IV.   IMPROVING PERFORMANCE THROUGH BETTER MANAGEMENT

IV. IMPROVING PERFORMANCE THROUGH BETTER MANAGEMENT

> *We made a decision that was profoundly important, that the way Government works matters, that we could not maintain the confidence of the American people and we could not have ideas that delivered unless the Government was functioning in a sensible, modern, and prudent way.*
>
> President Clinton
> December 1998

On September 30, 1998, President Clinton announced that the Federal budget had reached balance and produced a surplus for the first time in a generation. Without this Administration's early and firm commitment to streamlining and reinventing Government, it would not have been possible to eliminate the deficit. "After all," Vice President Gore has said, "it is our progress in reinventing and downsizing Government, while improving it, that has enabled us to balance the budget, cut taxes for families, and invest properly in key priorities for the future."

Reinventing Government—the goals of improving the quality of services that Americans rightfully expect, while reducing the size of the Government that delivers them—seems an almost contradictory notion. How to do more with less? The answer is that the Government must meet the needs of the American people by improving its management and the performance of programs—much as U.S. business has done in the face of competitive pressure over the last quarter century. From the start, Vice President Gore, working with the departments, agencies, inter-agency working groups, and worker representatives, and drawing on the expertise of the private sector, has led an unprecedented effort to make the Federal Government more efficient and effective while also reducing its size.

From 1993-1998, the Administration has cut the Federal civilian work force by 365,000 full-time equivalent employees (FTEs). Based on the number of Federal employees on the payroll, the work force is the smallest it has been since the Kennedy Administration.

Working with Federal employees, the Administration has eliminated wasteful spending and cut numerous outdated Government programs. These efforts have saved the American people more than $136 billion. Today, we have a smaller, more efficient Government that provides the services the American people have come to count on: protecting the environment; improving our schools; and providing retirement benefits to seniors, to name only a few. To recognize the Federal employees who help the Government operate more efficiently and better serve the American people, the President proposes a 4.4 percent pay raise, the largest increase since 1981, for civilian employees and military members.

The Clinton-Gore Administration relies on several key strategies to achieve its reinvention goals. Key among them are the National Partnership for Reinventing Government (NPR), Priority Management Objectives (PMOs), and inter-agency management groups.

Founded at the start of the Administration, the NPR (then the National Performance Review) has empowered Federal employees and managers and they have responded by improving services and cutting costs. It counts among its many successes the Food and Drug Administration's (FDA's) streamlined drug approval process, the Defense Department's (DOD's) reduction of many military specification buying standards, and the Federal Aviation Administration's (FAA's) improved safety procedures. NPR will concentrate on fostering customer-oriented, results-driven organizations that focus on performance.

PMOs focus the Administration's efforts to meet some of the Government's biggest management challenges. They are specific management initiatives covering a wide range of concerns, ranging from meeting the year 2000 computer challenge to implementing the restructuring of the Internal Revenue Service (IRS). The Administration also engages inter-agency groups (discussed later in this Section) to marshal resources across the Government to address concerns important to Americans.

Six years out, there is measurable success, more to be done, and a determination to realize the President's vision of a Government that functions in a "modern, sensible, and prudent way."

Internet addresses in this Section refer the reader to websites where work is described in greater detail.

NPR: Changing the Government

NPR has consistently pursued initiatives to build a Government that works better, costs less, and gets the results that matter to the American people. NPR efforts have led to operational improvements in agencies that affect everyday American life, such as better customer service at the Social Security Administration (SSA), and improvement in delivery of services, including the provision of water, food, and shelter to disaster victims by the Federal Emergency Management Agency.

In the coming year, NPR will focus on the following four major initiatives designed to improve Government services to all Americans:

(1) Working to deliver results Americans care about: In 1998, the NPR launched an effort with 32 agencies to increase their focus on customers and achieve results that matter to Americans. These High Impact Agencies (HIAs) interact directly with the public. The HIAs have defined specific commitments to improve service delivery and agency operations. Table IV–1 includes examples of the specific commitments made by many of the HIAs. This focus on customers will build on the agencies' strategic and annual performance plans discussed in Section VI. Additional information on the HIAs' efforts is available on the NPR website, www.npr.gov.

(2) Developing customer and employee satisfaction measures that will supplement agency program results: A key initiative in improving Government performance, the Government Performance and Results Act (GPRA), was enacted by Congress in 1993. This Act increases the accountability of Government agencies by requiring them to define measurable performance goals and report on their achievements.

In 1999 and 2000, the Administration intends to reinforce GPRA efforts by increasing the use of customer satisfaction goals in annual plans of selected agencies. For agency programs dealing directly with the public, customer satisfaction is a key measure. The Administration will also conduct the second annual employee satisfaction survey for Federal workers and use the data to monitor progress in bringing the benefits of reinvention to all Federal workers. Employee satisfaction also affects agency performance—satisfied employees mean better Government services, products, and benefits to the public.

(3) Improving American life in ways that no one Government program could accomplish alone: The Administration will pilot test strategies to provide seamless service delivery in areas of greatest concern to Americans, effectively creating a system of one-stop shopping for important Government services. People interested in help finding jobs or in improving public health in their community should be able to obtain that help swiftly and easily. The Administration is committed to using partnership approaches among Federal, State, and local programs to achieve the outcomes most Americans expect from their government.

Table IV–1. STRATEGIES TO ACHIEVE HIGH IMPACT AGENCY GOALS

Between now and January 1, 2001, agencies with great impact on Americans will:

I. Partner to get results that Americans care about that no agency can achieve alone. For example:

- In partnership with the airline industry, three Federal agencies (the Animal and Plant Health Inspection Service (APHIS), Customs, and the Immigration and Naturalization Service (INS)) will obtain advance information on 80 percent of international air passengers to expedite the overall flow of passengers with no loss in enforcement.

- The Food and Drug Administration will work closely with industry, health care providers, and the consumer to ensure that 75 percent of all consumers receiving new drug prescriptions will be given useful and readable information about their product.

