with the Government Performance and Results Act. Increase the focus, or have more balance on both strategic planning and performance planning. Push for more inter-departmental type of planning to talk about joint type of program initiatives. And lastly, continue with the process of linking together the goals and the objectives and the strategic plan, and the resources that are needed to implement the goals and objectives and the plan, and then put the measures in place once all of that has been established."

Recommendation Theme 4: Engage the congress and all federal agencies in efforts to define, select and implement cross-agency performance measurements for important national outcomes.

"Identify agreed goals between Congress and the Administration by issue area in terms of what we are trying to accomplish, not just by agency, particularly in areas where there are cross-cutting management problems across government."

"Strengthen the use of GPRA by having your own agencies work with Congress to coordinate cross-cutting measurements."

Recommendation Theme 5: Revitalize the institutional capacities of the congress and the Office of Management and Budget to analyze and push for management and performance improvements.

"Recognize executive leadership in government-wide management as a critical priority. At the first Cabinet meeting, recognize Congress as part of the solution as well as the problem to executive management. Pick an OMB Director who understands this mindset and enable him to enhance the integrative management components of OMB, taking full advantage of the budget process to promote management improvement."

Recommendation Theme 6: Hold appointees and career managers accountable for management and performance improvement through oversight and incentives.

"Require all managers to develop an annual performance plan for their own area of responsibility whether they are managing three employees or 300 and require that that plan shows what they are going to do with their goals, strategies and resources for the year…basically how the effectiveness of that program area would be measured and ultimately would be used in a pay-for-performance system."

Recommendation Theme 7: Examine changes in the budget process, including considering biennial budgeting and increased use of performance information in resource allocation decisions.

"If you look in the outside world, you don't talk about a budget until a company, a board of directors, decides what it wants to do as a corporation, what its goals are, what its revenues are, what its market is going to be, and then you develop the budget. In this town, it's exactly the reverse."

"Develop a multi-year system for implementation for performance budgeting for selected agencies. Second, show you care about GPRA by using the budget process to set program goals for your own key program priorities…the priorities that you care about."

"You propose a budget every year. Start using performance of your agencies in how you craft those budgets, both pushing down the requirements and pulling up success."

"Seek to better integrate all these seemingly disparate management reforms we've put on the table including synergistic benefits of performance, for budgeting and financial statements for budgeting…borrowing something from the accrual world that some of the other nations have done."

Recommendation Theme 8: Recognize and evaluate the multitude of implementation models for producing results that do not involve direct federal provision of services—measure and improve the results of each.

"I would elevate the attention to the tools we use to achieve our programs, perhaps by enunciating some principles and design to each tool, grants, tax expenditures, loans, loan guarantees, regulation…I would focus much greater attention throughout my Administration on working with the Congress on that."

"Put a much more increased emphasis on performance partnerships, not just interagency, but also intergovernmental, working with state and local governments and the private sector."

"If you look at performance being achieved, there are three different means, one of which is spending money—mandatory and discretionary appropriations. The other two means federal agencies use are regulations and tax expenditures. Look at all of those three together."

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Session Two: Civil Service Reform and Human Capital Management (July 18, 2000)

Participants

1. Bob Nash, Office of Presidential Personnel, The White House
2. Sandi Payne, Office of Personnel Management
3. Robert Tobias, ex-National Treasury Employees Union
4. Bruce Long, Office of Management and Budget
5. John Palguta, Merit Systems Protection Board
6. Nancy Kingsbury, General Accounting Office
7. Frank Cipolla, National Academy of Public Administration
8. Carl DeMaio, Reason Public Policy Institute
9. Kay Rogers, Department of Defense
10. John Vail, Department of Justice
11. Herbert Jasper, National Academy of Public Administration
12. Mary Hamilton, American Society for Public Administration
13. Mark Abramson, PwC Endowment for the Business of Government
14. Paul Bird, Nuclear Regulatory Commission
15. George Nesterczak, ex-House Civil Service Subcommittee
16. Ned Lynch, ex-House Civil Service Subcommittee
17. Frank Thompson, University of New York at Albany
18. Ron Sanders, Internal Revenue Service
19. Christine Simmons, Senate Governmental Affairs Committee
20. Tina Sung, American Society for Training and Development
21. Scott Fosler, National Academy of Public Administration
22. Adrian Moore, Reason Public Policy Institute
23. Carol Bonosaro, Senior Executives Association
24. Bob Wood, Logistics Management Institute
25. Vic Rezendes, General Accounting Office
26. Nancy Tate, National Academy of Public Administration
27. Rosslyn Kleeman, George Washington University
28. Jerome Smith, Department of Defense
29. Jack Schrader, Department of Defense
30. Linda Bunker, University of Virginia
31. Carolyn Becraft, Department of the Navy
32. Lee Salmon, Environmental Protection Agency
33. James Colvard, ex-Office of Personnel Management
    Zane Schauer, National Oceanic and Atmospheric Administration
34. Phillip Kete, American Federation of Government Employees
35. Susan Roberts, Department of the Navy
36. Susan Shaw, National Treasury Employees Union
37. Charlene Bradley, Department of the Air Force

"We've got the ball on the tee, but the question is which direction do we hit it? We don't really have a framework yet. From my understanding there is not much freedom and not much variation within the overall civil service system. So we're at a point where I thinkwe can say that we are really teed up to do a lot if we care to and keep our focus on it, but it's hard to say whether we're going to fumble the ball or really get somewhere. It's very early but there are signs of promise in it."

What Progress Has Been Made in Improving the Civil Service System and Human Capital Management in the Federal Government?

"I think in my mind, one of the positive things that has happened is the recognition of a need to change. There is not complete agreement on that, there is not complete consensus on the direction of change, but I would say that there has been a shift. As several of

the others have indicated, in the terms of debate in recognizing that the system is not working, that the system does need to change, we do need to place a greater emphasis on performance of the HRM system as it's related to the governing system more broadly and as it's related to changes that are occurring in the economy and the society."

Progress Point #1: Increased focus and attention is now being paid to human resource management in the federal government.

Leadership shown by the Comptroller General and other organizations on the importance of workforce planning and devising clear human capital strategies for federal agencies has significantly bolstered morale in the federal human resources management community. The tight labor market has forced HR issues to near the top of the management agenda and the need for formal strategic planning for human resources is clearer than any other time.

Progress Point #2: The profile of the federal workforce has improved, with enhanced diversity and professionalism.

Progress has been made in making the federal workforce more diverse, with expanded opportunities for women, minorities and the disabled. Moreover, participants celebrated the improved professionalism of the federal workforce and noted increased emphasis on developing customer service and results-oriented management skills.

Progress Point #3: The need for flexibility within the civil service system enjoys widespread support.

Finally, participants noted that the last ten years have brought a dramatic increase in support for allowing flexibilities to individual agencies to develop customized human resource management systems within the overall civil service system. Most of these initiatives required formal congressional approval and statutory authorization, but the Office of

Personnel Management also was credited with efforts to devise and grant flexibilities.

"We finally recognize after many years of trying to figure out perfect HR systems, we finally realize that one size does not fit all. In a process that really started over 20 years ago, we have decentralized and deregulated to a larger extent than folks thought that we would be able to. We have given different federal agencies and departments more flexibilities than they used to have to design good programs for their needs and their workforce and their mission."

