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GOVERNMENT REFORM

GAO's Comments on the
National Performance Review

Statement of Charles A. Bowsher
Comptroller General of the United States



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Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the administration's National Performance Review (NPR) initiative. The first phase of NPR began in March 1993 and focused on how existing government programs could operate more efficiently and effectively. The second phase, commonly referred to as NPR II, began in December 1994 and focuses primarily on what government should do. My testimony today will discuss our perspectives on each phase of the NPR initiative based on our NPR reports and our limited assessment of the NPR II proposals that have recently been announced.

NPR--PHASE I

In September 1993, after 6 months of study, NPR made 384 recommendations designed to make the government "work better and cost less." The recommendations covered 27 federal agencies and 14 crosscutting government systems, such as procurement, human resource management, and budgeting. Following an interim status report issued in December 1993,¹ we issued an in-depth analysis of those recommendations in a December 1994 report, noting whether we agreed or disagreed with each of the recommendations and describing their implementation status.²

We reported that over 90 percent of the recommendations had been acted upon in some fashion but few had been fully implemented. More specifically, only 4 percent of the recommendations had been fully implemented by the fall of 1994--1 year after they were announced. Another 37 percent of the recommendations had been partially implemented. Slightly more than half had been acted upon in some manner but not to the point where we considered any of the recommendations' goals to have been achieved. No action had been taken to implement about 5 percent of the recommendations.

Overall, we "agreed" or "generally agreed" with more than three-fourths of the NPR recommendations. This level of agreement is not surprising given that NPR emphasized many of the basic themes that we have stressed for years. We had insufficient information to comment on 86 of the 384 recommendations but disagreed with only 3.

¹Management Reform: GAO's Comments on the National Performance Review's Recommendations (GAO/OCG-94-1, Dec. 3, 1993).

²Management Reform: Implementation of the National Performance Review's Recommendations (GAO/OCG-95-1, Dec. 5, 1994).

Although NPR's recommendations addressed a wide range of issues, we noted in our December 1994 report that they did not address many other critical management problems. For example, they did not address a number of issues that the Office of Management and Budget and we consider to be high-risk areas. These issues include defense inventory management practices that have resulted in unneeded inventory valued by the Department of Defense at \$36 billion and problems plaguing federal information technology initiatives, such as the Federal Aviation Administration's air traffic control modernization project.

The NPR recommendations also did not address nearly three-fourths of the issues we identified last year for the former chairman of this Committee as the most important management problems facing 23 federal agencies. These issues include the lack of effective controls over Department of Defense disbursements and inadequate project management and planning in the Department of Energy. Therefore, while we believe the recommendations NPR made are an important contribution toward improved federal management, we also believe that significant additional opportunities remain to make government work better and cost less.

Observations on the Long-Range Potential for NPR I Changes

In both our 1993 and 1994 reports on NPR, we said three themes were crucial to the long-range success of the reinvention effort. First, the administration must work in partnership with Congress to develop mutually agreed-on goals and implementation strategies, particularly on some of the more contentious and difficult changes NPR recommended. Second, attention should be paid to agencies' capacities to take on the additional responsibilities that NPR envisions in a downsized, decentralized, and deregulated environment. Careful workforce planning and reengineering of outdated systems and structures are needed to ensure that downsizing does not diminish program performance and increase the potential for fraud, waste, and abuse. Third, because some of the NPR recommendations will take several years to implement, sustained attention is needed from top political and career leadership to create and guide these long-term management improvement efforts.

The NPR recommendations were organized around four general principles: cutting red tape, putting customers first, empowering employees to get results, and cutting back to basics. However, the recommendations addressed an amalgam of issues and proposed an array of seemingly unconnected solutions. In our 1994 report we noted that to be successful in the long run, NPR would need to sharpen its focus and bind the recommendations together into a more coherent framework that could better permit the government reform movement to take root and flourish.

One way to provide that focus is to more clearly define government management in terms of results or outcomes to be achieved. Today, government management primarily focuses on the efficient use of allocated resources, adherence to procedural requirements, and accomplishment of certain output-related tasks, such as the number of claims processed or the number of inspections completed. A reinvented government, while not ignoring these traditional management elements, should focus more on defining and measuring programmatic results, such as reduced infant mortality or effective collection of taxes.

To make the transition to reinvented government and results-oriented management, we said three things are needed. First, agencies' goals must be clearly stated in outcome-based terms, and means must be developed to measure progress toward achieving those goals. Second, decisionmakers must have much more reliable programmatic, financial, and operational information that will enable them to know whether agencies' goals are being achieved and systems to bring that information to decisionmakers in a timely manner. Finally, management structures and processes need to be redesigned to reinforce the focus on outcome-based management.

NPR--PHASE II

The second phase of the NPR effort began in December 1994 and has four primary components: (1) an agency restructuring initiative, (2) a regulatory reinvention initiative, (3) a federalism initiative, and (4) further implementation of the phase I recommendations.