- The Food Safety and Inspection Service will collaborate closely with other public health agencies that are members of the President's Food Safety Council to reduce food-borne illnesses by 25 percent, between 1997 and 2000. As a first step, they will work together in 1999 to develop a common approach and coordinate budgetary resources.

II. Create electronic access and processing in government. For example:

- The number of States issuing food stamps by electronic benefit transfer will increase from 22 in 1997 to 42 in 2000.

- An electronic trademark application will be placed on the Patent and Trademark Office's website. Trademark customers will be able to file applications and related papers electronically.

- By October 2000, the Department of Education will enable three million students and families to submit their Federal student aid applications electronically. This doubles the current annual number.

III. Manage with a set of measures that balance customer satisfaction, employee satisfaction, and business results. For example:

- The Veterans Health Administration (VHA) shows continuing improvement in patient satisfaction with the care they receive. In 1995, 60 percent of patients rated their care as very good or excellent. That number rose to 75 percent in 1998. The goal for 1999 is 79 percent. The 2000 goal is 83 percent and the 2003 goal is 95 percent.

- By 2001, the VHA will expand its adherence to clinical guidelines to cover 95 percent of common diseases among veterans compared to 76 percent in 1997.

- The Federal Emergency Management Agency will increase individual customer satisfaction with the assistance application process from 84 percent in 1995 to at least 90 percent in 2000.

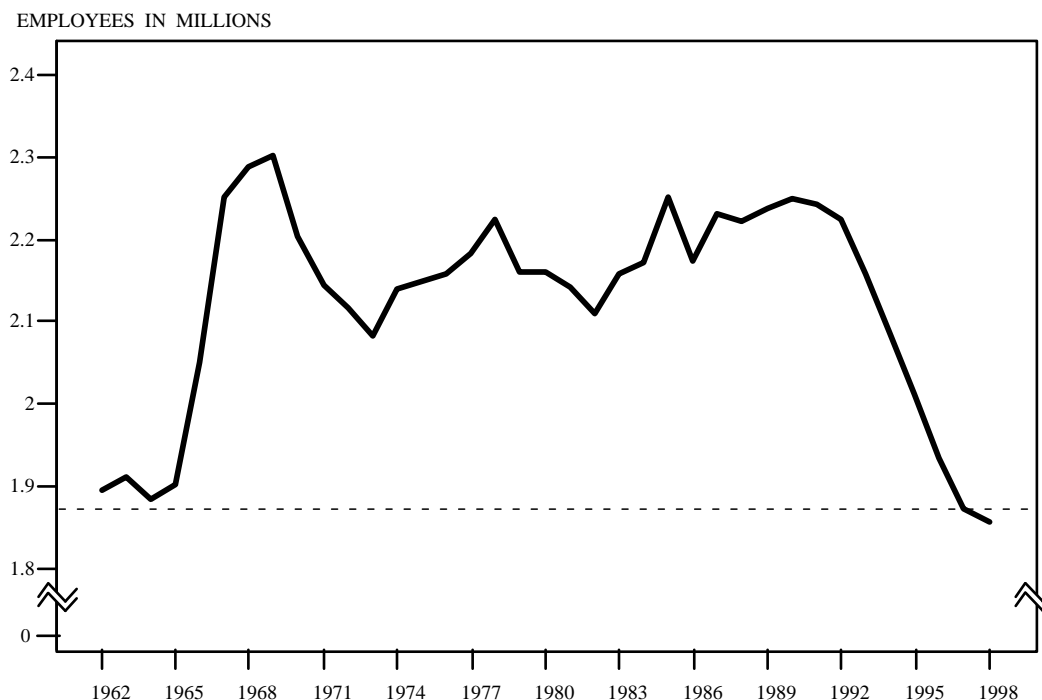Note: Information on specific HIAs is available on agency websites.

One example of such partnerships is the establishment this year by Executive Order of a Food Safety Council, committed to reducing the incidence of food-borne illnesses. To improve the well-being of children, the Federal Government will also enter into 10 partnerships with State and local governments to devise new ways, under current law, to increase flexibility in the use of Federal program dollars and to redirect administrative savings for services and results. Successful partnerships will demonstrate measurable improvements in the lives of children. This performance partnership initiative has four components: 1) establishment of a results-driven accountability system, working with the Federal Interagency Forum on Child and Family Statistics, that will focus on key indicators of child well-being, such as immunization coverage, infant and child mortality, high school graduation rates, teen birthrates, youth crime rates, and child health insurance coverage; 2) identification of ways to consolidate planning and reporting for programs with related goals and greater
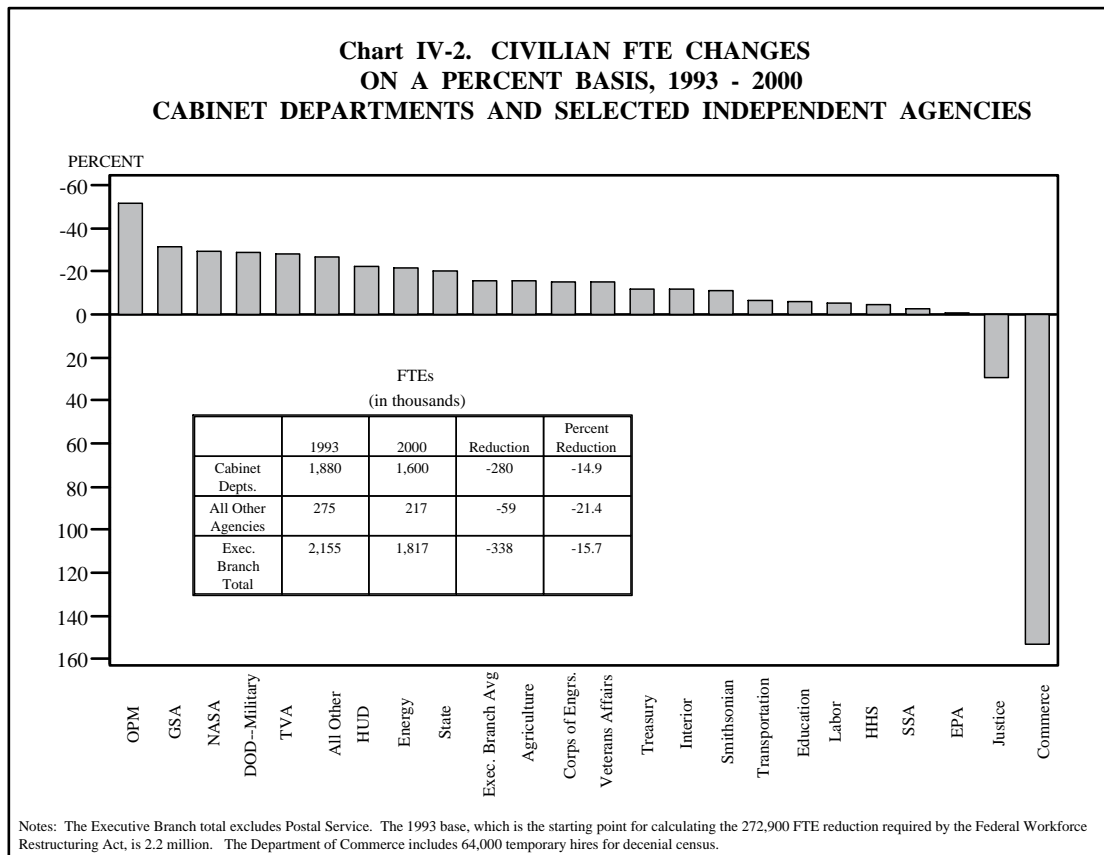
flexibility in administering grant funds; 3) development of recommendations for new ways, within current law, through which administrative savings from discretionary grant programs might be pooled to establish a local Child Well-Being Investment Fund for innovations and priority programs; and 4) sharing of lessons learned through a "how-to" manual detailing strategies to reduce administrative costs and allow local flexibility.