What challenges remain to be addressed before additional progress can be made on this issue?

Challenge Point #1: The current civil service system is broken; it is entirely too rigid and impedes basic human resources functions.

Notwithstanding the progress on flexibility noted above, participants overwhelmingly indicted the current civil service system as not providing sufficient flexibility and not offering a sufficient framework and set of rules for successful human capital management in government. Participants noted that the

system impedes basic HR activities, including promotions, terminations, mobility, etc. Significant criticism was directed at the classification system as being too outdated and inflexible to allow the government to recruit and retain the right kind of workforce. Moreover, the appeals process was criticized as equally rigid, creating an overly complex process that keeps poor-performing employees in government.

"Our basic challenge that remains is to get rid of the classification system. I think that is at that root of a lot of problems, and I would like to see us really start with that. I think that would make a great difference in our compensation system, in recruitment, and many other areas."

"What we do know is that the problem is the appeals process. I know one VA executive who, at his hospital where he was undergoing a reinvention, had 130 grievances pending against him in the course of trying to make the kinds of changes that had to be done. Most managers and executives don't want to deal with that. It's time consuming. It's horrible."

Challenge Point #2: Recruiting the next generation of public servants has become increasingly difficult; some agencies face significant shortages.

After years of downsizing, several agencies within the federal government find themselves short of the necessary talent to carry out their missions. Participants lamented that the reductions in force in the early 1990s were done without any effective workforce planning. Moreover, a number of factors including constrained pay scales hamper the federal government's ability to recruit new employees. Finally, the federal workforce is experiencing significant demographics challenges, with an aging workforce that will largely be eligible for retirement in the next 5-10 years. Participants strongly cautioned the next Administration and Congress to work with each federal agency to assess the extent of the retirement challenge and devise and implement suc-

cession planning initiatives to prevent major management failures.

Challenge Point #3: The current civil service system is not sufficiently performance-based.

Participants underscored the importance of setting clear performance expectations for federal employees and using performance as the basis for advancement and termination. There was agreement that the Government Performance and Results Act has not yet been effectively linked to the personnel management systems of agencies. Individuals need to have some set of goals and performance measures to motivate and evaluate their work. Finally, several comments reflected apathy towards the current appeals process. Several participants argued that the current appeals process makes it almost impossible to remove poor-performing employees in the federal government. As an illustration, participants noted that the current appeals process does not link agency performance goals and objectives to grounds for reward or removal and certainly does not require the use of them in the appeals process.

Challenge Point #4: While most agree the current system is broken, there has not yet emerged consensus on a replacement system.

While all participants generally seemed to accept that change is needed in the current system, there were significant differences of opinion on what specific changes to make and how to proceed. Several participants advocated eliminating the current classification system in favor of a band system that would offer more flexibility. Others felt a decentralized system would provide the best measure of flexibility. Finally, others noted that the current centralized system might merely need to be tweaked rather than completely overhauled—that the challenge is taking advantage of flexibilities allowed for in law but not implemented by individual agencies in practice.

"We need to understand why it is that a great number of flexibilities are not used that have already existed in our system since the Civil Service Reform Act in 1978. Until we thoroughly understand why those are not used we really can't determine what it is we need to change about the existing system."

Challenge Point #5: Absent clear agreement or leadership on how to mend the civil service system, the current situation is promoting "haphazard" tinkering.

Several participants offered the New Zealand reform experience (complete, system-wide redesign) as a model to emulate in reforming the current civil service system. Participants generally agreed that a comprehensive, system-wide dialogue needed to take place between the Administration and Congress on these issues and that a comprehensive plan of reform needed to be developed rather than continue the current path of incremental change.

"I would like to go back and really underscore how haphazard it has all been for the last ten years. Somebody is going to have to make a very clear decision that either they want to go for a government-wide reform, or they can continue this decentralization where everybody cuts their own deal. But my point is that somebody really has to decide what they want to do or else we will continue in this haphazard way. Either you do it comprehensively and think it through or you make it a policy that each agency can design its own personnel system to reflect its own needs."

Challenge Point #6: Labor-management relations continue to be strained; more effective partnerships need to be forged.

Participants agreed that while several agencies have made significant progress in forming effective partnerships with their unions, labor-management relations continue to be a difficult human resources challenge.

Challenge Point #7: The political appointment and confirmation process is broken.

Participants discussed how best to reform the political appointment and confirmation process—which was generally characterized as broken. Participants argued the current process was too complex, with entirely too many forms for potential appointees to fill out.

"The political appointment process does take too long, and in many cases is too intrusive. In order to continue to get the best and the brightest in the political ranks, we have to do something to improve the process. There may have been people that we wanted to get that we couldn't get, because they did not want to go through the process."

Challenge Point #8: There continues to be insufficient levels of training and career development offered to the federal workforce.

Participants lamented the limited amount of time and resources devoted to improving the skills set of the federal workforce. Information technology, increasing customer service expectations and the dramatic increase in the use of contracted services demand new skills. As one participant summed it up: "We've talked a lot about sharpening the tools, but what I think we really need to focus on is training the carpenters."

What action items should the next Administration and Congress focus on for this issue?

Recommendation Theme 1: Civil service reform: initiate a dialogue on comprehensive, system-wide reform.

"There will be calls for comprehensive civil service reform, which I think would be problematic. Among other things there would be a lack of a clear consensus on exactly what's broken, with the exception of a real fundamental rethinking of our approach to the classification and compensation system. I think there is an area where we could probably get some consensus that what we have is not working, and that's the place we start from in determining the statutory fix."

"The value of the New Zealand reform, quite aside from whether you favor it or would advocate some form of it for our federal government, is that it was comprehensive and it demonstrates the importance of looking at the overall government system in a systematic way. Part of our problem is that we are dealing with a systemic problem but we are not doing it very systematically. In some respects it is less important which system you choose than if you do it in a systematic way so that it performs and people can understand the expectations."

Recommendation Theme 2: Civil service reform: overhaul the compensation system to provide flexibility for effective recruitment and retention.

"I would start with the need to reform the compensation system. Very seriously, it is a significant part of the government's operating budget and therefore can't be neglected, and it's an inherent part of the whole question of retention and recruitment and the environment of the workforce. So I would say compensation reform, number one: make it market-driven on entry and performance-driven thereafter,

and include a portable benefits package to ensure that we have a mobile workforce."

"Propose abolishing the classification system and replacing it with a banding system or approach."

Recommendation Theme 3: Civil service reform: advance performance-based government through individual employee performance plans and incentives.

"I would stress the need to return to the basics and merit staffing and particularly, the notion of performance management as an inherent part of that so people are evaluated, and they know that they are evaluated, on the basis of their skills and what they contribute to the organization, not on their personalities."

"My hope is that the next Administration will send up meaningful civil service reform with meaningful pay for performance linked to achievement of these goals."

"One of the big failures over the past ten years has been the inability to link the improvement of individual performance and the performance of groups of employees with the performance of agencies, the performance of public systems, and the performance of governments more generally. I think that if we are going to reconcile the tension that we feel between the need to have employees working toward common public purposes, and yet the need to provide enough flexibility to customize personnel and human resource systems to individual agencies, there needs to be not just a government wide framework for civil service reform, but it has to be very specifically linked to the government-wide framework for improving performance."

