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# 2004 FISCAL YEAR TRANSITIONS and TRANSFORMATIONS in the Federal Government



**The Honorable David M. Walker**  
Comptroller General of the United States  
October 2003



# Transition

**Webster's  
definition**

Passage from one state, stage, or place  
to another: **CHANGE**

A movement, development or evolution  
from one form, stage, or style to another





# GAO's Strategic Plan

## SERVING THE CONGRESS GAO'S STRATEGIC PLAN FRAMEWORK



### MISSION

GAO exists to support the Congress in meeting its constitutional responsibilities and to help improve the performance and ensure the accountability of the federal government for the benefit of the American people.

- THEMES**
- Security and Preparedness
  - Globalization
  - Changing Economy
  - Demographics
  - Science and Technology
  - Quality of Life
  - Governance

### GOALS & OBJECTIVES

Provide Timely, Quality Service to the Congress and the Federal Government to...

Address Current and Emerging Challenges in the Well-Being and Financial Security of the American People *needed to...*

- Efficient core needs and financing
- Effective use of personnel and information
- Work opportunities and career advancement
- Information, record accessibility
- Effective system of justice
- Public communities
- Natural resources use and environmental protection
- Physical infrastructure

Respond to Changing Security Threats and the Challenges of Global Interdependence *requiring...*

- Efficient security threats
- Military capabilities and readiness
- Assessment of U.S. interests
- Global market losses

Help Transform the Federal Government's Role and How It Does Business to Meet 21st Century Challenges *by assessing...*

- Roles in a changing federal landscape
- Federal capital structure liability for services to the public
- Progress toward results oriented, accountable, and relevant government
- Effectiveness and financing of the government

Maximize the Value of GAO by Being a Model Federal Agency and a World-Class Professional Services Organization *by assessing...*

- Client and customer service
- Leadership and management focus
- Professional knowledge and experience
- Employee involvement
- Enclosure of ethics

### CORE VALUES

- Accountability
- Integrity
- Reliability



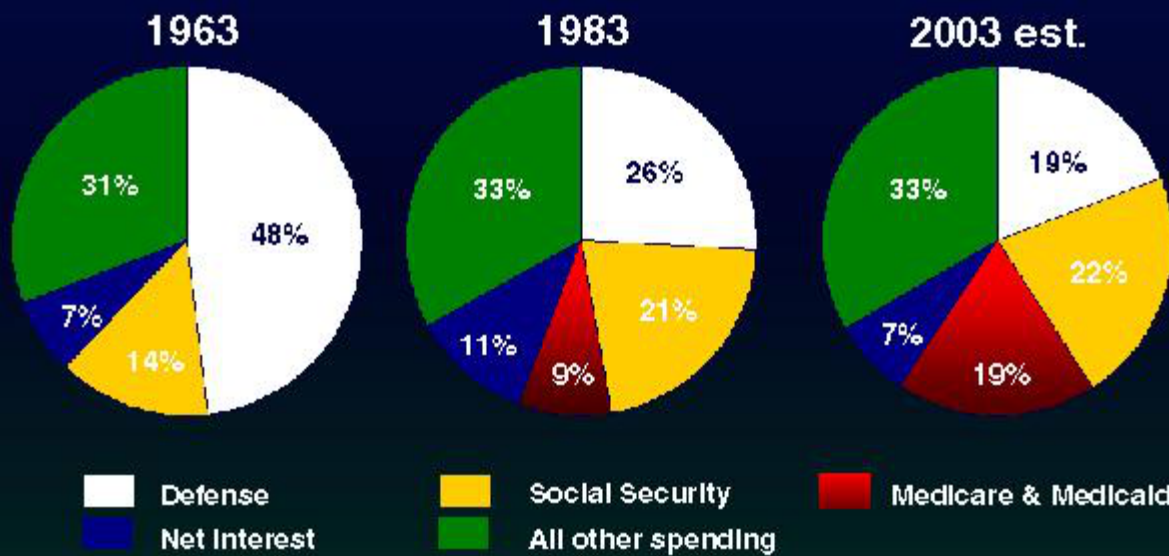
# GAO's High Risk List

High Risk Areas	Designated High Risk
<b>Addressing Challenges in Broad-based Transformations</b>	
Protecting Information Systems Supporting the Federal Government and The Nation's Critical Infrastructures	1997
Strategic Human Capital Management*	2001
U.S. Postal Service Transformation Efforts and Long-Term Outlook*	2001
Implementing and Transforming the New Department of Homeland Security	2003
Modernizing Federal Disability Programs*	2003
Federal Real Property*	2003
<b>Ensuring Major Technology Investments Improve Services</b>	
FAA Air Traffic Control Modernization	1995
IRS Business Systems Modernization	1995
DOD Systems Modernization	1995
<b>Providing Basic Financial Accountability</b>	
DOD Financial Management	1995
IRS Financial Management	1995
Forest Service Financial Management	1999
FAA Financial Management	1999
<b>Reducing Inordinate Program Risks</b>	
Medicare Program*	1990
Collection of Unpaid Taxes	1990
DOD Inventory Management	1990
Student Financial Aid Programs	1990
HUD Single-Family Mortgage Insurance and Rental Assistance Programs	1994
Earned Income Credit Noncompliance	1995
DOD Support Infrastructure Management	1997
Medicaid Program*	2003
Pension Benefit Guaranty Corporation Single-Employer Insurance Program*	2003
<b>Managing Large Procurement Operations More Efficiently</b>	
DOD Weapon Systems Acquisition	1990
Department of Energy Contract Management	1990
NASA Contract Management	1990
DOD Contract Management	1992

\*Additional authorizing legislation is likely to be required as one element of addressing this high risk area.



