PRESIDENT'S COUNCIL on INTEGRITY & EFFICIENCY

F O R E W O R D

Various Offices of Inspector General (OIG) annually identify the "Top Management Challenges" facing their agencies and discuss how the issues unique to their agency could be addressed. This effort began in December 1997, when congressional leaders asked the federal Inspectors General to identify "the 10 most serious management problems" in their host agencies. This request began a yearly process that was eventually codified into law with the enactment of the Reports Consolidation Act of 2000, whereby agencies will include their OIG's list of significant management issues in their annual performance and accountability reports.

As has been the case over the last 4 years, the President's Council on Integrity and Efficiency (PCIE) has reviewed this information reported by the OIGs and compiled information to reveal any management challenge trends facing our government. For the Congress and the rest of the oversight community, this compilation could be useful in highlighting significant cross-cutting issues and identifying possible government-wide projects warranting high-level attention and review.

For this year's compilation, we have included challenges that OIGs have identified in 26 agencies. Specifically, the agencies included cover 24 departments and agencies subject to the Chief Financial Officers (CFO) Act, the Internal Revenue Service (since the Service has a separate Inspector General), and the Federal Deposit Insurance Corporation. The identification of these challenges has occurred over the last 9 months, beginning in November 2001.

The attached report provides a matrix of the "Top Management Challenges," as well as the challenges each OIG identified for their agency. When viewed collectively, the Inspectors General have identified eight challenges having applicability across government. These challenges are, in order of most frequently identified, as follows:

- ♦ Information Technology Management and Security
- ♦ Performance Management, Measurement and Accountability
- ♦ Financial Management and CFO Statements
- ♦ Procurement and Grant Management
- ♦ Human Capital and Staffing
- ♦ Public Health and Safety
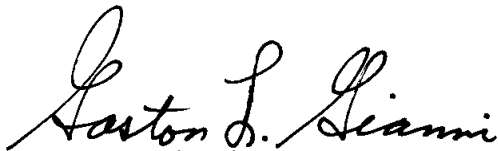- ♦ Physical Infrastructure
- ♦ Service to the Public

This year's compilation of the "Top Management Challenges" is very similar when compared with last year's report with one noteworthy change. The number of OIGs citing *Physical Infrastructure* as a management challenge for their agency has nearly doubled. Based on our

review of the individual OIG reports, we believe the increased attention associated with this challenge, which was introduced last year, and the protection of our homeland is directly related to the terrorist attacks on September 11, 2001.

Information Technology Management and Security continues to be the most significant management challenge facing the government agencies reflected in this report. This challenge includes all aspects of information technology, including the security and critical infrastructure issues. As with *Physical Infrastructure* and *Public Health and Safety*, we anticipate these three challenges to be facing our government for quite some time.

As we reported last year, a number of the management challenges we have highlighted are closely aligned with the President's Management Agenda. The *Performance Management, Measurement and Accountability* challenge has been renamed to reflect the challenges associated with complying with the Government Performance and Results Act as well as the Administration's initiative to integrate budget and performance. Similarly, the issues featured in the *Financial Management and CFO Statements* and *Human Capital and Staffing* challenges closely mirror the Administration's reform initiatives to improve financial accountability and strategically manage human capital.

Within the Inspector General community, we are continuing to combine forces to more effectively and efficiently confront common challenges. Our 4-phase effort in the critical infrastructure assurance arena is continuing and our work in the financial management area to address improper payment issues has begun. Our coordination with the CFO community to lay the foundation for accelerating the issuance of agency financial statements is an example of our commitment to good, effective government. Finally, we are continuing to seek opportunities to improve our communications with one another, our agency management, and the Congress as we pursue solutions to the complex issues facing us. We believe this report supports our resolve towards that end.