(4) Allowing Americans to do business with the Government electronically: In 1997, the Administration announced the Access America initiatives to enable Americans to do business with the Government electronically. Recently, Vice President Gore launched Access America for Students, which pilots the integrated, computerized delivery of Government services to postsecondary students. This program will include services such as student loan applications and renewals, online address changes, veterans' educational benefits, campus admissions and services, and electronic income tax filing. Access America for Students will

Chart IV-1. ACTUAL CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH, 1962 - 1998

(Excluding Postal Service)

EMPLOYEES IN MILLIONS

Note: Data is end-of-year count.

**Chart IV-2. CIVILIAN FTE CHANGES
ON A PERCENT BASIS, 1993 - 2000
CABINET DEPARTMENTS AND SELECTED INDEPENDENT AGENCIES**

PERCENT

FTEs
(in thousands)

	1993	2000	Reduction	Percent Reduction
Cabinet Depts.	1,880	1,600	-280	-14.9
All Other Agencies	275	217	-59	-21.4
Exec. Branch Total	2,155	1,817	-338	-15.7

OPM, GSA, NASA, DOD--Military, TVA, All Other, HUD, Energy, State, Exec. Branch Avg, Agriculture, Corps of Engrs., Veterans Affairs, Treasury, Interior, Smithsonian, Transportation, Education, Labor, HHS, SSA, EPA, Justice, Commerce

Notes: The Executive Branch total excludes Postal Service. The 1993 base, which is the starting point for calculating the 272,900 FTE reduction required by the Federal Workforce Restructuring Act, is 2.2 million. The Department of Commerce includes 64,000 temporary hires for decenial census.

be carefully constructed to ensure the privacy and security of all users. Other Access America programs are planned for users of other Government services (e.g., senior citizens). Additional information on Access America is available at www.gits.gov.

Streamlining the Government

Two fundamental changes in the Federal work force have combined to create a leaner, more efficient Government. First, the Administration has cut the overall size of the Government by 16 percent. Second, the Administration has given Federal employees the authority to propose and carry out significant improvements in agency programs. These changes have led to the elimination of many internal rules, establishment of customer service standards, creation of agency reinvention labs, and improved labor-management relations.

The Administration's accomplishments in downsizing Government are unprecedented since the demobilization after World War II. As Chart IV–1 shows, this is the smallest

Federal work force in 36 years. The savings have been used to help pay for a variety of initiatives authorized by the 1994 crime bill, including the successful effort to put 100,000 new local police officers on the streets.

Almost all of the 14 Cabinet Departments and large independent agencies are cutting their work forces. For example, the General Services Administration (GSA) is reducing FTEs by 31 percent by streamlining its lines of business. The Justice Department's growth reflects the Administration's expanded war on crime and drugs. The decennial census is temporarily increasing the size of the Commerce Department's payroll (see Chart IV–2).

Reducing the size of Government is just one measure of success. Acquiring and retaining the right mix of people with the best combination of skills is a challenge to all employers, and the Government is no exception. Streamlining organizations is never easy, but a partnership with Federal employee unions has made change possible. As agencies

continue reinventing themselves to be more effective and responsive to America's needs, they will require management tools to restructure their work forces and achieve greater efficiencies. The Administration will support agencies if they need—as in the case of DOD, the Department of Energy (DOE), and the IRS—separate authority to restructure their work force with voluntary separation incentives. The Administration will also seek renewal of the authority to offer voluntary separation incentives to support downsizing efforts in those areas where cost/benefit analysis indicates that it would be beneficial.

Creating Powerful Incentives to Manage for Results

A new tool—the Performance-Based Organization (PBO)—was developed to help the Government operate more efficiently. Proposed by the Administration, and enacted by the Congress, the first PBO was mandated to improve the efficiency and delivery of student financial assistance.

PBOs encourage a group of Government executives in an organization to bear responsibility for its level of performance. These executives commit to meet tough annual performance goals, and if successful, they can receive substantial bonuses. To help them meet these goals, executives can exercise greater flexibility in hiring, compensation, and procurement. During the 106th Congress, the Administration will develop legislation to establish additional PBOs, including the FAA Air Traffic Services, the Seafood Inspection Service, the Patent and Trademark Office, the Rural Telephone Bank, the Defense Commissary Agency, the National Technical Information Service, the St. Lawrence Seaway Development Corporation, Federal Lands Highway, and the U.S. Mint.

