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PRIORITIZING MANAGEMENT: IMPLEMENTING CHIEF MANAGEMENT OFFICERS AT FEDERAL AGENCIES

HEARING

BEFORE THE

OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

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PRIORITIZING MANAGEMENT: IMPLEMENTING CHIEF MANAGEMENT OFFICERS AT FEDERAL AGENCIES

THURSDAY, DECEMBER 13, 2007

U.S. SENATE,
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT
MANAGEMENT, THE FEDERAL WORKFORCE,
AND THE DISTRICT OF COLUMBIA,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 10:17 a.m., in Room SD–342, Dirksen Senate Office Building, Hon. Daniel K. Akaka, Chairman of the Subcommittee, presiding.

Present: Senators Akaka and Voinovich.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. This hearing will come to order.

Good morning, everyone. I would like to welcome our distinguished witnesses to this hearing on establishing a Chief Management Officer at Federal agencies to address human capital, business transformation, financial management, and strategic planning challenges across the Federal Government.

Senator Voinovich and I have been working with agencies for years, and we have been working well together. He has been a champion, too, of human capital, and we are still trying to work some things out—and, of course, all of this with the hope that we can make things better for our country.

We have been working together for years to resolve management challenges and encourage agency leaders to prioritize management. Hearing after hearing has shown that strong agency leadership that places a priority on management results in improved agency performance.

An agency's main focus must be its mission. However, agencies tend to overlook the importance of strong and sustained management in their operational goals. As a result, agencies often fail to meet their mission in the most efficient and effective way.

Using the ongoing war in Iraq as an example, it is clear that strong leadership and efficient management are essential to supporting the war fighter. We also need strong leadership and efficient management throughout the Federal Government to support the critical efforts of agencies to meet their missions.

I believe that a CMO, a high-level official in charge of a department or agency's business operations, can help improve overall effectiveness and enable the agency to better meet its mission. This would not complicate the existing bureaucracy; rather, I believe that elevating the issues of strategic planning, human capital, and business transformation to a higher level will provide management issues the priority they deserve, and this has become clear. In the past, people who have sought to assume that position at a lower level have not been able to make any difference.

Last year, our Subcommittee asked the Government Accountability Office to evaluate how CMOs have been established in the public and private sector and to develop criteria and strategies for establishing CMOs across the Federal Government. As we will hear from the Comptroller General, establishing a CMO and providing them with the necessary authority can improve the efficiency and effectiveness of any organization, especially large, complex departments.

On September 18, 2007, Secretary of Defense Robert Gates designated Deputy Secretary for Defense Gordon England as the Chief Management Officer at the Department of Defense. I believe Secretary England is a strong leader and a good choice to serve as CMO. Also, I am pleased to see the Department elevate the importance of management to the deputy level. I look forward to seeing the progress made at DOD to improve its business operations.

However, in a little more than a year, the Federal Government will face a Presidential transition, and Secretary Gates and Secretary England likely will leave their posts. We need to ensure that their management efforts do not disappear by making management part of the institutional framework at the Defense Department and other Federal agencies. Structures need to be developed that will stay in place from one Administration to the next. GAO recommends that the establishment of a CMO at Federal agencies be codified. I agree. Earlier this year, the President signed into law a provision to create a CMO at the Department of Homeland Security as part of the 9/11 Commission Recommendations bill. There is also a provision to codify a CMO and Deputy CMO at the Department of Defense included in the fiscal year 2008 defense authorization conference report.

But these are just first steps in a long process of improving management accountability at agencies.

The continuity of management and business operations is also critical. A CMO could be that link between Administrations. One of GAO's recommendations is to have a 5- to 7-year term appointment so that management can remain a constant high-level focus of an agency outside the political process. I think this is an idea that we need to explore very seriously.

GAO examined the impact, both positive and negative, that codifying such a position would have on the management of departments. I believe that GAO's recommendations provide sound criteria for agencies to begin establishing CMOs. I look forward to hearing from our witnesses on how they see the establishment of CMOs as part of the overall management strategy for the government.

And now I would like to call on our Ranking Member for his statement. Senator Voinovich.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. Thank you, Mr. Chairman.

One of the things that I think the public does not comprehend when they see Democrats and Republicans in the Senate and it does not seem like they are able to get along with each other, is that there are some really wonderful things that are happening in the various committees of the U.S. Senate. I have been blessed with the partnership of Senator Akaka. We work together on an agenda and we are staying with some of the themes that we have been working on for years because we realized that if you do not continue to oversee them, you are not going to get the progress that you would like to get.

I would like to thank David Walker for all of the cooperation and help that he has given to us this year; and Clay Johnson, who I think has done an outstanding job. Clay Johnson, when I came here, I said there was no "M" in OMB. You have brought "M" back to OMB. I think the fact that even though there may be differences of opinion on occasion between GAO and OMB, the two of you working together, particularly on strategic plans to remedy some of the management problems in our Federal Government. So I just want you to know how much I admire you and appreciate your service and what you have done and continue to do for our country.

Mr. Brinkley, I know that our friend Gordon England would be here today, but he is overseas. We are pleased that you are here because you are the person that is really on the firing line in terms of transformation, and we are looking forward to hearing from you today.

I think it is through strong partnerships, whether between Senator Akaka and myself or between the Executive and Legislative Branches, that we really achieve reform and transformation of the Federal Government for the benefit of the American people. And, again, a lot of the stuff that we do does not happen in these hearings. It is in meetings with you individually and our offices. In fact, sometimes, Senator Akaka, I would say that the meetings in the offices are better than the hearings. And I suspect maybe you feel the same way about that, too.

Having focused intently the last few years on CMOs at the Department of Defense and at Homeland Security, Senator Akaka and I have asked General Walker to look at these positions. We focused on DOD and DHS because the management challenges of these large agencies are daunting. I think I have mentioned to Clay Johnson on occasion that if we went back and looked at the creation of DHS, mergin 22 agencies with over 200,000 people, on reflection that may not have been the best thing that we could have done at the time. And it has presented some unique management challenges, because of trying to bring these departments together and to create a different culture. It has been tough.

I think it is well known that the Department of Defense has had challenges on the high-risk list for a long time—eight specific to the Department, and then six government-wide. The public expects us to work harder and smarter and do more with less.

There is no question in my mind that we really have some challenges in both the Department of Homeland Security and Defense. How well they function has a great deal to do with our main responsibility, securing our national and homeland defense.

I would like to say that I applaud Secretary Gates for taking the steps to name a Chief Management Officer, the designation of the existing Deputy Secretary. But I do not think it gets the job done. I think if you really look at the responsibilities of the Deputy Secretary, it is not going to get the attention that it needs, particularly in an agency as vital to this country as the Defense Department.

Senator AKAKA. Thank you very much, Senator Voinovich.

I want to echo what the Senator has just said in gratitude to our witnesses, Paul Brinkley, Clay Johnson, and Comptroller General Walker, for the years that you have been here, your expertise, your experiences, and how you have helped us to try to think about what we are trying to do to improve the accountability and management of our systems. And so I, too, am very appreciative of that, I want you to know. It is good to have Mr. Brinkley here and joining our efforts with the Department of Defense in this.

Let me then mention and introduce our witnesses this morning: Clay Johnson, Deputy Director for Management, White House Office of Management and Budget; David Walker, Comptroller General, Government Accountability Office; and Paul Brinkley, Deputy Under Secretary for Defense, Business Transformation, Department of Defense.

As the three of you know, our rules require that all witnesses testify under oath, so would you please rise and raise your right hand. Do you solemnly swear that the testimony you are about to give the Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. JOHNSON. I do.

Mr. WALKER. I do.

Mr. BRINKLEY. I do.

Senator AKAKA. Thank you very much. Let it be noted in the record that the witnesses answered in the affirmative.

Welcome again, and before we begin, I want you all to know that although your oral statements are limited to 5 minutes, your full written statements will be included in the record. So, Mr. Johnson, will you please proceed with your statement?

TESTIMONY OF HON. CLAY JOHNSON III,[1] DEPUTY DIRECTOR FOR MANAGEMENT, OFFICE OF MANAGEMENT AND BUDGET

Mr. JOHNSON. Senator Akaka, Senator Voinovich, thank you for having us.

I would like to say that my whole job is focused on helping the Federal Government spend the taxpayers' money effectively and better every year. The Executive Branch needs to do more towards this goal, as well as the Legislative Branch.

We just issued Executive Order 13450 calling for this, declaring it to be the policy of the Federal Government, and calling for the head of the agency to set up certain functions within the agency to make this happen. This is something we need to make sure that

[1] The prepared statement of Mr. Johnson appears in the Appendix on page 23.

your staff understands because it might have some bearing and provoke some thinking about how to help all agencies become more effective. And we would be glad to share with you what the concept is and how we are going to go about implementing this.

Let me be very clear. I do not believe that any agency, including DOD, needs a second Deputy to help it perform better. Let me add also that the majority of the participants in the forum on this subject that Mr. Walker and GAO held last spring felt the same way. There were present and past Deputy Secretaries of Defense. There were other management luminaries from the area. And the majority, a significant majority of the people felt like a second Deputy was not a good idea.

I believe that the thing that needs to happen for DOD or any agency to get something done is the following four things:

They need to have a very clear definition of what they are trying to accomplish. What is the definition of "success" for supply chain management at Defense, for financial management, for acquisition management? What is the plan for accomplishing it? What is a reasonably aggressive plan? What is the time frame for that? And, by the way, all of this needs to be agreed to by GAO, DOD, and the relevant people at OMB. So clear goals, a clear plan for getting there. It needs to be clearly defined who is accountable for each of the component parts of that plan. And then it needs to be really clear to everybody involved that this is important, that the head person, the Secretary, the President for that matter, and Congress really wants this to happen. Those four things.

I do not believe that DOD needs a second Deputy to make these things happen. In fact, let me point out two facts that I think are relevant to this.

Currently, without a second Deputy, DOD—Paul and Beth McGrath, and the Transformation Office—working with GAO, working with OMB, has developed acceptable—or is developing acceptable goals of definitions of success. What does supply chain management mean at DOD? What does good financial management mean at DOD?

So they, without a second Deputy, have clear goals. They have developed clear action plans for accomplishing those goals in an appropriately aggressive time frame.

They have defined who is accountable for accomplishing each of the component parts, not the Army, not this office, but Joe, Mary, whatever.

And the Secretary has made it clear that this is important. So without a second Deputy, they have done, I think they are in the process or are accomplishing the four things that I say have to exist.

The key—and I have expressed this to Gordon England—is how aggressively he holds the people involved accountable for doing what they say they are going to do, for implementing the plan as desired.

The key in my mind, in terms of accountability, is how accountable are the career managers held. Right now, SES, the Senior Executive professionals at DOD and at all agencies, are help accountable. They are required to be held accountable and evaluated on the performance of their programs per the—I forgot what the name

of the bill was called, but you all were instrumental in passing that legislation 5 years ago, 4 years ago or so.

So there are mechanisms, there is legislation that says SES are to be evaluated on the performance of their programs. So the mechanisms exist, and it is now for the head of the agency—and if an additional support staff is required to make this happen, to help him or her do that, so be it. But this is happening at DOD. There are clear definitions of what they are trying to accomplish. There are clear plans for doing it. There is clear accountability, and it has been made clear to everybody that this is important, without a second Deputy. Now they have to do what they say they are going to do.

The second relevant fact to this debate, to this hearing, is that all the termed positions that are referenced in GAO's analysis are the heads of separate operating units. None of the positions that are termed—that are talked about in the analysis are involved in operational transformation across the board at an agency. So there is no precedent today in the Federal Government for what is embodied in the concept of a second Deputy at Defense focusing on how well the Defense Department is managed. And that to me should speak volumes. There might be a reason for that, which is over time people have not felt that was the way to go. DOD, every agency, Homeland Security, Interior Department, Labor Department, need to be held accountable for how effectively they spend the taxpayers' money. We can hold—Congress can do a better job of holding them accountable. Senior management—the President can do a better job of holding senior management of every agency accountable. We do not need a second Deputy, in my opinion, to make that happen.

Thank you, and I look forward to your questions at the end of everybody's statements.

Senator AKAKA. Thank you very much, Mr. Johnson. Mr. Walker.

TESTIMONY OF HON. DAVID M. WALKER,[1] COMPTROLLER GENERAL OF THE UNITED STATES

Mr. WALKER. Thank you, Chairman Akaka and Senator Voinovich. It is a pleasure to be back before you.

Clay Johnson is a good friend, and we work together very constructively on 95 percent of the issues. And even areas where we disagree, we are not disagreeable when we do that. But I have to correct for the record a couple of things that Clay Johnson just said.

One, two of the positions in the summary are Chief Operating Officer positions. They are not heads of separate business units.

Two, the government is a lag indicator. The Federal Government is no model to be followed for economy, efficiency, effectiveness, ethics, and equity. And the mere fact that we do not have these positions now is part of the problem. We need to resolve that problem.

Three, we did not take a vote at the forum on whether or not a majority of the people supported a second Deputy or not. There was a significant majority who supported the need for a CMO, but there

[1] The prepared statement of Mr. Walker appears in the Appendix on page 25.

is a different issue as to how you accomplish that, whether you designate an existing person or you create a new position, what you call that new position, what level that position is.

So I just wanted to state that. Now, let me, if I can, summarize the key information that is in the report.

We have released a report today that talks about the experiences of several organizations that have COOs and CMOs at the request of this Subcommittee in order to try to analyze different attributes associated with those positions.[1] I believe very strongly that the Federal Government—not only because of existing high-risk areas but because of our clear, growing, and imprudent unsustainable fiscal path—needs to do things differently. We need to think about what the government ought to be doing, how it ought to be doing it, and who ought to be doing it. And we need to manage this government very differently than we have.

The simple fact of the matter is that a vast majority of people who come into government do so to focus on policy issues, not operational issues. The fact of the matter is that the vast majority of people who come into government do not stay in government very long. And the fact of the matter is that a vast majority of the challenges that this government faces are basic management and operational issues that require professionals who can focus on it in a sustained manner, both within and in some circumstances between Administrations, because it will take years to be able to effectively address.

Just yesterday morning, I spent time with one of the key executives at IBM who was in charge for IBM's business transformation effort in the systems area. Phase 1 took 10 years. Let me restate that. Phase 1 of IBM's systems and other transformation efforts took 10 years. Now they are working on Phase 2, which started in 2003. So even in the private sector, you are talking about initiatives that are extremely complex and take a long time.

In addition to the work that we did that is summarized in our report, we held a roundtable in 2002 to talk about the COO and CMO concept, and there were several key points that came out of that. There was a need to elevate attention on management issues and transformational change. There was a need to integrate various key management and transformation efforts. And there was a need to institutionalize accountability for addressing management issues and leading transformational change in government.

Now, let me say I think every agency needs a CMO, but I think in most cases that CMO could be the Deputy Secretary or the Deputy Administrator, and so we are talking about looking at this issue on a facts and circumstances basis, applying those facts and circumstances in reaching different judgments about whether or not it is an existing position or person or a new one and what level it ought to be.

Because each agency has its own unique set of characteristics and challenges and opportunities, the type of COO or CMO that each agency needs, I think, should vary, and here there are various criteria that I think should be considered:

[1] GAO Report entitled "Organizational Transformation, Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies," GAO–08–34, November 2007 appears in the Appendix on page 58.

First, the history of organizational performance, including the number of high-risk areas.

Second, the degree of organizational change needed.

Third, the nature and complexity of the agency's or department's mission.

Fourth, the organization's size and structure of the entity.

And, fifth, the current leadership, talent, and focus, among other things.

We also identified six key strategies that can be useful in implementing COO and CMO positions in the Federal Government, and those are: (1) to define the specific roles and responsibilities of the position; (2) to ensure that the position has a high level of authority and clearly delineated reporting relationships; (3) to foster good executive-level working relationships for maximum effectiveness; (4) to establish integration and transformation structures and processes in addition to merely having a COO or CMO; (5) to promote individual accountability and performance through specific job qualification requirements and effective performance management techniques, including performance contracts as appropriate; and (6) to provide for continuity of leadership in the COO and CMO position.

Now, let me touch for a minute—if I may, Mr. Chairman, and I appreciate your indulgence—on DOD. Gordon England is one of the most capable executives I have ever met. This is not an issue of Gordon England. The problem is many of the debates have been focused on an individual. This is not about an individual. This is about an institution—the Department of Defense.

We have no guarantees as to what type of individual the next Deputy Secretary of Defense will be. I am not going to mention any names, but there were a number of Deputy Secretaries of Defense over the past 20 years or 30 years that clearly were not CMOs and could not be CMOs and, quite frankly, did not give a hoot about business issues and transformation issues. We are talking about a serious challenge that faces this government, in particular DOD, DHS, and the intelligence community, and we need to start taking it seriously.

A lot of people that have opinions on this, quite frankly, have a fundamental conflict of interest. That fundamental conflict of interest needs to be considered. I think it is unfortunate that this Administration has not looked at this as an opportunity to institutionalize and to perpetuate the many good management initiatives that it has undertaken. And I agree with that, this Administration has taken management seriously, and I want to compliment Clay Johnson and his colleagues on this. These represent opportunities to institutionalize and to perpetuate it, because let me tell you what is going to happen. A lot of these key management transformation positions are not going to get filled right away in the next Administration, whoever it is. We are going to lose momentum. And we do not know what kind of people are going to fill them. And I think it is incumbent upon not just the Executive Branch but the Legislative Branch to think about what can be done to maximize the chance that we can do things differently to improve performance, to assure accountability, and to discontinue billions and billions and billions of dollars of waste that occurs every

year just within the Defense Department alone. That is of critical importance, and it increases with the passage of time.

And so I am more than happy to answer any questions that you might have. These are one of the few areas where we have a strong disagreement, but you know what they say, Mr. Chairman. It takes patience, persistence, and perseverance, and ultimately pain, before you prevail. Prevail we must. Thank you, Mr. Chairman.

Senator AKAKA. Thank you very much, Mr. Walker. Mr. Brinkley, your statement, please.

TESTIMONY OF PAUL A. BRINKLEY,[1] DEPUTY UNDER SECRETARY OF DEFENSE, BUSINESS TRANSFORMATION, U.S. DEPARTMENT OF DEFENSE

Mr. BRINKLEY. Yes, Chairman Akaka and Senator Voinovich, it is obviously an honor to be here today. I thank you for the time and the opportunity to speak to you regarding our efforts.

I also want to acknowledge the honor to share the desk here with Mr. Walker and Mr. Johnson, whose passion you have already heard this morning for the subject matter. I benefit from that passion with great regularity in my private meetings with these individuals. They make their concern and their patriotic concern for the management of certainly the Department of Defense (DOD) clear to me with great clarity.

I want to respond in my remarks to some of the things that have already been said so that we do not recap and perhaps buy back a little bit of time.

The DOD and its mission, as you mentioned in your opening comments, has a primary objective to support our war fighters. Having spent a significant amount of time over the past 2 years in theater with our war fighters, I have seen firsthand where this really counts, making our business processes as nimble and agile as the business processes we as citizens now take for granted in our everyday lives but we do not see taking hold in government. An Information Age that has caused technology to evolve at a pace that is remarkable, government's ability to move as quickly as change is taking place in the private world is absolutely critical. The enemies we face take advantage of Information Age technology every day. Our ability to adopt it, our ability to be nimble and agile in our business practices, has a very significant and immediate effect on national security. No one feels that more passionately than we do within the Department of Defense.

I want to point out that over the past 2 years, sometimes this feels like we are moving to address these issues, and as Mr. Walker stated, he cited the IBM example. It took 10 years to transform IBM. If you asked someone from IBM, they will tell you that did not stop. They are still continuing to evolve every day. General Electric and other bellweather corporations that we admire as Americans, it takes years and years to transform into a modern entity. In the Department, the team that we have assembled in the Business Transformation Office, which was established at the beginning of 2005, we have worked diligently to put processes in place that create that same kind of concept and culture of contin-

[1] The prepared statement of Mr. Brinkley appears in the Appendix on page 43.

uous improvement, incremental progress so that when we report to Congress, it is not about a great thing that is going to happen 5 years hence, but that there has been measurable, steady, incremental improvement. This is the way this works in industry. We have to find a way to embed that type of thinking in government.

We have established, over the past 2 years, governance structures. Deputy Secretary England has been acting as the Chief Management Officer since he came. It was a very natural role for him to play within the Department, given his executive leadership roles in private industry. The established governance structures. The Defense Business Systems Management Committee, which was actually codified in the National Defense Authorization Act (NDAA), I believe, in 2005, has become a foundation of our management process within the Department of Defense.

We have established in less than 2 years the Business Transformation Agency, a new entity that sits at the top of the Department to bring in world-class talent from outside and meld it with world-class talent from inside government, with expertise in business practices and systems to help accelerate the pace at which we can change longstanding ways of doing things in a government, and in an entity within government that has 200 years of proud history of delivering security to the people of the United States. Change is difficult when processes have been embedded for a long time. When those processes are embedded in an organization that has a proud successful history, change is even more difficult.

So I cannot overstate that there are significant steps that have been taken in the past 2 years. Establishing a new Federal entity is not an easy thing to do. We have done that. It has delivered value. Programs that used to be poster children for difficulty, programs like the Defense Integrated Management of Human Resources System—DIMHRS—the Defense Travel System, these are programs that used to be front and center for hearings on why the Department cannot do things well. They are now becoming showcases for how the Department can do things well.

We have melded non-system-related work, business process improvements, Lean Six Sigma, into the Business Transformation Office and the Business Transformation Agency—again, with Deputy Secretary England's leadership. This is now driving process change, continuous incremental improvement.

We deliver to the Congress an Enterprise Transition Plan. We do that every 6 months. We deliver an update with 6-month incremental, measurable objectives. We have hit on average 83 percent—over 80 percent of those objectives for the past 2 years. That is significant forward progress in our efforts. Our goal is to have that sustained.

We believe we have taken steps to make this sustainable. The Business Transformation Agency is led by a career Senior Executive Service (SES) recruited to take on that job and carry it forward beyond this Administration. It is staffed with world-class people. We have worked with the services to embed these cultures into the services as well.

Is this enough? As our overseers, you must judge this. I know Mr. Walker has a great deal of passion for this subject, as does Mr. Johnson, in terms of ensuring the progress that we have made,

which we do not argue is complete or adequate. It will never be adequate to the mission. Is it sufficient today, or are there additional organizational steps to be taken? And I am sure today we will have a good discussion about that.

I thank you for your time, and I look forward to receiving your questions.

Senator AKAKA. Thank you very much, Mr. Brinkley. We do have questions for you, and right now, Senator Voinovich, I am looking forward to two rounds of questions.

Senator VOINOVICH. OK.

Senator AKAKA. So let me begin by directing this to Comptroller General David Walker. Management structures and challenges at all agencies are of concern to me and to many of us, not just those at the Department of Homeland Security (DHS) and DOD. Can you discuss some of the challenges that you have encountered in your review that highlight the need for a Chief Management Officer (CMO) in agencies other than DHS and DOD?

Mr. WALKER. Yes. As I said before, I believe that every department and agency needs to have a designated CMO or COO. But I also believe that when you apply the individual facts and circumstances to the criteria that I outlined and that are included in the report, a significant majority of the agencies can just designate an existing official, for example, the Deputy Secretary.

Now, I think it is important that when the President appoints Deputy Secretaries, that person keep in mind that if that is going to be the position that is going to be the COO/CMO position, it is to make sure that the person has the right type of background and qualifications in order to be effective and in order to be credible in the eyes of not just political appointees but career civil servants with regard to that categorization.

I think there are some—and, in fact, I would argue a few—departments and agencies where the task is so great because of the number of high-risk areas, because of the complexity of the business transformation process, and because of other factors—and I guess one factor I would mention with regard to the Department of Defense, the Department of Homeland Security, and the Office of the Director of National Intelligence—is we are currently, "at war." And we are likely to remain so for an indefinite period of time. And there are serious management challenges that have to be faced in those entities with very large stakes and consequences not with regard just to fiscal issues but human lives. And in most cases, you will find that the Deputy, whoever the Deputy is, has to be the alter ego to the Secretary, has to focus on some policy issues, and has some ceremonial duties. Deputy Secretary England is out of the country today, and I am sure for good reason. But the fact of the matter is that there are some situations where the stakes are so high, the risks are so great, that we need somebody focused.

My view is it is not necessarily a Deputy Secretary. I think the Defense Business Board may have gotten it right—of which I sit on as an ex officio member and so does Clay Johnson. I think they may have gotten it right with regard to the Defense Department by saying a Principal Under Secretary of Defense, a Level 2 official reporting to the Deputy Secretary, focused on business trans-

formation, with a Deputy CMO who would be there to work with them, I think they may have gotten it right.

But those would be my thoughts, Mr. Chairman.

Senator AKAKA. Thank you.

Mr. Johnson, accountability for management reforms at agencies is essential. I believe that it would be one of the benefits of having the responsibility for agency management placed in the hands of one CMO at a high level in a Federal agency. Do you believe that there is currently one person at a high level in each agency who is held accountable for management and transformation issues?

Mr. JOHNSON. Yes, and it varies by agency who that person is and at what level. The Department of Education, for instance, the person that is in charge of managing the Education Department is Secretary Spellings, and everybody understands how focused she is on it. There was a person that works for her who is not a PAS. He is, actually, I think a SES who used to work for Dell Computer, who runs all the management piece. He is a representative on the President's Management Council, and everybody knows that he is focusing on management issues, the PMA part, performance improvement and so forth, on behalf of the Secretary. Everybody understands that. He does not need a title, he does not need Senate confirmation to have the stroke he needs at the Department of Education to get done what they need to get done.

