

Inspectors General and the President's Management Agenda— Making Good on Promises

Government likes to begin things—to declare grand new programs and causes. But good beginnings are not the measure of success. What matters in the end is completion. Performance. Results. Not just making promises, but making good on promises. In my Administration, that will be the standard from the farthest regional office of government to the highest office in the land.

George W. Bush

President's Message

The President's Management Agenda

The President's Management Agenda was announced in August 2001 to "address the most apparent deficiencies where the opportunity to improve performance is the greatest." Its goal was to establish a more responsible and responsive government that was citizen-centered, results-oriented, and market-based.

The Administration stated that the Agenda's focus was on five government-wide initiatives:

- Human Capital Management
- Competitive Sourcing
- Financial Management Improvement
- Expanded Electronic Government
- Integration of Budget and Performance

To show where the government stands on these initiatives and the progress agencies are making, the Administration is using an "*Executive Branch Management Scorecard*." This scorecard applies the "traffic light" approach for each of the five initiatives to gauge progress by 26 agencies, including OMB. Red represents unsatisfactory performance in any one condition, yellow is for mixed results, and green means that all the standards for success have been met. The scores are based on standards for success as developed by the President's Management Council in consultation with others such as the Office of Management and Budget, the General Accounting Office (GAO), and other experts from government and academia.

On February 15, Inspector General Gaston L. Gianni, Jr., testified before the House Government Reform Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations regarding the Agenda and the role of the Inspector General Community in accomplishing this Agenda. Representative Stephen Horn serves as Chairman of the Subcommittee. Mr. Gianni was invited to testify before the Subcommittee in his capacity as Vice Chair of the President's Council on Integrity and Efficiency (PCIE). In his statement, he highlighted the work of the PCIE and individual IGs, provided the IG community's initial impressions on the Agenda, and suggested how the community could add value to the process. Representative Pete Sessions (R-TX), Mark Everson, OMB, and Christopher Mihm, GAO, also testified at the hearing.

The following excerpts are taken from Inspector General Gianni's testimony:

Mr. Chairman, the issues raised in these initiatives are not new to us. Specifically, I would like to share some information on the community's expertise, our views on the Agenda itself, and our role in overseeing as well as facilitating this effort.

How is the IG Community Positioned to Comment on the Management Agenda?

Almost 24 years ago, the IG concept was developed and enacted into law. While the Act has been amended several times over the years to add new IGs and clarify reporting requirements, the basic tenets of the Act's intended mission have remained constant and strong. The role of the IG is to protect the integrity of government programs through traditional audits and other reviews; improve program effectiveness; and prevent and detect fraud, waste, and abuse.

The Offices of Inspector General (OIGs) bring to bear a long-standing historical perspective on the challenges and opportunities facing our government. OIGs offer stability and a broad base of knowledge and expertise on individual agencies and the government as a whole. In addition to our agency-specific reports, each OIG summarizes its work in semiannual reports to the Congress to communicate the most pressing issues facing their agencies.

Over the last several years, OIGs have assisted the Congress and played a significant role in advancing the implementation of the Government Performance and Results Act (GPRA) of 1993. Many OIGs have been providing independent assessments as well as insight and advice to help promote this important legislation. We envision the implementation of the Management Agenda to be quite similar to the GPRA effort and, because of past contributions, believe we are well qualified to offer our assistance.

As a community, OIGs have focused attention on good government for many years. In May 2001, the PCIE, along with the Executive Council on Integrity and Efficiency, adopted its Strategic Framework to memorialize this responsibility. The Strategic Framework articulates the Councils' mission, vision, goals, objectives, and strategies for the next three years.

Communication and coordination are basic tenets of the IG community. To convey and share our ideas, knowledge, and experience, we employ a variety of publications, forums, and working groups.

Annual Progress Report

In our last progress report, A Progress Report to the President for Fiscal Year 2000, detailed the pivotal role the OIGs have assumed in such areas as:

- information technology
- GPRA compliance and accountability
- financial management, and
- program integrity.

Through hundreds of independent and objective audits, evaluations, inspections, and investigations of Federal programs and activities, OIGs uncovered potential savings of \$9.5 billion and identified recoveries of almost \$5.5 billion. We look forward to issuing our fiscal year 2001 report to the President later this spring.