Gaston L. Gianni, Jr.
Vice Chair

August 23, 2002

TOP AGENCY MANAGEMENT CHALLENGES MOST FREQUENTLY IDENTIFIED

By various Offices of Inspector General over the current period, beginning November 2001

Agency	Information Technology Management & Security	Performance Management, Measurement & Accountability	Financial Management & CFO Statements	Procurement & Grant Management	Human Capital & Staffing	Public Health & Safety	Physical Infrastructure	Service to the Public
1. USAID	X	X	X	X	X			
2. Agriculture[1]	X		X	X		X	X	X
3. Commerce	X	X	X	X				X
4. Defense	X		X	X	X	X	X	
5. Education	X	X	X	X	X			
6. Energy	X	X		X	X	X	X	
7. HHS	X	X	X	X		X	X	X
8. HUD	X	X	X	X	X			X
9. Interior	X	X	X	X		X	X	
10. Justice	X	X	X	X	X	X	X	
11. Labor	X	X	X	X	X	X		X
12. State	X	X	X	X	X	X	X	
13. Transportation	X	X	X	X	X	X	X	X
14. Treasury	X	X	X					
15. Veterans Affairs	X	X	X	X	X	X		X
16. EPA	X	X	X	X	X	X	X	
17. FEMA	X	X	X	X	X	X	X	X
18. FDIC	X	X	X	X	X		X	X
19. GSA	X	X		X	X	X	X	X
20. IRS	X	X	X		X		X	X
21. NASA	X		X	X		X	X	
22. NSF	X	X	X	X	X		X	
23. NRC	X	X	X	X	X	X		X
24. OPM	X	X	X		X			X
25. SBA	X	X	X	X	X			
26. SSA	X	X			X			X
TOTAL	**26**	**23**	**23**	**22**	**20**	**15**	**15**	**14**

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[1] USDA's first Performance and Accountability Report will be issued on February 1, 2003, which will include USDA OIG's identified management challenges. The information provided herein, is a draft, as of August 9, 2002.

TOP AGENCY MANAGEMENT CHALLEGES
Identified by the Agency's OIG over the current period, beginning in November 2001

Agency for International Development (USAID)
1.   Improving Financial Reporting and Resource Management Capabilities
2.   Improving Information Resource Management Processes
3.   Improving Computer Security
4.   Implementing an Integrated Financial Management System
5.   Correcting Outstanding Financial Management System Planning Deficiencies
6.   Reconciling Financial Data
7.   Accurately Reporting Accounts Receivable
8.   Human Capital Management
9.   Ensuring Adequate Procurement Office Staffing
10.   Ensuring Effective Contract Administration
11.   Performance Measurement and Reporting

Department of Agriculture
1.   Homeland Security Issues
2.   Federal Crop Insurance
3.   Farm Security and Rural Investment Act of 2002
4.   Food Stamp Program
5.   National School Lunch and School Breakfast Programs
6.   Food Safety Issues
7.   Animal and Plant Health Inspection Service
8.   Forest Service Management and Program Delivery Issues
9.   Forest Service National Fire Plan
10.   Grant and Agreement Administration
11.   Rural Rental Housing
12.   Rural Business-Cooperative Service
13.   Civil Rights Complaints
14.   Financial Management
15.   Information Resources Management

Department of Commerce
1.   Successfully Implement a Department-Wide Financial Management System
2.   Strengthen Department-wide Information Security
3.   Successfully Implement the U.S. Patent and Trademark Office's Transition to a Performance-Based Organization
4.   Increase International Compliance with Trade Agreements and Expand Market Access for American Exporters
5.   Enhance Export Controls for Dual-Use Commodities
6.   Increase the Effectiveness of Fishery Management
7.   Continue to Improve the Department's Strategic Planning and Performance Measurement in Accordance with the Results Act

8. Strengthen Financial Management Controls to Maintain "Clean" Opinion on the Department's Consolidated Financial Statements
9. Successfully Implement Acquisition Reform Initiatives
10. Effectively Manage Major Facilities Renovation and Construction Projects

Department of Defense
1. Information Technology Acquisition
2. Information Technology Security
3. Other Security Concerns
4. Financial Management
5. Acquisition
6. Health Care
7. Inventory Management
8. Other Infrastructure Issues
9. Readiness
10. Human Capital

Department of Education
1. Correct Longstanding Financial Management Problems
2. Strengthen Information Technology Security
3. Improve Internal Controls
4. Improve Contract Monitoring
5. Balance Compliance Monitoring and Technical Assistance
6. Meeting its Goal of Removing the Student Financial Assistance Programs from the GAO "High Risk" List
7. Pursue Appropriate Electronic Government Initiatives
8. Improve Strategic Management of Human Capital
9. Improve and Test Continuity of Operations Plans
10. Improve Management of Information Technology Assets
11. Obtain Reliable Performance Data and Improve Performance Measures