So it is a function of how committed the head of the agency is and is there somebody there to do the legwork, to pull the information together, to communicate, to make sure that those four things that I talked about exist, clear definitions of what we are trying to achieve, what our goals are—a clear plan, reasonably aggressive plan for getting there, time frames and so forth; clear accountability, who is responsible for which pieces; and clear reminders, consistent reminders that this is important, the Secretary, the head person wants this to happen. And Hudson LaForce is the person that does this. So he would be designated the Chief Management Officer, I guess, or what we would call the Performance Improvement Officer.

There is somebody like that in every agency. One of the things that our Executive order that went out, unrelated to this hearing and these other considerations of a second Deputy at DOD, is to try to institutionalize a little bit the support structure that exists in every agency and try to clarify formally from the President what we expect every agency to do, what kind of capabilities that support structure is supposed to have.

So we are in the process now of formalizing it, but it exists on an informal basis now in every agency.

Senator AKAKA. Thank you.

Mr. Brinkley, DOD has been working hard at business transformation in its Enterprise Transition Plan (ETP). How will the designation of the Deputy Secretary as CMO improve the implementation of the ETP at the Department?

Mr. BRINKLEY. Well, in the near term, as I mentioned, Deputy Secretary England has been acting as the CMO, so it is a bit of business as usual for the duration of this term. The new designation does not change his day-to-day engagement and drive, which has really made all the progress to date possible.

Our intent in that designation is that the next Deputy Secretary, there will be an enterprise transition that will be published in September 2008 that will include milestones and deliverables that will go through 2009 and 2010, and that this designation will help clarify that the next Deputy Secretary takes ownership. It is a hand-off at that point, and the Congress and its oversight will be able to hold the next Administration accountable for things that are not political in nature but are simply ongoing management improvements. And so I believe the designation of CMO is more of a transitional support mechanism to ensure that there is not a dropped ball in that hand-off, and that was the intent.

Senator AKAKA. Before I turn the questions over to Senator Voinovich, may I call on Mr. Walker for any further comment.

Mr. WALKER. I would just like to quickly have a follow-up on Mr. Brinkley's comments. I agree with what he said. The designation of Gordon England as CMO is business as usual. Now, don't take me wrong. I think Gordon England has done a great job, and Paul Brinkley has done a commendable job. I think a number of people are doing very good work. But it is business as usual. It is form over substance.

Second, Gordon England is gone at noon on January 20, 2009. And it would be interesting to know how many of the key players in Business Transformation are also gone on January 20 at noon in 2009. That is part of the problem.

We need to recognize the reality that these are very challenging and difficult efforts that take years to be able to accomplish, and there has got to be a reasonable degree of continuity at the right level.

The Defense Department is one of the most hierarchical organizations in the world. If you are in the military, you wear your rank on your shoulder or on your sleeve. If you are not in the military, your rank is known, whether you are a Presidential appointee, Senate confirmation; Presidential appointee; career civil servant; and if so, what level you are in the Executive Schedule. And, believe me, it makes a difference within the Pentagon. I have talked with many people that are there today and that have been there before. Rank matters.

And, yes, having the Secretary's support is critically important. But then, again, who is the next Secretary going to be? And are they going to care about management issues? We can go back to several past Secretaries over a number of Administrations. Some of them have cared about these issues, and some of them have not. And that is how it is likely to be in the future.

Senator AKAKA. Before I call on Senator Voinovich, let me ask Mr. Johnson for any further comment.

Mr. JOHNSON. Two comments in response to Mr. Walker's comments. If the Secretary does not care about transforming the Department of Defense, it will never happen. I do not care whether you have got four deputies or eight deputies. I do not care who is the person under the Secretary. If the Secretary does not want it to happen, it is not going to happen. That is point one.

Second, what is not gone on January 20, 2009, at noon, is the plan, the definition of success, the action steps and time frame by which the Defense Department is going to implement that plan to

achieve the goals, which are designed to be accomplished, achieved in some cases a couple years, in some cases 10 years, 8 years, 6 years—the plan. And what is also not going to be gone on January 20, 2009, is every SES manager involved in that transformation effort will have in their performance goals for that year, taken through the end of the fiscal year, September 30, 2009, their part of the implementation of the transformation plan. They will be evaluated by their career employees, by their career bosses, as to did they do this past year what they said they were going to do as part of their effort, the effort to transform the Department.

So it is not true that all accountability, all focus on transformation at DOD stops on January 20, 2009. It is just not true.

Senator AKAKA. Senator Voinovich.

Senator VOINOVICH. I was mayor of Cleveland for 10 years and governor of Ohio for 8 years, and we undertook some significant systemic changes, and I can tell you it took 5 to 7 years for us to solve some of our key challenges.

If you look at GAO's high-risk list, wouldn't you conclude, particularly at the Defense Department, so many issues on the high-risk list that someone ought to look at the way the Department is being managed to determine how the changes necessary are going to get made?

Mr. Brinkley, how long have you been with the Defense Department?

Mr. BRINKLEY. Since August 2004.

Senator VOINOVICH. August 2004, and you will be one of those that will be gone on June 20?

Mr. BRINKLEY. January 20, 2009. I believe noon, yes.

Senator VOINOVICH. It would seem to me that the Defense Department would want to do everything in their power to make sure that your good work and Ken Krieg's good work continue and that the baton is not dropped during the transition. And Mr. Walker is right, hopefully Congress will pay more attention to the quality of the individuals nominated for key positions. But what I have observed is that there is sort of a revolving door, and if you would compare the way you run the Defense Department to IBM or some other major corporation, I think you would have to surmise that we are not designed to get the job done. That is why I think that having someone that has the qualities of Gordon England that would be signed off by both Republicans and Democrats and have a term. They would know they would have a term which would give them some confidence that they will have enough time to get the job done, which is real important when you hire someone. And you are going to need a pretty special person because they are probably giving up a job in the private sector that is paying them twice what they would get if they came to work for the Defense Department, someone that would command the respect of people who are in the civil service there.

I fail to understand why you do not think it is good policy to have someone that would be in that position to guarantee that the work that you and Ken Krieg have done is carried out.

Mr. BRINKLEY. Thank you, sir. Well, first of all, to your point, myself, my team, no one feels more strongly about making sure that the things we have done are sustainable. It has been an un-

derpinning of every decision we have made in terms of how we have structured reports, how we have structured management processes. It always is about how can we sustain given the constraints we operate with in government and given that, unlike the IBMs and the General Electrics and the companies of the world, we undergo no less than every 4 years a major turnover in many tiers of the leadership of the organization. That is a constraint that creates a huge amount of challenge for any Federal entity.

And so the steps we have taken have been in many respects to try to create exactly what you have described. They are necessary steps. They were things that had we not done and a CMO or someone, a new appointee, had come in, I believe that person would have done as one of their first undertakings.

The question about structure, there are many principled arguments about why creating a new structure, codifying it legislatively in this particular arena can be disadvantageous to the Department of Defense. I will only speak about the Department of Defense. They come on several fronts. The first is just the classic Executive Branch sense that we need the flexibility to structure ourselves according to the designations of the Cabinet Secretaries who are put in charge, and anything you do to create more structure legislatively removes flexibility in terms of their ability to organize. So there is an Executive Branch viewpoint that takes hold.

The second is a managerial one, one that I tend to understand, and sometimes I swing back and forth in my agreement with. Business management, the best, most effective change you can drive is when the people who live with the operational outcome are very actively involved in the work. In the case of the Department of Defense, we have an Acquisition, Technology, and Logistics organization, Ken Krieg; we have a Finance organization, Under Secretary Jonas; a Personnel and Readiness organization, Under Secretary Chu. Those individuals, active, ongoing, sense of ownership, sense of responsibility for driving change in their space is extremely important to them. They feel that it is a part of their day-to-day operations. So one of the biggest concerns we have, which I think is somewhat legitimate among those organizations, is another management official who suddenly is responsible for change, strictly focusing on change, removes some of their sense of accountability for driving things. There is a tension, a healthy tension, between operational leaders driving change versus some central organization, headquarters function driving change. That is another aspect to this.

So when you see the debate, it is not a resistance or a lack of understanding that we want to see our progress sustained. It is a debate about whether the steps that have been taken are sufficient. Are there additional steps that have to be taken?

I will make my last comment on the high-risk list. I think you can divide the high-risk list into two categories: Things that we can justifiably look at and say these should be off the high-risk list at some point in the near future because we need to aggressively address the management shortcomings that place them here. Then there are some that I can tell you now I would be concerned as an American citizen if they ever come off the high-risk list. Supply chain management is going to evolve at a pace that will always

outstrip government. We will never see supply chain management in government, especially in the war-fighting arena, match what a world-class logistics company can do. There is a different set of objectives, a different set of performance measures, and a different pace. It always should be seen as high-risk. We always need to maintain a high degree of discipline on this.

Weapons systems acquisition, business systems modernization, financial management—these are things that the pace of technology change is always going to outstrip government. Keeping a full court press, to use a sports metaphor, on these areas I think is something that is going to happen in an ongoing way. And so thinking of them this way I think is important as well.

Senator VOINOVICH. I would like to ask Mr. Walker to comment about what Mr. Brinkley just said. Is the Federal Government organized to take on our 21 Century challenges? Is the Senate organized to take on the challenges of the 21 Century?

Obviously, the American people do not think that those of us that are in the Legislative Branch are doing a very good job. Our numbers are as low as they have ever been. So, *mea culpa,* we have to look at our own operations ourselves. But at the same time, we have an obligation to continue to push for good management in the Executive Branch.

Mr. WALKER. First, I agree with Mr. Johnson that if you do not have a Secretary who is supportive of the transformation effort, you are not going to be successful. They may or may not have much interest in it. They may or may not have as much background in it. They may or may not spend much time on it. But they have to at least be supportive, and I think that is important. So I agree with that.

Second, I believe that every person that Paul Brinkley mentioned by name is a Presidential appointee who will be gone at noon on January 20, 2009.

Third, this Administration has a plan, and it should be commended for that plan. There is a lot of good work that Mr. Brinkley and others have done, Secretary England has done; they should be commended for that. But it is this Administration's plan, and it is yet to be determined whether and to what extent the next Administration will accept that plan. Every Administration has had their management initiatives. The last Administration has Reinventing Government under the Vice President. That was not embraced. Then the Administration changed. Each Administration came up with their own approach, and this Administration came up with the President's Management Agenda, and I think it is a very good approach. It has a lot of conceptual merit, and I think it has made a lot of progress.

So one cannot presume that the plan is going to be embraced by the next set of players because you have a whole change in leadership. And, yes, there are incredibly capable career civil servants in the Defense Department and every agency of government, but they also know it is their job to take the lead from the political appointees. And we do not know who they are going to be. We do not know what background we are going to have. We do not know what interests they are going to have. We do not know how long it is going to take them to get appointed. And we do not know how long

they are going to stay, because I have been a Presidential appointee for President Ronald Reagan, President George Herbert Walker Bush, and President William Jefferson Clinton, and political appointees are temporary help. They are good people, but they are temporary help.

Senator VOINOVICH. Mr. Johnson.

Mr. JOHNSON. First of all, let me respond to a couple of comments. Senator Voinovich, you were talking to Mr. Brinkley about why wouldn't you want a second Deputy, a term position, whatever, who could guarantee this and that and so forth. No one person can guarantee anything, so I think it is unrealistic to expect that the silver bullet is this person, and then all of a sudden DOD starts working like a Swiss watch.

You referred several times to that it has not gotten done yet. We are talking about this, but it has not gotten done yet. Well, let me say what has gotten done. There is for the first time ever, for each one of the DOD high-risk list items, a clear definition of success, a clean plan for accomplishing it, clear definitions of accountability, and it is being made clearer and more emphatic than ever before how important it is that we get this done.

GAO has signed off on the plan, on the definitions of success. GAO has signed off on the action plans and the reasonable levels of aggressiveness for accomplishing them. Your staff has been involved in this. You have agreed, your staff has agreed on the definitions of success for these items and the time frame in which they are to be accomplished.

So I do not know how much better those plans would be with the second term deputy than they are now. But that is new stuff. That has not existed before. It is because the current leadership, the current structure at DOD is committed to make it happen. The current "M" in OMB is committed to make it happen. And we have worked together to do so, to collaborate on this.

You have talked about where there is no argument, there is no support for continuing to do it the way we have done it before. We are not doing it the way we have done it before. The organization that Paul and Beth McGrath and their team have at DOD has not existed before. The attention being paid to this at DOD has not existed before. I do not know what previous Presidents did within the DOD or within the "M" part of OMB, but they did not do a very good job of it; otherwise, we would not be working on what we are working on now. And I would suggest it was not—it is not because there was or was not—there was not a second deputy at DOD. I would suggest to you that nobody was ever held accountable. Congress never held DOD accountable, the "M" part of OMB never held anybody accountable for actually reducing the risk in these areas, for actually causing programs to be more effective.

There are lots of mechanisms that exist to increase the level of accountability for addressing all these issues that we want addressed. A second deputy is not one of those significant pieces of the pie, slices of the pie that can ensure accountability. It has got to come from the head of the agency, and it has to come from Congress.

You asked me one time, on January 20, is it going to be clear to you what DOD is working on, all agencies? And so when the

next bunch comes in here, are you going to have to start all over with them, or are they going to have a clear idea about what is in place and what the career staff is being held accountable for accomplishing? And I told you then—which is still true—there will be a clear definition of what all the career employees are working on at DOD to transform the Defense Department. And they will be committed to continue to work on those things for the 4 months, 6 months, 8 months before their political leaders are in place.

Momentum will not stop at noon on January 20. Effort will continue to take place. The new Administration can come in. They inherit that plan. They can change it. They can tell you they do not want to transform DOD. I bet you you do not let them. They can tell you they want to go slower than the current plan calls for. I bet you you do not let them. They have that option, but there is—and maybe they come in and they say, "I have got an even better plan. We should do this faster than that." And I bet you you let them do that. But having a person there that says this is the plan, this is the only plan, and this is as good as this plan can get, to expect that that second deputy is going to be the insurance, the guarantee that the plan is absolutely the best that it can ever be, is unrealistic, I think, an unrealistic expectation for them.

Senator VOINOVICH. I am sure there are other people that sat in your shoes, and Mr. Brinkley's, and said the same thing 8 or 10 years ago.

Mr. JOHNSON. Ask GAO if the plans that exist now are to their satisfaction for the transformation of DOD.

Senator VOINOVICH. Mr. Chairman, from my perspective, I would feel a lot more comfortable if I knew there was someone at DOD and DHS that would remain in place during and after the transition. We are not looking for that. We are looking for someone that can say to the team, "You guys have done a great job. I am here. We are going to work together. We are going to keep going on this thing." And as the new people come in, talk to them about it, get their points of view about things. Thank you, Mr. Chairman.

Senator AKAKA. You are very welcome.

Mr. Johnson, as the leader of President Bush's transition team, you saw firsthand the difficulties of transitioning to a new Administration. Now, having a senior-level official that could overlap between Administrations by serving in a term appointment could be very helpful to the continuity of agency operations during these sometimes turbulent times.

What harm do you see in establishing a term appointment for a CMO at a senior-level position?

Mr. JOHNSON. That is a very good question. In other words, instead of why, why not? I can think of two things: One, what Paul Brinkley was talking about, which is you have Chief Financial Officer, Tina Jonas; you have the Chief Personnel person, David Chu, you have the Acquisition, Technology position, that was Ken Krieg; and I do not know the current person in that position. They have two bosses. They have the Secretary—the Deputy Secretary in terms of operational responsibility, and then they have another boss over here under the transformation responsibilities. And what if there is a conflict? What if they have a conflicting direction from those two people? How is that conflict resolved? It is lack of clarity,

which is problematic, significantly problematic, I believe. If David Chu is trying to reform—if Tina Jonas is trying to reform—do management of the financials of the Defense Department, and at the same time she is trying to work out budget matters and funding for the war and so forth and so on, what is she responsible for, what is this management person over here responsible for? It is lack of clarity, and lack of clarity is death in a large organization—in any size organization, but the larger it is, the more death-like it is.

The second thing is that when you put a term position on somebody, it is like putting a term position on an Inspector General. I think you lessen the level of accountability, because if they are not performing up to speed and they cannot be removed except for committing a crime, that person is not held as accountable as the person that serves at the will of whomever. And we want the Management Officer in an agency to be really accountable.

So those are the two reasons, the two problems that I think exist with the structure that is being proposed. I think the greater of those two is the one that Mr. Brinkley articulated well.

Senator AKAKA. Thank you.

Mr. Walker, the provisions in the 9/11 Commission bill and the defense authorization conference report establishing CMOs at DHS and DOD do not require a term appointment. You discussed the importance of this issue at length in your testimony. What can agencies do to ensure that a CMO is still effective even if they are not in place for a term appointment of 5 to 7 years?

Mr. WALKER. Well, first, you have to focus on the qualifications for the person. You have to make sure that you are picking the right type of person for the job.

Second, clearly you need to have a plan, but authoritative literature for change management and transformation says that 90 percent of success or failure is implementation. It is not having a plan. It is implementation of the plan, and that involves people, process, technology, and environment, among other things.

So the person has to be the right kind of person with the right kind of skills and knowledge. There needs to be a plan. There need to be accountability mechanisms. And I would argue that one of those accountability mechanisms ought to be a performance contract. The whole purpose of this transformation leader is to improve performance, and so I think it is critically important that they and others have some type of performance contract.

Let me mention one last thing on the term, Mr. Chairman. There are ways to deal with concerns that I have heard about the term appointment. It is one thing if you say you have a 5- or 7-year term. It is another thing to say that you cannot be removed except for certain reasons. Now, there are reasons why I think restrictions on removal from accountability slots make sense. That means the Comptroller General slot, which I have, or Inspector Generals, because a lot of people do not like accountability and you are supposed to be independent.

So I think one could make an argument that there might be some grounds that would have to exist for removal for those types of slots. But for this slot I feel differently. For this slot, it is a management operational slot, and one could provide the ability to re-

move, for a variety of reasons—non-performance, incompatibility. The reason that you need a term is so that hopefully the person is making a commitment when they come in such that if everything works out okay, they can expect to stay that length of time, but possibly to be able to say that if for some reason they are not performing or for some reason there is incompatibility or some reason like that, just have an advanced notification to the Congress to say that the Secretary intends to terminate this person for the following reason. Just advance notification.

I think that could end up bridging one of the concerns that we have heard expressed about a term appointment.

Senator AKAKA. Mr. Brinkley, I have a lot of respect for Deputy Secretary England. I really do. No question he is a capable leader, and I am glad to see that DOD named him the Department's CMO. His appointment brings accountability and priority of management, I believe, to the right level.

However, Comptroller General Walker has testified that a second CMO position is needed because the Deputy Secretary already has too many other demands to focus the necessary attention on business transformation.

How would you respond to that concern, Mr. Brinkley?

Mr. BRINKLEY. Two thoughts. First, the empowerment present—and Mr. Walker outlined it earlier. The Department of Defense is a hierarchical organization. It is exceedingly attuned to where power resides and where authority resides, both in the civilian and in the uniformed military sides of the Department. And so it is the fact that the Deputy Secretary has such a weight of responsibility that gives him the authority people look to. If something serious is happening, the Deputy Secretary is behind it. Separating, creating a separate function, particularly a second deputy, I believe would cripple that area, management reform, in terms of having it have the perceived weight.

The Department's mission is to secure the Nation. One of the things we have tried to embed in the way the Department thinks and we see firsthand now in Iraq is the business operations of the Department service and support, and must service and support seamlessly, the war-fighting mission of the Department.

Three years ago, when I joined the Department, it did not think that way. It was very hard to get people focused on the war-fighting mission of the Department to talk about the business mission of the Department. They were divided in separate mission areas. And you could see the most important, most powerful people in the Department focused their energy, necessarily, on the war-fighting mission of the Department. That is where the primary mission of the Department exists.

Having this awareness, having the two be seen as uniform, integrated, economic effects that we are driving in Iraq today as a result of leveraging our business operations in support of troops on the ground, these are things that are causing these two mission areas to become seamlessly integrated. The concern is that if you create a second deputy, that implicit power structure that everyone looks to, they look above, where does power reside, where is the significance in terms of decisionmaking present, that understanding would be at least temporarily lost, perhaps could be re-

created as management reform and a powerful individual were placed in the position. So that would be the concern on a second deputy.

Another thought I would like to reflect on is regarding the point the Comptroller General made a moment ago, which is about a termed appointment or not. Honestly, I think the only argument that resonates with everyone that we all feel and I have shared with you is how do we ensure we sustain beyond. If the decisions about Chief Management Officers or Deputy Chief Management—whatever the decision is—does not include a structure that ensures a carryover between Administrations, then I think it loses, in my opinion, the only meritorious argument that exists. It is just creating another position inside the Department of Defense that is going to have to be staffed. That is my personal opinion. It loses a lot of weight and merit. That is my only comment.

Senator AKAKA. Yes, Mr. Walker?

Mr. WALKER. I think what Paul Brinkley is saying is the term may be one of the things that is necessary if you are going to have something. But, I do not know, he can speak for himself on that. Continuity is important, no matter what level the position is or what type of position.

I have actually had dual deputies before. This is not some theoretical construct from my standpoint. I used to be head of the Pension Benefit Guaranty Corporation. I used to be head of the Employee Benefits Security Administration, and I had two deputies. One of them focused on policy and external matters. One of them focused on operations, enforcement, and internal matters. And it worked great, and there was not any confusion about who was responsible for what.

In one case, the deputy that was focused on operational and internal matters was a political appointee; in one case, they were a career official. In both cases, they had the right type of professional qualifications in order to be capable and credible, if you will.

Now, one of the concerns that I have, Mr. Chairman—and I will just leave it at this—is I think this has been overly focused on the Department of Defense. And as I said before—and I do not mean by you. I am just talking about the discussion that we have had. I have already acknowledged that I think that the Defense Business Board probably had it right. Don't create another deputy. Create a Principal Under Secretary for Management and look at some of that, because just having dual deputies can create some confusion.

At the same point in time, I think there is a bigger issue here that I would just like to put on the table for you to think about and we can cover later. I think there are three kinds of Presidential appointee positions in government right now, and we need to think about treating them differently.

The first is a policy position, which clearly the President ought to have discretion who they appoint, the Senate might confirm, but they serve at the pleasure of the President because they are executing the President's policy.

The second is an operational management position where you want to pick somebody who is primarily based on their professional competence. It has got to be politically acceptable. It has got to go

through a process. But you are picking him primarily in professional competence, and in certain circumstances it may make sense for them to have a term appointment, but that is the exception to the rule.

And the third is adjudication and oversight—judges, Inspectors General, the Comptroller General of the United States, etc., where you want to pick primarily for professional competence but you also have to make sure that you have independence.

The thing I would put on the table for a separate discussion at a later date is to take a look at that, because we need to be focusing more than just the Department of Defense. We need to be focusing broader and not just on the CMO but a range of basic management positions that exist that frankly are not likely to get filled very quickly in the next Administration.

Senator AKAKA. Well, I want to thank you very much for your comments and your statements. I know we can go on and discuss the subject today, but improving the management of human capital, financial management, and business transformation needs to be a higher priority throughout the Federal Government. Establishing CMOs may be a part of the answer. We may need to look at legislation that would establish CMOs at each Federal agency, not just DOD and DHS, and bring greater accountability and focus to strategic management issues. It might also be helpful to have a mechanism in place to allow CMOs to share best practices and work together through a coordinated effort by OMB to ensure effective management at Federal agencies and to set maybe a policy on this.

So these are some things to think about, and as you say, Mr. Walker, at another time we can further discuss these. But I want to thank all of our witnesses so much for their testimony and their answers. We may have additional questions for the record, and I look forward to working with all of you on this important issue.

I want to wish all of you happy holidays, and I look forward to seeing you again next year.

This hearing is adjourned.

[Whereupon, at 11:38 a.m., the Subcommittee was adjourned.]

APPENDIX

DEPUTY DIRECTOR
FOR MANAGEMENT

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

Testimony of the Honorable Clay Johnson III

before the

Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia
of the
Senate Committee on Homeland Security and Government Affairs

December 13, 2007

I agree that the Executive and Legislative Branches should be more firmly committed to spending taxpayers' money well and better every year.

For each program, initiative, and agency, I believe the Executive Branch must have:

- Clear outcome goals, mutually agreed upon by all relevant stakeholders,
- Clear, reasonably aggressive action plans and timetables for accomplishing the goals,
- Clearly defined accountability for implementing the plans as promised, and
- A clear understanding by all that accomplishing the goals is important to the head of the agency and to Congress.

The agency head has to be held accountable for the agency's performance relative to its goals. I believe existing Deputy Secretaries can perform these responsibilities for the agency head as long as several minimum requirements are met. They must have performance officers to help ensure the four key elements described above exist. Also, management must really be held accountable for implementing the plans as promised: it is critically important that the Senior Executive Service (SES) be evaluated on the performance of their programs, as the current law encourages.

The mutually-agreed upon performance goals, reasonably aggressive action plans

for accomplishing them, and formal accountability for implementing the plans as promised are the means by which performance continuity between administrations is best assured. Career employees who do the work continue to be held accountable when political leadership is not yet in place during the first months of a new administration.

The head of the supporting performance office does not need to be subject to term limits, and can be a political position as long as there is a very strong career deputy.