Thus far, NPR II has primarily taken the form of periodic announcements regarding either proposed restructuring or changes in the administration's regulatory approach. Even less has been announced regarding the federalism initiative, although several of the agency restructuring initiatives involve devolution of authority to and performance partnerships with state or local governments. NPR staff are conducting a spring 1995 reassessment of agencies' implementation of the phase I recommendations, but that reassessment has not yet been available to us.

Agency Restructuring Announcements

According to NPR, the objective of the agency restructuring initiative is to "[e]xamine the basic missions of government to find and eliminate things that don't need to be done by the federal government and sort out how best to do the things the federal government should continue to do." Several such efforts have been announced in recent months:

- o On December 19, 1994, the President proposed restructuring three cabinet departments (Energy, Transportation, and Housing and Urban Development) and two major agencies (the General Services Administration and the Office of Personnel Management).
- o On January 3, 1995, the Vice President sent a memo to the heads of all executive departments and agencies asking them to form teams to fundamentally rethink their missions. Information from these agency teams is being used within the administration to decide how the agencies will be reinvented.
- o On March 27, 1995, the President announced restructuring and streamlining initiatives at four more departments and agencies--the Department of the Interior, the National Aeronautics and Space Administration, the Small Business Administration, and the Federal Emergency Management Agency.
- o On April 12, the Vice President announced a set of reinvention initiatives for the Social Security Administration.

To date, NPR has targeted a total of 10 departments and agencies for restructuring. NPR staff told us that others are due to be announced every 2 to 3 weeks until June 1995.

Regulatory Reinvention

The NPR II reinvention of federal regulatory processes is focused on the way the federal government both regulates and enforces its regulations. On March 4, 1995, the President directed the heads of all departments and agencies to:

- o conduct a page-by-page review of all of their agencies' regulations, which is to be completed by June 1, 1995, and eliminate or revise those regulations that are outdated or otherwise in need of reform;
- o change the way they measure the performance of both their agencies and their frontline regulators to focus on results, not process and punishment;
- o convene groups of frontline regulators and the people affected by their regulations at various locations across the country; and
- o expand their efforts to promote consensual rulemakings.

On March 16, 1995, the President announced the first of what is expected to be a series of agency-specific and governmentwide regulatory reforms. Initiatives for the Environmental Protection

Agency focused on such issues as cutting paperwork burdens, incentives for self-disclosure and correction, and extended use of emissions trading. Proposed reforms for the Food and Drug Administration included allowing changes in certain manufacturing processes, elimination of certain special drug requirements, and exemption of additional categories of low-risk medical devices from premarket review. Proposed governmentwide changes included:

- o allowing small businesses that are first-time violators of regulations an opportunity to avoid punitive actions by correcting the violations;
- o allowing agencies to waive up to 100 percent of any punitive fine on a small business if the sum will be used to correct the underlying violation; and
- o requiring regularly scheduled reports only half as often, wherever possible.

Our Observations on NPR I
Also Apply to NPR II

We have not assessed the specific proposals in either NPR II's restructuring or regulatory initiatives. However, based on our limited review of the administration's recent announcements, we believe that the themes and issues that we emphasized in our 1993 and 1994 reports about NPR I are also applicable to the NPR II proposals. We strongly believe that Congress and the administration should work together as much as possible on restructuring initiatives and regulatory changes. For example, as the administration announces its proposed changes to agencies' structures and programs, Congress is considering its own proposals to eliminate certain departments and agencies, privatize several current federal functions, and devolve program responsibilities in a number of areas to state and local governments. These parallel efforts will undoubtedly surface many innovative and thoughtful ideas for reconfiguring federal agencies and programs. Once surfaced, however, Congress and the administration should work together as much as possible, particularly since any systemic changes to federal structures and functions must be approved by Congress and must be implemented by the executive branch.

Our NPR I comments about the need for sustained leadership and the need to pay attention to agencies' capacities are also applicable to NPR II proposals. Sustained leadership will be needed because implementation of agency restructuring changes will take longer than implementation of the NPR I recommendations and the issues are more complex. Capacity issues will be important because not only must decisionmakers be concerned about the capacities of federal organizations, they must also be aware

of the ability of nonfederal entities to accept additional responsibilities.

We support efforts to move to a smaller, more efficient government. However, both downsizing and restructuring efforts must be done strategically and should be based on sound workforce plans. These steps are necessary to ensure that program performance does not diminish and the potential for fraud, waste, and abuse does not increase. Before major changes are made, decisionmakers should ensure that the capacities of both the entities receiving additional responsibilities and the entities responsible for program oversight are able to perform those duties.