Tackling Government's Biggest Management Challenges

To create a clear set of priorities for management efforts, the Administration has selected 24 key issues, listed in Table IV–2, to be PMOs. These were chosen as areas in need of real change, and will receive ongoing attention from the Administration.

There are six new initiatives while 18 continue from last year's budget. PMOs are coordinated by OMB with assistance from the NPR and inter-agency working groups. This assures that objectives receive senior management attention. Periodic reporting and review of these objectives provide an opportunity for corrective action as necessary throughout the year.

Strengthening Government-Wide Management

1. Manage the year 2000 (Y2K) computer problem: There is no more immediate management challenge facing governments and industries world-wide than the impending shift of dates from the year 1999 to the year 2000. A year ago, 27 percent of the Federal Government's mission-critical systems were Y2K compliant. At the end of 1998, more than double that number—61 percent—met that standard. The Administration has set March 31, 1999, as the deadline for all mission-critical systems to be Y2K ready.

Under the direction of the President's Council on Year 2000 Conversion, agencies are reaching out to private sector organizations, State and local governments, and international institutions. External Y2K activities have been organized to focus on key sectors, including energy, telecommunications, and financial institutions. In December 1998, the U.S. Government helped organize a United Nations conference of Y2K coordinators from over 100 countries.

The Administration also recognizes a critical need for industry to share its Y2K experiences and solutions with each other and with the public. Accordingly, the Administration proposed and the Congress enacted the Year 2000 Information Disclosure Act, which encourages companies to share information about possible Y2K solutions.

In 1999, agencies will focus primarily on testing their systems and their interactions with other systems, and will develop contingency and continuity of operations plans. In 2000, agencies will focus on assuring that Federal programs continue to deliver uninterrupted service to the public.

Table IV–2.   PRIORITY MANAGEMENT OBJECTIVES

STRENGTHENING GOVERNMENT-WIDE MANAGEMENT

1. Manage the year 2000 (Y2K) computer problem
2. Use results to improve program management
3. Improve financial management information
4. Protect critical information infrastructure
5. Strengthen statistical programs
6. Implement acquisition reforms
7. Implement electronic Government initiatives

IMPROVING STEWARDSHIP OF ASSETS

8. Better manage financial portfolios
9. Better manage real property

IMPROVING PROGRAM OPERATIONS AND INTEGRITY

10. Verify that the right person is getting the right benefit
11. Use competition to improve operations

IMPROVING PROGRAM MANAGEMENT

12. Modernize student aid delivery
13. Improve DOE contract management
14. Strengthen the HCFA's management capacity
15. Implement HUD reform
16. Resolve disputes over Indian trust funds
17. Implement FAA management reform
18. Implement IRS reforms
19. Streamline SSA's disability claims system
20. Revolutionize DOD business affairs
21. Improve management of the decennial census
22. Manage risks in building the International Space Station
23. Improve security at diplomatic facilities around the world
24. Reengineer the naturalization process and reduce the citizenship application backlog

2. Use results to improve program management: GPRA makes Government agencies more accountable by focusing managers and policy makers on agency performance. GPRA can fundamentally change how the Government carries out its programs and makes funding decisions. The Act requires Federal agencies to periodically develop long-range strategic plans and annually prepare performance plans and performance reports. The annual plans set specific performance targets for an agency's programs and activities. The combination of GPRA plans and reports introduces an unprecedented degree of managerial and institutional accountability for accomplishing program goals. Key to achieving success is making the plans useful to the Congress, the President, and agency management.

In 2000, agencies will submit to the Congress and the President the first of their annual reports on program performance. These reports, covering 1999, will compare actual performance to the performance target levels in the annual plans for that year, and provide an explanation for any goal not met. With these reports, the first cycle of GPRA implementation will be complete.

During 2000, agencies will also be revising and updating strategic plans for submission

to the Congress and OMB by September 2000. All GPRA plans and reports are publicly available, and can often be found on individual agency websites.

Budgeting for Results is an effort to display and budget for all the resources used by Federal programs in a way that allows the costs to be systematically compared with the benefits provided. Although all costs are reflected somewhere in the budget, these costs are not all associated with the individual programs that use the resources. Some costs may be paid by other components within the Government. Thus, some of the basic information necessary for effective decision making is not readily available. In the coming year, efforts will continue toward making Budgeting for Results a reality.

3. Improve financial management information: In March 1998, for the first time in the history of the United States, the Government issued audited financial statements presenting the results of its operations. While the audit disclosed financial system weaknesses and problems in fundamental record-keeping in a number of areas, the Government's efforts to provide a full accounting is unprecedented. Bringing problems to light will force improvements. Improvement has already begun as illustrated by Table IV–3, which presents the anticipated results of audits of the financial statements of the 24 largest Federal agencies in 1998. These show that the Administration has already made substantial progress in improving financial management. Recognizing more must be done, the President directed agencies to resolve systems and record-keeping problems during 1999—with the goal being an unqualified report on the Government's 1999 financial

statements, which will be issued in March 2000.

4. Protect critical information infrastructure: Last year, Presidential Decision Directive 63, Protecting America's Critical Infrastructures, launched a program to counter risks to the increasingly interconnected national infrastructures, such as telecommunications, banking and finance, energy, transportation, and essential Government services. These infrastructures are particularly vulnerable to disruptions—whether deliberate or accidental—to the computer systems that support them. The goal for 2000 is increased security for Government systems. The Federal Government should be a model of infrastructure protection, linking security measures to business risks and agency mission.

The goal for 2003 is a reliable and secure private information system infrastructure. The Administration will work with private industry, which owns the vast majority of the Nation's infrastructure, to meet common protection goals. Care will be taken to preserve privacy, and regulation will be used only if there is a material failure of the market to protect the health, safety, or well being of the American people.