Recommendation Theme 4: Civil service reform: streamline the appeals process to promote performance-based government.

"Streamline the appeals process to send a message that there is no lifetime tenure in the system, and

that we need a forum to resolve legitimate disputes, rather than a forum where employees can freely bash management."

Recommendation Theme 5: Prepare for the demographic bubble about to hit the federal government through aggressive recruitment and reform of the retirement process.

"Change the optional retirement process to be optional both ways: optional on the part of the employee and optional on the part of the manager, so that when you get to an age when you are eligible for an immediate annuity and your performance is not up to snuff, you are let go with management options, with no prejudice and you go into retirement. Right now it is all the other way."

Recommendation Theme 6: Provide effective orientation and training programs for the new appointees on how to effectively manage personnel in the federal government.

"Every organization has a certain set of rules, and there are certain ways that you can facilitate things happening and it can shut you down in a minute. More orientation should be given in a more concrete way involving the senior executives and so forth. It's something that would be designed perhaps by what you wish political appointees knew. It should involve people within the organizations who can assist in developing, who already know the rules."

Recommendation Theme 7: Boost the morale and image of public service by effectively marketing government service and avoiding anti-government employee rhetoric.

"Let the workforce know that the President thinks that they are important. Reach out and make more of that connection. Let the general public know that the President understands that the workforce is important, and stop bashing it."

"Come up with a plan that had concrete goals for marketing the federal government as a choice em-

ployer—not an employer of chance—which would include money put in to prime time TV, or whatever it took to show that government employment was a government of choice, why it's good news to work for us."

Recommendation Theme 8: Invest in training and development for the federal workforce.

"Institute a continuous-learning system by requiring that every position contain a developmental component that is an inherent, required part of the job, not something nice to do or have."

"Take continuous learning seriously. Commit to an object benchmark of 3% of an operating budget for training and education, and evaluate it, get the mechanism for evaluating it."

Recommendation Theme 9: Partner and communicate with career employees and their unions early and often.

"Co-opt: the Bush Administration did that with the senior executives, people still talk about that meeting that the President had with them. The Clinton Administration did that with the unions, and I mean co-opt in a positive sense. That means engaged and involved, nobody has done it with both and I think that both groups are willing to be. And that is how you get things done in government, with both labor and management committed to the goals of the Administration."

Recommendation Theme 10: Require your agencies to devise clear human capital management strategies.

"Take workforce planning seriously, do not reflexively think that fewer employees are better, and recognize that in many areas there is gross understaffing. Take the human capital ideas seriously, especially insofar as trying to get better benchmarks and indicators of performance of HR and

perhaps move to developing scorecards for different agencies in terms of performance with respect to these indicators."

"The first step in determining what kind of reform is necessary is to institute systematic approaches to workforce planning. What kind of a workforce do we need now, what kind of workforce do we need in the future, what is the gap, what kinds of strategies do we develop to close the gap, and what kinds of human capital investments are necessary to carry out those strategies? That process is the responsibility of the agencies."

Recommendation Theme 11: Overhaul the political appointments and confirmation process.

"I favor at least doubling the number of political appointees going in as schedule C's non-career SES and in other kinds of non-confirmed senate kinds of positions. The reality is that managing a government is a complex business that takes a long time for future generations of appointees to learn. Part of the most valuable functions that the schedule C and non-career SES jobs perform is to provide some basic orientation in government management and basic skills development to the people who will be the political leaders for an Administration or two down the line. Unless you are bringing people into those positions on a regular basis and providing that kind of hands-on management experience, it is a resource that is going to be inadequately developed and something that will show up in a weak caliber of future political appointees."

"The number of positions that are actually confirmed by the Senate should be reduced. Increase the number of SES's, career and non-career, I like the ratio of 90% career and 10% political. The Secretary ought to have the power to move an Assistant Secretary within the same department from one job to another without being reconfirmed."
"I'd have the president look at political career leadership mix. Needless to say we could go through and probably cut about 50 percent of the political positions."

"I think that there is a third way. For those of you who don't know what is going on in the IRS, we have actually created a position that brings management expertise to the surface without it being a political process. In addition to our commissioner, our legislation allows us to bring in 40 so-called critical pay positions. They can be paid up to the salary of the Vice-President. I really think that it has the potential for a model. We have used head hunters to recruit, and there has been absolutely no interference whatsoever from the White House or the Department of the Treasury. We have brought in very top-notch private sector executives who want to come in and do their public service thing. We are getting the kind of management expertise that we need. At the same time, we have not politicized the agency; these are not political appointees. I really think that this third way has a lot of promise for striking the kind of balance we have been talking about here."

P a r t   3

# Session Three: Information Technology and E-Government (July 19, 2000)

Participants

1. David McClure, General Accounting Office
2. Carl DeMaio, Reason Public Policy Institute
3. Daniel Chenok, Office of Management and Budget
4. Brad Stanford, Office of Naval Research
5. Janet Keys, ex-Immigration and Naturalization Service
6. Alan Balutis, NIST
7. George A. Molaski, Department of Transportation
8. Bill Piatt, General Services Administration
9. Herbert Jasper, National Academy of Public Administration
10. Bob O'Neill, National Academy of Public Administration
11. Randy Kaplan, House Government Reform Committee
12. Larry Brandt, National Science Foundation
13. Janet Caldow, Institute for Electronic Government
14. Mike Dunham, National Academy of Public Administration
15. Jerry Mechling, Harvard University
16. Israel Feldman, Council for Electronic Government
17. Scott Fosler, National Academy of Public Administration

18. Rick Lane, US Chamber of Commerce
19. Mike Hernon, GovWorks, Inc.
20. Adrian Moore, Reason Public Policy Institute
21. Roberta Gross, National Aeronautics and Space Administration
22. Nancy Tate, National Academy of Public Administration
23. David Molchany, Fairfax County
24. Jeff Bollettino, Booz-Allen & Hamilton
25. Frank Reeder, The Reeder Group
26. Alex Bennet, Department of the Navy
27. Oliver McGee, Department of Transportation
28. Joan Steyaert, General Services Administration
29. Bill Eggers, State of Texas
30. Greg Carnill, Department of Agriculture
31. Mike Alexander, Department of Agriculture
32. Michelle Ash, House Government Reform Committee

"It seems to me that the opportunity here is to have a relentless focus on performance as a way of driving the transformational change, which can be enabled by information technology. The extent that these new technologies are used for agencies to work together across boundaries to achieve results, that will provide an additional form of competition which I think can drive the system. But I think it ultimately depends on whether you have leadership at the top that focuses on performance."
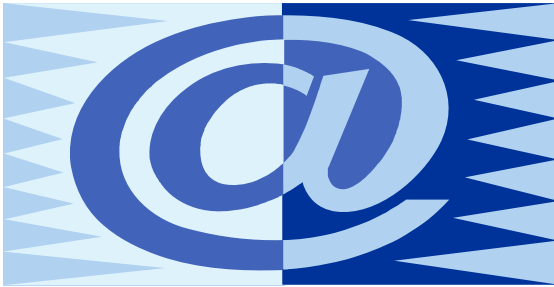
What progress has been made in improving the use of information technology in the federal government and the creation of an e-government?