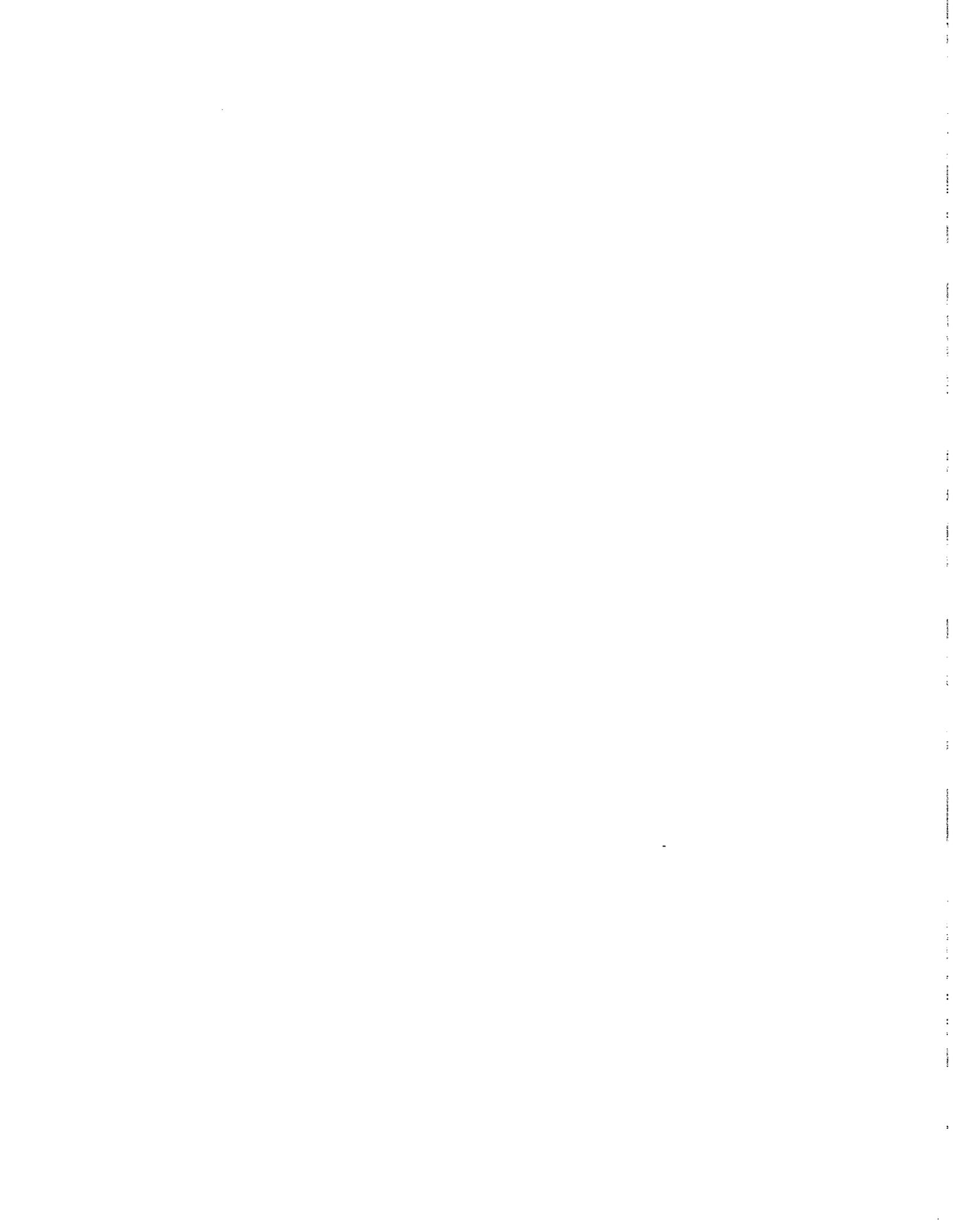
The issues we discussed in our December 1994 report about how to move to results-oriented management are also valid regarding the proposed changes in NPR II. For example, we believe that an agency's mission and goals statement should be the foundation upon which all of its restructuring proposals rest. The agency's goals should be clearly stated in outcome-based terms before steps are taken to privatize or devolve its functions, consolidate its programs, or alter its organizational structure. Proposals to change the design and delivery of an agency's programs should be based on an understanding of the needs of the people the agency serves, the appropriate federal role in these areas, and a clear statement of the outcomes that the agency is attempting to achieve.

Reliable Information Needed to Assess NPR II Proposals

Once an agency's mission and goals are clear, congressional and executive branch decisionmakers will need more reliable programmatic and financial information to assess the NPR II proposals and to evaluate their implementation. Implementation of the Government and Performance Results Act of 1993 (GPRA) and the Chief Financial Officers (CFO) Act is helping to provide these types of data. Under GPRA, agencies are to develop strategic plans by fiscal year 1998, prepare annual plans setting performance goals by fiscal year 1999, and report annually on their performance starting in March 2000. NPR II may, in fact, result in departments and agencies choosing to accelerate this schedule because restructuring will require some of the same analysis of goals and strategies. The Government Management Reform Act recently expanded the CFO Act's requirements to cover all 24 CFO Act agencies and to require a consolidated financial statement of executive branch agencies in fiscal year 1997. Decisionmakers should use these and other data sources in reexamining longstanding policies and organizational arrangements.

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Mr. Chairman, this concludes my prepared statement. We will be pleased to answer any questions.

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