OMB is already working with each agency to establish a formal, effective performance improvement function appropriate for each agency, and will incorporate into this effort the principles suggested in this recent GAO report.

As mentioned above, I believe the Legislative Branch in general should be more formally committed to spending taxpayers' money well and better every year. We should measure programs by the results achieved for the citizen and taxpayer rather than the money spent. Congress' attention to program performance in its oversight, budgeting and appropriations work says loud and clear to our employees that our citizens really want to be served well, and better every year.

Thank you for inviting me.

United States Government Accountability Office

GAO

Testimony

Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

For Release on Delivery
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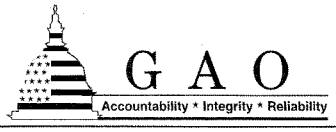
December 13, 2007

ORGANIZATIONAL TRANSFORMATION

Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies

Statement of David M. Walker
Comptroller General of the United States



GAO-08-322T

GAO
Accountability Integrity Reliability
Highlights

Highlights of GAO-08-322T, a testimony to the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

December 13, 2007

ORGANIZATIONAL TRANSFORMATION

Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies

Why GAO Did This Study

As agencies across the federal government embark on large-scale organizational change needed to address 21st century challenges, there is a compelling need for leadership to provide the continuing, focused attention essential to completing these multiyear business-related transformations. At the same time, many agencies are suffering from a range of long-standing management problems that are undermining their ability to accomplish their missions and achieve results. One proposed approach to address these challenges is to have COO/CMO positions in federal agencies.

This statement is mostly drawn from GAO's report released today (GAO-08-34) that discusses criteria that can be used to determine the type of COO/CMO that ought to be established in federal agencies and strategies for implementing these positions. To do this, GAO reviewed four organizations with COO/CMO-type positions and convened a forum. GAO also discusses previous GAO work on DOD and DHS.

GAO's report recommends that the Office of Management and Budget (OMB), working with the President's Management Council use the identified criteria when assessing the type of COO/CMO positions appropriate for federal agencies and the strategies for implementing these positions. Also, GAO suggests that Congress consider these criteria and strategies as it develops and reviews legislative proposals for these positions.

To view the full product, including the scope and methodology, click on GAO-08-322T. For more information, contact Bernice Steinhardt at (202) 512-6806 or steinharditb@gao.gov.

What GAO Found

GAO has long advocated that the Department of Defense (DOD) and the Department of Homeland Security (DHS) could benefit from a full-time and senior-level chief operating officer (COO)/chief management officer (CMO) position, with a term appointment of at least 5 to 7 years, and a performance agreement. In fact, every federal agency can benefit from a senior leader acting as a COO/CMO. While the type of COO/CMO may vary depending on the characteristics of the organization, a number of criteria can be used to determine the appropriate type of COO/CMO position in a federal agency. These criteria include the history of organizational performance, degree of organizational change needed, nature and complexity of mission, organizational size and structure, and current leadership talent and focus. For example, the existing deputy position could carry out the integration and business transformation role—this type of COO/CMO might be appropriate in a relatively stable or small organization. Or, a second deputy position could be created to bring strong focus to the integration and business transformation of the agency. This might be the most appropriate type of COO/CMO for a large and complex organization undergoing a significant transformation to reform long-standing management problems.

GAO identified six key strategies that agencies can follow in implementing COO/CMO positions in federal agencies. However, the implementation of any one approach should be determined within the context of the agency's specific facts and circumstances.

Key Strategies for Implementing COO/CMO Positions

Define the specific roles and responsibilities of the COO/CMO position	Once clearly defined, these specific roles and responsibilities should be communicated throughout the organization.
Ensure that the COO/CMO has a high level of authority and clearly delineated reporting relationships	The organizational level and span of control of the COO/CMO position is crucial in affecting the incumbent's authority and status within the organization.
Foster good executive-level working relationships for maximum effectiveness	Effective working relationships can help greatly to ensure that the people, processes, and technology are well-aligned in support of the agency's mission.
Establish integration and transformation structures and processes in addition to the COO/CMO position	These structures and processes could include business transformation offices, senior executive committees, functional councils, and crosscutting teams that are actively involved in strategic planning, budgeting, performance monitoring, information sharing, and decision making.
Promote individual accountability and performance through specific job qualifications and effective performance management	A specific set of job qualification standards could aid in ensuring that the incumbent has the necessary knowledge and experience. A clearly defined, realistic performance agreement would also assist in clarifying expectations and reinforcing accountability.
Provide for continuity of leadership in the COO/CMO position	The administration and Congress could also consider options of other possible mechanisms to help agencies in maintaining leadership continuity for the COO/CMO position, such as term and career appointments.

Source: GAO analysis.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss one proposed approach to address systemic federal governance and management challenges: the use of chief operating officer (COO)/chief management officer (CMO) positions in federal agencies, particularly in the Department of Defense (DOD) and Department of Homeland Security (DHS). As agencies across the federal government embark on large-scale organizational change needed to address 21st century challenges, there is a compelling need for leadership to provide the continuing, focused attention essential to completing these multiyear business-related transformations. At the same time, many agencies are suffering from a range of long-standing management problems that are undermining their ability to efficiently, economically, and effectively accomplish their missions and achieve results. New leadership models are needed to help elevate, integrate, and institutionalize these business transformation and management reform efforts.

As you know, I share your views on the need for a COO/CMO position for DOD and DHS. However, these are not the only agencies that could benefit from such a senior leadership position. While the type of COO/CMO may vary depending on the characteristics of the organization—whether, for example, it is a large organization undergoing significant transformation or a small or stable agency—every federal agency can benefit from a senior leader serving as a COO/CMO. Each agency, of course, faces its own unique circumstances and challenges in attempting to improve and transform its business operations. For that reason, at your request, in the report that is being released today we looked at the experiences of several organizations with COOs/CMOs and used this and other information to outline the criteria that can be used to determine the most appropriate type of COO/CMO for a particular agency as well as the strategies that agencies can follow in implementing these positions.[1] These strategies include making sure that the COO/CMO has a sufficiently high level of authority and continuity in the position. We believe that these criteria and strategies can be helpful to the Congress, as it considers legislation for COO/CMO positions, and to the Office of Management and Budget (OMB) and the President's Management Council as they consider the leadership

[1]See GAO, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, GAO-08-34 (Washington, D.C.: Nov. 1, 2007).

positions necessary to carry out business transformation and management reforms.

My statement today is primarily drawn from our report released today on implementing COO/CMO positions in federal agencies and previously issued GAO work on DOD and DHS, all of which were developed in accordance with generally accepted government auditing standards.[2] To develop these criteria and strategies, we (1) gathered information on the experiences and views of officials at four organizations with COO/CMO-type positions and (2) convened a forum to gather insights from individuals with experience and expertise in business transformation, federal and private sector management, and change management. The four organizations included in our review are three federal agencies and one nonprofit organization: the Department of the Treasury (Treasury), the Internal Revenue Service (IRS), the Department of Justice (Justice), and the Massachusetts Institute of Technology (MIT).[3] To select the organizations to include in our study, we collected and reviewed literature on general management integration approaches and organizational structures of public and private sector organizations, reviewed our prior work, and consulted with various nonprofit organizations with experience in the federal government. We sought to identify organizations that had senior-level officials with responsibility for integrating key management functions, and who generally did not have direct responsibility for the mission programs and policies of their organizations. For the four organizations included in our review, the COOs/CMOs either reported to the organization head or reported to an individual who reports to the organization head. Attachment I depicts the reporting relationships of the four COO/CMO positions. We also hosted a forum on April 24, 2007, to bring together former and current government executives and officials from private business and nonprofit organizations to discuss when and how a COO/CMO might effectively provide the continuing, focused

[2]See GAO, *Defense Business Transformation: Achieving Success Requires a Chief Management Officer to Provide Focus and Sustained Leadership*, GAO-07-1072 (Washington, D.C.: Sept. 5, 2007), *Department of Homeland Security: A Comprehensive and Sustained Approach Needed to Achieve Management Integration*, GAO-05-139 (Washington, D.C.: Mar. 16, 2005) and *Chief Operating Officer Concept and its Potential Use as a Strategy to Improve Management at the Department of Homeland Security*, GAO-04-876R (Washington, D.C.: June 28, 2004).

[3]IRS is a bureau of Treasury. In this statement, we will often refer to the three federal organizations as agencies.

attention essential for integrating key management functions and undertaking multiyear organizational business-related transformations.

Background

The concept of the COO/CMO position largely came out of the creation of performance-based organizations (PBO) in the federal government in the late 1990s and early in this decade. During that time, the administration and Congress renewed their focus on the need to restructure federal agencies and hold them accountable for achieving program results. To this end, three PBOs were established,[4] which were modeled after the United Kingdom's executive agencies.[5] A PBO is a discrete departmental unit that is intended to transform the delivery of public services by having the organization commit to achieving specific measurable goals with targets for improvement in exchange for being allowed to operate without the constraints of certain rules and regulations to achieve these targets. The clearly defined performance goals are to be coupled with direct ties between the achievement of the goals and the pay and tenure of the head of the PBO, often referred to as the COO. The COO is appointed for a set term of typically 3 to 5 years, subject to an annual performance agreement, and is eligible for bonuses for improved organizational performance.

With the backdrop of these PBOs and an ongoing focus on transforming organizational cultures in the federal government, we convened a roundtable of government leaders and management experts on September 9, 2002, to discuss the COO concept and how it might apply within selected federal departments and agencies.[6] The intent of the roundtable was to generate ideas and to engage in an open dialogue on the possible application of the COO concept to selected federal departments and agencies. It was generally agreed at this roundtable discussion that the implementation of any approach should be determined within the context of the specific facts and circumstances that relate to each individual agency. Nonetheless, there was general agreement on the importance of

[4]The three PBOs are Federal Student Aid in the Department of Education, the U.S. Patent and Trademark Office in the Department of Commerce, and the Air Traffic Organization in the Federal Aviation Administration.

[5]For additional information, see GAO, *Performance-Based Organizations: Lessons from the British Next Steps Initiative*, GAO/T-GGD-97-151 (Washington, D.C.: July 8, 1997).

[6]GAO, *Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges*, GAO-03-192SP (Washington, D.C.: Oct. 4, 2002).

the following actions for organizational transformation and management reform:

- **Elevate attention on management issues and transformational change.** Top leadership attention is essential to overcome organizations' natural resistance to change, marshal the resources needed to implement change, and build and maintain the organizationwide commitment to new ways of doing business.

- **Integrate various key management and transformation efforts.** There needs to be a single point within agencies with the perspective and responsibility—as well as authority—to ensure the successful implementation of functional management and, if appropriate, transformational change efforts.

- **Institutionalize accountability for addressing management issues and leading transformational change.** The management weaknesses in some agencies are deeply entrenched and long-standing, and it can take at least 5 to 7 years of sustained attention and continuity to fully implement transformations and change management initiatives.

In the time since the 2002 roundtable, legislative proposals have been introduced and are still pending in this Congress to establish CMO positions at DOD and DHS to help address transformation efforts at the two departments, both of which are responsible for various areas identified on our biennial update of high-risk programs.[7] These legislative proposals differ somewhat in content but would essentially create a senior-level position to serve as a principal advisor to the secretary on matters related to the management of the department, including management integration and business transformation.[8] Some of these legislative proposals also include specific provisions that spell out qualifications for the position, require a performance contract, and provide for a term appointment of 5 or 7 years. At the present time, no federal department has a COO/CMO-type position with all these characteristics. In August 2007, the proposal for the Undersecretary for Management position

[7]GAO, *High-Risk Series: An Update*, GAO-07-310 (Washington, D.C.: January 2007).

[8]For example, see S. 179 and H.R. 1585 (DOD) and S. 547 (DHS).

at DHS to become the CMO at an Executive Level II,[9] but without a term appointment, was enacted into law.[10] DOD issued a directive on September 18, 2007, that assigned CMO responsibilities to the current Deputy Secretary of Defense in addition to his other responsibilities. However, as I will discuss later in this statement, we do not believe that these actions go far enough.

The heads of federal departments and selected agencies designate a COO, who is usually the deputy or another official with agencywide authority, to sit on the President's Management Council. However, deputy secretaries and the other senior officials designated as COOs do not have all of the characteristics of a COO/CMO that I just described, including a term appointment and performance agreement. The council was created by President Clinton in 1993 in order to advise and assist the President and Vice President in ensuring that management reforms are implemented throughout the executive branch.[11] The Deputy Director for Management of OMB chairs the council, and the council is responsible for

- improving overall executive branch management, including implementation of the President's Management Agenda (PMA);[12]
- coordinating management-related efforts to improve government throughout the executive branch and, as necessary, resolving specific interagency management issues;
- ensuring the adoption of new management practices in agencies throughout the executive branch; and

[9]In this statement, "Level II" and "Level III" are used to refer to the level of compensation under the federal government's Executive Schedule, which does not necessarily correspond to the reporting level in the agency. We use "second level" and "third level" in reference to reporting relationships.

[10]See Section 2405 of Pub. L. No. 110-53, 121 Stat. 266, 548-550 (August 3, 2007).

[11]The President's Management Council was reconstituted by President Bush in 2001. The council has focused its efforts on the management agendas of each administration.

[12]The PMA was launched in August 2001 as a strategy for improving the management and performance of the federal government and includes five governmentwide initiatives: strategic management of human capital, competitive sourcing, improved financial performance, expanded electronic government, and budget and performance integration. OMB developed criteria to measure success and a PMA scorecard to track agency progress for each of the five initiatives.

- identifying examples of, and providing mechanisms for, interagency exchange of information about best management practices.

Specific Criteria Can Help in Assessing the Type of COO/CMO Position Needed in a Federal Agency

Because each agency has its own set of characteristics, challenges, and opportunities, the type of COO/CMO to be established in a federal agency should be determined within the context of the specific facts and circumstances surrounding that agency. Nevertheless, a number of criteria can be used to determine the type of COO/CMO position for an agency. These criteria are the agency's

- **history of organizational performance**, such as the existence of long-standing management weaknesses and the failure rates of major projects or initiatives;
- **degree of organizational change needed**, such as the status of ongoing major transformational efforts and the challenge of reorganizing and integrating disparate organizational units or cultures;
- **nature and complexity of mission**, such as the range, risk, and scope of the agency's mission;
- **organizational size and structure**, such as the number of employees, geographic dispersion of field offices, number of management layers, types of reporting relationships, and degree of centralization of decision making; and
- **current leadership talent and focus**, such as the extent of knowledge and the level of focus of the agency's managers on management functions and change initiatives, and the number of political appointees in key positions.

These five criteria are important for determining the appropriate type of COO/CMO position, which in turn can inform many other elements of the position, including roles and responsibilities, job qualifications, reporting relationships, and decision-making structures and processes. Based on these criteria, there could be several types of COO/CMO positions, including the following:

- The existing deputy position could carry out the integration and business transformation role. This type of COO/CMO might be appropriate in a relatively stable or small organization.

- A senior-level executive who reports to the deputy, such as a principal undersecretary for management, could be designated to integrate key management functions and lead business transformation efforts in the agency. This type of COO/CMO might be appropriate for a larger organization.

- A second deputy position could be created to bring strong focus to the integration and business transformation of the agency, while the other deputy position would be responsible for leading the operational policy and mission-related functions of the agency. For a large and complex organization undergoing a significant transformation to reform long-standing management problems, this might be the most appropriate type of COO/CMO.

To address long-standing management and business transformation problems, we have long advocated that DOD and DHS could benefit from a senior-level COO/CMO position, with a term appointment of at least 5 to 7 years, and a performance agreement. We continue to identify DOD's approach to business transformation and implementing and transforming DHS on GAO's biennial high-risk list of programs. DOD dominates our list of agencies with high-risk programs designated as vulnerable to waste, fraud, and abuse of funds, bearing responsibility, in whole or in part, for 15 of 27 high-risk areas.[13]

While DOD has recently designated the current DOD Deputy Secretary as the CMO in addition to his other responsibilities, we believe this action does not go far enough to change the status quo and ensure sustainable success of the overall business transformation effort within the department. We recognize the commitment and elevated attention that the current Deputy Secretary of Defense and other senior leaders have clearly shown in addressing deficiencies in the department's business operations. For example, the Deputy Secretary has overseen the creation of various business-related entities, such as the Defense Business Systems Management Committee and the Business Transformation Agency, and has been closely involved in monthly meetings of both the Defense Business Systems Management Committee and the Deputy's Advisory Working Group, a group that provides departmentwide strategic direction on various issues. In our view, subsuming the duties within the responsibilities of the individual currently serving as the Deputy Secretary

[13]GAO-07-310.

largely represents a continuation of the status quo and will not provide full-time attention or continuity as administrations change. While the Deputy Secretary may be at the right level, the substantial demands of the position make it exceedingly difficult for the incumbent to maintain the focus, oversight, and momentum needed to resolve business operational weaknesses, including the many high-risk areas within DOD. Furthermore, the assignment of CMO duties to an individual with a limited term in the position does not ensure continuity of effort or sustained success within and across administrations. We continue to believe a CMO position should be codified in statute as a separate position, at the right level, and with the appropriate term in office. In fact, consensus exists among GAO's work and other studies (e.g. the Defense Business Board and the Institute for Defense Analysis),that DOD needs a full-time senior management official with a term appointment to provide focused and sustained leadership over business transformation efforts.

Additionally, DHS is experiencing particularly significant challenges in integrating its disparate organizational cultures, and multiple management processes and systems, which make it an appropriate candidate for a COO/CMO as a second deputy position or alternatively as a principal undersecretary for management position. Designating the Undersecretary for Management at DHS as the CMO at an Executive Level II is a step in the right direction, but this change does not go far enough. A COO/CMO for DHS with a limited term that does not transition across administrations will not help to ensure the continuity of focus and attention needed to protect the security of our nation. DHS faces significant management and organizational transformation challenges as it works to protect the nation from terrorism and simultaneously establish itself. DHS must integrate approximately 180,000 employees from 22 originating agencies, consolidate multiple management systems and processes, and transform into a more effective organization with robust planning, management, and operations. However, DHS continues to lack not only a comprehensive management integration strategy with overall goals and a timeline, but also a dedicated team with the authority and responsibility to help develop and implement this strategy. A COO/CMO at the appropriate organizational level at DHS, with a term appointment, would provide the elevated senior leadership and concerted and long-term attention required to marshal this effort.

Strategies for Implementing COO/CMO Positions at Federal Agencies

Once the type of COO/CMO is determined, the following six key strategies can be useful in implementing COO/CMO positions in federal agencies, including making sure that the COO/CMO has a sufficiently high level of authority and continuity in the position:

Define the specific roles and responsibilities of the COO/CMO position. For carrying out the role of management integration, it should be clear which of the agency's key management functions are under the direct purview of the COO/CMO. Depending on the agency, the COO/CMO might have responsibility for human capital, financial management, information resources management, and acquisition management as well as other management functions in the agency, such as strategic planning, program evaluation, facilities and installations, or safety and security, as was the case with the four organizations we reviewed. As the COO/CMO is a leader of business transformation in the organization, it should likewise be clear which major change efforts are the direct responsibility of the COO/CMO. Once clearly defined, these specific roles and responsibilities should be communicated throughout the organization.

Ensure that the COO/CMO has a high level of authority and clearly delineated reporting relationships. The COO/CMO concept is consistent with the governance principle that there needs to be a single point within agencies with the perspective and responsibility to ensure the successful implementation of functional management and business transformation. The organizational level and span of control of the COO/CMO position is crucial in affecting the incumbent's authority and status within the organization. At both IRS and MIT, the COO/CMO reports to the head of the organization (i.e., second-level reporting position), and at Justice and Treasury, the COO/CMO reports through the deputy secretary (i.e., third-level reporting position). Although our interviews and the forum discussion uncovered differing views about the appropriate level and reporting relationships for a COO/CMO position, it was broadly recognized that any COO/CMO should have the high level of authority needed to ensure the successful implementation of functional management and business transformation efforts in the agency.

Foster good executive-level working relationships for maximum effectiveness. Effective working relationships of the COO/CMO with the agency head and his or her peers can help greatly to ensure that the people, processes, and technology are well-aligned in support of the agency's mission. For example, officials at IRS stressed the importance of the working relationship between the agency's two deputy commissioners—one serving as the COO/CMO—in carrying out their

respective roles and responsibilities in leading the mission and mission support offices of the agency.

Establish integration and transformation structures and processes in addition to the COO/CMO position. While the position of COO/CMO can be a critical means for transforming and integrating business and management functions, other structures and processes need to be in place to support the COO/CMO in business transformation and management integration efforts across the organization. These structures and processes can include business transformation offices, senior executive committees, functional councils, and crosscutting teams that are actively involved in strategic planning, budgeting, performance monitoring, information sharing, and decision making. To bring focus and direction and help enforce decisions in the agency, the COO/CMO should be a key player in actively leading or supporting these integration structures and processes.

Promote individual accountability and performance through specific job qualifications and effective performance management. A specific set of job qualification standards could aid in ensuring that the incumbent has the necessary knowledge and experience. Our interviews at the four organizations revealed that essential qualifications for a COO/CMO position include having broad management experience and a proven track record of making decisions in complex settings as well as having direct experience in, or solid knowledge of, the respective department or agency, but there were varying views as to whether qualifications should be statutory. To further clarify expectations and reinforce accountability, a clearly defined performance agreement with measurable organizational and individual goals would be warranted as well. Such agreements should contain clear expectations as well as appropriate incentives and rewards for outstanding performance and consequences for those who do not perform.

Provide for continuity of leadership in the COO/CMO position. The administration and Congress could also consider options of other possible mechanisms to help agencies in maintaining leadership continuity for the COO/CMO position, such as term and career appointments, because organizational results and transformational efforts can take years to achieve. I share your concern about leadership continuity particularly for those DOD and DHS programs that we consider to be high risk as the administration heads for a presidential transition in early 2009. Foremost, an agency needs to have an executive succession and transition planning strategy that ensures a sustained commitment and continuity of leadership as individual leaders arrive or depart or serve in acting capacities. The

administration and Congress could also consider other possible mechanisms to help agencies in maintaining leadership continuity for the position. For example, the benefits of a 5- to 7-year term appointment for the position, such as instilling a long-term focus, need to be weighed along with the potential challenges of a term appointment, such as a lack of rapport between members of a new senior leadership team with any change in administration. Term appointments for key leadership positions already exist at a number of agencies. (Attachment II provides a list of term appointments at a variety of U.S. agencies.) Moreover, as emphasized in our interviews and in the forum discussion, the appointment of career civil servants to the COO/CMO position could be considered when assessing the position's roles, responsibilities, and reporting relationships. High turnover among politically appointed leaders in federal agencies can make it difficult to follow through with organizational transformation because of the length of time often needed to provide meaningful and sustainable results.

Conclusions

As Congress considers COO/CMO positions for federal agencies, the criteria and strategies we identified should help to highlight key issues that need to be considered, both in design of the positions and in implementation. While Congress is currently focused on two of the most challenging agencies—DOD and DHS—the problems they face are, to varying degrees, shared by the rest of the federal government. Each agency, therefore, should consider the type of COO/CMO that would be appropriate for its organization, either by designating an existing position as the COO/CMO or creating a new position, and adopt the strategies we outline to implement such a position. Because it is composed of the senior management officials in each department and agency, we recommend in the report being released today that the President's Management Council, working closely with OMB, play a role in leading such an assessment and helping to ensure that due consideration is given to how each agency can improve its leadership structure for management. Moreover, given the council's charter to oversee government management reforms, it can help institutionalize a leadership position that will be essential to overseeing current and future reform efforts.

Recent legislative proposals have called for certain features of the COO/CMO position that we have endorsed, including a direct reporting relationship to the departmental secretary, responsibility for integrating key management functions and overseeing overall business transformation efforts, the requirement for a performance agreement, and the designation of a term appointment. We are suggesting that Congress consider the

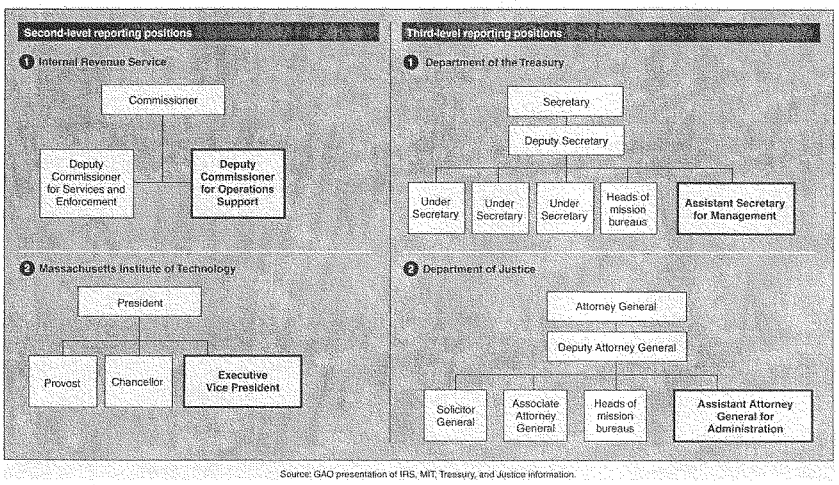
criteria and strategies that I have discussed today as it continues to develop and review legislative proposals for the appropriate type of COO/CMO positions for all major federal agencies, recognizing that the implementation of any approach should be determined within the context of the specific facts and circumstances that relate to each agency.

Mr. Chairman and members of the subcommittee, this concludes my prepared statement. I would be pleased to respond to any questions that you or other members of the subcommittee may have at this time.