"There is a fundamental practice for information technology that is in place that we can point to that is significantly different. It is an awareness of a need for structure and process and strategy to drive your investments to get the biggest bang for your buck. We weren't doing that before, and we may not be doing that extremely well right now, but there is a real difference in tension, the need for these fundamental management practices to be in place to guide technology investments. If I were looking from five years back I would not have guessed that the advancements would be this far along."

Progress Point #1: A statutory framework and leadership positions have been established to lead the creation of e-government.

Participants saw the creation of chief information officers at each agency, as well as the passage of the Information Technology Management Reform Act (Clinger-Cohen) as key progress points in equipping the federal government with the tools it needs to effectively manage information technology. While clearly conceding there are numerous areas where the Act needs to be more aggressively implemented, participants agreed that the new Administration and Congress have a sufficient statutory framework in place as well as leadership positions available to aggressively pursue an e-government agenda.

Progress Point #2: Inter-agency coordination has improved on information technology issues.

Participants praised the efforts of the CIO Council as a vehicle for cross-agency coordination and sharing of best practices. In addition to collaborating on common process challenges, the agencies have coordinated joint technology initiatives to provide services to the taxpayer such as the Federal Commons Initiative for grants, Access America and FirstGov.gov.

"There is a great coming together that emphasizes the crossing of boundaries between agencies and IT is enabling that."

Progress Point #3: The year 2000 conversion effort offers lessons learned on successful government IT projects.

Participants pointed to the effective management of the Year 2000 Problem in government as a prime example of successful management of a complex government IT initiative. Among the progress points that were mentioned included: effective congressional oversight and support for conversion projects, effective leadership from the OMB and White House, pro-active implementation and management by CIOs, effective use

of contractors to achieve results, inter-agency coordination and sharing of best practices, etc.

Progress Point #4: Information Technology Plays a Much Bigger Role in Program Management and Design Decisions

Participants overwhelmingly agreed that information technology and e-government have a much higher profile today than ten years ago in the federal government, with expanded resources and attention paid by decision makers. Whereas IT used to be seen as a tactical function, today it is seen as a strategic imperative for each federal agency.

"One of the big changes is the shift of seeing IT as some sort of obscure management operation to the recognition of its being a prime tool to improving government performance across the board, and in fact, redefining what government performance is in the first place."

Progress Point #5: The government has effectively established a presence on the Internet, and in some cases, is leading the way in delivering services online.

Participants noted how quickly government agencies established websites and began providing useful information to the public. Online databases and information services are making government dramatically more transparent and made government more accessible to the average citizen. In addition, services and other transactions are now being offered over the Internet at several key government agencies, including the U.S. Mint, Social Security Administration and the IRS.
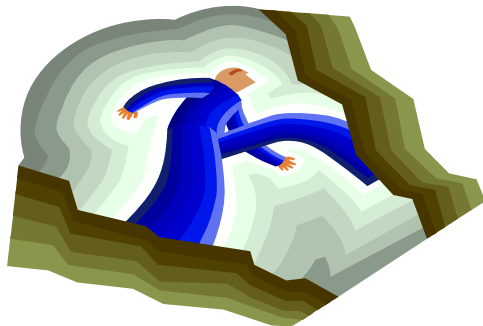
What challenges remain to be addressed before additional progress can be made on this issue?

"Citizens sort of expect service to be seamless. They don't really care what level of government they are working with, they just want their services to happen. I think that the big issue, the burning issue, is integration of service. No matter what portal a person goes to, if a service crosses government boundaries, it just needs to happen."

Challenge Point #1: The federal government's use of information technology to provide seamless and easy services is not keeping pace with other governments nor rising constituent expectations.

Participants overwhelmingly agreed that while the federal government has made good progress in launching Web sites and using information technology to facilitate service to the taxpayer, an enormous amount of work still needs to be done. In too many cases, the government's use of information technology lags far behind the opportunities and capabilities offered by modern IT. More troubling, as the private sector expands its use of transformational IT to provide seamless and efficient services, citizen expectations will skyrocket.

"When you start getting a critical mass of young people that realize the potential of the Internet, and they want that kind of integrated information at all levels of government and in all government agencies, you are going to see a surge in the level of expectation."

"On the international front, we're behind. Bulgaria is doing a better job than us. In Bulgaria you can actually ask a question online and get an answer, and communicate and have citizen forums. New Zealand, Australia, the U.K. are all ahead of where the U.S. is as far as use of the web to really reach

out and reconnect to the citizen and be able to interact with the citizen base."

Challenge Point #2: The federal government has focused too much on transactional technologies rather than transformation technologies.

Participants showed frustration with how slow the federal government has been to embrace and use technologies to transform their operations rather than merely to streamline transactions. Technology offers government the opportunity to go beyond improving the efficiencies of existing processes; technology should blow up traditional "brick and mortar" structures and fundamentally redefine how services are provided to the taxpayer.

"I think that the biggest challenge is end-to-end transformation. We have tried to use technology as the solution to inefficient process, and if it is an organization, sub-optimize ways of doing business. The internet offers us ways to simply change that dramatically through e-service."

Challenge Point #3: Strategic planning and performance measurement practices for IT projects need to improve.

Despite the fact that strategic planning and performance measurement for information technology are components of the Clinger-Cohen Act, many federal agencies do not have effective plans and metrics in place to guide their acquisition, management and funding of their IT initiatives. With information technology changing so rapidly, effective planning and measurement for IT projects will be a critical challenge.

"The speed at which the technology changes just dramatically increases the attention to things like architecture, effective management, control processes, and performance metrics. All of these things are going to be with us as we march into the future. Two things come to mind as real challenges. One is priority-setting. The second issue is performance metrics."

Challenge Point #4: The budget process presents significant challenges to the effective management and use of IT in the federal government.

Participants noted that the rules, processes, and biases of the federal budget process make investing in and acquiring the latest technologies extremely difficult. For example, IT investments can require multi-year expenditures across multiple budget accounts. Moreover, innovative IT contracting arrangements are now using "share-in-savings" and self-funding clauses that are difficult to execute within the current budget process.

Challenge Point #5: Systems and skills for the effective management of government IT contracts need to be enhanced.

The use of contractors and vendors in government IT initiatives has skyrocketed over the past ten years and will only continue to increase. As a result, participants caution that effective contracting systems and skills will be vitally important to develop and maintain in the future.

"Some of the most colossal failures in IT systems were because of procurement problems, not because anyone in the IT department didn't have the right technology. I think that we need to focus on the need to integrate management across the board. IT can't improve program management sitting in a silo. It has to work hand in glove with program managers and financial management and procurement."

"The other thing about outsourcing is that it is a very scary process that is never very well thought out. The outsourcing is something that has been done very rapidly and we are not thinking about what kind of infrastructure we need to do it successfully, efficiently, and effectively. Building software, whether it is internal or external is always a big problem. The private sector creates software at a

very fast rate, but it doesn't check it for vulnerabilities."

Challenge Point #6: Government-wide leadership on IT issues is needed and the role of chief information officers needs to be strengthened within agencies.