5. Strengthen statistical programs: The Government spends more than $3 billion each year to produce statistical measures of our economy and society that help decision makers in the public and private sectors. These data are used for everything from spotting important trends in public health to projecting the impact of future demographic shifts on the Social Security system. In 1998, to improve access to, and the quality of, Government statistical data, the Administration: 1) sponsored a bill to permit limited sharing of

Table IV–3.   CFO Agency Financial Statement Performance Goals

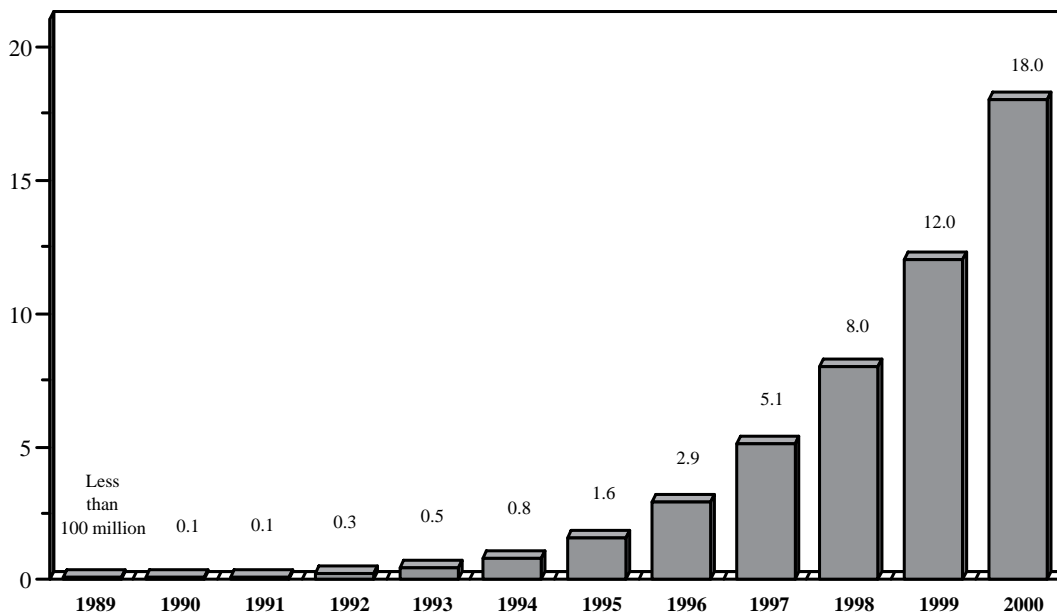| Financial Statements	1997 Actual	Estimate		
		1998	1999	2000
Audits Completed	23	24	24	24
Agencies with Unqualified Opinion	11	14	20	23
Agencies with Unqualified and Timely Opinion	8	12	20	23

confidential data among selected agencies solely for statistical use with appropriate safeguards; 2) doubled (to 28) the number of Federal agencies whose data series are indexed on www.fedstats.gov; and 3) published innovative inter-agency thematic reports based on federally-collected statistics, including *America's Children: Key National Indicators of Well-Being,* and *Changing America: Indicators of Social and Economic Well-Being by Race and Hispanic Origin.* In 1999, the Administration will continue to seek passage of legislation for statistical data sharing, and continue work on the American Community Survey to provide comparable demographic, economic, and housing data for small geographic areas. In 2000, the Administration will begin implementing the newly revised 1998 Standard Occupational Classification.

6. Implement acquisition reforms: The Federal Government is the Nation's largest buyer of goods and services, purchasing almost $200 billion annually. In the past six years, the Congress and the Administration have initiated numerous acquisition reforms to maximize the taxpayer's buying power. Contractors are increasingly being held responsible for results and measured on their performance when competing for future work. Agencies are buying commercial products and services rather than costly Government-unique solutions. The buying process continues to be streamlined, paperwork reduced, and results measured. In 1999, the Government will have 60 percent of Government purchases below $2,500 made by credit card—bypassing more paper intensive and time consuming procurement processes. By 2000, this rate will increase to 80 percent (see Chart IV–3). By 2000, over $23 billion in services contracts will be converted to Performance-Based Service Contracting (PBSC). Pilot programs demonstrated price reductions averaging 15 percent in nominal dollars, and agency satisfaction with contractor performance rose by 18 percent. Also by 2000, all major agencies will have systems which record contractors performance. This information will be a key

Chart IV-3. FEDERAL PURCHASE CARD PROGRAM GROWTH

DOLLARS IN BILLIONS

Year	Value
1989	Less than 100 million
1990	0.1
1991	0.1
1992	0.3
1993	0.5
1994	0.8
1995	1.6
1996	2.9
1997	5.1
1998	8.0
1999	12.0
2000	18.0

Note: The average annual growth in the Federal Purchase Card Program is over 75 percent since its inception in 1989.

determinant to better manage contracts and successfully select contractors.

7. Implement electronic Government initiatives: As discussed in the Vice President's 1997 Access America Report, today's most important infrastructure improvement needed to promote electronic access to Government services is the ability to authenticate users over open networks like the Internet. The Government Paperwork Elimination Act of 1998 promotes Federal agency use of electronic signatures to verify identities and integrity of information and establishes the legal validity of electronic documents. In 1999, the Administration will work with the private sector to develop guidelines for implementing the Act. In 2000, the Administration will issue those guidelines, incorporating lessons from the Access America projects. Additional mission performance improvements from specific information systems investments are discussed in Chapter 22 of *Analytical Perspectives.*

Improving Stewardship of Assets

8. Better manage financial portfolios: The Federal Government currently underwrites more than $1 trillion in loans, primarily to students, homebuyers, and small businesses. The Government must better serve these customers and protect its interest in obtaining efficient and timely repayment. Using electronic commerce and the Internet, the Government will test streamlined processes for student loan applications and electronic drawdown to those who qualify. Privacy will be protected though the use of electronic signatures. The Government will also begin sharing information electronically to better manage its single-family home loans, and if successful, will apply the same model to other lending programs. By 2000, the Debt Collection Improvement Act, which requires agencies to refer debt over 180 days delinquent to the Treasury Department for collection, will be fully implemented with the help of a Government-wide offset program, private collection agencies, and asset sales.