Contacts and Acknowledgements

For further information on this testimony, please contact Bernice Steinhardt, Director, Strategic Issues, at (202) 512-6806 or steinhardtb@gao.gov. Contact points for our Office of Congressional Relations and Public Affairs may be found on the last page of this testimony. Individuals making key contributions to this testimony include Sarah Veale, Assistant Director; K. Scott Derrick; and Katherine Wulff.

Attachment I: Reporting Relationships for the COO/CMO Positions in Four Case-Study Organizations



Source: GAO presentation of IRS, MIT, Treasury, and Justice information.

Attachment II: Term Appointments at Selected U.S. Agencies

Agency	Position title and length of term	Method of appointment and provision for reappointment	Conditions for removal and provisions for filling unexpired terms
Air Traffic Organization,[a] Federal Aviation Administration (FAA)	Chief Operating Officer 5 years	Appointed by the FAA Administrator, with the approval of the Air Traffic Services Committee. There is no statutory provision on reappointment of the officeholder.	The COO is to serve at the pleasure of the Administrator, and the Administrator is to make every effort to ensure stability and continuity in the leadership of the air traffic control system. Appointments to fill a vacancy occurring before the expiration of term shall be only for the remainder of that term.
Architect of the Capitol	Architect of the Capitol 10 years	Appointed by the President, following recommendations from a special congressional commission, and confirmed by the Senate. May be appointed to more than one 10-year term.	There are no statutory conditions on the authority of the President to remove the officeholder. No statutory provision.
Federal Bureau of Investigation	Director 10 years	Appointed by the President with the advice and consent of the Senate. The officeholder may not be reappointed.	There are no statutory conditions on the authority of the President to remove the officeholder. No statutory provision.
Federal Reserve Board	Chairman 4 years[b]	Appointed by the President with the advice and consent of the Senate. There is no statutory limitation on a Chairman serving more than one 4-year term.[c]	President may remove members for cause. An individual appointed to fill a vacancy among the seven members of the board shall hold office only for the unexpired term of his or her predecessor.
Federal Student Aid, Department of Education	Chief Operating Officer 3 to 5 years	Appointed by the Secretary of Education. May be reappointed by the Secretary to subsequent terms of 3 to 5 years as long as the incumbent's performance is satisfactory per required annual performance agreement.	The COO may be removed by the President or by the Secretary for misconduct or failure to meet performance goals set forth in the performance agreement. The President or the Secretary must communicate the reasons for any such removal to the appropriate committees of Congress. No statutory provision.
Government Accountability Office	Comptroller General 15 years	Appointed by the President, following recommendations from a special congressional commission, and confirmed by the Senate. The officeholder is limited to a single 15-year term.	The Comptroller General may be removed by impeachment or by adoption of a joint resolution of Congress. Removal by joint resolution can occur only after notice and an opportunity for a hearing and only for certain specified reasons: permanent disability, inefficiency, neglect of duty, malfeasance, felony, or conduct involving moral turpitude. No statutory provision.

Agency	Position title and length of term	Method of appointment and provision for reappointment	Conditions for removal and provisions for filling unexpired terms
Internal Revenue Service	Commissioner 5 years	Appointed by the President with the advice and consent of the Senate. May be appointed to more than one 5-year term.	There are no statutory conditions on the authority of the President to remove the officeholder. Appointments to fill a vacancy occurring before the expiration of term shall be only for the remainder of that term.
Office of Personnel Management	Director 4 years[d]	Appointed by the President with the advice and consent of the Senate. There is no statutory provision on reappointment of the officeholder.	There are no statutory conditions on the authority of the President to remove the officeholder. No statutory provision.
Office of the Comptroller of the Currency	Comptroller of the Currency 5 years	Appointed by the President with the advice and consent of the Senate. There is no statutory provision on reappointment of the officeholder.	May be removed by the President for reasons to be communicated by him or her to the Senate. No statutory provision.
Office of Thrift Supervision	Director 5 years[e]	Appointed by the President with the advice and consent of the Senate. There is no statutory provision on reappointment of the officeholder.	There are no statutory conditions on the authority of the President to remove the officeholder. Appointments to fill a vacancy occurring before the expiration of a term shall be appointed only for the remainder of that term.
Social Security Administration	Commissioner 6 years[f]	Appointed by the President with the advice and consent of the Senate. There is no statutory provision on reappointment of the officeholder.	The officeholder may be removed only pursuant to a finding by the President of neglect of duty or malfeasance in office. Appointments to fill a vacancy occurring before the expiration of a term shall be appointed only for the remainder of that term.
U.S. Patent and Trademark Office	Commissioner for Patents 5 years	Appointed by the Secretary of Commerce. May be reappointed to subsequent terms by the Secretary as long as the incumbent's performance is satisfactory per required annual performance agreement.	The Secretary may remove the Commissioner for misconduct or unsatisfactory performance under the required performance agreement. The Secretary must provide notification of any such removal to both Houses of Congress. No statutory provision.
U.S. Patent and Trademark Office	Commissioner for Trademarks 5 years	Appointed by the Secretary of Commerce. May be reappointed to subsequent terms by the Secretary as long as the incumbent's performance is satisfactory per required annual performance agreement.	The Secretary may remove the Commissioner for misconduct or unsatisfactory performance under the required performance agreement. The Secretary must provide notification of any such removal to both Houses of Congress. No statutory provision.

Source: GAO.

[a]Executive Order No. 13180 (Dec. 7, 2000) established the Air Traffic Organization within FAA and gave responsibility to head the Air Traffic Organization to the Chief Operating Officer for the Air Traffic Control System of FAA, a position created pursuant to Pub. L. No. 106-181 (Apr. 5, 2000).

[b]Members of the Federal Reserve Board, including the Chairman, serve terms of 14 years from the expiration of the terms of their predecessors. The Chairman's term is 4 years.

[c]A Chairman may not be reappointed after serving a full 14-year term as a member.

[d]The 4-year term does not have to coincide with the President's term in office.

[e]An individual may continue to serve after the expiration of his or her term until a successor is appointed.

[f]An individual may continue to serve after the expiration of his or her term until a successor enters office.

HOLD UNTIL RELEASED
BY THE COMMITTEE

Statement

of

Mr. Paul A. Brinkley
Deputy Under Secretary of Defense
for Business Transformation

Before

THE UNITED STATES SENATE
COMMITTEE ON HOMELAND SECURITY AND
GOVERNMENT AFFAIRS (SUBCOMMITTEE ON
OVERSIGHT OF GOVERNMENT MANAGEMENT, THE
FEDERAL WORKFORCE, AND THE DISTRICT OF
COLUMBIA)

December 13, 2007

Chairman Akaka, Senator Voinovich, Members of the Subcommittee, thank you for this opportunity to provide information on the progress and direction of Defense Business Transformation.

Our Nation faces diverse challenges and greater uncertainty about the future global security environment than ever before. The Department's mission requires that its business operations adapt to meet these challenges and react with precision and speed to support our Armed Forces. The Department is currently engaged in a major renovation of the way it approaches business to fulfill its commitment to the American people to deliver superior business capabilities effectively and efficiently.

Over the past few years, DoD has built the foundation for improving and modernizing its business operations by engaging its leadership through the establishment of the Defense Business System Management Committee (DBSMC) and controlling IT investments through an Investment Review Board (IRB) structure. Additionally, the Business Transformation Agency (BTA) was established to drive the implementation of enterprise standards and business capabilities as defined in the Business Enterprise Architecture (BEA), its associated Federation Strategy (Version 2.4 dated October 29, 2007) and by issuing the Enterprise Transition Plan (ETP). Furthermore, under the direction of the Deputy Secretary of Defense, senior leaders across the Department are actively engaged in, and accountable for, the deployment of Continuous Process Improvement (CPI)/ Lean Six Sigma (LSS) principles and methodologies. More broadly, the Department has focused on five key areas, which together, are critical to the successful execution of our business transformation endeavor: Strategy, Process, Culture, Information, and Technology. Using this framework over the past two and a half years, Secretary England has made business transformation a central focus of his tenure as Deputy Secretary of Defense, devoting extensive time and energy to the effort to improve the business operations of the Department. The Deputy Secretary's role in business transformation was recently codified in a September 18, 2007 directive, issued by the Secretary of Defense, ensuring that the Department's top leadership will continue to make business transformation a top priority. We have made significant progress in our efforts, and I would like to take this opportunity to review with you our major successes and recent accomplishments.

Chief Management Officer

I am pleased to report that per the aforementioned September 18, 2007 directive issued by the Secretary of Defense, Deputy Secretary of Defense Gordon England

has been officially designated as DoD's Chief Management Officer (CMO). As Deputy Secretary, Secretary England has worked tirelessly to improve the Department's business operations. In many ways, Secretary England had been acting in the capacity of CMO throughout his tenure, most notably in his role as the Chair of the Defense Business System Management Committee (DBSMC), the overarching governance board for the Department's business activities. The directive formally institutes into Department policy the Deputy Secretary's responsibilities as the CMO. As CMO, the Deputy Secretary shall: 1) ensure Department-wide capability to carry out the strategic plan of the DoD in support of national security objectives; 2) ensure the core business missions of the Department are optimally aligned to support the Department's warfighting mission; 3) establish performance goals and measures for improving and evaluating overall economy, efficiency and effectiveness and monitor and measure the progress of the Department; and 4) develop and maintain a Department-wide strategic plan for business reform. The official designation of the Deputy Secretary of Defense as the CMO affords the President and Secretary of Defense the necessary flexibility to implement an integrated management team that can quickly meet the changing requirements of business transformation and positively affect outcomes, while formally instituting accountability at the top levels of the Department for the future of our transformation activities.

Defense Business Systems Management Committee (DBSMC)

Since its inception in 2005, the DBSMC, in concert with the IRBs, has served as the governance structure that guides the transformation activities of the business areas of the Department, such as finance, acquisition, etc. As authorized by the FY05 National Defense Authorization Act and reiterated in the DBSMC Charter, the DBSMC has responsibility for approving: business systems IT modernizations over $1M, the Business Enterprise Architecture (BEA), and the Enterprise Transition Plan (ETP).

Additionally, the DBSMC Charter extends the authority of the DBSMC beyond statutory requirements to include responsibility for ensuring that the strategic direction of the Department's business operations are aligned with the rest of DoD and for measuring and reporting the progress of defense business transformation. The DBSMC has also been an integral driving force behind the Department's adoption of CPI/LSS methodology and the Department's shared focus on Enterprise Resource Planning (ERP) strategy. The DBSMC has provided invaluable top level direction for the business transformation efforts of the Department.

Controlling/Managing Investments

The DBSMC/IRB investment review process provides a framework for effective investment decision-making that ensures alignment with the enterprise standards and focuses on the needs and priorities of the Warfighter.

The DBSMC has overseen the development and implementation of the Business Capability Lifecycle (BCL), which, when fully implemented, will serve as the acquisition process for all Major Automated Information Systems (MAIS) level systems. The BCL will help resolve long-standing challenges that have impacted the delivery of business capabilities in a timely, well-informed manner – fragmented governance and reporting, a need for better-defined requirements and more robust upfront solution analysis, and a need for continual access to comprehensive information to enhance visibility for all process stakeholders. Under BCL process rules, initial operational capability of a program must be reached within 12-18 months of the contract award or the business case will not be approved.

The DBSMC/IRB governance structure has produced significant improvement across a broad range of business systems, including two major enterprise-level programs – the Defense Travel System (DTS) and the Defense Integrated Military Human Resources System (DIMHRS). Based in large part on the significant upgrade performed this year to the reservation module within DTS, usage of the tool has increased dramatically. This year, there has been a ~75% increase in vouchers processed monthly basis over last year. The next phase of the program will add additional types of travel to the tool's capability, which will further increase usage. We are also preparing to make the use of DTS mandatory for all trip types that the tool has the capability to handle. Finally, we will more closely align DTS with the government-wide travel system, e-Travel, to capture government-wide travel data that can then be used to make more effective strategic sourcing decisions. Under the direct leadership of the DBSMC, the DIMHRS program has achieved effective governance to keep the program on track for initial operating capability for the Army in October 2008.

Enterprise Transition Plan (ETP)

With the publication of the September 2005 ETP, the Department, for the first time, provided its internal and external stakeholders a comprehensive view of the systems and initiatives that will transform the largest business entity in the world. The ETP reflects the strategic and tactical partnership between the Enterprise- and Component- levels by providing a big picture view of defense business transformation efforts at every level within the business mission area. Two months ago we released the September 30, 2007 ETP, once again delivering on our commitment to Congress to update this plan every six months. With each release,

the plan continues to mature, communicating our transformation plans and providing senior management with a tool for monitoring progress against those plans. Significant milestones in the ETP are shown in 6, 12, and 18 month increments. For example, our most recent publication reflected success on over 83% of the Enterprise milestones detailed in the first version of the ETP. The ETP has also been expanded to include the progress of the Department's CPI/LSS efforts. Would it be worth mentioning what the next likely milestones to be achieved are?

Business Enterprise Architecture (BEA)

The BEA has allowed us to establish clear benchmarks for the alignment of business systems to the Department's future business environment. It has also allowed us to make important and measurable progress, as acknowledged by recent Government Accountability Office (GAO) reports.

As we continue to evolve the BEA, a key objective is to produce an architecture that can be harnessed as an executive decision-making mechanism while simultaneously supporting the implementation of information technology systems and services. The recently released *Concept of Operations for Business Enterprise Architecture (BEA) Requirements* addresses this objective by 1) outlining a further maturation of the Department's architecture development approach that addresses both top-down strategic requirements and bottom-up tactical requirements, and 2) expanding the governance process to encourage users and stakeholders to shape architecture form and content. This approach is already drawing from new sources of requirements, better evaluating the priority of requirements, and providing improved governance for the BEA development cycle.

When BEA 5.0 is released in March 2008, it will help achieve interoperable, efficient, transparent business operations by including and integrating data standards, required business rules and system interface requirements for the enterprise systems and ERP target programs.

Defense Agencies Initiative (DAI)

The Defense Agencies Initiative (DAI) is a significant initiative within the Department's overall effort to modernize the Defense Agencies' financial management processes including streamlining financial management capabilities, eliminating material weaknesses, and achieving financial statement auditability for the Agencies and field activities across the DoD. The DAI implementation approach is to deploy a standardized system solution that effectively addresses the requirements in the Federal Financial Management Improvement Act (FFMIA), OMB Circular-A-127, and the BEA, by leveraging the out-of-the-box capabilities of the selected Commercial Off-the-Shelf product. The benefits of DAI include a

single Financial System Integration Office certified solution[1]; common business processes and data standards; access to real-time financial data transactions; significantly reduced data reconciliation requirements; enhanced analysis and decision support capabilities; standardized line of accounting with the use of Standard Financial Information Structure (SFIS); and use of United States Standard General Ledger (USSGL) Chart of Accounts to resolve DoD material weaknesses and deficiencies.

Capitalizing on the business acumen of twenty-eight Defense Agencies and/or Field Activities, DAI will implement a compliant business solution with common business processes and data standards for the following business functions within budget execution requirements: procure to pay; order to fulfill; acquire to retire; budget to report; cost accounting; grants accounting; time and attendance; and re-sales accounting. Each Defense Agency is committed to leveraging its resources and talents to build an integrated system that supports standardized processes and proves that the DoD is capable of using a single architecture and foundation to support multiple, diverse components. Currently, the scope of DAI does not extend to DoD Agencies within the intelligence community for whom financial information is considered classified. As DAI becomes a stable, deployed solution in the unclassified environment, the program will be considered for implementation within the classified environment as a separate instance of the software.

Continuous Process Improvement (CPI) / Lean Six Sigma (LSS)

Lean Six Sigma (LSS) is an important part of the Department's Continuous Process Improvement (CPI) effort. A disciplined improvement methodology, LSS has been endorsed by DoD leadership as the means by which the Department will become more efficient in its operations and more effective in its support of the warfighter. By focusing on becoming a "lean" organization, the DoD will eliminate waste, improve quality and put its resources and capital to the best use in meeting the goals in the Enterprise Transition Plan. On April 30, 2007, the Deputy Secretary of Defense instructed the Office of the Deputy Under Secretary of Defense-Business Transformation to create a DoD CPI/LSS Program Office to drive DoD-wide CPI/LSS activities. Since then, we have, in concert with the Defense Acquisition University, created Green Belt and Black Belt training for the Department, are tracking training and project metrics from all OSD and Component organizations, and are executing many DoD-wide projects that will drive wholesale change.

One of the most ambitious process improvement projects that has been undertaken to date is an end-to-end reform of the government-wide security clearance process. DoD is working in close cooperation with the Director of National Intelligence, the Office of Management and Budget, and the Office of Personnel Management on this

effort. The interagency team has been charged with creating a new clearance process that is fair, flexible and adaptive, managed and highly automated end-to-end, reciprocal, and delivering timely, high-assurance security clearances at the lowest reasonable cost.

Accountability

While the DBSMC/IRB governance structure provides direction and oversight at the Enterprise-level, with participation from the Components, we would be negligent if we failed to acknowledge the dedication and commitment the Components have demonstrated in their own transformation. In partnership with the Components, the Department has taken major strides in business transformation at all levels. The Department has tried to create an environment in which each level of the DoD organizational structure, Component, Enterprise, or other, can focus on those requirements specific to their level, with oversight and assistance provided by the Office of Business Transformation and the Business Transformation Agency. This system of tiered accountability encompasses the broad area of policy setting; the detailed establishment of process and data standards; as well as the ultimate execution of business operations.

Business Transformation Agency Agile and Accountable Workforce

True transformation requires visionary leaders and an agile, collaborative and accountable workforce that embraces change and achieves results. In the span of less than two years, the BTA has gained a significant robust and organic capability to manage and oversee the Department's transformation efforts. In February 2006, the first permanent BTA Director was selected, providing a constancy of leadership and a focus for Enterprise wide decision making across the Department. And, using the Congressional special hiring authority for highly qualified experts (HQEs), BTA has created a complementary workforce composed of career civilians, term-appointed civilians, military members and contractors who have collectively contributed to our continuing progress in assuring standardization and mitigating the risk associated with large business systems implementations across the DoD. We appreciate Congress' recognition of the need to develop a multi-dimensional workforce as an integral part of maintaining transformation momentum.

Working Relationship with the Government Accountability Office (GAO) and the Office of Management and Budget (OMB)

DoD regularly and proactively engages with GAO and OMB to communicate its progress and achievements in defense business transformation, and both

organizations continue to be constructive partners in our overall transformation efforts.

All but one of the Department's High Risk Areas fall under the purview of the Under Secretary of Defense for Acquisition, Technology and Logistics (USD (AT&L)). Our responsibilities for these High Risk Areas include tracking progress on each goal and milestone and providing periodic updates on our progress to GAO, OMB, and the Department's leadership. We are committed to aggressively addressing our High Risk Areas including: (1) Weapons Systems Acquisition; (2) Contract Management and Interagency Contracting; (3) Supply Chain Management; (4) Support Infrastructure Management and Managing Federal Real Property; (5) Business Systems Modernization; and (6) Financial Management. The respective Department leads, in collaboration with both OMB and GAO staffs, developed plans and identified appropriate milestones and metrics to reduce risks in these areas critical to DoD. The USD (AT&L) last provided those plans to OMB and GAO in June 2007. We are committed to conducting regular reviews for each high risk area and subsequently providing updated status/progress information to OMB and GAO leaders.

GAO has acknowledged the Department's progress in several reports over the past two years. GAO's May report, titled "DOD Business Systems Modernization: Progress Continues to Be Made in Establishing Corporate Management Controls but Further Steps are Needed" (GAO-07-733) was the most positive NDAA Compliance report the Department has received to date, and contained a single new recommendation and officially closed 10 others. GAO stated the following:

> Given the demonstrated commitment of DOD leadership to improving its business systems modernization efforts and its recent responsiveness to our prior recommendations, we are optimistic concerning the likelihood that the department will continue to make progress on these fronts.

The Department has also been in regular dialogue with OMB regarding a number of transformation initiatives. In both the effort to align DTS and e-Travel and the initiative to reform the Security Clearance process, described previously in this testimony, DoD and OMB are working closely together to bring increased capabilities to the entire Federal government. In other cases, OMB is helping DoD leverage lessons learned from similar initiatives across the Federal space.

We continue to welcome GAO and OMB's insight, as well as that of all our government partners, as we work together to accomplish our transformation priorities and achieve our shared goals.

Conclusion

We are pleased with our progress in our business transformation efforts and that this progress has been recognized by our oversight bodies. However, aligning the strategy, controls, people, processes, and technology to truly effect enterprise-wide change in an organization as large and complex as the Department of Defense is an enormous undertaking, which has also been recognized by GAO and OMB. The challenges that business transformation faces should not be underestimated. We believe though, that our persistent focus on accelerating the pace of change the Department will continue to make steady and significant progress, achieving tangible results and positive business outcomes.

We appreciate and value the support of Congress over the last several years as we have established new governance and discipline in our business transformation efforts. We are anxious to demonstrate that this support will reap benefits for both the taxpayers who fund our efforts and for the Warfighters who defend this nation. Mr. Chairman, we thank you and the members of the subcommittee for your continued support.

[1] The Financial Systems Integration Office was formerly known as the Joint Financial Management Improvement Program staff office. FSIO has responsibility for core financial systems requirements development, testing and product certification for the Executive Branch.

BACKGROUND
PRIORITIZING MANAGEMENT: IMPLEMENTING CHIEF MANAGEMENT OFFICERS AT FEDERAL AGENCIES
December 13, 2007

Background

In the past five years, while the government has been engaged in a costly war in Iraq and securing our Nation, the federal government has undergone the largest reorganization in a generation. These complicated civil service reforms have been central to the creation of the Department of Homeland Security (DHS) and the recent personnel system reforms at the Department of Defense (DOD). In each of these reorganizations, the management of the civil service reforms was initially delegated to Under Secretaries who lacked the broad organizational authority to address human capital and integration issues.

As part of the Homeland Security Act of 2002 (P.L. 107-296),[1] 22 disparate agencies with a total of 180,000 employees were brought together under one Department with seven components in 2003. The agency was given broad personnel flexibilities to institute its own performance management, pay, collective bargaining, appeals, and adverse actions systems. Congress also provided certain hiring flexibilities to DHS, such as direct hire authority, to build a talented workforce able to meet the challenges of fighting a war on terrorism. A year later, Congress passed the National Defense Authorization Act of 2004, which included similar personnel flexibility provisions, as the Homeland Security Act establishing their own hiring, performance management, pay, collective bargaining, adverse actions, and appeals systems.[2]

Both of these personnel systems have faced numerous implementation challenges. GAO continues to list DHS as High Risk in its annual evaluation report because of the continuing management and integration challenges facing the large and complex organization.[3] GAO also lists many DOD programs as High Risk because of consistent problems with fraud, waste, abuse, or mismanagement.[4] GAO recommends the establishment of a CMO at both agencies to address the ongoing challenges.

In previous hearings of this Subcommittee on this topic, Comptroller General David Walker suggested that a Chief Management Officer at the Deputy Secretary level is needed at DHS and DOD to develop and implement effective management strategies and business transformation. In an October hearing before the Federal Financial Management Subcommittee, the Comptroller General testified about the recent appointment of the Deputy Secretary for Defense as the CMO. Walker said:

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[1] The Homeland Security Act of 2002, P.L. 107-296 (Nov. 25, 2002).
[2] National Defense Authorization Act for Fiscal Year 2004, P.L. 108-354 (Nov. 24, 2003).
[3] Government Accountability Office, Comptroller General David Walker, *Homeland Security: Management and Programmatic Challenges Facing the Department of Homeland Security* (GAO-07-398T), Testimony before the House Appropriations Subcommittee on Homeland Security, February 6, 2007.
[4] Government Accountability Office, *High-Risk Series: An Update* (GAO-07-310), January 2007.

> Various legislative proposals before the Congress call for senior-level attention to business transformation, and we continue to believe a CMO at DOD should be codified in statute as a separate position, at the right level, and with the appropriate term in office to provide full-time focus and sustained leadership over the long term, both within and across administrations. While DOD has recently designated the current Deputy Secretary of Defense as the department's CMO and assigned related duties to this individual, this step essentially perpetuates the status quo and does not ensure full-time attention and continuity of leadership. In the absence of a CMO with an appropriate term who can provide focused attention and a comprehensive, integrated, and enterprisewide plan to guide its transformation efforts, it is highly unlikely that DOD will ever get the most out of every dollar it invests to better support the warfighter in times of growing fiscal constraints.[5]

The concept of a Chief Management Officer is not new in the federal government. At the Office of Management and Budget (OMB), a Deputy Director for Management serves as a senior level official for management of the agency. The Federal Aviation Administration has a Chief Operating Officer that oversees the daily operations of the agency as does the Internal Revenue Service at the Department of Treasury. The Department of Homeland Security has a new statutory requirement to designate the Under Secretary for Management as the CMO and principal advisor on management issues at the Department.[6] The Department of State has a vacant Deputy Secretary for Management and Resources that the President has never chosen to nominate a candidate to fill.[7] And most recently, the National Defense Authorization Act for fiscal year 2008 conference report includes a provision that would require the Department of Defense to have a CMO and Deputy CMO who are nominated by the President and confirmed by the Senate.

GAO Report on Chief Management Officers

In July of 2006, Senators Akaka and Voinovich asked GAO to examine the issue of Chief Operating Officers (COO)/CMO in the federal government more closely by comparing examples in the federal government and private sector and developing strategies and criteria for establishing such positions. The report,[8] entitled *Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies*, evaluated the establishment of CMOs at the Deputy level in the leadership structure of the White House Office of Management and Budget, the Department of Treasury, the Internal Revenue Service, and the Massachusetts Institute of Technology.