While noting that agency CIOs have made gains in the past 10 years since their positions were created, participants noted that CIOs still do not have an appropriately significant seat at their agency's "management table." Participants suggested that CIOs do not have enough authority and impact to influence budget-making and the decision-making process within the agencies and that the fragmentation of programs limits their ability to set and enforce a clear, agency-wide policy for information technology.

"I don't want to get across that Clinger-Cohen is perfect, because it is not. It did not mandate the uniform implementation of where the CIO sits, although it made suggestions. It did not fund the CIO council as far as being able to do anything as far as cross-agencies. It didn't give the CIO council any power to mandate cross-government types of savings and create that kind of body. It didn't mandate that the CIO has final budgetary authority for all of IT within their purview of whatnot."

"Right now, the CIO can do things, but clearly does not have the authority to integrate the services the way that we are talking about here."

Challenge Point #7: The duplicative and overlapping organizational structure of the federal government will challenge effective implementation of e-government initiatives.

With citizens looking for seamless, one-stop access to government services in an electronic world, participants noted that the complex organizational structure of the federal government will have to be addressed if progress is to be made in building a truly electronic government. Participants suggested that coordination within agencies, among congres-

sional committees, and across agencies will have to be reconciled either through a formal reorganization (some suggested a Hoover-like Commission) or through dedicated government-wide leadership. "The only way to make this work is if you are really going to reinvent and transform government from a functional citizen/customer perspective so you are interfacing one time on a functional basis, not by the organizational structure."

"So I see a real structural impediment is the current power structure of the 13 Appropriations Committees and their inability to work together to fund cross-departmental activities. For that reason, I think that the only solution that we have is to get together another Hoover-like commission to really fundamentally look at this thing from the ground up and come up with a government structure that is appropriate for the 21st century."

Challenge Point #8: Establishing effective inter-governmental initiatives on information technology is a challenge.

"The first challenge is on the integration between levels of government. This is going to be the biggest challenge over the next 5 to 7 years. I did a little survey of the state CIO's, and they continually brought up that the government does fund a lot of IT systems for states. But there were a lot of the complaints from the state CIO's that the federal government told them everything that they needed to do but didn't tell them how to do it. That wasted millions and million of dollars because they ended up building systems that weren't necessarily congruent with their other state systems."

Challenge Point #9: Government IT offices face significant obstacles to recruiting and retaining quality IT staff.

"The human capital area is a major issue. Agencies certainly have the awareness; now they need the skill. And they also have to get the retention. We still have the OPM, and they are coming in with rec-

ommendations on the IT arena for more broad flexibilities, but competing with the private sector is difficult unless we can be agile."

Challenge Point #10: Security and privacy issues continue to plague government IT infrastructure and systems.

Participants noted that the interrelated issues of security of government IT infrastructure and systems, as well as the use of proprietary and private information will be key challenges for the next Administration. The key challenge on both issues is not a matter of finding a technical solution; significant trade-offs between functionality and security must be made, as well as decisions on criteria for the use and handling of private information.

What action items should the next Administration and Congress focus on for this issue?

Recommendation Theme 1: Articulate a formal and clear vision for electronic government, as well as policies for electronic governance.

"You need a national agenda on e-government, and it should not be narrowly defined in just citizen services. It has to touch on economic competitiveness issues, reducing the cost of businesses to do business with government, comply with regulations, the speed of government in terms of imports or that economic development is going to go elsewhere. The second part of that is policy. You are going to need a coherent agenda around all of these policy issues: security, privacy, the digital divide...there is a whole notion of citizen services that I think that you could pull a lot of the discussion today into that category."

Recommendation Theme 2: View and use information technology as a vehicle to coor-

dinate and integrate government services to the taxpayer.

"Declare that IT will be one of your prime instruments for integrating government across management systems, agencies, levels of government, and across the different sectors."

"You have the ability to really use IT as a function to spearhead the change in government. And then what happens is you bring that forward as looking at and making very visible all those things that are cross-functional and cross-agencies, such as the exports, such as the student loans or whatnot. And you charge them with creating a virtual portal into that function, and then the next step is that once you have created that virtual portal, is to be able to restructure that physical portal to be able to make that happen."

Recommendation Theme 3: Be prepared to address the organizational challenges of coordinating electronic government initiatives on a functional basis, either through administration initiatives or a formal re-organization commission.

"I would urge the President to focus on coming to grips with the interconnection between dealing with the strategic centralizing issues and yet the decentralizing flexibility issues that are needed to tie IT into the implementation mission of the various agencies. We have talked about a number of different organizational approaches, but be clear that those things have to be addressed, whichever organizational approach you use."

"Another challenge is to determine the real strategic level approach to E-government and IT. There are two models, I think. One is the Hoover Commission idea. We have got to have a centralized plan for how it is going to happen so we can push it down through the agencies. The other approach would be something that capitalizes on the management reform process that is already going on, the GPRA and NPR model."

"Direct the Director of OMB, with the Deputy Director for Management in the CIO Council, to take three months to come up with a plan and a means of implementation for determining what dimensions of IT need to be uniform across the government and the extent to which you are going to centralize complexity or distribute complexity."

Recommendation Theme 4: Designate a government-wide official with sufficient political and institutional authority to implement government-wide initiatives on electronic commerce.

"There is a need for a national CIO or a secretary of technology. I think that his role should be to focus national strategy and policy for technology and also to strengthen the role of the department CIO's."

Recommendation Theme 5: Increase the authority (institutionally, politically and financially) of each agency's chief information officer.

"Put Department CIOs in charge of the infrastructure that they need to be able to control what goes in and out of their systems and budgetary authorities down to agency CIO's as far as implementation."

"Increase the authority of the CIOs in terms of their control of the budget etc. so that they could get it done from an infrastructure level."

Recommendation Theme 6: Communicate the importance of IT to your political appointees and elevate the position of each agency's chief information officer.

"Make competency in IT a prerequisite for all of your political appointees and senior career officials. I think that can be done and implemented. Not to be a techie, but you need to understand the vision and know where government is trying to go and understand the possibilities of what can be accomplished. Link all of your rank rewards and career bonuses to achieving this to give people personal incentive to put their time and attention into it."

Recommendation Theme 7: Allocate sufficient budgetary resources for the creation of electronic government, keeping in mind that cost savings could make e-government less costly in the long run.

"Each one of us is basically saying finance, finance, finance is the most important factor. I think that providing financial incentives to promote e-government is probably the most critical issue that we face in terms of implementation. Create electronic government sites, partnerships, whatever it takes to bring about the reality of electronic services."

Recommendation Theme 8: Require strategic planning and performance measurement for all major IT initiatives.

"Tying into the importance of continuing performance-based management, I think that those principles of strategic planning and performance measures are a good idea, particularly in the IT performance metrics."

"Make sure that your IT initiatives are performance-driven by placing them within the context of the Government Performance and Results Act."

Recommendation Theme 9: Create a government-wide knowledge management policy and appoint knowledge management officers for each agency.

"Direct all federal agencies to create a senior position of chief knowledge officer. I would like to see a council of those officers pulled together and instead of having an IT head. I would like to have an administration appointee who was a KM champion. I think that we are doing really well in IT and I think that we need to have someone that talks about how we are going to use all of this stuff that is coming about to facilitate the cross-agency sharing of information, knowledge and intelligence to cohesive, interactive, knowledge-oriented government team."