Journal of Public Inquiry

For a number of years, the IG community has published its Journal of Public Inquiry to offer professionals both inside and outside of the IG community and scholars an opportunity to address issues of importance. In anticipation of the January 2001 change in Administration, we issued a 2-part special edition. The first part discussed how past OIG efforts have contributed to government efficiency and effectiveness; the second part highlighted important issues facing the next Administration from the OIG perspective.

Management Challenges Report

Over the past 3 years, OIGs across government have examined their agencies' programs and operations and highlighted their agencies' "top management challenges." The Councils have compiled these challenges into a short report to attract high-level attention. As we will discuss below, five of the eight challenges, which we highlighted in our March 27, 2001 report to the Chairman and Ranking Member of the House Government Reform Committee, are prominently featured in the President's Management Agenda. We anticipate that our next management challenges report, which we plan to issue soon, will feature a number of the same initiatives.

As these activities attest, we are deeply committed to the IG mission and ready to offer our perspectives on the President's Management Agenda.

What Are the IG Community's Perspectives on the President's Management Agenda?

Mr. Chairman, the issues raised in these initiatives are not new to us. At this time, I would like to offer the IG community's perspective on each of the five government-wide initiatives. I will also describe some of the work that we as individual OIGs or as a community have done in these areas, including items that may need further consideration.

1. Human Capital Management

Human capital management has recently been receiving increased attention throughout government. The GAO was

one of the first agencies to highlight this area as a "high risk" factor for the federal government.

Members of the IG community believe this area is a major management challenge not only for their respective entities but also within their own organizations. The theme of a recent issue of our *Journal of Public Inquiry* emphasized the challenges government agencies and the IG community are facing with these human capital issues.

In the March 2001 management challenges summary that I mentioned earlier, 18 of 27 OIGs also cited human capital as a top agency challenge compared to 7 OIGs the year before. Many OIGs are addressing this area through workforce analyses and other activities in their respective agencies.

2. Competitive Sourcing

This initiative is intended to increase public-private competition for improved performance and cost savings. As part of the Federal Activities Inventory Reform (FAIR) Act, agencies and departments as well as the OIGs have been identifying functions that could be performed by the private sector. As the federal government increases its competitive resource programs, oversight of agency contracting activities will take on added importance.

As a note of caution, the federal government has been lax in its contractor oversight. Our annual reports to the President are full of examples where poor contractor oversight resulted in excessive and unnecessary costs to the taxpayer. Even more alarming, fraudulent billing schemes can result.

Last year, 20 of 27 OIGs identified procurement and grant management as a major management challenge. We noted that appropriate internal controls and oversight of these areas must be in place to ensure that the goods or services are not only meeting the needs of the government and the public, but that they are provided in the most cost-effective and efficient manner.

3. Financial Management Improvement

The Administration is aggressively seeking to improve the timeliness, usefulness, and reliability of financial information to enable sound decision making and safeguard the government's assets. Since the enactment of key legislation during the 1990s to improve federal financial management, OIGs have worked closely with federal entities to address financial management and accounting system weaknesses. As a result, 18 of 24 Chief Financial Officer (CFO) agencies received unqualified or "clean" opinions on their Fiscal Year 2000 financial statements.

Much more needs to be done to improve the quality, timeliness, and usefulness of financial information and enhance financial information systems. In our last annual report to the President, we mentioned that for some agencies, attainment of a clean opinion is a fragile and somewhat artificial achievement because it results from extraordinary end-of-year efforts rather than a more constant accounting operation. The Administration's emphasis on accelerating the reporting requirements over the next few years to eventually require an audited financial statement within 45 days after the end of the fiscal year could

further complicate this effort. The CFO and IG community will be working together to address this emerging issue.

Agencies will need to further streamline their processes and/or upgrade their financial information systems to achieve this goal. The IG community has developed a "best practices" guide for performing financial statement audits. Together with the GAO, we have revised the Financial Audit Manual that provides auditors with a single reference for auditing agency financial statements.