Department of Energy
1. Contract Management
2. Energy Supply
3. Environmental Standards and Stewardship
4. Human Capital
5. Information Technology
6. Infrastructure and Asset Management
7. Performance Management
8. Research and Development Investment
9. Security and Safety
10. Stockpile Stewardship

Department of Health and Human Services (HHS)
1. Bioterrorism
2. Medicare Contractors
3. Protection of Critical Infrastructure
4. Pricing Prescription Drugs
5. Skilled Nursing Facilities
6. Medicare Payment Error Rate
7. Medicaid Managed Care
8. Child Support Enforcement
9. Oversight of Prospective Payment System Implementation
10. Abuses in Medicaid Payment Systems
11. Medicare Payments for Mental Health Services

Department of Housing and Urban Development (HUD)
1. Complete Department-wide Organizational Changes
2. Improve Financial Management Systems
3. Assure Adequate and Sufficiently Trained HUD Staff
4. Improve Federal Housing Administration Single Family Loan Origination and Real Estate Owned Property Oversight
5. Improve the Effectiveness and Efficiency of Public and Assisted Housing Program Administration

Department of Interior
1. Emergency Management
2. Financial Management
3. Grants/Procurement/Contracts Administration
4. Results Act Implementation
5. Health and Safety
6. Information Technology Infrastructure and Security
7. Maintenance
8. Resource Protection and Restoration
9. Responsibilities to American Indians Alaska Natives, and Insular Areas
10. Revenue Collections

Department of Justice
1. Counterterrorism
2. Sharing of Intelligence and Law Enforcement Information
3. Information Systems Planning and Implementation
4. Computer Systems Security
5. The Immigration and Naturalization Service's Enforcement of Immigration Laws
6. Financial Statements and Systems
7. Detention Space and Infrastructure
8. Grant Management
9. Performance Based Management
10. Department of Justice Organizational Structure

Department of Labor
1. Effectiveness of Employment and Training Programs
2. Financial Performance
3. Accountability: Budget and Performance Integration
4. Security of Pension Assets
5. Protection of Worker Benefit Funds
6. Information Technology and Electronic Government Challenges
7. Integrity of Foreign Labor Certification Programs
8. Effectiveness of Mine Safety and Health Programs
9. Rapid Expansion of the Bureau of International Labor Affairs
10. Human Capital Management

Department of State
1. Improving Security for Our People, Facilities, and Information
2. Protecting Classified Information
3. Improving Financial Management
4. Human Resources Challenges/Workforce Planning
5. Counterterrorism/Border Security
6. Strategic and Performance Planning

Department of Transportation
1. Responding to September 11, 2001
2. Supporting the Nation's Aviation System
3. Deciding the Future Structure and Funding of Inter-City Passenger Rail (AMTRAK)
4. Improving Motor Carrier and Vehicle Safety
5. Balancing Coast Guard's Mission and Budget Requirements
6. Stewardship and Accountability Over Federal Funds

Department of the Treasury
1. Prompt Corrective Action
2. Linking Resources to Results
3. Financial Management Systems
4. Information Security
5. Duplicated, Wasteful Practices

Department of Veterans Affairs
1. Health Care Quality Management and Patient Safety
2. Resource Allocation
3. Compensation and Pension Timeliness, Quality, and Inappropriate Payments
4. Results Act Data Validity
5. Security of Systems and Data
6. Federal Financial Management Improvement Act and VA's Consolidated Financial Statements
7. Debt Management
8. Workers Compensation Costs

9.   Procurement Practices
10.   Human Capital Management

Environmental Protection Agency (EPA)
1.   Linking Mission and Management
2.   Information Resources Management
3.   Results-Based Information Technology Investment Management
4.   Employee Competencies
5.   Quality of Laboratory Data
6.   EPA's Information Systems Security
7.   EPA's Use of Assistance Agreements to Accomplish Its Mission
8.   Backlog of National Pollutant Discharge Elimination System Permits
9.   EPA's Working Relationship with the States
10.   Protecting Critical Infrastructure from Non-Traditional Attacks

Federal Emergency Management Agency (FEMA)
1.   Homeland Security Support
2.   Disaster Response and Recovery
3.   State and Local Preparedness
4.   Mitigation Programs
5.   National Flood Insurance Program
6.   Information Technology Management
7.   Financial Management
8.   Human Capital Management
9.   Grants Management
10.   Results Act Implementation