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[5] Government Accountability Office, Comptroller General David Walker, *Defense Business Transformation: A Full-time Chief Managemen Officer with a Term Appointment Is Needed at DOD to Maintain Continuity of Effort and Achieve Sustainable Success* (GAO-08-132T), Testimony before the Federal Financial Management, Government Information, Federal Services, and International Security, October 16, 2007.

[6] P.L. 110-53.

[7] USC 22 Chapter 38 Sec. 2651a.

[8] Government Accountability Office, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies* (GAO-08-34), November 2007 (Embargoed until December 13, 2007).

GAO concluded that there are three types of CMO positions that could be established based on the agency's organizational performance, degree of change needed, nature and complexity of mission, organizational size and structure, and current leadership talent and focus. The report went on to recommend that the President's Management Council work with OMB to use the criteria listed in assessing which agencies would be appropriate to establish a CMO. GAO suggests that agencies use the following six key strategies for establishing CMOs:

- Define the specific roles and responsibilities of each position;
- Ensure that the CMO has a high level of authority and clearly delineated reporting relationships;
- Foster good executive-level working relationships for maximum effectiveness;
- Promote individual accountability and performance through specific job qualifications and effective performance management;
- Provide for continuity of leadership in the CMO position.

The GAO report also highlighted the importance of the level of authority needed by the CMO needs. GAO looked at four case studies, two where the CMO reported directly to the head of the organization and two where the CMO was at the number three level. Those agencies where the CMO was at the number three level lacked the authority to successfully implement of functional management and transformational change efforts in the agency. However, those agencies where the CMO was at the number two level had the authority to achieve their management and business transformation goals. GAO concluded that CMO needed to be a high-level official at a number two level. Furthermore, the working relationships between the agencies most senior leadership and the CMO are crucial to integrating and transforming agencies successfully.

Congressional Action and Legislation

Earlier this year, Senators Voinovich and Akaka introduced S. 547, the Effective Homeland Security Management Act of 2007, which would establish a Deputy Secretary of Homeland Security for Management to serve as the Chief Management Officer, principal advisor to the Secretary of Homeland Security on matters related to management of the Department, and number three in charge at DHS. The bill would require the CMO to have extensive executive level leadership and management experience in the public or private sector; strong leadership skills; a demonstrated ability to manage large and complex organizations; and a proven record in achieving positive operational results. The CMO would serve a five year term. The Homeland Security and Governmental Affairs Committee approved the bill on August 1, 2007.

The recently enacted law implementing the remaining 9/11 Commission recommendations, H.R. 1, included language to create a CMO at DHS to address their integration and management challenges.[9] The provisions were very similar to those

[9] P.L. 110-53.

included in S. 547 except the position would remain at the Under Secretary level as opposed to being elevated to the Deputy Secretary level.

The National Defense Authorization Act for Fiscal Year 2006[10] required that the Secretary of Defense conduct a study on whether or not the Department of Defense would benefit from a Chief Management Officer. DoD contracted the Institute for Defense Analyses to draft a report[11] that was submitted to Congress by DoD in December 2006. The report cited the immense demands and tasks placed on the Secretary and Deputy Secretary for Defense, and the need for a dedicated high-level official who can assist the Deputy and Secretary for Defense in business transformation.

The report also recommended that a CMO at DOD should have four primary responsibilities: supporting the Secretary in strategic leadership through planning programming, budgeting, and execution of systems; establishing and leading a federated framework to engage supplier and customer communities in planning and execution for the Business Support Areas; establishing and leading programs for specialized talents; developing and deploying performance measurement systems, capability development plans, and operational plans; and supporting information technology deployment plans.

In response to the report, on September 18, 2007, Secretary of Defense Robert Gates named Deputy Secretary for Defense Gordon England as the CMO at the Pentagon.

Senator John Ensign introduced a bill, S. 179, which would enact a number of the recommendations made in the report and establish a Deputy Secretary for Management at the Department of Defense. The bill makes the Deputy Secretary for Management responsible to the Secretary for development, approval, implementation, integration, and oversight for the management of DOD that relate to performance of planning and budgeting, including performance measurement; acquisition; logistics; facilities, installations, and environment; financial management; human resources and personnel; and management of information resources. It further requires the Deputy Secretary for Management develop and maintain a department-wide strategic plan for defense business reform, and establish performance goals and measures for improving and evaluating overall DoD economy, efficiency, and effectiveness. The bill was referred to the Armed Services Committee.

Most of the provisions in S. 179 were included in the Senate version of the National Defense Authorization Act (S. 567). After the provision was approved by the Senate, the House Armed Services Committee held a hearing on June 26, 2007 in which Deputy Secretary Gordon England testified on the structure, process, and tools for improving DoD management.[12] He testified before the full committee, along with Deputy Under

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[10] P.L. 109-163.

[11] Institute for Defense Analyses (Paper P-4169), *Does DOD Need a Chief Management Officer?*, December 2006.

[12] House Armed Services Committee Hearing on Structure, Process, and Tools for Improving DoD Management, June 26, 2007.

Secretaries Paul Brinkley and Jack Patterson, about the need for management flexibilities, but said he did not believe the Senate language was necessary.

However, the National Defense Authorization Act for fiscal year 2008 conference report[13] included the Senate language, which created a CMO and a Deputy Chief Management Officer at DOD, both of whom would be appointed by the President. Similar to S. 547 and S. 179, the provision requires that the Secretary assign the broad duties of the CMO and Deputy CMO. The duties include authorities relating to the management of the business operations of the Department, effectively and efficiently organizing the business operations of DoD, and in the case of the Deputy CMO supporting the efforts of the CMO. The provision would also require that the CMO develop strategic management plans

Based on the provisions in the conference report this position, the CMO as well as a Deputy CMO will need to be nominated by the President and confirmed by the Senate. Furthermore, the CMO will need to submit a report to Congress within 180 days of enactment that accounts for implementing management strategies, and every two years thereafter submit a report to Congress outlining DoD's strategic management.

Additional Information

- Government Accountability Office, *Organizational Transformation: Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies* (GAO-08-34), November 2007 (Embargoed until December 13, 2007).

- Institute for Defense Analyses (Paper P-4169), *Does DOD Need a Chief Management Officer?*, December 2006.

- Government Accountability Office, Comptroller General David Walker, *Defense Business Transformation: A Full-time Chief Managemen Officer with a Term Appointment Is Needed at DOD to Maintain Continuity of Effort and Achieve Sustainable Success* (GAO-08-132T), Testimony before the Federal Financial Management, Government Information, Federal Services, and International Security, October 16, 2007.

- Government Accountability Office, *High-Risk Series: An Update* (GAO-07-310), January 2007.

- Government Accountability Office, Comptroller General David Walker, *Homeland Security: Management and Programmatic Challenges Facing the*

[13] H.R. 1585, House Report 110-477, National Defense Authorization Act for Fiscal Year 2008, Conference Report.

Department of Homeland Security (GAO-07-398T), Testimony before the House Appropriations Subcommittee on Homeland Security, February 6, 2007.

- Congressional Research Service, *Homeland Security Department: FY2008 Appropriations* (RL34004), updated August 20, 2007.

United States Government Accountability Office

GAO

Report to the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

November 2007

ORGANIZATIONAL TRANSFORMATION

Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies

GAO-08-34

November 2007

GAO
Accountability·Integrity·Reliability

Highlights

Highlights of GAO-08-34, a report to the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate

ORGANIZATIONAL TRANSFORMATION

Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies

Why GAO Did This Study

Agencies across the federal government are embarking on large-scale organizational transformations to address 21st century challenges. One proposed approach to address systemic federal governance and management challenges involves the creation of a senior-level position—a chief operating officer (COO)/chief management officer (CMO)—in selected federal agencies to help elevate, integrate, and institutionalize responsibility for key management functions and business transformation efforts. GAO was asked to develop criteria and strategies for establishing and implementing COO/CMO positions in federal agencies. To do so, GAO (1) gathered information on the experiences and views of officials at four organizations with COO/CMO-type positions and (2) convened a forum to gather insights from individuals with experience in business transformation.

What GAO Recommends

GAO recommends that the Office of Management and Budget (OMB), working with the President's Management Council composed of senior agency officials, use the identified criteria when assessing the type of COO/CMO positions appropriate for federal agencies and the strategies for implementing these positions. Also, Congress should consider these criteria and strategies as it develops and reviews legislative proposals to create these positions. A senior OMB official said that OMB had no comments on a draft of this report.

To view the full product, including the scope and methodology, click on GAO-08-34. For more information, contact Bernice Steinhardt at (202) 512-6806 or steinhardtb@gao.gov.

What GAO Found

A number of criteria can be used to determine the appropriate type of COO/CMO position in a federal agency. These criteria include the history of organizational performance, degree of organizational change needed, nature and complexity of mission, organizational size and structure, and current leadership talent and focus.

Depending on these five criteria, there could be several types of COO/CMO positions, including: (1) the existing deputy position could carry out the integration and business transformation role—this type of COO/CMO might be appropriate in a relatively stable or small organization; (2) a senior-level executive who reports to the deputy, such as a principal under secretary for management, could be designated to integrate key management functions and lead business transformation efforts in the agency—this type of COO/CMO might be appropriate for a larger organization; and (3) a second deputy position could be created to bring strong focus to the integration and business transformation of the agency—this might be the most appropriate type of COO/CMO for a large and complex organization undergoing a significant transformation to reform long-standing management problems.

Because each agency has its own set of characteristics, challenges and opportunities, the implementation of any approach should be determined within the context of the agency's specific facts and circumstances. Once the type of COO/CMO is selected, six key strategies can be useful in implementing such positions in federal agencies.

Key Strategies for Implementing COO/CMO Positions

Define the specific roles and responsibilities of the COO/CMO position	Once clearly defined, these specific roles and responsibilities should be communicated throughout the organization.
Ensure that the COO/CMO has a high level of authority and clearly delineated reporting relationships	The organizational level and span of control of the COO/CMO position is crucial in affecting the incumbent's authority and status within the organization.
Foster good executive-level working relationships for maximum effectiveness	Effective working relationships can help greatly to ensure that the people, processes, and technology are well-aligned in support of the agency's mission.
Establish integration and transformation structures and processes in addition to the COO/CMO position	These structures and processes could include business transformation offices, senior executive committees, functional councils, and crosscutting teams that are actively involved in strategic planning, budgeting, performance monitoring, information sharing, and decision making.
Promote individual accountability and performance through specific job qualifications and effective performance management	A specific set of job qualification standards could aid in ensuring that the incumbent has the necessary knowledge and experience. A clearly defined, realistic performance agreement would also assist in clarifying expectations and reinforcing accountability.
Provide for continuity of leadership in the COO/CMO position	The administration and Congress could also consider options of other possible mechanisms to help agencies in maintaining leadership continuity for the COO/CMO position, such as term and career appointments, in selected agencies.

Source: GAO analysis.

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Abbreviations

CAO	chief acquisition officer
CFO	chief financial officer
CHCO	chief human capital officer
CIO	chief information officer
CMO	chief management officer
COO	chief operating officer
DHS	Department of Homeland Security
DOD	Department of Defense
FAA	Federal Aviation Administration
IRS	Internal Revenue Service
MIT	Massachusetts Institute of Technology
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PBO	performance-based organization
PMA	President's Management Agenda
SES	Senior Executive Service

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United States Government Accountability Office
Washington, DC 20548

November 1, 2007

The Honorable Daniel K. Akaka
Chairman
The Honorable George V. Voinovich
Ranking Member
Subcommittee on Oversight of Government Management,
the Federal Workforce, and the District of Columbia
Committee on Homeland Security and Governmental Affairs
United States Senate

As agencies across the federal government embark on large-scale organizational change needed to address 21st century challenges, there is a compelling need for leadership to provide the continuing, focused attention essential to completing these multiyear transformations. At the same time, many agencies are suffering from a range of long-standing management problems that are undermining their abilities to efficiently, economically, and effectively accomplish their missions and achieve results. One proposed approach to address these systemic federal governance and management challenges involves the creation of a senior-level position—a chief operating officer (COO)/chief management officer (CMO)—in selected federal departments and agencies to help elevate, integrate, and institutionalize responsibility for key management functions and focus concerted attention on long-term business transformation efforts. We have long advocated the need for a COO/CMO at the Department of Defense (DOD) and the Department of Homeland Security (DHS).[1] As you know, legislation has been introduced to create a CMO position at DOD,[2] and recently the Undersecretary for Management position at DHS became the CMO in an effort to advance management integration and business transformation in those departments.[3]

[1]See GAO, *Defense Business Transformation: Achieving Success Requires a Chief Management Officer to Provide Focus and Sustained Leadership*, GAO-07-1072 (Washington, D.C.: Sept. 5, 2007) and *Department of Homeland Security: A Comprehensive and Sustained Approach Needed to Achieve Management Integration*, GAO-05-139 (Washington, D.C.: Mar. 16, 2005).

[2]For example, see S. 179 and H.R. 1585.

[3]See Section 2405 of Pub. L. No. 110-53, 121 Stat. 266, 548-550, August 3, 2007.

Although these senior-level positions can operate under a variety of job titles, the principal goal of establishing and implementing a COO/CMO position is to provide the sustained management attention essential for addressing key stewardship responsibilities in an integrated manner while helping to facilitate the business transformation process within an agency. These long-term responsibilities are professional and nonpartisan in nature, and cover a range of "good government" responsibilities that are fundamental to effectively executing any administration's program and policy agenda. Responsibilities under the purview of a COO/CMO could include strategic planning, financial management, communications and information resources management, human capital strategy, acquisition management, and change management. The top leadership attention of a COO/CMO could help to bolster an agency's efforts to overcome the natural resistance to change, marshal the resources needed to implement change, and build and maintain an organizationwide commitment to new ways of doing business.

As agreed with your offices, this report identifies (1) criteria that can be used to determine the type of COO/CMO or similar position that ought to be established in federal agencies and (2) strategies for implementing COO/CMO positions to elevate, integrate, and institutionalize key management functions and business transformation efforts in federal agencies. To develop these criteria and strategies, we (1) gathered information on the experiences and views of officials at four organizations with COO/CMO-type positions and (2) convened a forum to gather insights from individuals with experience and expertise in business transformation, federal and private sector management, and change management. The four organizations included in our review are three federal agencies and one nonprofit organization: the Department of the Treasury (Treasury), the Internal Revenue Service (IRS), the Department of Justice (Justice), and the Massachusetts Institute of Technology (MIT).[4] We selected the four organizations because each has a senior-level official who is responsible for integrating key management functions, including, at a minimum, human capital, financial management, information technology, and acquisition management. At the headquarters of these four organizations, we interviewed senior officials and we collected and reviewed documents related to the COO/CMO position. These COO/CMO positions—Assistant Secretary for Management at Treasury, Deputy

[4]IRS is a bureau of Treasury. In this report, we will often refer to the three federal organizations as agencies.

Commissioner for Operations Support at IRS, Assistant Attorney General for Administration at Justice, and Executive Vice President at MIT [5]—have primary responsibility for many of the mission-support functions of their respective organizations but generally do not have direct responsibility for the mission programs and policies of their organizations. Our organization selection process was not designed to identify examples that could be considered representative of all COO/CMO-type positions. Furthermore, we did not assess the effectiveness of each COO/CMO serving in these respective organizations, nor did we determine whether any specific COO/CMO position directly resulted in a higher level of organizational performance. Rather, our focus was to identify the experiences and views of officials in carrying out the COO/CMO position.

The Comptroller General also hosted a forum on April 24, 2007, to bring together former and current government executives and officials from private business and nonprofit organizations to discuss when and how a COO/CMO or similar position might effectively provide the continuing, focused attention essential for integrating key management functions and undertaking multiyear organizational transformations. This forum was designed for the participants to discuss these issues openly and without individual attribution. Forum participants were selected for their expertise but also to represent a variety of perspectives. The conclusions drawn in this report do not necessarily represent the views of any individual participant or the organizations that these participants represent. In addition, we reviewed our prior work related to the COO/CMO concept and business transformation and management integration issues at DOD and DHS. We also interviewed officials from the Office of Management and Budget (OMB) to discuss the establishment and implementation of COO/CMO positions in federal departments and agencies.

We conducted our review from August 2006 through July 2007 in accordance with generally accepted government auditing standards. See appendix I for a detailed discussion of our objectives, scope, and methodology, including additional information on our selection process for organizations to include in the case-study review. Appendix II provides a list of the participants at the April 2007 Comptroller General's forum. In addition, a list of related GAO products is included at the end of this report.

[5]In this report, we will often refer to these positions as COO/CMOs rather than using their formal position titles.

Results in Brief

Because each agency has its own set of characteristics, challenges, and opportunities, the type of COO/CMO to be established in a federal agency should be determined within the context of the specific facts and circumstances surrounding that agency. Nevertheless, a number of criteria can be used to determine the type of COO/CMO position for an agency. These criteria are the agency's

- **history of organizational performance**, such as the existence of long-standing management weaknesses and the failure rates of major projects or initiatives;
- **degree of organizational change needed**, such as the status of ongoing major transformational efforts and the challenge of reorganizing and integrating disparate organizational units or cultures;
- **nature and complexity of mission**, such as the range, risk, and scope of the agency's mission;
- **organizational size and structure**, such as the number of employees, geographic dispersion of field offices, number of management layers, types of reporting relationships, and degree of centralization of decision making; and
- **current leadership talent and focus**, such as the extent of knowledge and the level of focus of the agency's managers on management functions and change initiatives, and the number of political appointees in key positions.

These five criteria are important for determining the appropriate type of COO/CMO position, which in turn can inform many other elements of the position, including roles and responsibilities, job qualifications, reporting relationships, and decision-making structures and processes. Based on these criteria, there could be several types of COO/CMO positions, including the following:

- The existing deputy position could carry out the integration and business transformation role. This type of COO/CMO might be appropriate in a relatively stable or small organization.
- A senior-level executive who reports to the deputy, such as a principal under secretary for management, could be designated to integrate key management functions and lead business transformation efforts in the

agency. This type of COO/CMO might be appropriate for a larger organization.

- A second deputy position could be created to bring strong focus to the integration and business transformation of the agency, while the other deputy position would be responsible for leading the operational policy and mission-related functions of the agency. For a large and complex organization undergoing a significant transformation to reform long-standing management problems, this might be the most appropriate type of COO/CMO.

Once the type of COO/CMO is determined, six key strategies can be useful in implementing COO/CMO positions in federal agencies:

Define the specific roles and responsibilities of the COO/CMO position. For carrying out the role of management integration, it should be clear which of the agency's key management functions are under the direct purview of the COO/CMO. Depending on the agency, the COO/CMO might have responsibility for human capital, financial management, information resources management, and acquisition management as well as other management functions in the agency, such as strategic planning, program evaluation, facilities and installations, or safety and security, as was the case with the four organizations we reviewed. As the COO/CMO is a leader of business transformation in the organization, it should likewise be clear which major change efforts are the direct responsibility of the COO/CMO. At IRS, for example, both the COO/CMO and the senior executive of the mission side of the agency were heavily involved in managing change efforts, but the COO/CMO had primary responsibility for spearheading business transformation initiatives that cut across mission-support programs and policies. The importance of clearly defining the role of the COO/CMO was also a key thread that emerged throughout the forum discussion.

Ensure that the COO/CMO has a high level of authority and clearly delineated reporting relationships. The COO/CMO concept is consistent with the governance principle that there needs to be a single point within agencies with the perspective and responsibility to ensure the successful implementation of functional management and business transformation. The organizational level and span of control of the COO/CMO position is crucial in ensuring the incumbent's authority and status within the organization. At both IRS and MIT, the COO/CMO reports to the head of the organization (i.e., second-level reporting position), and at Justice and Treasury, the COO/CMO reports through the deputy

secretary (i.e., third-level reporting position).[6] While our interviews and the forum discussion uncovered differing views about the appropriate level and reporting relationships for a COO/CMO position, it was broadly recognized that any COO/CMO should have a high level of authority needed to ensure the successful implementation of functional management and business transformation efforts in the agency. In this regard, depending on the agency, implementing a COO/CMO position might change existing reporting relationships in that the heads of the agency's key management functions—for example, chief financial officer (CFO), chief information officer (CIO), chief human capital officer (CHCO), and chief acquisition officer (CAO)—could report directly to the COO/CMO.

Foster good executive-level working relationships for maximum effectiveness. Effective working relationships of the COO/CMO with the agency head and his or her peers are essential to the success of the COO/CMO position. For example, officials at IRS stressed the importance of the working relationship between the agency's two deputy commissioners—one serving as the COO/CMO—in carrying out their respective roles and responsibilities in leading the mission and mission-support offices of the agency. According to IRS officials we interviewed, open communication and carefully planned coordination between the mission and mission-support sides of the agency help significantly in ensuring that the people, processes, and technology are well-aligned in support of the agency's mission. Officials at MIT echoed the crucial importance of the working relationship between the Executive Vice President, who serves in a COO/CMO-type position and leads the mission-support offices of the university, and the Provost, who oversees the academic offices. MIT officials pointed out, for instance, that both university executives work closely together on formulating an organizational budget to help ensure the most effective use of resources.

Establish integration and transformation structures and processes in addition to the COO/CMO position. While the position of COO/CMO can be a critical means to transform and integrate business and management functions, other structures and processes need to be in place to support the COO/CMO in business transformation and management

[6]In this report, we use "second level" and "third level" in reference to reporting relationships. "Level II" and "Level III" are used to refer to the level of compensation under the federal government's Executive Schedule, which does not necessarily correspond to the reporting level in the agency.

integration efforts across the organization. These governance structures and processes could include business transformation offices, senior executive committees, functional councils for areas such as human capital and information technology, and short-term or temporary cross-functional teams, all of which would be actively involved in planning, budgeting, monitoring, information sharing, and decision making. The COO/CMO should be a key player in actively leading or supporting these integration structures and processes to bring focus and direction and help enforce decisions. For example, with its organizational realignment in 2003, IRS established a strategy and resources committee, chaired by the COO/CMO and composed of agency executives, to govern IRS strategy and ensure that resource allocations are appropriate for meeting mission needs. Treasury's CFO Council, which is chaired by the department's COO/CMO and is composed of the chief financial management officers of the department's bureaus and major offices, carries out its role through various working groups focused on recurring processes, such as the preparation of the department's financial statements.

Promote individual accountability and performance through specific job qualifications and effective performance management. A specific set of job qualifications for the COO/CMO position would aid in ensuring that the incumbent has the necessary knowledge and experience in the areas within the job's portfolio. Our interviews at the four organizations revealed that essential qualifications for a COO/CMO position include having broad management experience and a proven track record of making decisions in complex settings as well as having direct experience in, or solid knowledge of, the respective department or agency, but there were varying views as to whether qualifications should be statutory. To further clarify expectations and reinforce accountability, a clearly defined performance agreement with measurable organizational and individual goals would be warranted as well. Two of the four COO/CMO positions we reviewed had performance agreements. As underscored in our interviews and the forum discussion, any performance agreement for the COO/CMO should contain clear expectations as well as appropriate incentives and rewards for outstanding performance and consequences for those who do not perform.

Provide for continuity of leadership in the COO/CMO position. Because organizational results and transformational efforts can take years to achieve, agencies need to take steps to ensure leadership continuity in the COO/CMO position. Foremost, an agency needs to have an executive succession and transition planning strategy that ensures a sustained commitment and continuity of leadership as individual leaders arrive or

depart or serve in acting capacities. The administration and Congress could also consider other possible mechanisms to help agencies in maintaining leadership continuity for the position. For example, the benefits of a 5- to 7-year term appointment for the position, such as instilling a long-term focus, need to be weighed along with the potential challenges of a term appointment, such as a lack of rapport between members of a new senior leadership team with any change in administration. Moreover, as emphasized in our interviews and the forum discussion, the appointment of career civil servants to the COO/CMO position could be considered when assessing the position's roles, responsibilities, and reporting relationships. High turnover among politically appointed leaders in federal agencies can make it difficult to follow through with organizational transformation because of the length of time often needed to provide meaningful and sustainable results.

Recent legislative proposals have called for certain features of the COO/CMO position that we have endorsed, including a direct reporting relationship to the departmental secretary, responsibility for integrating key management functions and overseeing business transformation, the requirement for a performance agreement, and the designation of a term appointment. While no federal department has a position with all these features, each cabinet-level department and selected agencies have designated a senior official responsible for overall organizational management—usually the deputy is considered to be the COO—to participate in the President's Management Council, chaired by OMB. Given the council's charter to ensure that management reforms are implemented across the executive branch, we recommend that the Director of OMB work with the council to assess the type of COO/CMO positions that should be in each of their agencies, using the criteria identified in this report, and to use the key strategies for implementing these positions based on their assessments. In addition, Congress should consider these criteria and strategies as it continues to develop and review legislative proposals to create COO/CMO positions, recognizing that the implementation of any approach should be determined within the context of the specific facts and circumstances that relate to each agency.

We provided a draft of this report to OMB for its review and comment. The Associate Director for OMB Administration and Government Performance told us that OMB had no comments on the draft report. We also provided a draft of this report to Justice, Treasury, IRS, and MIT and to the forum participants for their review and technical comments. Treasury, IRS, and several forum participants provided us with technical comments, which we incorporated as appropriate.

