

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





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

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 steinhardt@gao.gov.

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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

¹See 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).

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

³See 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

⁴IRS 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.

⁵In 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

⁶In 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

⁷The 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.

⁸The 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.

⁹For 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

¹⁰GAO, *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

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

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

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- 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

¹³The 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.

¹⁴GAO, *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

¹⁶GAO-02-940T.

¹⁷For 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.)

¹⁸GAO, *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).

¹⁹Section 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

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

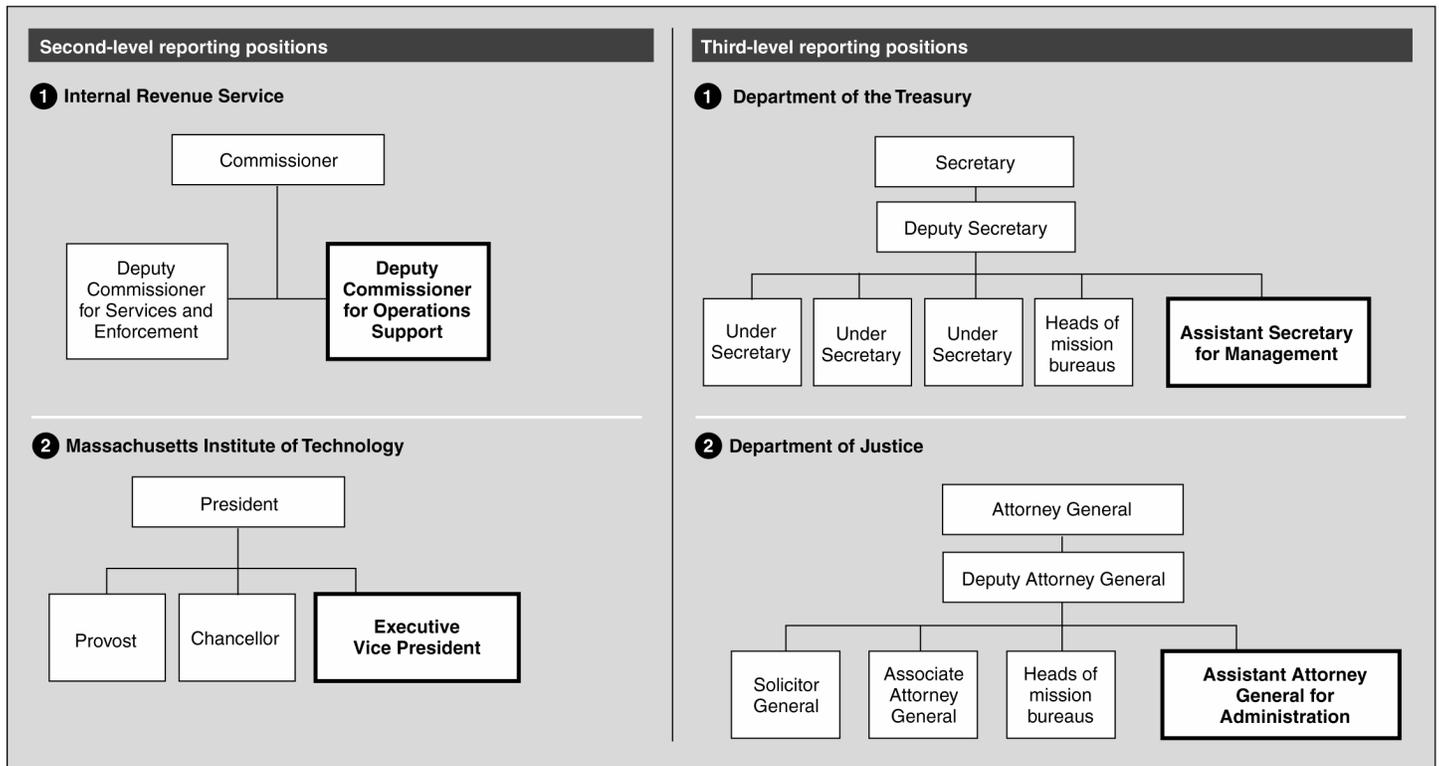
Ensure That the COO/CMO Has a High Level of Authority and Clearly Delineated Reporting Relationships

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.

²¹GAO, *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

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

²³GAO, *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

²⁴For 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

²⁵GAO, *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

²⁶GAO, *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.

²⁷See 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](#).

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- 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

Job Qualifications Can Better Ensure Requisite Management Skills and Abilities

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.

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

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

³¹At 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

Performance Agreements Can Help to Hold COO/CMOs Accountable

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.

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

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

³³GAO, *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

³⁴In 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 ^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.

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.

^aExecutive 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).

^bMembers 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.

^cA Chairman may not be reappointed after serving a full 14-year term as a member.

^dThe 4-year term does not have to coincide with the President's term in office.

^eAn individual may continue to serve after the expiration of his or her term until a successor is appointed.

^fAn 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

³⁵As 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.

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

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.

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

³⁶GAO-02-940T.

³⁷As 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

³⁸See 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 steinhardt@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.

A handwritten signature in black ink that reads "Bernice Steinhardt". The signature is written in a cursive style with a large initial 'B' and 'S'.

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
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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)	<ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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, <ul style="list-style-type: none"> • 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.

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

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)	<ul style="list-style-type: none"> • 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)	<ul style="list-style-type: none"> • 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, <ul style="list-style-type: none"> • 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

Acknowledgments

In addition to the contact named above, Sarah Veale, Assistant Director; Charlesetta Bailey; Martene Bryan; K. Scott Derrick; and Karin Fangman made major contributions to this report. Others who made important contributions include Carolyn Samuels and Jay Smale.

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.

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