Federal Deposit Insurance Corporation (FDIC)
1.   Organizational Leadership
2.   Deposit Insurance Reform
3.   Supervising Insured Institutions
4.   Protecting Consumer Interests
5.   Addressing Risks to the Insurance Funds
6.   Managing Information Technology
7.   Ensuring Sound Controls and Oversight of Contracting Activities
8.   Establishing Goals and Measuring Results
9.   Addressing Human Capital Issues
10.   Containing Costs and Assessing Business Processes
11.   Physical Security
12.   Quality of Bank Financial Reporting Auditing

General Services Administration (GSA)
1.   Protection of Federal Facilities and Personnel
2.   Management Controls
3.   Information Technology
4.   Procurement Activities

5.   Human Capital
6.   Aging Federal Buildings

Internal Revenue Service (IRS)
1.   Security of the Internal Revenue Service—Employees, Facilities, and Information Systems
2.   Systems Modernization of the Internal Revenue Service
3.   Integrating Performance and Financial Management
4.   Processing Returns and Implementing Tax Law Changes During the Tax Filing Season
5.   Complexity of the Tax Law
6.   Tax Compliance Initiatives
7.   Providing Quality Customer Service Operations
8.   Erroneous Payments
9.   Taxpayer Protection and Rights
10.   Human Capital

National Aeronautics and Space Administration (NASA)
1.   Information Technology Security
2.   E-Government Initiatives
3.   International Space Station Program Management
4.   NASA's Integrated Financial Management System
5.   Safety and Mission Assurance
6.   Launch Vehicles
7.   Security of NASA Facilities and Technology
8.   Procurement
9.   Cost Estimating
10.   National Environmental Policy Act Implementation
11.   Plum Brook Reactor Decommissioning

National Science Foundation (NSF)
1.   Workforce Planning and Training
2.   Management of Large Infrastructure Projects
3.   Award Administration
4.   Cost Sharing
5.   Data Security
6.   Results Act Data Quality
7.   Cost Accounting Systems
8.   Management of U.S. Antarctic Program
9.   Merit Review and its Role in Fostering Diversity
10.   The Math and Science Partnership Program

Nuclear Regulatory Commission (NRC)
1.   Protection of Nuclear Material and Facilities Used for Civilian Purposes
2.   Development and Implementation of an Appropriate Risk-Informed and Performance-Based Regulatory Oversight Approach

3.	Identification, Acquisition, Implementation, and Protection of Information Resources
4.	Administration of All Aspects of Financial Management
5.	Clear and Balanced Communication with External Stakeholders
6.	Intra-Agency Communication
7.	Integration of Regulatory Processes in a Changing External Environment
8.	Maintenance of a Highly Competent Staff

Office of Personnel Management (OPM)
1.	Human Resources Management
2.	Retirement Systems Modernization
3.	Expanding E-Government
4.	Implementation of the Results Act
5.	Revolving Fund and Salaries and Expenses Accounts
6.	OPM's Financial Management Oversight of the Federal Employees Health Benefits Program (FEHBP)
7.	Improving the Performance of the FEHBP

Small Business Administration (SBA)
1.	Improve Its Management for Results Processes and Produce Reliable Performance Data
2.	Modernize Its Major Loan Monitoring and Financial Management Systems
3.	Improve Information Systems Security
4.	Fully Develop and Implement Its Human Capital Management Strategies
5.	Better Controls Needed Over Business Loan Purchase Process
6.	Continue Improving Lender Oversight
7.	More Participating Companies Need Access to Business Development and Contracts in the Section 8(a) Business Development Program
8.	Clearer Standards to Determine Economic Disadvantage
9.	Clarify Rules to Deter Section 8(a) Business Development Participants from Passing Through Procurement Activity to Non-Section 8(a) Business Development Firms
10.	Preventing Loan Fraud

Social Security Administration (SSA)
1.	Fraud Risk
2.	Improper Payments
3.	Systems Security
4.	Service Delivery
5.	Human Capital
6.	Performance, Management and Data Reliability
7.	Management of the Disability Process
8.	Integrity of the Earnings Reporting Process
9.	SSN Misuse and Privacy Concerns (Identity Theft)
10.	Integrity of the Representative Payee Process