Background

The concept of establishing a position to integrate management functions within federal departments can be traced back to the first Hoover Commission,[7] which was charged by Congress with reviewing and recommending ways to improve the organization and operation of federal agencies. The commission, which lasted from 1947 to 1949, proposed numerous recommendations to strengthen departmental management leadership, including the creation through statute of the position of assistant secretary for administration in each executive department. This senior-level official was to be selected from the career civil service and would direct crosscutting administrative activities, such as budget, finance, human resources, procurement, management analysis, and support services. The commission's recommendation was subsequently adopted and these assistant secretaries for administration, positions filled by career appointees, were established in many of the executive departments throughout the 1950s and 1960s.

The more recent concept of the COO/CMO position largely came out of the creation of performance-based organizations (PBO) in the federal government in the late 1990s and early 2000. During that time, the administration and Congress renewed their focus on the need to restructure federal agencies and hold them accountable for achieving program results. To this end, three PBOs were established,[8] which were modeled after the United Kingdom's executive agencies.[9] A PBO is a discrete departmental unit that is intended to transform the delivery of public services by having the organization commit to achieving specific measurable goals with targets for improvement in exchange for being allowed to operate without the constraints of certain rules and regulations to achieve these targets. The clearly defined performance goals are to be coupled with direct ties between the achievement of the goals and the pay and tenure of the head of the PBO, often referred to as the COO. The COO is appointed for a set term of typically 3 to 5 years, subject to an annual

[7]The commission, formally titled the Commission on Organization of the Executive Branch of the Government, was established by Congress in 1947. See 80th Cong. ch. 207, 61 Stat. 246 (July 7, 1947). Its membership was bipartisan, including members of the administration and both Houses of Congress. Half of its members were from outside the federal government.

[8]The three PBOs are Federal Student Aid in the Department of Education, the U.S. Patent and Trademark Office in the Department of Commerce, and the Air Traffic Organization in the Federal Aviation Administration.

[9]For additional information, see GAO, *Performance-Based Organizations: Lessons from the British Next Steps Initiative*, GAO/T-GGD-97-151 (Washington, D.C.: July 8, 1997).

performance agreement, and is eligible for bonuses for improved organizational performance.

With the backdrop of these PBOs and an ongoing focus on transforming organizational cultures in the federal government, the Comptroller General convened a roundtable of government leaders and management experts on September 9, 2002, to discuss the COO concept and how it might apply within selected federal departments and agencies.[10] The intent of the roundtable was to generate ideas and to engage in an open dialogue on the possible application of the COO concept to selected federal departments and agencies. The participants at the roundtable offered a wide range of suggestions for consideration as the executive branch and Congress were seeking to address the federal government's long-standing management problems and the need to move to a more responsive, results-oriented, and accountable federal government. Nonetheless, there was general agreement on the importance of the following actions for organizational transformation and management reform:

- **Elevate attention on management issues and transformational change.** Top leadership attention is essential to overcome organizations' natural resistance to change, marshal the resources needed to implement change, and build and maintain the organizationwide commitment to new ways of doing business.

- **Integrate various key management and transformation efforts.** There needs to be a single point within agencies with the perspective and responsibility—as well as authority—to ensure the successful implementation of functional management and, if appropriate, transformational change efforts.

- **Institutionalize accountability for addressing management issues and leading transformational change.** The management weaknesses in some agencies are deeply entrenched and long-standing, and it can take at least 5 to 7 years of sustained attention and continuity to fully implement transformations and change management initiatives.

Still, it was generally agreed at this roundtable discussion that the implementation of any approach should be determined within the context

[10]GAO, *Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges*, GAO-03-192SP (Washington, D.C.: Oct. 4, 2002).

of the specific facts and circumstances that relate to each individual agency.

In the time since the 2002 roundtable, the COO concept has evolved into the COO/CMO concept with a focus on business transformation, and has received even greater attention within the federal government. Legislative proposals have been introduced in Congress to establish CMO positions at DOD and DHS to help address transformation efforts at the two departments, both of which are responsible for various areas identified on our biennial update of high-risk programs.[11] These legislative proposals differ somewhat in content but would essentially create a senior-level position to serve as a principal advisor to the secretary on matters related to the management of the department, including management integration and business transformation. Some of these legislative proposals also include specific provisions that spell out qualifications for the position, require a performance contract, and provide for a term appointment of 5 or 7 years. In August 2007, the proposal to create a CMO in DHS at an Executive Level II, but without a term appointment, was enacted into law. In 2000, Congress created a Deputy Secretary for Management and Resources position at the Department of State; however, the administration opposed the creation of a second deputy position, and the position has never been filled. Therefore, at the present time, no federal department has a COO/CMO-type position with all these characteristics. However, the heads of federal departments and selected agencies designate a COO, who is usually the deputy or another official with agencywide authority, to sit on the President's Management Council. The council was created by President Clinton in 1993 in order to advise and assist the President and Vice President in ensuring that management reforms are implemented throughout the executive branch.[12] The Deputy Director for Management of OMB chairs the council, and the council is responsible for

[11]GAO, *High-Risk Series: An Update*, GAO-07-310 (Washington, D.C.: January 2007).

[12]The President's Management Council was reconstituted by President Bush in 2001. The council has focused its efforts on the management agendas of each administration.

- improving overall executive branch management, including implementation of the President's Management Agenda (PMA);[13]
- coordinating management-related efforts to improve government throughout the executive branch and, as necessary, resolving specific interagency management issues;
- ensuring the adoption of new management practices in agencies throughout the executive branch; and
- identifying examples of, and providing mechanisms for, interagency exchange of information about best management practices.

Specific Criteria Can Help in Assessing the Type of COO/CMO Position Needed in a Federal Agency

Ascertaining which criteria might be relevant for a particular agency would assist in determining the type of COO/CMO position that might best be established in the agency. The following is a summary of five criteria that can be used to determine the appropriate type of COO/CMO position in a federal agency. This summary includes various statements and examples provided by the officials we interviewed and the forum participants, along with relevant references to our previous work.

History of Organizational Performance

Agencies that have long-standing management weaknesses and high-risk operations or functions could be good candidates for establishing a COO/CMO-type position.[14] Agencies with programs and functions that we designate as high risk, like DOD, would be especially appropriate candidates for such positions.[15] Our interviews with officials at the four case-study organizations reinforced that an agency's overall performance should be considered when assessing the type of COO/CMO that might be needed. For example, an official in one of the agencies commented that a COO/CMO position might be needed if an agency has a high degree of

[13]The PMA was launched in August 2001 as a strategy for improving the management and performance of the federal government and includes five governmentwide initiatives: strategic management of human capital, competitive sourcing, improved financial performance, expanded electronic government, and budget and performance integration. OMB developed criteria to measure success and a PMA scorecard to track agency progress for each of the five initiatives.

[14]GAO, *Managing for Results: Using Strategic Human Capital Management to Drive Transformational Change*, GAO-02-940T (Washington, D.C.: July 15, 2002).

[15]GAO-07-1072.

material and financial weaknesses. Another agency official said that an additional factor to consider is whether the organization has had many large projects fail, a likely indicator that the agency has not placed sufficient attention on integration. In a discussion of the importance of establishing measures to assess organizational performance, a department official commented that the integration of management functions is often not measured within federal agencies and that in order for full integration to occur, it must be stimulated and given a timeline.

Degree of Organizational Change Needed

We have previously suggested that agencies engaged in major transformation efforts and those agencies experiencing particularly significant challenges in integrating disparate organizational cultures, such as DHS, could be also good candidates for having COO/CMO-type positions in place.[16] Our interviews with officials at the case-study organizations confirmed that the degree of organizational change needed should be a criterion to consider when assessing the need for a COO/CMO. For example, an agency official we interviewed commented that an agency undergoing significant transformation might benefit from a COO/CMO position in place in order to focus principally on correcting weaknesses and exploring new approaches for meeting mission needs. Another agency official pointed out that the organizational culture of the agency should be considered, and he noted that a strong esprit de corps in an agency could affect the decision of whether a COO/CMO position is advisable. As we have previously reported, overcoming inertia and cultural resistance to change can be a significant challenge within agencies.[17]

Nature and Complexity of Mission

The nature and complexity of mission, including the range, risk, and scope of an agency's mission, is another factor that should be considered in the assessment for a COO/CMO position. For example, a department official we interviewed said that the complexity of an agency's mission should be considered when assessing the need for a COO/CMO, regardless of the size of the agency. Another agency official commented that an organization with a single mission focus might not need a COO/CMO position. A forum participant noted that implementing change at an organization such as

[16]GAO-02-940T.

[17]For example, see GAO, *Defense Management: Additional Actions Needed to Enhance DOD's Risk-Based Approach for Making Resource Decisions*, GAO-06-13 (Washington, D.C.: Nov. 15, 2005).

DHS can be challenging because the department does not have one single mission (i.e., emergency and nonemergency operations). In suggesting that a wide range of organizational missions should be a factor when considering the type of COO/CMO, a departmental official we interviewed pointed out that Treasury manufactures currency, collects taxes, manages the national debt, and provides the Director of National Intelligence with information on terrorist financing activities.

Organizational Size and Structure

Officials frequently cited the size of an organization as an important factor to consider when reviewing the type of COO/CMO position. For example, a case-study official suggested that a COO/CMO position would not be necessary in an organization with only 50 people whereas an organization with 2,000 employees could need such a position to oversee and integrate the management functions. He said that as organizations become larger, they are more likely to need coordinating structures to help with integration and coordination because communication can easily break down. Another official added that a COO/CMO position might work best for a large decentralized organization, where it is more difficult to enforce policy and where there is no entity to oversee and integrate the various functions. Some forum participants concluded that for smaller agencies, the deputy could carry out the COO/CMO role. Another case-study official remarked that a COO/CMO-type position might be relevant for a smaller organization if there were a high degree of risk and grave consequences for poor communication and coordination, such as with the National Aeronautics and Space Administration. However, another department official suggested that the size of the organization might not be highly relevant when considering the establishment of a COO/CMO position because every agency needs to have a consolidation point in the flow of information to minimize disjointed communication and a lack of coordination.

Organizational structure was also suggested by officials as a factor to consider in determining the type of COO/CMO position. For example, a department official suggested that a COO/CMO position should be established in agencies with a wide geographic dispersion of personnel and facilities. Another agency official commented that an additional factor to consider is the degree to which the organization's activities are duplicative or stovepiped. Still another official offered that the number of management layers in the organization and the existing span of control for managers should be a factor in assessing the type of COO/CMO. The types of reporting relationships and the number of dotted lines of authority on

the organizational chart might also give indications about the need for a COO/CMO position, as cited by another agency official we interviewed.

Current Leadership Talent and Focus

Another important factor to consider is the extent of knowledge and experience and the level of focus and attention of existing senior leadership. For example, an agency official we interviewed remarked that if there has not been sufficient attention and focus on management issues to accomplish the mission of the organization, then establishing a COO/CMO position would add value. Some forum participants noted that management execution and integration require a long-term focus, and that under the existing system, agency senior leaders may not likely stay in their positions for the long term. According to another official we interviewed, an additional factor to consider is the extent to which the agency has a large number of noncareer positions (e.g., political appointees) carrying out management roles.

Criteria Help to Determine Types of COO/CMOs Needed

A key thread of discussion at the Comptroller General's April 2007 forum was the possible need for different types of COO/CMO positions based on whether the position is predominately a transformational role in instituting new processes and organizational culture change or an operational role in a "steady state" organization. Depending on these five criteria, there could be several types of COO/CMO positions, including the types shown below.

- The existing deputy position could carry out the integration and business transformation role. This type of COO/CMO might be appropriate in a relatively stable or small organization.
- A senior-level executive who reports to the deputy, such as a principal under secretary for management, could be designated to integrate key management functions and lead business transformation efforts in the agency. This type of COO/CMO might be appropriate for a larger organization.
- A second deputy position could be created to bring strong focus to the integration and business transformation of the agency, while the other deputy position would be responsible for leading the operational policy and mission-related functions of the agency. For a large and complex organization undergoing a significant transformation to reform long-standing management problems, this might be the most appropriate type of COO/CMO.

A number of forum participants and officials we interviewed, including OMB's Deputy Director for Management, said that the deputy position should generally carry out the role of integrating key management functions and transformational efforts in agencies rather than establishing a separate COO/CMO position. At the same time, given the competing demands on deputy secretaries in executive branch departments across the federal government to help execute the President's policy and program agendas, a number of agency officials argued that it is not practical to expect that the deputy secretaries will be able to consistently undertake this vital integrating responsibility. Moreover, while many deputy secretaries may be appointed based in part on their managerial experience, it has not always been the case, and not surprisingly, the management skills, expertise, and interests of the deputy secretaries have always varied and will continue to vary. Then again, some officials we interviewed maintained that a COO/CMO position would be appropriate for any federal department or agency because there is always a need to integrate management functions and ensure collaboration in new initiatives.

Key Strategies Can Assist Agencies in Implementing COO/CMO Positions

We identified six key strategies that agencies should consider when implementing COO/CMO positions. In these six strategies, we recognize and forum participants underscored that the best approach to use in any given agency should be determined within the context of the specific facts and circumstances surrounding that agency and its own challenges and opportunities. The following is a more detailed discussion of these strategies along with a range of related insights, views, and examples that we identified.

Define the Specific Roles and Responsibilities of the COO/CMO Position

In previous reports, we have proposed that the COO/CMO position would serve as a single organizational focus for key management functions, such as human capital, financial management, information resources management, and acquisition management, as well as for selected organizational transformation initiatives. By their very nature, the problems and challenges facing agencies are crosscutting and hence require coordinated and integrated solutions. Thus, the COO/CMO essentially serves as a bridge between the agency head, functional chiefs, and mission-focused executives. The COO/CMO provides leadership and vision, bringing greater integration and increased attention to the agency's management functions in order to enable agency employees to accomplish their missions more efficiently and effectively. The COO/CMO would offer the benefit of increased opportunities to coordinate and identify

crosscutting issues that are fundamental to effectively executing any administration's program agenda yet do not generally entail program policy-setting authority. The COO/CMO would also bolster the agency's efforts to overcome the natural resistance to change, challenging conventional approaches and developing new methods and systems for implementing business transformation in a comprehensive, ongoing, and integrated manner.

We have previously suggested that in crafting an approach for any specific agency, Congress could make clear in statute the broad responsibilities for the senior official tasked with management integration and business transformation.[18] Congress has taken this approach with other similar senior-level positions that can serve as illustrative models. For example, in 2003 Congress created the position of Deputy Architect of the Capitol/COO, responsible for the overall direction, operation, and management of that organization. Under the statute, besides developing and implementing a long-term strategic plan, the Deputy Architect/COO is to propose organizational changes and staffing needed to carry out the organization's mission and strategic and annual performance goals.[19] In addition, Congress has articulated positional responsibilities in important governmentwide management legislation. For example, the Chief Financial Officers Act of 1990 (CFO Act), which requires 24 federal agencies to have CFOs, clearly lays out the CFOs' responsibilities, including developing and maintaining integrated accounting and financial management systems; directing, managing, and providing policy guidance and oversight of all financial management personnel, activities, and operations; and approving and managing financial management systems design and enhancement projects. By establishing such responsibilities in statute, Congress created clear expectations for the positions and underscored its desire for employing a professional and nonpartisan approach in connection with these positions. (App. III provides a summary of the key responsibilities for statutory chief officer positions in the federal government.)

[18]GAO, *The Chief Operating Officer Concept and its Potential Use as a Strategy to Improve Management at the Department of Homeland Security*, GAO-04-876R (Washington, D.C.: June 28, 2004).

[19]Section 1203 of Legislative Branch Appropriations Act, 2003, Division H, Pub. L. No. 108-7 (Feb. 20, 2003), codified at 2 U.S.C. § 1805.

Each of the four organizations in our study—Treasury, IRS, Justice, and MIT—has a senior-level official responsible for integrating the key management functions of human capital, financial management, information resources management, and acquisition management. Examples of other functional responsibilities of the case-study COO/CMOs include strategic planning, program evaluation, facilities and installations, and safety and security. The COO/CMOs of the four case-study organizations are also directly responsible for leading many of the business transformation efforts in their respective organizations. At IRS, for example, both the COO/CMO and the senior executive of the mission side of the agency are heavily involved in managing change efforts, but the COO/CMO has primary responsibility for spearheading business transformation initiatives that cut across mission-support programs and policies.

The case-study officials we interviewed and the participants of the April 2007 forum generally agreed that a senior-level official should be responsible for carrying out the COO/CMO role of integrating key management functions in the organization. For example, an official from one of the federal agencies noted that without someone in the agency devoted to management functions, the focus of the agency's senior leaders will remain on the policy side of the agency. One of the COO/CMOs of the four organizations commented that there is a benefit in having the mission-support activities in an organization grouped together under one senior leader so as to support the common interests of these mission-support activities. Another COO/CMO told us that his role was to "make life easier" for the mission side of the organization. Another official echoed these sentiments in that the COO/CMO needs to be viewed by the mission side of the organization as adding value as opposed to simply promulgating rules. Several case-study officials and forum participants also stressed that the COO/CMO must have an authoritative role in the overseeing the agency's budget in order to be effective in the position.

The roles and responsibilities of the COO/CMO related to business transformation were also widely discussed in our case-study interviews and at the forum. For example, a forum participant said that the senior official leading transformation within an agency needs to be in an operational role rather than a policy role. Another forum participant stressed that although the COO/CMO is a management and transformational position, the roles and responsibilities of the position can differ depending on the extent to which the agency is undergoing transformation. Accordingly, when significant transformation is the goal, the role of the COO/CMO should be focused on breakthrough

improvements to achieve this goal. The COO/CMO at one case-study agency said that when organizations carry out these transformation efforts, managers throughout the organization will often try to accelerate decision making and the execution of change, which can be quite detrimental. He noted that in order to prevent these types of problems, a federal agency needs the COO/CMO with a role and associated responsibilities that allow for directing the speed of change implementation while also controlling the level of detail and personal involvement in the change. The COO/CMO at another agency remarked that in order for an agency to be successful in carrying out any transformation process, experienced agency managers need to be involved at the beginning of the process and thus the roles and responsibilities of the COO/CMO should complement those of other managers in the agency.

Several agency officials and forum participants told us that it is also important to avoid being overly restrictive in specifying the roles and responsibilities for the COO/CMO position. For example, a forum participant said that Congress should not legislate details of how to carry out the responsibilities of a COO/CMO position because legislation is geared to the present whereas the agency and the environment in which it operates can change over time. Another forum participant echoed that any legislation to establish a COO/CMO position should not contain detailed roles and responsibilities because it could hinder effectiveness in the position. Another forum participant added that the roles and responsibilities should be broadly defined, allowing flexibility from agency to agency. Another forum participant suggested that the agency head could specify the responsibilities of a COO/CMO in formal terms, such as in a "tasking memo." Nonetheless, a number of agency officials we interviewed stressed the importance of communicating to employees throughout the agency the specifics of the COO/CMO's actual role in the organization. We have previously noted the importance of ensuring that all agency employees are fully aware of the duties and key areas of responsibilities for executives in charge of major activities or functions in the agency.[20]

[20]GAO, *Internal Control Management and Evaluation Tool*, GAO-01-1008G (Washington, D.C.: August 2001).

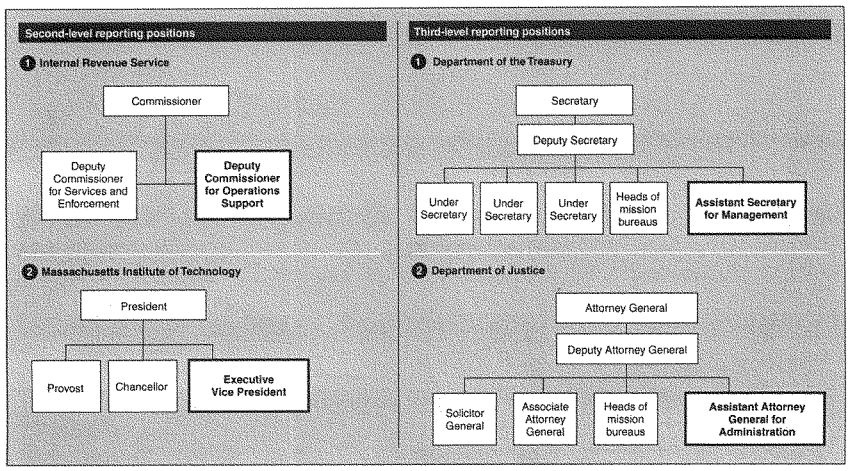
Ensure That the COO/CMO Has a High Level of Authority and Clearly Delineated Reporting Relationships

The COO/CMO concept is consistent with the governance principle that there needs to be a single point within agencies with the perspective and responsibility to ensure the successful implementation of functional management and business transformation efforts. The organizational level and span of control of the COO/CMO position is crucial in ensuring the incumbent's authority and status within the organization. We have previously argued that the COO/CMO position should be part of an agency's top leadership, for example, a deputy secretary for management.[21] At the same time, however, the placement of the COO/CMO position needs to take into account existing positions and responsibilities to avoid additional layers of management that are unnecessary. Regardless of how the position is structured in an agency, it is critical that the individuals appointed to these positions be vested with sufficient authority to be able to integrate management functions and achieve results.

For the four organizations included in our review, the COO/CMOs either reported to the organization head (i.e., second-level reporting position) or reported to an individual who reports to the organization head (i.e., third-level reporting position). Specifically, the IRS COO/CMO reports to the Commissioner of Internal Revenue, the MIT COO/CMO reports to the President of the university, and the COO/CMOs at Treasury and Justice report to the respective deputy positions in those departments. (See fig. 1 for simplified organizational charts showing the reporting relationships of the four COO/CMO positions.) The COO/CMOs for the four organizations told us that they had the necessary and appropriate level of authority at their respective levels within their organizations.

[21]GAO, *GAO's High-Risk Program*, GAO-06-497T (Washington, D.C.: Mar. 15, 2006).

Figure 1: Reporting Relationships for the COO/CMO Positions in Four Case-Study Organizations



Source: GAO presentation of IRS, MIT, Treasury, and Justice information.

The case-study officials and the forum participants broadly recognized that a COO/CMO should have a high enough level of authority to ensure the successful implementation of functional management and transformational change efforts in the agency. However, the officials and participants had mixed views as to the most appropriate organizational level for a COO/CMO position. Some interviewees and forum participants told us that the COO/CMO position should report to the head of the agency (i.e., second-level reporting relationship). A department official said, for example, that having a COO/CMO position on par with the deputy secretary would demonstrate that management issues are viewed as important in the agency. Another agency official commented that a COO/CMO reporting to the agency head would more likely be involved in key decision making within the organization. Still other interviewees and forum participants said that the COO/CMO should report to an individual who reports to the organization head (i.e., third-level reporting

relationship). For example, a department official told us that the COO/CMO should be at the under secretary level in any department, yet stressed that the organizational level itself would not guarantee success in the COO/CMO position. A forum participant said that a COO/CMO position should be placed at a high level within the organization, but cautioned that a COO/CMO position with a deputy secretary as peer would create confusion within the organization if responsibility and accountability are not clearly defined.

Some of the agency officials and forum participants said that the COO/CMO's level on an organizational chart is not as critical as the level of authority and executive-level attention that is given to the COO/CMO position. For example, a department official told us that regardless of where the COO/CMO position is placed on the organizational chart, the COO/CMO must have a close relationship with and be a trusted advisor to the agency leadership. Another official added that the effectiveness of a COO/CMO does not always depend on where he or she is on the organizational chart, but mostly on the personality and abilities of the individual. A forum participant commented that the reporting relationship of the COO/CMO should depend primarily on the agency's agenda and mission. He said, for instance, that if the agency is focused on multiple issues and there are transformational initiatives under way, dual deputies are needed (i.e., similar to the IRS and MIT models of governance).

Additionally, some officials we interviewed commented on COO/CMO positions in connection with the relationship between departments and their component agencies. For example, an official at one of the case-study agencies suggested that the reporting level of the COO/CMO position could differ depending on whether the position is in a department or a bureau. Namely, the COO/CMO in a department might report to the deputy while the COO/CMO at the bureau level could report directly to the bureau head. This official noted that at the bureau level, senior management is typically more geared toward operations rather than policy. Another official suggested the possibility of having a COO/CMO position at each of the various bureaus of a department, which would then form a team of individuals led by the department's COO/CMO to integrate management functions and business transformation throughout the department.

Implementing a COO/CMO Position Could Affect Reporting Relationships of Functional Chiefs

An important issue to consider when implementing the COO/CMO position is the reporting relationships of the statutory management functional chiefs, namely the CFO, CIO, CHCO, and CAO. Some of these positions are required by statute to report directly to their agency heads; in other cases, no direction is provided in statute. However, these functional management

chiefs could report to a COO/CMO who was given the responsibility for integrating the organization's management functions. For many large federal departments and agencies, such an arrangement would likely require amending existing legislation, for example, the CFO Act. This arrangement would need careful analysis to ensure that any legislative changes result in augmented attention to management issues yet do not inadvertently lead to a reduction in the authority of key management officials or the prominence afforded a particular management function.