9. Better manage real property: The Government owns billions of dollars worth of real property, including office buildings, hospitals,

laboratories, and military bases. The Administration will pursue a number of initiatives, and where necessary, will submit legislation to:

- continue DOD's successful housing privatization program that augments each Federal dollar with two or more private sector dollars to construct and manage housing, thereby enabling the department to improve the quality of military family housing three times faster than would otherwise be possible;

- allow the Department of Veteran Affairs (VA) to sell unneeded property and keep the proceeds to improve direct care and services to veterans, with a share of the proceeds being used to provide assistance grants to local homeless populations; and

- amend the Federal Property and Administrative Services Act of 1949 to improve real property management, including allowing agencies to exchange or sell unneeded property and retain a share of the sales proceeds for other property investments.

Improving Program Operations and Integrity

10. Verify that the right person is getting the right benefit: It is important to ensure that beneficiaries get the benefits to which they are entitled and that errors in providing benefits are minimized. Agencies can shorten application review times and strengthen program integrity by sharing information among Government programs. For instance, in 2000, HUD will begin verifying tenant-reported income against other Federal income data. This will help ensure that housing assistance goes to those entitled to these benefits. Also in 2000, the Department of Education will propose legislation to permit the use of income information in the National Directory of New Hires to verify income reported on student loan applications and to identify income received by student loan defaulters. This could lead to an estimated savings of over $450 million.

In 1999, the Administration will support improved Federal and State program information sharing to minimize erroneous payments

at benefit determination; to eliminate unnecessary burdens on applicants by coordinating information collection and verification; to protect individual privacy; and to enable customers to use secure and convenient electronic application processes.

11. Use competition to improve operations: Competition has become a cornerstone of the business strategy for DOD. DOD will compete over 200,000 positions (in accordance with OMB Circular A–76 procedures), including more than 100,000 positions between 2000 and 2005. Savings will result from: 1) reengineering work that stays in-house; and 2) contracting out, which has shown savings of 30 to 40 percent. Other agencies are identifying potential commercial activities, which will provide a basis for implementing the Federal Activities Inventory Reform Act of 1998 (FAIR). Inventories are due to OMB by June 30, 1999, under the Act.

Improving Program Implementation

12. Modernize student aid delivery: Each year, nearly nine million students receive a total of $50 billion in aid through six major Federal student financial assistance programs. These programs are separately authorized—with unique features—and have evolved information and other management systems that are not always consistent with one another. To improve and streamline the management of these programs, the Higher Education Amendments of 1998 authorized the Government's first ever Performance Based Organization (PBO). During 1999, this PBO will work with a broadly representative group of lenders, students, and program intermediaries to develop a five-year performance plan to modernize student aid delivery. The goals will include:

- improving service to students and other participants in the student aid process;

- reducing costs of administering the programs;

- integrating and improving program information and delivery systems; and

- developing open, common, and integrated delivery and information systems.

13. Improve DOE contract management: More than 90 percent of DOE's budget is spent through contractors who are responsible for the operation, management, and safety of DOE facilities. Making more effective use of Performance Based Service Contracts (PBSC) and competition would improve DOE's mission attainment and could potentially save up to $1 billion. In 1999, DOE will focus on PBSC conversions for two management and operating contracts and 10 service contracts to increase work accomplished and lower costs. Also, DOE will compete four of the eight major expiring contracts.

14. Strengthen Health Care Financing Administration's (HCFA's) management capacity: HCFA is responsible for the stewardship of many of the most important social programs run by the Federal Government, including Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). HCFA faces the formidable challenge of modernizing its administrative infrastructure, meeting pressing statutory deadlines for program change from the Balanced Budget Act (BBA) and the Health Insurance Portability and Accountability Act (HIPAA), and perhaps most important, the need to be highly responsive to its customers.

HCFA has begun the process of management change through its recent reorganization. However, further reform is needed. HCFA, HHS, and OMB have together begun the development of a reform initiative that will increase HCFA's flexibility to operate as a customer centered prudent purchaser of health care while also increasing accountability. This initiative has five components: 1) management flexibilities (e.g., evaluation of personnel needs and flexibilities); 2) increased accountability to constituencies (e.g., regular reports to the Congress and the Administration, creation of an outside advisory board); 3) program flexibilities (e.g., new authorities and greater use of existing authorities to pay for services at market rates, enter into selective contracts, and engage in competitive bidding); 4) structural reforms (e.g., re-engineering the relationship between HCFA's central and regional offices and between HCFA and HHS; contracting out functions); and 5) contractor reform (e.g., promoting competition in Medicare claims processings, introducing contract terms

that allow more flexibility for the Federal Government).

HCFA's core functions—modernizing Medicare, detecting fraud and abuse, providing beneficiary and provider education, implementing legislative changes, processing claims, providing increased beneficiary choices, and managing Federal and State Medicaid and CHIP programs—are vital and continue to expand. To meet these expanding programmatic challenges, as well as the challenges of continuous management reform, it is critical to move toward a stable source of funding for HCFA. As HCFA and HHS move down the road toward achieving fundamental reform and begin to accomplish some of the basic objectives noted above (e.g., contractor reform), the Administration will review legislative proposals to increase the stability of HCFA's funding.

15. Implement HUD reform: HUD's comprehensive reforms are geared toward producing improvements in agency operations—so that all tenants can live in safe and well-managed housing. These reforms include: clarifying the mission of each employee; cleaning up the data in existing management and financial systems; integrating these disparate management and financial systems where possible; and enhancing accountability in HUD programs. For instance, by 2000, HUD will initiate an independent, on-going assessment of all public housing and Section 8 projects. Projects that fail to meet reasonable private sector benchmarks for safety and financial integrity will be referred to a newly established HUD Enforcement Center for intensive oversight and technical assistance. If a project's safety and financial status do not improve, new management will be installed, or Federal assistance to the project will end. By 2000, HUD will also begin periodic customer and employee satisfaction surveys. The results of these surveys will be used to monitor progress in implementing meaningful HUD reform.