Part 4

Session Four: Procurement and Contracting (July 20, 2000)

Participants

1. Steve Kellman, ex-Office of Management and Budget
2. Chris Jahn, Office of Senator Craig Thomas
3. David Litman, Department of Transportation
4. Robert Tobias, ex-National Treasury Employees Union
5. Henry Hinton, General Accounting Office
6. Steve Sorett, Grant Thorton, LLP
7. Herbert Jasper, National Academy of Public Administration
8. Bill Mounts, Department of Defense
9. Don Bumgardner, General Accounting Office
10. Ronne Rogin, Department of the Treasury
11. Tom Grissen, Maximus
12. Sam Kleinman, Center for Naval Analysis
13. Roger Feldman, Bingham Dana LLP
14. William Tuttle, Logistics Management Institute
15. John Palatiello, John Palatiello and Associates
16. Myron Myers, Logistics Management Institute
17. Nancy Tate, National Academy of Public Administration
18. Barry Holman, General Accounting Office
19. Wiley Pearson, American Federation of Government Employees
20. Rodney Johnson, Agency for International Development
21. Jerry Stark, Marine Corps
22. Mary Mitchell, General Services Administration
23. Joel Feidelman, Fried, Frank, Harris, Shriver, and Jacobson
24. Scottie Banks, Department of Education
25. Paul Lane, PricewaterhouseCoopers
26. Mike Mendelevitz, ESOP Advisors, Inc.
27. Carl DeMaio, Reason Public Policy Institute
28. Steven Else, Center for Public-Private Enterprise
29. Thomas Thoma, Defense Department
30. Roger Neece, ESOP Advisors Inc.
31. Adrian Moore, Reason Public Policy Institute
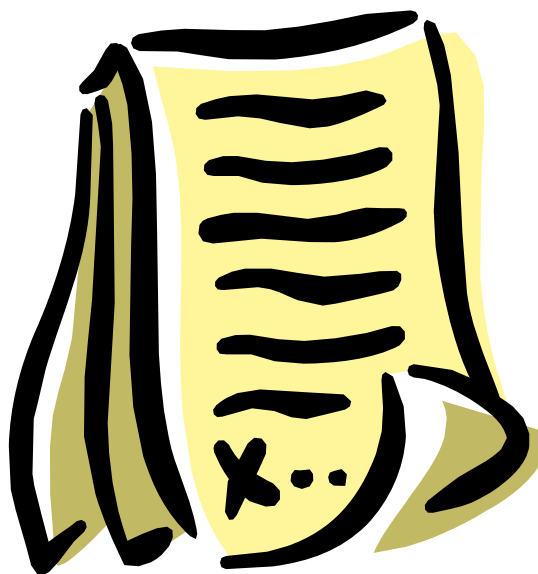
"I think the most positive change I've seen over the last ten years is the willingness of industry and government to sit down and talk together, to communicate, to come to a common good end."

What progress has been made in procurement and contracting in the federal government?

Progress Point #1: Improvements have been made to the legislative framework governing procurement, acquisition, contracting and outsourcing processes.

Participants agreed that from procurement and acquisition reform statutes (FASA, FARA, Clinger-Cohen, etc.) to outsourcing statutes (FAIR Act), solid progress has been made to establish a workable statutory framework to make substantial improvements in the procurement and contracting practices of the federal government. While progress has been made, participants also agreed that more needs to be done to clarify definitions and enhance incentives and flexibilities for continued improvements.

Progress Point #2: Increasingly simplified procurement and contracting processes and expanded use of business-oriented acquisition models and information technology.

Participants praised the significant progress made in simplifying and streamlining the way the contracting and acquisition is performed in government. For example, agencies are using new contracting vehicles such as Indefinite Delivery, Indefinite Quantity (IDIQ) contracts as well as the government-wide schedules. Finally, agencies are more effectively using information technology to streamline procurement processes, using e-procurement vehicles and innovative contracting models such as "reverse auctions" on the Internet. The use of the Internet and e-mail to publicize contract opportunities has increased the number of vendors aware of and bidding on government contracts—creating more choice and competition in government contracting.

"A second thing I would point to is that more flexibility has been put into the procurement system. A lot of the folks that I work with are very big on the idea of indefinite quantity contracts so that government procurement costs are front-ended, but then cost savings are spread out over the life of the contract. You don't have to go out and re-procure every time you have a requirement."

"Things are online. The GSA schedules are online. Contract proposals are online, RFP's are online. All of this information is online. There's just so much information now that can't be ignored."

Progress Point #3: Expansion of performance-based contracting and other results-oriented procurement vehicles.

Throughout the 1990s, the use of performance-based contracting has increased significantly at the federal agencies, with performance measurements and incentives being included in contracts. Participants applauded agency efforts to manage contracts for results, and cited innovative contract vehicles such as award-term contracting, share-in-savings contracts, and incentive-based contracts.

"The procurement community as a whole has been the first of these functional communities to step up to performance management and hold ourselves accountable for the performance of our system."

Progress Point #4: Agency efforts to proactively manage contract disputes have led to a substantial decrease in the number of formal bid protest cases taken to the GAO.

Participants observed substantial progress in managing contract disputes in the federal government, noting a substantial decline in the number and severity of bid protest cases taken to the GAO. As one par-

ticipant observed, "Ten years ago we made a major effort to reduce the number of bid protests that went to GAO. Other agencies have been doing it by using other methods. We have ombudsmen—almost all agencies have that. There are ways of mitigating these potential protests and resolving them before they ever get to the lawyers. Lawyers are obviously involved in the agencies, but the idea is you have a partnership with industry and you want to stop these disputes and use alternative dispute resolution techniques before they ever get to the expensive GAO process. It costs the government as well as companies lots of money to pursue bid protests."

Progress Point #5: Where applied effectively, the A-76 process has stimulated government to be more competitive and strategically rethink its processes.

"When we think of A-76, the word "outsourcing" comes to mind. That strikes fear into the heart of many federal employees. But one of the bright spots of the A-76 process is the emphasis on competitive sourcing. That is the real leverage that you have for federal employees to identify innovative ways of doing business, to develop their most efficient organizations to compete in that A-76 process. In fact, they win half of the competitions. So I think that's sometimes overlooked, but I think that's a very bright spot in that process and very helpful."

 "It's the concept of competition. Having the federal workforce be exposed to those same competitive forces that everybody else in the country is exposed to is a positive thing. That becomes like the backdrop which leads to things like strategic sourcing. That opens up a whole panorama from business process reengineering, all the way through to outright privatization. I would submit that in the absence of competition, A-76 as we now call it, a lot of this would not happen at all. So you need to have a backdrop that forces the action."

"The success of A-76 has been the fact that it has forced you to look at the way you do business."

What challenges remain to improving procurement and contracting processes in the federal government?

"It would be extremely helpful if, when we developed the definitions for FAIR Act and A-76 functions and all those other things, we use a common definition. It's de-conflicting some of the guidance that's out there for the people who have to do this at the activity level all the way down to the base and stations in the Department of Defense. There are conflicts about what these programs are all about. Are they to save money? Are they to reduce the size of government? Is it to become more efficient? Is it to perform commercial activities commercially? Is it to share in savings that you generate? What's the message? I don't think there's a clear message of what we're all about."