4. Expanded Electronic Government

OIGs agree that electronic technology can be used to effectively and efficiently improve services to the government taxpayer and others. However, appropriate controls need to be in place to safeguard the sensitive data and critical systems of the government. All 27 OIGs reporting last year identified information technology, security, and critical infrastructure protection as the top management challenge facing their agency.

The IG community has demonstrated its expertise in addressing the risks to the government's automated information infrastructure during the successful Year 2000 (Y2K) effort. Currently, we are continuing to assess the government's IT risks through the review of the government's effort to protect physical and cyber-based systems. We are also conducting annual independent evaluations of the agencies' information security programs and practices as part of the Government Information Security Reform Act (GISRA).

5. Budget and Performance Integration

The Administration's focus on program results through this integration of budget and performance initiative appears to be grounded in GPRA. According to a recent GAO report, agencies have made some progress in linking expected performance and program activity funding. However, GAO states that additional effort is needed to clearly describe the relationship between performance expectations, requested funding, and consumed resources.

The IG community continues to consider GPRA implementation and accountability as a significant agency challenge. Last year we responded to Congressional requests for the OIGs' assessment of the most significant performance measures contained in their agencies' performance reports and the extent to which the data or information underlying the measures was valid and accurate. Many of the OIGs have made the assessment of GPRA-related performance measures a standard part of their work.

Overall, we believe that the initiatives contained in the President's Management Agenda are a promising first step. Having said that, the success of these initiatives can only be achieved through updated, integrated information systems. As such, agencies will need to invest in updating their financial and program information systems and ensure that these systems are developed and approved in accordance with standard system architecture platforms.

How Does the IG Community View Its Role?

The PCIE is organizationally structured to respond to the requests of its shareholders as well as the needs of its com-

munity. Our Audit and Inspection and Evaluation Committees have been involved in a number of the endeavors. Our two active Roundtables regularly meet to address information technology and GPRA issues. We have established working relationships with the CFO, CIO, and Procurement Executive Councils, whereby we attend their meetings and coordinate on issues needing an OIG perspective.

As evidence of our commitment, the PCIE and ECIE Strategic Framework states as its first goal the community's ever-present desire to "Improve Federal Programs and Operations." This goal calls for the community to continue its identification of management challenges and exert its leadership in government-wide activities to address common challenges. We also are currently engaged in a variety of ongoing initiatives and conversations with several different organizations to discuss best practices and consider alternatives for addressing areas of weakness.

Individually, IGs build relationships with their agency heads and strive to be influential forces in identifying vulnerabilities and facilitating excellence. Simply put, our job is to oversee operations and recommend ways to make them better. We view ourselves as "agents of positive change." An IG is clearly in a position to oversee the progress an agency is making in moving from "red to green" on the scorecard and to offer insights on opportunities to further advance the agency's progress. Depending on the needs of the individual agency, an OIG can offer feedback on the scorecard measures and verify and validate the measures and processes. An OIG can target its audit and review planning to examine operations and programs where the opportunity for advancing the agenda would be the greatest.

While changes in vulnerability and risk have affected the focus of the OIGs' work and priorities over the years, we have adapted to these changes in order to remain relevant and on point. I believe that the Management Agenda offers us yet another opportunity to align our focus. While I

cannot speak for how each OIG will approach its work within their agency, I am confident that each IG is mindful of the importance of this agenda and will develop a strategy to provide the most valuable input.

Closing

In summary, IGs were given authority to be independent voices for economy, efficiency, and effectiveness within the federal government. We take this authority and responsibility very seriously as we are committed to promoting integrity, accountability, and transparency within our respective agencies.



The IG community continues to embrace the President's Management Agenda and is actively working to implement it government-wide. Currently several of the PCIE's subcommittees are focusing attention on financial management improvement initiatives—specifically, erroneous payments and accelerated financial reporting. At the IG Community's annual conference, a panel discussion on the Agenda is planned and representatives from OMB and the Office of Personnel Management will participate. Additionally, an IG will serve as the focal point for each of the five key areas of the government-wide agenda going forward. As indicated in the testimony, the IG community's *Annual Progress Report to the President*, expected to be released later this spring will also speak to the Agenda.

Inspectors General are committed to fostering performance that will lead to the results envisioned by the Agenda. Members of the IG community are privileged to be among the public servants working to make good on the President's promise. 🏛️