Although federal law generally requires that CFOs and CIOs report directly to their agency heads, this reporting relationship does not always happen in practice. For example, in July 2004, we reported on the status of CIO roles, responsibilities, and challenges (among other things) at 27 major agencies.[22] Nineteen of the CIOs in our review stated that they reported directly to the agency head in carrying out their responsibilities. In the other 8 agencies, the CIOs stated that they reported instead to another senior official, such as a deputy secretary, under secretary, or assistant secretary. In addition, 8 of the 19 CIOs who said they had a direct reporting relationship with the agency head noted that they also reported to another senior executive, usually the deputy secretary or under secretary for management, on an operational basis. Only about a third of those who did not report to their agency heads expressed a concern with their reporting relationships. For the July 2004 report, we also held two panels of former agency senior executives responsible for information technology who had various views on whether it was important that the CIO report to the agency head. For example, one former executive stated that such a reporting relationship was extremely important, another emphasized that organizational placement was not important if the CIO had credibility, and others suggested that the CIO could be effective while reporting to a COO.

Unlike for CFOs and CIOs, the reporting relationships of CHCOs and CAOs are not prescribed in federal statute and are at the discretion of the agency head. In May 2004, we provided information on the existing reporting relationships of the CHCOs as part of our review of federal agencies' implementation of the Chief Human Capital Officers Act of 2002.[23] At that

[22]GAO, *Federal Chief Information Officers: Responsibilities, Reporting Relationships, Tenure, and Challenges*, GAO-04-823 (Washington, D.C.: July 21, 2004).

[23]GAO, *Human Capital: Observations on Agencies' Implementation of the Chief Human Capital Officers Act*, GAO-04-800T (Washington, D.C.: May 18, 2004).

time, we noted that more than half (15 of 24) of the CHCOs reported directly to the agency head, with the remainder reporting to another agency official. Some CHCOs who reported directly to the agency head told us that this reporting relationship gives them an important "seat at the table" where key decisions are made. However, some CHCOs who did not report to their agency head said having all or most of the agency chief management positions as direct reports to the agency heads may impede efficient management coordination within the agency. Most of the political appointees (9 of 12) reported directly to the agency head, while half of the career executives (6 of 12) reported to another agency official.

Many of the officials we interviewed from the case-study organizations told us that the management functional chiefs should report directly to a COO/CMO, otherwise the COO/CMO would not have the level of authority needed to ensure the successful implementation of functional management and transformational change efforts in the agency. An agency official pointed out, for example, that one of the purposes of integrating functions within an agency is to avoid having everyone report directly to the agency head. Some interviewees raised concerns about where a COO/CMO position might be created in the agency and the resulting changes in the level of authority and reporting relationships related to the functional management chiefs. For example, an official at one of the case-study agencies said that if a COO/CMO position were established in an agency and this change in effect resulted in moving the functional management chiefs down a level on the organizational chart, some functional chiefs might view this change as a demotion because they would no longer have a direct line to the deputy. Another official maintained that the COO/CMO position should report to the agency head in part because the agency could have morale or recruitment problems within the functional chief positions if the COO/CMO were at a third level on the organization chart and the functional chiefs reported to him or her.

Foster Good Executive-Level Working Relationships for Maximum Effectiveness

Effective working relationships of the COO/CMO with the agency head and his or her peers are essential to the success of the COO/CMO position. In various reports over the years, we have stressed the importance of good working relationships to achieving program goals and agency missions.[24]

[24]For example, see GAO, *Comptroller General's Forum: High-Performing Organizations: Metrics, Means, and Mechanisms for Achieving High Performance in the 21st Century Public Management Environment*, GAO-04-343SP (Washington, D.C.: Feb. 13, 2004).

As with other senior-level officials in agencies, individuals serving in COO/CMO positions can establish effective working relationships through various methods, such as forming alliances with other senior managers to help build commitment and getting managers from the mission side of the enterprise involved and accountable for key management projects. We have also previously noted that active participation in executive processes and committees facilitates the ability to build effective executive-level working relationships.[25] Because of high turnover among politically appointed leaders, it is particularly important for appointees and senior career executives to develop good working relationships from the beginning.

At the four case-study organizations, working relationships among the COO/CMOs and other senior leaders were crucial to effectively carrying out the respective integration and transformation roles. For example, in May 2003, the then-Commissioner of Internal Revenue realigned IRS's management structure with the primary change being the creation of an operations support organization to be led by a deputy commissioner serving in a COO/CMO-type role. This new position, the Deputy Commissioner for Operations Support, would be responsible for the modernization program and drive productivity across the organization. The other deputy—the Deputy Commissioner for Services and Enforcement—would be able to focus on the mission side of the agency, including prioritization of multiple enforcement initiatives and reducing cycle time for enforcement actions. Officials at IRS stressed the importance of the working relationship between the agency's two deputy commissioners—one serving as the COO/CMO— in carrying out their respective roles and responsibilities in leading the mission and mission-support offices of the agency. According to IRS officials we interviewed, open communication and carefully planned coordination between the mission and mission-support sides of the agency help significantly in ensuring that the people, processes, and technology are well-aligned in support of the agency's mission.

Officials at MIT echoed the crucial importance of the working relationship between the Executive Vice President, who serves in a COO/CMO-type position and leads the mission-support offices of the university, and the Provost, who oversees the academic offices. MIT officials pointed out, for

[25]GAO, *Executive Guide: Maximizing the Success of Chief Information Officers: Learning From Leading Organizations*, GAO-01-376G (Washington, D.C.: February 2001).

instance, that both university executives work closely together on formulating an organizational budget to help ensure the most effective use of resources. An MIT official reiterated the comments of colleagues in stating that the relationship between the COO/CMO and Provost of the university is paramount to ensuring the effective integration of the academic and administrative sides of the university. The official added that over the years there have been differences in the working styles of the individuals in the Executive Vice President and Provost positions, but these relationships were still effective. Many forum participants confirmed the view that good executive-level working relationships are crucial for carrying out the COO/CMO position.

Establish Integration and Transformation Structures and Processes in Addition to the COO/CMO Position

While the position of COO/CMO can be a critical means for integrating and transforming business and management functions, other structures and processes need to be in place to support the COO/CMO in management integration and business transformation efforts across the organization. These structures and processes can include governance boards, business transformation offices, senior executive committees, functional councils for areas such as human capital and information technology, and short-term or temporary cross-functional teams, such as a project task force—all of which would be actively involved in planning, budgeting, monitoring, information sharing, or decision making. To bring focus and direction and help enforce decisions in the agency, the COO/CMO should be a key player in actively leading or supporting these integration structures and processes.

We have previously reported that dedicating an implementation team to manage a transformation process is a key practice of successful mergers and organizational transformations.[26] Because the transformation process is a massive undertaking, the implementation team must have a "cadre of champions" to ensure that changes are thoroughly implemented and sustained over time. Establishing networks, including a senior executive council, functional teams, or crosscutting teams, can help the implementation team conduct the day-to-day activities of the merger or transformation and help ensure that efforts are coordinated and integrated. To be most effective, establishing clearly defined roles and responsibilities within this network assigns accountability for parts of the

[26]GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-669 (Washington, D.C.: July 2, 2003).

implementation process, helps in reaching agreement on work priorities, and builds a code of conduct that will help all teams to work effectively. Our work on business transformation initiatives at DOD and DHS and at DHS's U.S. Citizenship and Immigration Services shows that these agencies have used various governance and leadership processes and structures to help modernize, transform, and integrate the business side of their organizations.[27] For example, each organization established a business transformation office or agency to provide a dedicated team to implement its transformation, although DHS subsequently eliminated its office.

At the four organizations included in our case-study reviews, the COO/CMO position is a key player in integrating and coordinating mission-related programs and mission-support functions at the senior levels of the organization. Still, in addition to the important integration and transformation role of the COO/CMO, other structures and processes need to be in place. These approaches include structures and processes for coordinating mission and mission-support functions at the senior levels of the organization, as shown below.

- With its organizational realignment in 2003, IRS established a Strategy and Resources Committee to govern IRS strategy and ensure that resource allocations are appropriate for meeting mission needs. As the COO/CMO of IRS, the Deputy Commissioner for Operations Support chaired this committee, which included seven other senior IRS officials, including the Deputy Commissioner for Services and Enforcement, the CFO, and the CIO. Responsibilities of the committee, which met every other month, included overseeing the agency's strategic planning process and improvement initiatives, reviewing budget initiatives for alignment with the agency's strategic plan, and reviewing the agency's progress against critical performance measures. More recently, according to IRS officials, as the organization structure and the COO/CMO position matured and the need for more frequent exchanges of information grew, the strategy and resources committee has evolved into a monthly senior executive team meeting that deals with strategy and resource issues as well as other topics related to resource allocation and business planning.

[27]See GAO, *USCIS Transformation: Improvements to Performance, Human Capital, and Information Technology Management Needed as Modernization Proceeds*, GAO-07-1013R (Washington, D.C.: July 17, 2007); GAO-07-1072; and GAO-05-139.

- At Treasury, the bureau head meetings and the Executive Planning Board are two mechanisms that the COO/CMO uses to integrate and coordinate management functions across the department. The heads of the Treasury bureaus meet regularly as a group to serve as an authorizing body for carrying out the department's mission responsibilities. According to Treasury officials, the COO/CMO has used these monthly meetings as a mechanism for discussing management issues with the various bureaus and trying to create a shared approach to improving integration of the department's management functions. Furthermore, Treasury's Executive Planning Board leads the department's annual budget and strategic planning process. As chair of the Executive Planning Board, the COO/CMO at Treasury provides executive oversight of the planning process, helping to identify trends and leverage opportunities for coordination and integration across the department.

- As the COO/CMO at Justice, the Assistant Attorney General for Administration has a standing role at a monthly meeting of Justice component heads to advise them on matters related to management issues in the department, such as the status of the department's budget and new management requirements, as well as to hear component heads' concerns and ideas for addressing management issues. The Justice COO/CMO also chairs a monthly meeting of the departmental components' executive officers (or their equivalents), who are generally career staff responsible for each component's management functions (budget, finance, procurement, facilities, information management, and human resources). According to Justice officials, this monthly meeting serves as a forum for addressing governmentwide and departmentwide management policy and operational matters, and these meetings help to ensure that management issues are appropriately addressed at the component level within the department.

- MIT has also relied heavily on committees to integrate management functions across the university. As the COO/CMO of MIT, the Executive Vice President participates in a weekly "foursome meeting" with the university President, Provost, and Vice President for Institute Affairs to discuss strategic issues for the organization. The COO/CMO is also a member of the university's Academic Council, a group of about 20 senior-level university officials involved in the overall administration of the university who meet weekly to confer on matters of organizational policy and to advise the university President. According to an MIT official, if decisions on issues cannot be reached at lower committee levels within the university, such issues can be brought before the Academic Council for resolution.

Another common mechanism for integrating and coordinating management functions across the organization is the use of standing committees and subcommittees that deal with specific issues and topics related to various functions, such as a "human capital council" and its subcommittees. The COO/CMO is usually directly involved or provides important institutional support for these governance structures and their related processes, as shown below.

- With its organizational realignment in 2003, IRS established a Human Capital Board composed of representatives from across the agency's major units to obtain input and plan and monitor human capital initiatives and programs. The Human Capital Board, one of IRS's governance boards, is headed by IRS's Human Capital Officer and includes the Chief of Staff and the head of equal employment opportunity. The board governs IRS-wide human capital policy and plans workforce strategy and initiatives.

- MIT established a human resources council, called HR Partners, composed of various staff from across the university with human resources responsibilities. MIT's council organizes formal training events for the human resources staff using the expertise and resources of the university's business school as well as informal events, such as "lunch and learn" sessions to share information related to human capital management.

- Treasury's CFO Council, which meets monthly, comprises the chief financial management officers of the department's bureaus and major offices. The COO/CMO at Treasury serves as the department's CFO and chairs the department's CFO Council with the deputy CFO. Treasury's CFO Council carries out its role through various working groups, which convene for recurring events, such as the preparation of the department's financial statements and annual reporting on internal control issues.

- Justice's CIO Council, composed of department and component CIOs, deals with all matters of departmentwide significance related to information technology policy and implementation. The Justice COO/CMO is responsible for supervising the overall direction of the CIO Council in formulating department policies, standards, and procedures for information systems and reviewing and approving contracts for information processing led by the department.

Promote Individual Accountability and Performance through Specific Job Qualifications and Effective Performance Management

A specific set of job qualifications for the COO/CMO position would aid in ensuring that the incumbent has the necessary knowledge and experience in the areas within the job's portfolio. Our interviews at the four organizations and our prior work revealed that essential qualifications for a COO/CMO position include having broad management experience and a proven track record of making decisions in complex settings as well as having direct experience in, or solid knowledge of, the respective organization. To further clarify expectations and reinforce accountability, a clearly defined performance agreement with measurable organizational and individual goals would be warranted as well. As underscored in our interviews and the forum discussion, any performance agreement for the COO/CMO should contain realistic expectations as well as appropriate incentives and rewards for outstanding performance and consequences for those who do not perform.

Job Qualifications Can Better Ensure Requisite Management Skills and Abilities

We have previously proposed that a specific set of job qualifications for the COO/CMO position could aid in ensuring that the officeholder has the necessary knowledge and experience in the areas within the job's portfolio.[28] We have suggested that the individual serving in a COO/CMO position be selected based on (1) demonstrated leadership skills in managing large and complex organizations and (2) experience achieving results in strategic planning, financial management, communications and information resources management, human capital strategy, acquisition management, and change management. We have also previously suggested that Congress consider formalizing the broad qualifications for any COO/CMO positions established in federal departments and agencies. By articulating qualification requirements directly in statute, Congress would be taking an important step toward further ensuring that high-quality individuals would be selected.

As a point of comparison, Congress has set out qualifications for other management positions established in various federal agencies. For example, under statute, the Deputy Architect of the Capitol/COO is to have strong leadership skills and demonstrated ability in management in such areas as strategic planning, performance management, worker safety, customer satisfaction, and service quality. The COO of Federal Student Aid is to have demonstrated management ability and expertise in information technology, including experience with financial systems.[29] The COO of the

[28]GAO-04-876R.

[29]Pub. L. No. 105-244 (Oct. 7, 1998), codified at 20 U.S.C. § 1018.

Air Traffic Organization is to have a demonstrated ability in management and knowledge of or experience in aviation. Additionally, the Commissioner for Patents and the Commissioner for Trademarks are to have demonstrated management ability and professional background and experience in patent law and trademark law, respectively.[30] Congress has also established overall job qualifications for two of the management functional chief positions in the federal government—the CFOs and the CIOs. The CFOs are to "possess demonstrated ability in general management of, and knowledge of and extensive practical experience in, financial management practices in large governmental or business entities." The CIOs are to be selected with special attention to relevant experience and professional qualifications related to records management, information dissemination, security, and technology management, among other areas.

As with other Senior Executive Service (SES) appointments, the qualifications for the two federal career COO/CMO positions (Justice and IRS) required general management skills and characteristics reflected in the five executive core qualifications adopted by the Office of Personnel Management (OPM), namely leading change, leading people, results driven, business acumen, and building coalitions.[31] In addition, SES positions can have technical and professional qualifications that are specific to each position. For example, according to the most recent job vacancy announcement for the Assistant Attorney General for Administration position at Justice, the COO/CMO is to have, among other things, experience in the management of a large and complex organization with diverse personnel as well as the demonstrated ability to direct the planning, implementation, integration, and evaluation of budget and management of major administration programs in a cabinet-level department. According to the position specification for the Executive Vice President at MIT, the qualifications of the COO/CMO position included senior financial and operational leadership experience in a large, complex

[30]Pub. L. No. 106-113 (Nov. 29, 1999), codified at 35 U.S.C. § 3.

[31]At the time of our review, the COO/CMO position at IRS (Deputy Commissioner for Operations Support) was filled by a career member of the SES who subsequently retired. According to Treasury, in September 2007, the position was filled by a "critical pay" appointment employee already in the IRS. The Internal Revenue Service Restructuring and Reform Act of 1998 (Pub. L. No. 105-206) allowed IRS to appoint up to 40 individuals (at any one time) to designated "critical pay" positions at a compensation level up to the Vice President's, currently $215,700. Under the act, these "critical pay" positions must require an extremely high level of expertise and be critical to the accomplishment of IRS's mission.

organization with a reputation for world-class financial and administrative management; successful experience in leading change in a large, complex organization; and an understanding of the culture of an academic institution.

The case-study officials and forum participants identified a range of recommended qualifications for a COO/CMO-type position in federal departments and agencies. For example, officials at each of the four organizations told us that communication and collaboration skills are critical for the COO/CMO role and that an essential qualification for a COO/CMO position is having broad management experience in making decisions in complex settings. Some of the officials we interviewed said that having both private and public sector experience would be valuable. An agency official said that public and private sector experience are both useful in serving in a COO/CMO position in that career federal employees tend to strive for long-lasting improvements, while individuals from the private sector often have a fresh perspective on addressing challenges within the agency. Another department official cautioned that if both private and public sector experience were required qualifications for a COO/CMO position, the agency would likely be disqualifying some individuals who could effectively carry out the position. In addition, some officials noted that having prior federal experience is beneficial because of the myriad of federal regulations governing human capital, financial management, information resources management, acquisition management, and other management functions. In addition, some interviewees told us that it was not necessary to have extensive experience with each key management function but having broad knowledge of at least one of them would be helpful for a COO/CMO. Several forum participants stated that the COO/CMO should have experience in managing large organizations and in successfully leading large-scale change efforts.

The case-study officials and forum participants also identified a number of pros and cons for formalizing the qualifications of a COO/CMO position in federal statute. Some advantages to placing qualifications in statute included better ensuring that the agency brought on someone who had the knowledge, skills, and experience to effectively carry out the position and helping to ensure transparency in the hiring process. For example, a forum participant, referring to the job qualifications for the CFO positions as spelled out in the CFO Act, said that over time the individuals selected for CFO positions increasingly matched the statutory job qualifications. Disadvantages of formalized qualifications included unnecessarily screening out talented persons who could effectively carry out the

position and overlooking that the job could change over time depending on the needs of the agency and the focus and talent of other senior agency managers. For example, a department official said that formalizing specific qualifications in statute does not provide enough flexibility in hiring the right person for the job, and another official added that the head of the agency should determine the qualifications needed for the COO/CMO position based on the strengths and weaknesses of current senior leaders and the overall needs of the agency. Nonetheless, many interviewees told us that if placed in statute, any qualifications for the COO/CMO position should be general enough to provide flexibility in selecting an individual who best matches the current needs of the organization.

Performance Agreements Can Help to Hold COO/CMOs Accountable

Another potentially important accountability mechanism to support the COO/CMO role is to use clearly defined, results-oriented performance agreements accompanied by appropriate incentives, rewards, and other consequences.[32] We have reported on a number of benefits of performance agreements.[33] Specifically, performance agreements can

- strengthen alignment of results-oriented goals with daily operations,
- foster collaboration across organizational boundaries,
- enhance opportunities to discuss and routinely use performance information to make program improvements,
- provide a results-oriented basis for individual accountability, and
- maintain continuity of program goals during leadership transitions.

While performance agreements can be implemented administratively, Congress has also required performance agreements in statute as well as provided for performance assessments with consequences. For example, Congress has required the COO at the Department of Education's Office of Federal Student Aid and the Secretary of Education to enter into an annual performance agreement with measurable organizational and individual goals that the COO is accountable for achieving. Further, the COO's

[32]GAO, *Results-Oriented Government: Shaping the Government to Meet 21st Century Challenges*, GAO-03-1168T (Washington, D.C.: Sept. 17, 2003).

[33]GAO, *Managing for Results: Emerging Benefits From Selected Agencies' Use of Performance Agreements*, GAO-01-115 (Washington, D.C.: Oct. 30, 2000).

progress in meeting these goals is to form the basis of a possible performance bonus of up to 50 percent of base pay, as well as any decisions by the Secretary to remove or reappoint him or her. Similarly, Congress made it clear in statute that the Deputy Architect of the Capitol/COO may be removed from office by the Architect of the Capitol for failure to meet performance goals. Top civil servants in other countries—such as New Zealand, Canada, and the United Kingdom—also have performance agreements.

Of the four organizations included in our study, two of the COO/CMOs—both career civil servants—had performance agreements, and two did not. The two performance agreements included a listing of overall objectives and commitments for each position along with general benchmarks and standards to be used in assessing the COO/CMO's performance. For example, one of the commitments listed in the IRS COO/CMO's performance agreement for fiscal year 2006 was to "drive processes to increase IRS security preparedness," which would be measured, in part, by an improved score for security under the PMA. The IRS COO/CMO's performance agreement also called for building strong alliances and gaining cooperation to achieve mutually satisfying solutions as well as acting to continuously improve products and services in the effort to meet overall performance commitments. At Justice, the COO/CMO's performance work plan, with the elements and objectives that compose it, serves as a performance agreement for the Assistant Attorney General for Administration. The objectives listed in the Justice COO/CMO's performance work plan for fiscal year 2007 also included direct references to managing and implementing the department's approved plan to improve organizational performance, as outlined in the PMA.

Many of the case-study officials and forum participants told us that performance agreements can help to ensure accountability for the COO/CMO position in setting out clear requirements and specific objectives. For example, an agency official commented that performance agreements have been effective in setting the stage for improved performance in his agency. A department official added that the performance agreement should have broad objectives and specific accomplishments that are well-documented in order to hold the COO/CMO accountable. Still other officials stressed that the COO/CMO's performance objectives should be directly linked to an agency's strategic plan. The officials we interviewed generally agreed that any performance

agreement should have a removal clause in the event that the COO/CMO does not perform well.[34] Officials also generally agreed that any performance agreement should have incentives, such as a bonus, for meeting or exceeding expectations as spelled out in the agreement.

Provide for Continuity of Leadership in the COO/CMO Position

Given that organizational results and transformational efforts can take years to achieve, agencies need to take steps to ensure leadership continuity in the COO/CMO position. Foremost, an agency needs to have an executive succession and transition planning strategy that ensures a sustained commitment and continuity of leadership as individual leaders arrive or depart or serve in acting capacities. For example, in creating a CMO position for DHS, Congress has required the DHS CMO to develop a transition and succession plan to guide the transition of management functions with a new administration. The administration and Congress could also consider options of other possible mechanisms to help agencies in maintaining leadership continuity for the position. For example, the benefits of a term appointment for the position, such as instilling a long-term focus, need to be weighed along with the potential challenges of a term appointment, such as a lack of rapport between members of a new senior leadership team with any change in administration. Moreover, as emphasized in our interviews and the forum discussion, career appointments for the COO/CMO have advantages that should be fully assessed when considering the position's roles, responsibilities, and reporting relationships.

Use of Term Appointments for COO/CMO Positions Would Help to Provide Continuity

The establishment of a term appointment is one mechanism that should be considered for providing continuity to the COO/CMO position. We have previously endorsed setting a term appointment for the COO/CMO position because it would help provide the continuing focused attention essential to successfully completing multiyear transformations. Large-scale change initiatives and organizational transformations typically require long-term, concerted effort, often taking years to complete and extending beyond the tenure of many political leaders. Providing a COO/CMO with a term appointment of about 5 to 7 years would be one way to institutionalize accountability over the extended periods needed to

[34]In this regard, it should be recognized that in drafting any statutory requirement to include consequences for poor performance for a presidentially appointed COO/CMO, such a requirement may interfere with the President's constitutional power to appoint, and subsequently remove, such an official.

help ensure that long-term management and transformation initiatives provide meaningful and sustainable results.

Statutory term appointments currently exist for various senior-level positions in a number of agencies, bureaus, commissions, and boards in the federal government. As described in table 1, the lengths of such terms can range from 3 to 15 years. The methods of appointment for these term positions vary as well, including appointment by (1) the President with the advice and consent of the Senate, (2) the secretary of a cabinet-level department, or (3) an agency head with the approval of an oversight committee. Government agencies in the United Kingdom, New Zealand, and Ireland also have COO-type positions in place with term appointments of 5 to 7 years.

Table 1: Term Appointments at Selected U.S. Agencies

Agency	Position title and length of term	Method of appointment and provision for reappointment	Conditions for removal and provisions for filling unexpired terms
Air Traffic Organization,[a] Federal Aviation Administration (FAA)	Chief Operating Officer 5 years	Appointed by the FAA Administrator, with the approval of the Air Traffic Services Committee. There is no statutory provision on reappointment of the officeholder.	The COO is to serve at the pleasure of the Administrator, and the Administrator is to make every effort to ensure stability and continuity in the leadership of the air traffic control system. Appointments to fill a vacancy occurring before the expiration of term shall be only for the remainder of that term.
Architect of the Capitol	Architect of the Capitol 10 years	Appointed by the President, following recommendations from a special congressional commission, and confirmed by the Senate. May be appointed to more than one 10-year term.	There are no statutory conditions on the authority of the President to remove the officeholder. No statutory provision.
Federal Bureau of Investigation	Director 10 years	Appointed by the President with the advice and consent of the Senate. The officeholder may not be reappointed.	There are no statutory conditions on the authority of the President to remove the officeholder. No statutory provision.
Federal Reserve Board	Chairman 4 years[b]	Appointed by the President with the advice and consent of the Senate. There is no statutory limitation on a Chairman serving more than one 4-year term.[c]	President may remove members for cause. An individual appointed to fill a vacancy among the seven members of the board shall hold office only for the unexpired term of his or her predecessor.