"I think the greatest challenge to the people in this room and the greatest challenge to a new Administration is to deal with this issue in a non-politicized atmosphere."

Challenge Point #1: Additional efforts are needed within each agency to simplify and streamline procurement and contracting in government.

Participants agreed that while the statutory framework exists to allow for flexibility in agency procurement and contracting processes, some agencies still have not overcome internal cultural and administrative hurdles for maximum streamlining and simplification. Participants expressed concern over

how far agencies should go to set aside contracts for disadvantaged groups, as well as overly "bundling" contracts to stifle competition.

"What we've found is that a number of agencies aren't content to use that supply schedule. They put out their own IDIQ's for things that are already covered by the supply schedule. Why do they do that? They want more control. They want it their way. So instead of having a single vehicle that we can use across the board, we now have IDIQ's with three or four agencies in addition to the GSA supply schedule. The second problem is that under the FAR, and with the supply schedule, you can have single-stage competition. You get on the supply schedule, your prices are set, and all FAR requires is that the agency look at several competitors on the schedule and pick one and negotiate. Furthermore, you can do it orally, you don't have to do it in writing. What have we found? The procurement officers insist that they select not one, but three, four, or five companies from the supply schedule. Do they use oral presentations? No, they use written presentations. Then they require oral presentations to follow up on the written presentations. So we end up with two, three, and four-stage competitions instead of one. And that's what I submit is the biggest challenge facing the procurement community, that's a culture change among procurement officers."

Challenge Point #2: Agencies continue to struggle to implement performance-based contracting and effective contract monitoring systems.

Participants noted that while progress has been made in implementing performance-based contracting techniques in some federal agencies for some services, it is vitally important that each agency ensure that all of its contracts include performance measurements, accountability provisions, and performance-based incentives. In some cases there remains cultural resistance to performance-based contracting; in many other cases, contract officers lack the skills to design and implement performance measurements for their contracts. In addition, par-

ticipants underscored the need for effective and sustained contract-monitoring. Finally, additional efforts are needed to align individual contracts with the mission, goals, and strategies of the agency as a whole to demonstrate the link between contracted services and the basic strategic direction of the agency.

Challenge Point #3: Implementation of A-76 is uneven across government, with the process not used effectively by most agencies.

Participants generally agreed that substantial improvements need to be made in the A-76 process, noting that A-76 is used primarily by the Department of Defense (even then with limited application.) Several reasons why A-76 has seen limited success were cited by participants, including the following:

"That's why I say that A-76 was an unmitigated failure because we've had a policy on the books for 45 years, and yet we still have a million federal employees involved in commercial activities. So the very first challenge that I think we have to revisit is what are commercial activities, what are inherently governmental functions of the government."

"Second thing with A-76 is the whole planning process is falling apart. The A-76 is an FTE-based process. This is screwy. Everybody thinks about functions and activities. I would submit that we should have some type of a change take place, and it can be done at the OMB level, that forces agencies to do sensible long-term planning like what the Marines are doing, where they get their cost data together and they figure out what's going to happen at the end of the five years when we finish all these studies."

"I would say that judged by its potential, it's a failure. Judged by how much money it's saving government today, in DOD, the new competitions are saving hundred of millions of dollars, so it's a success. It takes too long, we're not doing enough, we could do a lot more. But when you save a couple

hundred million dollars a year, you've got to call that a success."

"We need to be seeking alternatives to just A-76, to outsourcing, to privatization, or contracting out. Unfortunately, we've lost sight of the prize. The prize is, how best should the government provide the services? That is the issue. We don't look at things like franchising and strategic sourcing."

Challenge Point #4: The quality of cost data and financial information used in the procurement and outsourcing processes needs to improve.

Related specifically to the A-76 process as well as a number of other contracting and procurement processes, a key challenge facing the federal government is the need to improve the quality of cost and financial information used in evaluating outsourcing and contract bids. Participants generally gave low marks to the quality of cost data and repeatedly singled out this issue as one of the most important facing the contracting community.

"We need to improve our cost data and tracking mechanisms to ensure that we do have the best cost data when we are making these competitions. That we track to ensure that we have the savings."

"Of all the cost-comparison studies that have been done on federally-funded highway projects, it's unbelievable how completely arbitrary the overhead calculations are. Five percent to 280 percent is the range. And you've got cases where the same contractor, doing two different highway projects in the same state, in different years will have an overhead rate assigned of 150 percent in one study and 280 percent in another study. It's just complete seat-of-the-pants, no science whatsoever. And this is sustained over 25 years of studies, doing these things. So the state-of-the-art in these cost-comparison methodologies in these overhead estimations is below the sewer level."

Challenge Point #5: Significant problems surround the implementation of the Federal Activities Inventory Reform (FAIR) Act.

Participants discussed the controversies surrounding the recently-implemented FAIR Act. Most participants agreed that there seems to be a lack of clarity between how the terms "inherently governmental" and "commercial activity" are defined by FAIR and A-76. In addition, some participants criticized OMB for the guidance it issued to govern implementation of the statute, raised concerns that two similar jobs in two different agencies could be classified differently depending on each agency's own interpretation of the Act, and questioned agency decisions not to begin competitive sourcing analysis of jobs and functions on the FAIR lists. On the other hand, several participants saw the FAIR Act as a paper exercise that fails to appropriately address outsourcing challenges.

"The data right now is not accurate. It's not comparable to one another. You have activities in one agency that are commercial and the same activities in another agency are considered inherently governmental. So that's going to be the first challenge, to make sure that the lists are comparable before any decisions can be made."

"OMB and the agencies have already said that half of the people do commercial work but we're not going to look at them. That's great, I mean, you have 500,000 employees that we acknowledge they're doing work that's done in the private sector, but we're not going to look at it, we're not going to consider outsourcing or re-engineering or whatever. So, it's great to have this list, but it's not terribly useful if you're not going to look at it. But I would also say that agency implementation of the FAIR Act as far as who is on the list has not been good."

"Before FAIR, you never really had a firm breakdown on your desk of what all the people who work in your agency are doing and where they're at. Recognize that this FAIR list is a data set; a human resources management data set, and use it for a whole lot of things besides just deciding what to privatize."

Challenge Point #6: Greater efforts are needed to involve and protect federal employees during the outsourcing process.

Participants agreed that involving employees and unions in the outsourcing process is critically important. In addition, portability of benefits for federal employees facing the possibility of transitioning to private-sector jobs is seen by many as a fundamental prerequisite to improving the outsourcing process.

"We can't have a roughshod contracting-out program that just leaves dedicated public servants on the street and say to hell with them. We have to have a soft-landing program. We've got to come up with a way for people to move their pension. We've got to come up with a way of strengthening what government does and providing a transition for those people who are in commercial activities in the government."

Challenge Point #7: Tension between program staff and contract staff exists, with a need for greater collaboration between the two communities on improving the procurement and contracting processes.

"The challenge is to look for a way to engage the requirements community and the program community in this whole process of reform and change. The problem is that there hasn't been leverage to do it because it's a dispersed community. Program offices are all over the place. At DOT, in order to en-

courage performance-based contracting, I had to go to the Deputy Secretary and get it put in all the administrators' performance agreements, and then suddenly, I got the attention of the program community to do it. I can't do that for every single thing that I want to get done. We need to find a way to engage the program community in this reform process if we really want to see it continue forward."