16. Resolve disputes over Indian trust funds: The Department of the Interior (DOI) is responsible for managing nearly $3 billion in trusts the Federal Government holds for the Indian Tribes and individual Native Americans. In 1998, DOI verified over half of all individual trust accounts, and conversion of these accounts to a commercial accounting system will be completed by the end of 1999. The Administration will also re-introduce legislation to settle disputed tribal trust balances that resulted from decades of mismanagement, and consolidate highly fractionated ownership of Indian lands. In 2000, DOI will:

- develop and negotiate settlement offers with Tribes whose accounts lack full documentation, and develop formula-driven settlement payments for Tribes that accept these offers;

- double the number of pilot projects to consolidate ownership of fractionated lands; and

- complete verification of the remaining one-third of all trust asset account data and finalize the conversion to the new commercial trust asset management system.

17. Implement FAA management reform: The safety of the flying public depends on the FAA—its air traffic controllers, technology, and preparation for future challenges. FAA has begun an 18-month pilot project to link pay increases for some staff to the achievement of their performance targets. In 1999, FAA will evaluate the overall impact of the first three years of its personnel reform. FAA will also continue to develop its cost accounting system to allow more business-like operations and management improvements. By early 2000, FAA will complete replacement of en route air traffic controller workstations and begin purchasing modernized airport terminal radar. FAA will continue to develop promising free flight technologies to improve air traffic control efficiency and effectiveness.

18. Implement IRS reforms: The IRS is modernizing its organization and its information technology to better serve over 200 million taxpayers and enhance its productivity by encouraging quality work. Major portions of the IRS' modernization plans were mandated by the Internal Revenue Service Restructuring and Reform Act of 1998. The new focus is captured by the IRS' revised mission statement: Provide America's taxpayers top quality service by helping them

understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all. The basic outline of the new structure was completed in August 1998. The IRS Commissioner expects to announce the final design and implementation plans on April 15, 1999. The new organization and system improvements will be implemented over the following two and a half years. At the same time, IRS is modernizing its information technology to better support its new organization. In December 1998, IRS awarded a prime contract for information technology modernization. This is a long-term partnership between IRS and private industry to deliver the modernized financial and information systems needed to support IRS' new customer oriented organization.

19. Streamline SSA's disability claims system: SSA has undertaken a multi-year redesign project to improve service delivery for the millions of individuals filing for, or appealing decisions on, disability claims. SSA is providing all its adjudicators with uniform training, instructions which clarify complex policy areas, and an improved quality assurance process. Initial results indicate that these changes are helping SSA make more accurate disability determinations earlier in the claims process. SSA is also pilot testing modifications designed to streamline the disability applications process and increase claimant interaction with SSA at both the initial claim and hearing levels. Implementation of pilot modifications that prove successful will begin in 1999 and 2000.

20. Revolutionize DOD business affairs: DOD is changing the way it does business. Just as industry was forced to change to be competitive, so too must DOD upgrade its business operations to effectively support future national security strategy. DOD will adopt better business processes, pursue commercial alternatives, consolidate redundant functions, and streamline organizations to reduce overhead and apply resultant savings to fund modernization and quality of life programs. For example:

- DOD has devolved day-to-day program management functions from the Office of the Secretary of Defense to the military departments and defense agencies so that it could concentrate on policy and oversight responsibilities.

- DOD competitive sourcing initiatives will produce savings of over $6 billion from 1998 to 2003, with annual recurring savings thereafter of more than $2 billion.

- DOD will also improve the work environment, and benefit the lives of Department personnel, by establishing a career transition office for military personnel, establishing a Chancellor for Education and Professional Development, reengineering travel procedures, and streamlining the shipment of household goods.

21. Improve management of the decennial census: The goal of the decennial census is to conduct the most accurate census in U.S. history. The Census Bureau's plan will implement strategies to conduct a thorough and complete census. Specifically, management improvements include: user-friendly forms; a telephone questionnaire assistance program; language assistance; and using state-of-the art statistical sampling techniques. In 1999, preparations include developing the master address list, printing the questionnaires, and opening local census offices. In 2000, the census becomes operational. Activities will include hiring 300,000 temporary field staff, staffing the local census offices, and conducting non-response follow up and integrated coverage measurement.

22. Manage risks in building the International Space Station: The United States has the lead role in the international effort to build the International Space Station. The cost of U.S. participation has escalated because of technical difficulties, new work requirements, performance shortfalls, and Russian delays and shortfalls. In 1999, the program will continue to address cost and schedule performance problems in its key contracts, strengthen contract management and cost controls, and further reduce risks from potential Russian shortfalls. In 2000, the program begins a transition from development activities to orbital operations and research, seeking to take advantage of commercial practices, products, and services. The first two components of the space station were launched successfully in November and December of 1998. Additional 1999 launches

will prepare the orbital platform for the first permanent crew in January of 2000. Assembly will continue through 2004.

23. Improve security at diplomatic facilities around the world: The State Department received $1.4 billion in 1999 emergency funds to implement a broad program of security enhancements in response to terrorist bombings in Kenya and Tanzania and related threats directed at U.S. diplomatic and consular facilities overseas. Achieving global upgrades and maintaining that readiness at the Department's overseas posts poses a significant management challenge. Follow-on efforts will include significant investments in overseas facilities to ensure continued protection of U.S. Government employees working overseas. Long-range capital planning, including a review of future security requirements by a panel of experts and careful use of resources, will ensure that these investments meet cost, schedule, and performance goals of the program.

24. Reengineer the naturalization process and reduce the citizenship application backlog: The Immigration and Naturalization Service (INS) is redesigning its naturalization process to ensure service and benefits are provided with complete integrity and in a timely manner. At the same time, INS is addressing a backlog of 1.8 million pending applications for citizenship.

INS is committed to completing the naturalization process reengineering in 2000 and reducing the citizenship backlog—which currently requires applicants to wait upwards of 20 months to naturalize—to a 12-month wait-time in 1999 and a six to nine month wait-time by the end of 2000.

Using Inter-agency Groups to Improve Performance

To achieve the Administration's goal of making fundamental change in the operation of Government, inter-agency groups have been extensively used to lead crosscutting efforts.