Agency	Position title and length of term	Method of appointment and provision for reappointment	Conditions for removal and provisions for filling unexpired terms
Federal Student Aid, Department of Education	Chief Operating Officer 3 to 5 years	Appointed by the Secretary of Education. May be reappointed by the Secretary to subsequent terms of 3 to 5 years as long as the incumbent's performance is satisfactory per required annual performance agreement.	The COO may be removed by the President or by the Secretary for misconduct or failure to meet performance goals set forth in the performance agreement. The President or the Secretary must communicate the reasons for any such removal to the appropriate committees of Congress. No statutory provision.
Government Accountability Office	Comptroller General 15 years	Appointed by the President, following recommendations from a special congressional commission, and confirmed by the Senate. The officeholder is limited to a single 15-year term.	The Comptroller General may be removed by impeachment or by adoption of a joint resolution of Congress. Removal by joint resolution can occur only after notice and an opportunity for a hearing and only for certain specified reasons: permanent disability, inefficiency, neglect of duty, malfeasance, felony, or conduct involving moral turpitude. No statutory provision.
Internal Revenue Service	Commissioner 5 years	Appointed by the President with the advice and consent of the Senate. May be appointed to more than one 5-year term.	There are no statutory conditions on the authority of the President to remove the officeholder. Appointments to fill a vacancy occurring before the expiration of term shall be only for the remainder of that term.
Office of Personnel Management	Director 4 years[c]	Appointed by the President with the advice and consent of the Senate. There is no statutory provision on reappointment of the officeholder.	There are no statutory conditions on the authority of the President to remove the officeholder. No statutory provision.
Office of the Comptroller of the Currency	Comptroller of the Currency 5 years	Appointed by the President with the advice and consent of the Senate. There is no statutory provision on reappointment of the officeholder.	May be removed by the President for reasons to be communicated by him or her to the Senate. No statutory provision.
Office of Thrift Supervision	Director 5 years[e]	Appointed by the President with the advice and consent of the Senate. There is no statutory provision on reappointment of the officeholder.	There are no statutory conditions on the authority of the President to remove the officeholder. Appointments to fill a vacancy occurring before the expiration of a term shall be appointed only for the remainder of that term.
Social Security Administration	Commissioner 6 years[f]	Appointed by the President with the advice and consent of the Senate. There is no statutory provision on reappointment of the officeholder.	The officeholder may be removed only pursuant to a finding by the President of neglect of duty or malfeasance in office. Appointments to fill a vacancy occurring before the expiration of a term shall be appointed only for the remainder of that term.

Agency	Position title and length of term	Method of appointment and provision for reappointment	Conditions for removal and provisions for filling unexpired terms
U.S. Patent and Trademark Office	Commissioner for Patents 5 years	Appointed by the Secretary of Commerce. May be reappointed to subsequent terms by the Secretary as long as the incumbent's performance is satisfactory per required annual performance agreement.	The Secretary may remove the Commissioner for misconduct or unsatisfactory performance under the required performance agreement. The Secretary must provide notification of any such removal to both Houses of Congress. No statutory provision.
U.S. Patent and Trademark Office	Commissioner for Trademarks 5 years	Appointed by the Secretary of Commerce. May be reappointed to subsequent terms by the Secretary as long as the incumbent's performance is satisfactory per required annual performance agreement.	The Secretary may remove the Commissioner for misconduct or unsatisfactory performance under the required performance agreement. The Secretary must provide notification of any such removal to both Houses of Congress. No statutory provision.

Source: GAO.

[a]Executive Order No. 13180 (Dec. 7, 2000) established the Air Traffic Organization within FAA and gave responsibility to head the Air Traffic Organization to the Chief Operating Officer for the Air Traffic Control System of FAA, a position created pursuant to Pub. L. No. 106-181 (Apr. 5, 2000).

[b]Members of the Federal Reserve Board, including the Chairman, serve terms of 14 years from the expiration of the terms of their predecessors. The Chairman's term is 4 years.

[c]A Chairman may not be reappointed after serving a full 14-year term as a member.

[d]The 4-year term does not have to coincide with the President's term in office.

[e]An individual may continue to serve after the expiration of his or her term until a successor is appointed.

[f]An individual may continue to serve after the expiration of his or her term until a successor enters office.

Term appointments for senior positions in federal agencies have been established in a number of cases primarily to promote and enhance continuity and independence. For example, during congressional deliberations on the Civil Service Reform Act of 1978, which established OPM, conferees agreed that the OPM Director should have a 4-year term but declined the requirement that the term coincide with the President's so as to afford the Director with a measure of independence in performing his or her duties. During congressional deliberations in 1994 to establish the Social Security Administration as an independent agency, creating a 6-year term for the agency's Commissioner was viewed as one key feature to insulate the position from short-term political pressures and provide increased stability in the management of the agency. In testimony leading up to the 1998 restructuring of IRS, the explanations for establishing a 5-

year term for the Commissioner of Internal Revenue chiefly centered on the goal of providing continuity in the position.

At the four case-study organizations, none of the COO/CMOs were appointed or selected for their positions under a term appointment at the time of our review. As the COO/CMO at Treasury, the Assistant Secretary for Management was a noncareer position serving at the will of the President. As the COO/CMOs at Justice and IRS, respectively, the Assistant Attorney General for Administration and the Deputy Commissioner for Operations Support were both career SES positions without designated terms.[35] As the COO/CMO at MIT, the Executive Vice President served MIT's President and the university's board of trustees and held the position without any predetermined length of service.

The case-study officials and forum participants agreed with the need to ensure leadership continuity in the COO/CMO position, but there were mixed views as to whether a term appointment would be a strong mechanism for ensuring continuity in a COO/CMO position. Advantages of a term appointment included fostering accountability for the incumbent and the long-term consequences of his or her decisions, signaling to others in the agency that the incumbent will likely be in the position for the long term, and protecting the incumbent from undue political influence. Some case-study officials said that term appointments could potentially be a vehicle for promoting and enhancing continuity of leadership in the agency, assuming that the length of the term was sufficient to help ensure that long-term management and transformation initiatives are successfully completed. A forum participant said that changes in leadership at an agency would not pose a problem as long as the goals and milestones were clear and the definition of success was the same regardless of the leadership.

Limitations of a term appointment included the need to develop new working relationships with a different leadership team when an administration changes as well as the fact that incumbents can readily leave the position prior to the end of any designated term. A number of forum participants expressed a strong concern that the agency head should have the ability to select the agency's leadership team, especially

[35] As noted earlier, according to Treasury, in September 2007, the IRS COO/CMO position was filled by a "critical pay" appointment employee already in the IRS. Under its "critical pay" authority, IRS can appoint individuals to designated positions for terms of up to 4 years.

given that personal relationships and rapport are so important. For example, a participant said that an individual who is "inherited" in the COO/CMO position by another Secretary can be easily marginalized. Some forum participants had concerns that longer terms, such as 7 years, would deter individuals from applying for COO/CMO positions. During the forum, however, the Comptroller General pointed out that many individuals would accept a COO/CMO position out of a desire to serve, regardless of term.

Career Appointments Could Be Option for Continuity in COO/CMO Positions

Another option for promoting the continuity of leadership in the COO/CMO position is the use of career appointments. As we have previously reported, high turnover among politically appointed leaders in federal agencies can make it difficult to follow through with organizational transformation because the length of time often needed to provide meaningful and sustainable results can easily outlast the tenures of top political appointees. In previous testimony, we have suggested that the individual serving in a COO/CMO position be selected without regard to political affiliation.[36]

At the time of our review, the individuals in the COO/CMO positions at the three federal case-study agencies served under varying types of appointments, including both career and noncareer. As the COO/CMO at Treasury, the Assistant Secretary for Management was a presidentially appointed, Senate-confirmed position. As the COO/CMO at Justice, the Assistant Attorney General for Administration was a career SES position, but appointment to the position is subject to the approval of the President but not subject to Senate confirmation. As the COO/CMO at IRS, the Deputy Commissioner for Operations Support was also a career SES position.[37]

The case-study officials and forum participants offered a range of insights, views, and examples from their experiences regarding the issue of promoting continuity in the COO/CMO position by using career appointments. Several officials we interviewed at the case-study organizations told us that career appointments for COO/CMO-type positions in federal departments and agencies would provide a number of

[36]GAO-02-940T.

[37]As noted earlier, according to Treasury, in September 2007, the IRS COO/CMO position was filled as a "critical pay" appointment, which is generally not subject to the title 5 requirements governing appointments to the SES.

benefits over political appointments. These interviewees said that career SES personnel are more likely to help ensure continuity in the position, are generally more familiar with federal management issues, and can be easily reassigned to another position if they are not effective in the COO/CMO role. A department official also told us that another advantage in serving as a career COO/CMO is the degree of independence that can be brought to important decisions under consideration at an agency. Some forum participants agreed that career senior executives were the best option for filling COO/CMO positions because career executives could offer continuity and experience as administrations come and go. A participant remarked that because political appointees currently fill many of the executive-level administrative management positions that in the past were filled by career executives, a loss of continuity and experience has resulted.

Some agency officials and forum participants raised concerns about filling COO/CMO positions with career civil servants. The challenges cited include the view that there might not be enough qualified career applicants for these positions and restrictions on the administration's ability to select individuals for these positions. For example, one forum participant said that the President and Secretary should have latitude in determining who fills the COO/CMO position because the relationship is crucial. There was also discussion on whether the senior management official in an agency should be a presidential appointment requiring Senate confirmation, while Senate confirmation would not be required of those officials who lead specific management functions (for example, financial management, information technology, or human capital) and who report to that senior management official. Forum participants differed in their views on the appropriate appointment type for the COO/CMO. During the forum, the Comptroller General suggested that some COO/CMO positions could be presidential appointments with Senate confirmation and others could be appointments without Senate confirmation.[38]

[38]See GAO, *Potential Oversight Issues*, GAO-07-235R (Washington, D.C.: Nov. 17, 2006). We recommended that Congress review the presidential (political) appointment process and examine whether political appointees can be categorized by the differences in their roles and responsibilities, such as policy, operational and management, and adjudicatory positions.

Conclusions

Given the long-standing management challenges faced by many government agencies, as well as the organizational transformation now taking place across government in response to a post-9/11 environment and other changes, new leadership models are needed to help elevate, integrate, and institutionalize business transformation and management reform efforts. A COO/CMO, given adequate authority, responsibility, and accountability, could provide the leadership necessary to sustain organizational change over a long term.

While they may share a number of common circumstances, each department and agency in the federal government nevertheless faces its own unique set of characteristics and challenges in attempting to improve and transform its business operations. Yet as we learned from our case study and forum discussion, a number of common criteria can be used to determine the type of COO/CMO that would be appropriate in a federal agency. Once such a determination is made, a number of common strategies can be adopted to put such a position into place and to help ensure that it will work effectively. The strategies underscore the importance of clearly identified roles and responsibilities, good working relationships, inclusive decision-making structures and processes, and solid accountability mechanisms.

As Congress considers COO/CMO positions at selected federal agencies, the criteria and strategies we identified should help to highlight key issues that need to be considered, both in design of the positions and in implementation. While Congress is currently focused on two of the most challenging agencies—DOD and DHS—the problems they face are, to varying degrees, shared by the rest of the federal government. Each agency, therefore, could consider the type of COO/CMO that would be appropriate for its organization and adopt the strategies we outline to implement such a position. Because it is composed of the senior management officials in each department and agency, the President's Management Council, working closely with OMB, could play a valuable role in leading such as assessment and helping to ensure that due consideration is given to how each agency can improve its leadership structure for management. Moreover, given the council's charter to oversee government management reforms, it can help institutionalize a leadership position that will be essential to overseeing current and future reform efforts.

Recommendations for Executive Action

To address business transformation and management challenges facing federal agencies, we recommend that the Director of OMB work with the President's Management Council to (1) use the criteria that we have developed for determining the type of COO/CMO positions that ought to be established in the federal agencies that are members of the council and (2) once the types of COO/CMOs have been determined, use the key strategies we have identified in implementing these positions.

Matter for Congressional Consideration

Congress should consider the criteria and strategies for establishing and implementing COO/CMO positions as it develops and reviews legislative proposals aimed at addressing business transformation and management challenges facing federal agencies. In doing so, the implementation of any approach should be determined within the context of the specific facts and circumstances that relate to each individual agency.

Agency Comments

We provided a draft of this report for review and comment to the Director of OMB. The Associate Director for OMB Administration and Government Performance told us that OMB had no comments on the draft report. We also provided a draft of this report to the Secretary of the Treasury, the Acting Commissioner of Internal Revenue, the Acting Attorney General, the Executive Vice President of MIT, and the participants of the April 2007 forum for their review and technical comments. Treasury, IRS, and several forum participants provided us with technical comments, which we incorporated as appropriate.

As agreed with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this report until 45 days from its date. At that time, we will send copies of this report to the Chairman and Ranking Member of the Senate Committee on Homeland Security and Governmental Affairs, the Chairman and Ranking Member of the House Committee on Oversight and Government Reform, and other interested congressional parties. We will also send copies to the Director of OMB, the Secretary of the Treasury, the Commissioner of Internal Revenue, the Attorney General, and the President of MIT. In addition, we will make copies available to others upon request. The report will be available at no charge on the GAO Web site at http://www.gao.gov.

If you or your staffs have any questions concerning this report, please contact me on (202) 512-6806 or steinhardtb@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on

the last page of this report. GAO staff who made major contributions to this report are listed in appendix IV.

Bernice Steinhardt
Director, Strategic Issues

Appendix I: Objectives, Scope, and Methodology

The objectives for this study were to identify

- criteria that can be used to determine the type of chief operating officer (COO)/chief management officer (CMO) or similar position that ought to be established in federal agencies and
- strategies for implementing COO/CMO positions to elevate, integrate, and institutionalize key management functions and business transformation efforts in federal agencies.

To identify these criteria and strategies, we (1) gathered information on the experiences and views of officials at four organizations with COO/CMO-type positions and (2) convened a Comptroller General's forum to gather insights from individuals with experience and expertise in business transformation, federal and private sector management, and change management.

To select the organizations to include in our study, we collected and reviewed literature on general management integration approaches and organizational structures of public and private sector organizations, and we reviewed our prior work on the COO/CMO concept as well as organizational transformation issues at the Department of Defense (DOD) and the Department of Homeland Security (DHS). We also collected and analyzed organizational charts of the 24 Chief Financial Officers Act federal agencies as well as those federal agencies required to report under the President's Management Agenda. We also consulted with various nonprofit organizations with experience in federal and state/local government. We sought to identify organizations that had senior-level officials with responsibility for integrating key management functions, including, at a minimum, human capital, financial management, information technology, and acquisition management, and who generally did not have direct responsibility for the mission programs and policies of their organizations. We considered a range of diverse missions and also took into account that the COO/CMOs of the organizations were appointed to their positions under varying methods. Our organization selection process was not designed to identify examples that could be considered representative of all COO/CMO-type positions.

The four organizations included in our review are three federal agencies and one nonprofit organization: the Department of the Treasury (Treasury), the Internal Revenue Service (IRS), the Department of Justice (Justice), and the Massachusetts Institute of Technology (MIT). At the headquarters of these four organizations, we interviewed senior officials

and we collected and reviewed documents related to the COO/CMO position. We conducted semistructured interviews with the individuals serving in the COO/CMO positions (Acting Assistant Secretary for Management at Treasury, Deputy Commissioner for Operations Support at IRS, Assistant Attorney General for Administration at Justice, and Executive Vice President at MIT) as well as those managers who reported directly to the COO/CMOs. These interviews focused on how the COO/CMO position functioned in their respective organizations as well as the officials' views and insights on issues such as roles and responsibilities, reporting relationships, accountability mechanisms, and decision-making structures and processes. In carrying out our work at these four organizations, we did not assess the effectiveness of each COO/CMO serving in these respective organizations nor did we determine whether any specific COO/CMO position directly resulted in a higher level of organizational performance. Rather, we attempted to highlight the experiences and views of officials in carrying out the COO/CMO position.

The Comptroller General also hosted a forum on April 24, 2007, to bring together former and current government executives and officials from private business and nonprofit organizations to discuss when and how a COO/CMO or similar position might effectively provide the continuing, focused attention essential for integrating key management functions and undertaking multiyear organizational transformation initiatives. This forum was designed for the participants to discuss these issues openly and without individual attribution. Participants were selected for their expertise but also to represent a variety of perspectives. Prior to the forum, we provided each of the participants with a briefing paper that included background information on the four case-study organizations, some preliminary results of our initial work on these case-study reviews, as well as key statements from our prior work related to the COO/CMO concept. The highlights summarized in this report do not necessarily represent the views of any individual participant or the organizations that these participants represent.

We also interviewed officials from the Office of Management and Budget to discuss the establishment and implementation of COO/CMO positions in federal departments and agencies.

We conducted our review from August 2006 through July 2007 in accordance with generally accepted government auditing standards.

Appendix II: Forum Participants for "Implementing Chief Operating Officer/Chief Management Officer Positions," April 2007

Moderator	
David M. Walker	Comptroller General of the United States, U.S. Government Accountability Office
Participants	
William L. Bransford	General Counsel, Senior Executives Association
Jonathan Breul	Executive Director, IBM Center for The Business of Government
James A. Champy	Chairman of Consulting, Perot Systems Corporation (Massachusetts Institute of Technology Board Member)
Gene L. Dodaro	Chief Operating Officer, U.S. Government Accountability Office
Jennifer L. Dorn	President and Chief Executive Officer, National Academy of Public Administration
Gordon England	Deputy Secretary, U.S. Department of Defense
Mark W. Everson	Commissioner, U.S. Internal Revenue Service
Robert F. Hale	Executive Director, American Society of Military Comptrollers (Former Assistant Secretary of the Air Force - Financial Management and Comptroller)
John J. Hamre	President and Chief Executive Officer, Center for Strategic and International Studies (Former Deputy Secretary of Defense)
Sallyanne Harper	Chief Administrative Officer/Chief Financial Officer, U.S. Government Accountability Office
Bruce R. James	President and Chief Executive Officer, Nevada New-Tech, Inc. (Former Chief Executive Officer, U.S. Government Printing Office)
Clay Johnson III	Deputy Director of Management, U.S. Office of Management and Budget
Nancy Killefer	Managing Partner, McKinsey & Company
John A. Koskinen	President, U.S. Soccer Foundation (Former Deputy Mayor, Government of the District of Columbia)
Samuel T. Mok	Chief Financial Officer, U.S. Department of Labor
Sean O'Keefe	Chancellor, Louisiana State University and A & M College (Former Administrator, National Aeronautics and Space Administration)
Linda M. Springer	Director, U.S. Office of Personnel Management
Max Stier	President and Chief Executive Officer, Partnership for Public Service

Source: GAO.

Appendix III: Key Responsibilities of Statutory Chief Officer Positions in the Federal Government

Position	Enacting law(s)	Key responsibilities of position
Chief financial officer	Chief Financial Officers Act of 1990 (Pub. L. No. 101-576)	• Develop and maintain an integrated agency accounting and financial management system, including financial reporting and internal controls, which complies with applicable accounting principles and standards and provides for • complete, reliable, consistent, and timely information; • the development and reporting of cost information; • the integration of accounting and budgeting information; and • the systematic measurement of performance. • Direct, manage, and provide policy guidance and oversight of agency financial management personnel, activities, and operations, including the • development of agency financial management budgets and • recruitment, selection, and training of personnel to carry out agency financial management functions. • Approve and manage financial management systems design and enhancements projects and the implementation of agency asset management systems.
Chief information officer	Paperwork Reduction Act of 1995 (Pub. L. No. 104-13); Clinger-Cohen Act of 1996 (Pub. L. No. 104-106), as renamed pursuant to Pub. L. No. 104-208 (Sept. 30, 1996)	• Carry out information resources management responsibilities of the agency, including information collection and control of paperwork, information dissemination, statistical policy and coordination, records management, privacy and information security, and information technology. • Provide advice and other assistance to the head of the agency and other senior management personnel to ensure that technology is acquired and information is managed consistent with the applicable law and priorities established by the head of the agency. • Develop, maintain, and facilitate the implementation of a sound, secure, and integrated information technology architecture for the agency. • Promote the effective and efficient design and operation of all information resources management processes for the agency. • Monitor and evaluate the performance of the agency's information technology programs, and advise the head of the agency whether to continue, modify, or terminate a program. • Annually, as part of the strategic planning and performance evaluation process, • assess the requirements established for information resources management knowledge and skills of agency personnel; • assess the extent to which the positions and personnel at both the executive and management levels meet those requirements; • develop strategies and specific plans for hiring, training, and professional development to rectify any deficiency in meeting those requirements; and • report to the head of the agency on the progress made in improving information resources management capability.

Position	Enacting law(s)	Key responsibilities of position
Chief human capital officer	Chief Human Capital Officers Act of 2002 (Pub. L. No. 107-296, Title XIII)	• Set the workforce development strategy of the agency. • Assess workforce characteristics and future needs based on the agency's mission and strategic plan. • Align the agency's human resource policies and programs with the agency's mission, strategic goals, and performance outcome. • Develop and advocate a culture of continuous learning to attract and retain employees with superior abilities. • Identify best practices and benchmarking studies. • Apply methods for measuring intellectual capital and identify links of that capital to organizational performance and growth.

Chief acquisition officer	Services Acquisition Reform Act of 2003
	(Pub. L. No. 108-136, Title XIV)
		• Advise and assist the head of the agency and other agency officials to ensure that the agency's mission is achieved through the management of the agency's acquisition activities.
		• Monitor and evaluate the performance of the agency's acquisition activities and programs, and advise the agency head on the appropriate business strategy to achieve the mission of the agency.
		• Increase the use of full and open competition in the acquisition of property and services by establishing policies, procedures, and practices that ensure that the agency receives a sufficient number of sealed bids or competitive proposals from responsible sources at the lowest cost or best value.
		• Increase appropriate use of performance-based contracting and performance specifications.
		• Make acquisition decisions consistent with all applicable laws and establish clear lines of authority, accountability, and responsibility for acquisitions.
		• Manage the direction of acquisition policy and implement the agency-specific acquisition policies, regulations, and standards.
		• Develop and maintain an acquisition career management program to ensure an adequate professional workforce.
		• As part of the strategic planning and performance evaluation process,
		  • assess the knowledge and skill requirements established for agency personnel and their adequacy for facilitating the achievement of the performance goals for acquisition management;
		  • develop strategies and specific plans for hiring, training, and professional development to rectify any deficiencies in meeting such requirements; and
		  • report to the agency head on the progress made in improving acquisition management capability.

Source: GAO.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Bernice Steinhardt, (202) 512-6806 or steinhardtb@gao.gov

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Related GAO Products

Defense Business Transformation: Achieving Success Requires a Chief Management Officer to Provide Focus and Sustained Leadership. GAO-07-1072. Washington, D.C.: September 5, 2007.

Assesses the progress DOD has made in setting up a management framework for overall business transformation efforts and the challenges DOD faces in maintaining and ensuring success of those efforts, including the need for a CMO.

Homeland Security: Management and Programmatic Challenges Facing the Department of Homeland Security. GAO-07-452T. Washington, D.C.: February 7, 2007.

Discusses the numerous management challenges at DHS, including the transformation of the department. Suggests various solutions to enhance overall transformation efforts.

High-Risk Series: An Update. GAO-07-310. Washington, D.C.: January 2007.

Reports on government programs and operations that are considered high risk. Suggests solutions and continued oversight and action by Congress.

Defense Business Transformation: A Comprehensive Plan, Integrated Efforts, and Sustained Leadership Are Needed to Assure Success. GAO-07-229T. Washington, D.C.: November 16, 2006.

Discusses DOD's efforts to develop an enterprisewide business transformation plan and compliance with legislation that addresses business systems modernization. Suggests a COO/CMO position as a solution to improve business transformation.

Department of Defense: Sustained Leadership Is Critical to Effective Financial and Business Management Transformation. GAO-06-1006T. Washington, D.C.: August 3, 2006.

Discusses DOD financial and business management challenges. Suggests actions needed to enhance business and financial transformation efforts.

21st Century Challenges: Transforming Government to Meet Current and Emerging Challenges. GAO-05-830T. Washington, D.C.: July 13, 2005.

Discusses long-term fiscal challenges and other significant trends and challenges facing the federal government. Suggests ways federal agencies can transform into high-performing organizations.

Department of Homeland Security: A Comprehensive and Sustained Approach Needed to Achieve Management Integration. GAO-05-139. Washington, D.C.: March 16, 2005.

Examines DHS's management integration efforts. Recommends actions to be taken by the Secretary of Homeland Security and Congress.

Chief Operating Officer Concept and its Potential Use as a Strategy to Improve Management at the Department of Homeland Security. GAO-04-876R. Washington, D.C.: June 28, 2004.

Discusses the management and organizational transformation challenges at DHS. Describes how a COO can be a tool to address DHS's challenges.

Comptroller General's Forum: High-Performing Organizations: Metrics, Means, and Mechanisms for Achieving High Performance in the 21st Century Public Management Environment. GAO-04-343SP. Washington, D.C.: February 13, 2004.

Summarizes the findings of a GAO forum held in November 2003 on high-performing organizations. Discusses the key characteristics and capabilities of high-performing organizations.

Results-Oriented Government: Shaping the Government to Meet 21st Century Challenges. GAO-03-1168T. Washington, D.C.: September 17, 2003.

Describes significant performance and management problems facing the federal government and the importance of periodic reexamination and reevaluation of agencies' activities. Suggests a range of options that Congress could use to eliminate redundancy and improve operations.

Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges. GAO-03-192SP. Washington, D.C.: October 4, 2002.

Summarizes the findings of a GAO roundtable held in September 2002 on the COO concept and how it might be used in selected federal agencies as

one strategy to address certain systemic governance and management challenges.

Managing for Results: Using Strategic Human Capital Management to Drive Transformational Change. GAO-02-940T. Washington, D.C.: July 15, 2002.

Discusses the importance of human capital. Suggests actions that the federal government needs to take in order to reform human capital.