Challenge Point #8: Some contract officers and program managers lack the skills that will be needed as government increasingly turns toward contracted services and outsourcing.

Participants agreed that professional development will become increasingly important for contract officers to equip them with the necessary skills to craft flexible, business-oriented and performance-based contracts for their agencies. In addition, program managers will need skills in how to manage programs in an outsourced environment, examining issues such as contractor feedback, performance management, contract monitoring, knowledge management and service integration. Best practice analysis of public-private partnerships at all levels of government will also be needed.

What action items should the next Administration and Congress focus on for this issue?

Recommendation Theme 1: Develop an aggressive champion to lead efforts to improve contracting, procurement and outsourcing in the federal government.

"Number one: you need a champion. There's got to be a political leader who says this issue is a priority. I think that whole suite of recommendations ought to be a top priority for a new Administration and for the Congress. A champion has to be established within the executive branch."

"Establish an office for oversight, or enlarge the current office for oversight of the organization that's overseeing all of these initiatives. The purpose for that is to untangle the conflicts, and to give clear direction that we're not getting now. The conflicts are at the policy-making level between acquisition, budgeting, human resources, and all those sorts of things between the FAIR Act and A-76 and all the programs that go along with it. Create, and maybe it's part of the same office, but preferably not together, an office for knowledge management, to share the lessons learned that all the agencies are learning. Create this office electronically, so people can tap into it and find out what's going on out there."

Recommendation Theme 2: Aggressively implement performance-based contracting and provide incentives to contractors for improved results.

"Improve incentive arrangements for contractors to deliver results such as share-in-savings contracting. There are other methods as well, but that's one example. Continue the push that actually has started in the last two Administrations on performance-based service contracting."

Recommendation Theme 3: Launch a process to re-engineer the A-76 process government-wide.

"There needs to be a task force on A-76 to address where to make the improvements in the areas of a level playing field, some kind of center of excellence for the whole federal government to address the shortfalls of the process. Right now, nobody likes the process, so surely there's some way for folks to get together."

"There needs to be some mechanism to bring together the consensus of what the issues really are, and then a process to dissect those issues and get a framework for solutions within it."

"Improve the knowledge base basically by documenting and getting out there on the web, within 6-12 months, using the services of a neutral party such

as the National Academy of Public Administration, basically to put out lessons learned from three sources: from unions and federal employees directly, from state and local sources and experiences, and also from the private sector community about what has worked and what has not worked."

Recommendation Theme 4: Continue the trend towards simplification, flexibility and streamlining in government procurement.

"Deregulate the acquisition system, and put in place a statutory framework and performance standards. A regulatory system cannot possibly keep up with the pace of the changes in the business environment today, and we're already seeing that."

"Expand the number and the type of government franchise organizations. I think they are a very good resource, and we're not really using them to their best advantage."

Recommendation Theme 5: Develop specific proposals to remedy the shortcomings identified in the A-76 process.

"You could eliminate cost advantages to incumbents. Once you move to the best value mode, I would put in stronger firewalls between those who are allowed to work on the government side and their supporting contractors, the PWS's the MEO's, the reviews, because it seems that there are overlaps and different organizations seem to allow different things."

"Revise statutorily the definition of commercial services, so that we can use that concept more widely."

"Demand that all procurement and contracting activities, whether they be FAIR, A-76, regular contracting…demand that it all flow from the basis of better, faster, cheaper. It was good eight years ago when we started and coined that, it's good today, and I think it's good for tomorrow to maintain momentum. Second, enlarge the use of the purchase card or e-business function to include payments, not

just purchases. Three, reduce the federal acquisition regulation by 50 percent within three years."

"And finally, I would say, Mr. President please focus on the very unsexy, but very difficult issue of insisting on accurate government cost data. It will benefit you not only in this debate over contracting out, but even more importantly, in achieving the goals of GPRA, which after all, are based on accurate cost data."

Recommendation Theme 6: Examine alternatives to the A-76 process.

"If indeed we are looking at how best to provide the services that the citizens depend on, let's look at alternatives to A-76. A-76 is just one tool of reinvention or business practices revolution."

"There are alternatives to A-76 and procedures—alternatives that have proven successful in one situation or another. These are basically being ignored, and the lessons of those. Many of those alternatives—non-profit approaches, ESOP privatization approaches, some in strategic sourcing—solve the problems of pension portability, of giving employees incentives, and getting current savings today and bigger savings tomorrow."

"I think we should be more generous in our buyout plans to our employees. There's another thing that we've occasionally used in the past, and that is "all or some" contracting. Instead of trying to bundle up front what it is you want, you sort of have a lot of activities at a facility or adjacent facilities, and you ask people to bid on any combination."

"There's too much privatization and outsourcing being done for the wrong reason, either as a means of managing the FTE's or as a blind advocacy of a policy agenda. You should require addressing two basic questions: first, should the government be doing this? And second, if that decision is in doubt, ask who best to do the work? Secondly, suspend privatization and outsourcing until we've had the oversight accounting metrics and incentives in place to create a system that allows both contracting in and contracting out. The idea of "trust, but verify." Finally, seek creative alter-

natives to A-76; ideas such as franchising and reinvention. Allow the government to become competitive."

Recommendation Theme 7: Invest in training federal contract officers and line managers for managing government programs in a highly-contracted and outsourced environment.

"Increase the skill and professionalism of the acquisition workforce. You've got to raise the educational standards for entry. Require a baccalaureate degree. Transform the professional development of staff from a rule-based system to a judgment-based system using training, case studies, simulations to understand how to do best value. Lastly, aggressively manage the SES positions to ensure a wide distribution of the skills and a fresh thinking."

"We have a looming human capital crisis government-wide. I think it's particularly acute within the acquisition community."

Recommendation Theme 8: Fully implement the FAIR Act, emphasizing its use as a tool for creating a data base rather than merely a privatization vehicle.

"The lists should not only be FTE, but they should roll up into activities or functions. The fourth thing is, those lists rolled up into activities or functions should then be published in an intelligent way where we let both the public sector and the private sector see what's on the list and let the challenges occur. And then, finally, let either the public sector or the private sector trigger the studies instead of just having it reviewed by management. Let the private sector or the public sector have the automatic right to trigger the study."

Recommendation Theme 9: Collaborate with employees and their unions during outsourcing initiatives and develop pension and benefit portability solutions.

"Look at and work with the unions to develop some of these changes in the HR process that we've heard so much about. We need to change the incentives, we need to have portable retirement systems, we need to change the rules on working part-time, some of those kinds of things."

"Mr. President, first of all, you are in a transition right now, you've got a mandate, your mandate is going to last for maybe about one year. That's about it.

Come right out of the box and at your first State of the Union, state what the government of the future is going to be as specifically as you can. Put in managers very early on who are good, competent managers. I know you are going to have to have your political people in there, but you've got to have one group that you can depend upon to build towards the government of the future that are responsible to you.

Put in a strong oversight that's going to be your right arm to get this done, and do it at the beginning…do it at the first State of the Union."

—Transition Dialogue Session, July 17, 2000