These groups draw together operational, financial, procurement, integrity, labor relations, and systems technology experts from across the Government. They establish Government-wide goals in their areas of expertise, and they marshal the resources within individual agencies to meet those goals. Several of these groups were established for the first time by this Administration, including the President's Management Council and the National Partnership Council. Other interagency groups are described in Table IV–4.

The President's Management Council (PMC): The PMC consists of the Chief Operating Officers of all Federal departments and the largest agencies. The PMC provides leadership for the most important Government-wide reforms. Council priorities include: streamlining agencies without unnecessarily disrupting the work force; identifying criteria and recommending methods for agency restructuring; identifying performance measures to support electronic commerce and performance-based service contracting; facilitating development of customer service standards; supporting labor-management partnerships; and leading GPRA implementation.

The National Partnership Council (NPC): President Clinton established the NPC in October 1993 to enlist the Federal labor unions as allies in reinvention and to shift Federal labor relations from adversarial litigation to cooperative problem solving. Members of the NPC include: representatives of Federal employee unions and Federal managers and supervisors; the Federal Mediation and Conciliation Service; the Federal Labor Relations Authority; the Office of Personnel Management; OMB; DOD; and the Department of Labor. In 2000, NPC will continue developing methods to evaluate partnerships and their effect on agency productivity and service. The results of this research will guide individual agencies in evaluating and promoting their efforts. More information on the NPC can be found on its website: www.opm.gov/npc.

Table IV–4. MAJOR INTER-AGENCY GROUPS

Council Name/Membership	Council Priorities/Recent Activities
Chief Financial Officers (CFO) Council: The CFOs and Deputy CFOs of the 24 largest Federal agencies and senior officials from OMB and Treasury. http://www.financenet.gov	• 1998 activities included interagency projects on GPRA implementation, electronic commerce, grants management, and human resources development. • Upcoming priorities include: achieving an unqualified opinion on the Government-wide consolidated financial statements; improving financial management systems; addressing GPRA implementation issues; improving management of receivables; modernizing payments and business methods; and improving the administration of Federal assistance programs.
Chief Information Officers (CIO) Council: The CIOs and Deputy CIOs for 28 major Federal agencies, two CIOs from small Federal agencies, and representatives from OMB and two information technology boards. http://cio.gov	• The Council develops recommendations for information technology management policy; identifies opportunities to share information resources; and supports the Federal Government's development of an information technology workforce. • Priorities for the coming year include: defining an inter-operable Federal information technology architecture; ensuring information security practices that protect Government services; leading the Federal year 2000 conversion effort; establishing sound capital planning and investment practices; improving the information technology skills of the Federal work force; and building relationships through outreach programs with Federal organizations, the Congress, industry, and the public.
President's Council on Integrity and Efficiency (PCIE): The 27 Presidentially-appointed Inspectors General (IGs), the Vice Chair of the agency-appointed IG council, and other key integrity officials. http://www.ignet.gov	• Priorities include mounting collaborative efforts to address integrity, economy, and effectiveness issues that transcend individual agencies. Recent efforts included a review of the controls of the Federal Electronics Benefits Transfer System and agency progress in debt collection. Current efforts include a project on non-tax delinquent debt. • Another priority is increasing the professionalism and effectiveness of IG personnel across the Government by setting standards for OIG work; maintaining professional training for OIG staff; and assisting OIGs as they confront new professional challenges such as GPRA implementation.
Electronic Processes Initiatives Committee (EPIC): Senior policy officials from DOD, GSA, Treasury, and OMB. http://policyworks.gov/org/main/me/epic/	• The PMC established EPIC to further the use of electronic commerce technologies and processes within the Government. • Its goals are to: facilitate electronic commerce and implementation of the Paperwork Elimination Act through the use of digital signatures to authenticate users and transactions; support integrated, commercially-based electronic buying and paying systems in the Government; improve citizen access to Government information and services through technology; improve financial management and reporting to assure taxpayers that Government resources are efficiently utilized; and foster the use of current technology, such as "smart cards", to improve business and administrative processes in the Government.

Table IV–4. MAJOR INTER-AGENCY GROUPS—Continued

Council Name/Membership	Council Priorities/Recent Activities
Federal Credit Policy Working Group: Representatives from the major credit and debt collection agencies and OMB. http://www.financenet.gov/financenet/fed/fcpwg	• Provides advice and assistance to OMB, Treasury, and Justice in formulating and implementing Government-wide credit policy. • Upcoming priorities are to: use the Internet for loan application processing and portfolio status reporting; share data among agencies to validate application and specially collected data; do asset valuation and sale of loans delinquent over one year; implement revised write-off policies and procedures; and develop common portfolio performance measures.
Procurement Executives Council: Senior procurement executives from major Federal agencies.	• An inter-agency forum for improving the Federal acquisition system. • Its priorities are improving the Federal acquisition work force; offering easier access to Government business to all segments of the private sector; promoting electronic commerce; and reducing government unique requirements.
Inter-agency Alternative Dispute Resolution Working Group (ADR): The Attorney General, representatives of the heads of all Cabinet Departments, and others with significant interest in Federal dispute resolution. http://www.financenet.gov/financenet/fed/iadrwg	• President Clinton established the ADR in May 1998 to assist Government agencies in making greater use of consensual methods for resolving disputes, including mediation, neutral evaluation, arbitration, and other processes. • The Attorney General has called upon experts throughout the Government to help other agencies establish new ADR programs in four areas: contracts and procurement; workplace disputes brought by Federal employees; claims arising from civil enforcement initiated by Government agencies; and monetary claims by citizens against the Government. A goal for 1999 is to assist each participating agency in establishing at least one new ADR program.
Joint Financial Management Improvement Program (JFMIP): A joint effort of GAO, OMB, Treasury, and OPM, with a rotating representative from another agency. http://www.financenet.gov/financenet/fed/jfmip/	• During 1998, JFMIP issued draft revised system requirements for Federal financial, human resource, and payroll systems; completed plans to redesign the testing and qualification process for commercial off-the-shelf accounting system software for Federal agencies; and issued guidance on core competencies in financial management. • In 2000, JFMIP will publish new financial system testing and qualifying processes and update other financial systems requirements.