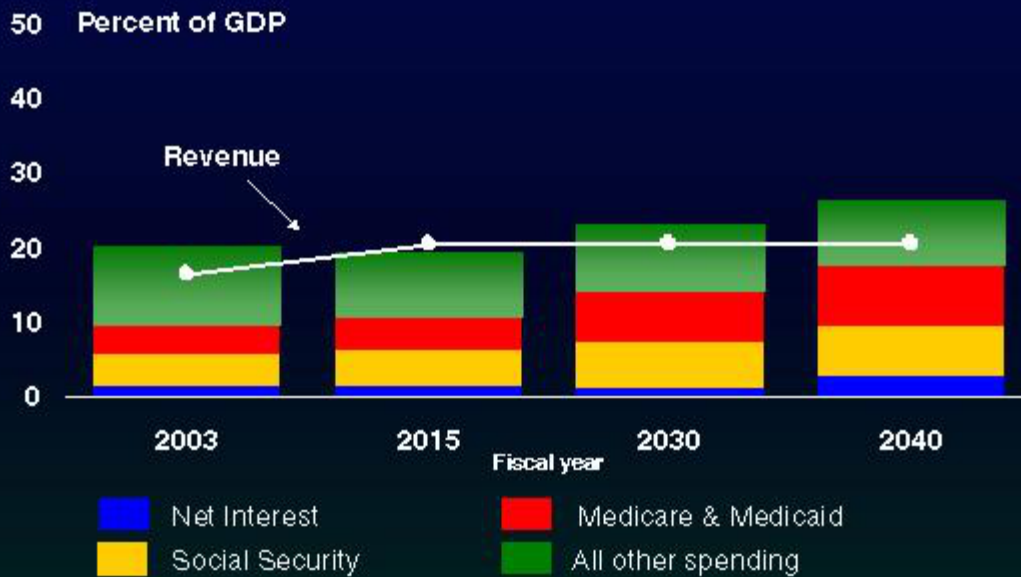
# Composition of Federal Spending



Source: *Budget of the United States Government, FY2004*, and *FY2004 MidSession Review*, Office of Management and Budget.



## Composition of Spending as a Share of GDP Under Baseline Extended



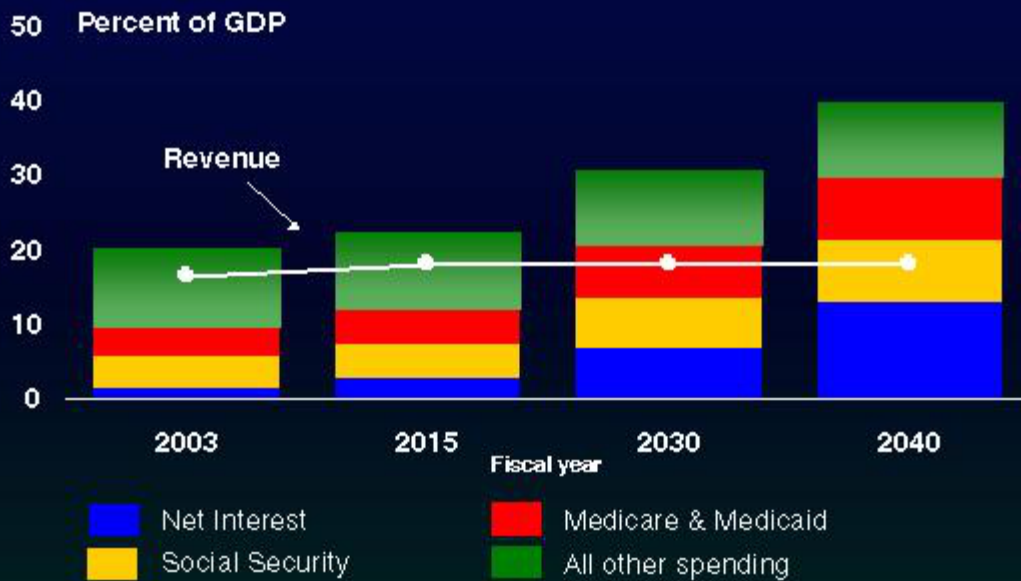
Notes: In addition to the expiration of tax cuts, revenue as a share of GDP increases through 2013 due to (1) real bracket creep, (2) more taxpayers becoming subject to the AMT, and (3) increased revenue from tax-deferred retirement accounts. After 2013, revenue as a share of GDP is held constant. This simulation assumes currently scheduled Social Security benefits are paid in full throughout the simulation period. 6

Source: GAO's August 2003 analysis.





## Composition of Spending as a Share of GDP Assuming Discretionary Spending Grows with GDP after 2003 and All Expiring Tax Provisions Are Extended



Notes: Although all expiring tax cuts are extended, revenue as a share of GDP increases through 2013 due to (1) real bracket creep, (2) more taxpayers becoming subject to the AMT, and (3) increased revenue from tax-deferred retirement accounts. After 2013, revenue as a share of GDP is held constant. This simulation assumes that currently scheduled Social Security benefits are paid in full throughout the simulation period.

Source: GAO's August 2003 analysis.



# Selected Fiscal Exposures: Sources and Examples

(End of FY 2002)

Type	Example (dollars in billions)
Explicit liabilities	Publicly held debt (\$3,540) Military and civilian pension and post-retirement health (\$2,673) Veterans benefits payable (\$849) Environmental and disposal liabilities (\$273) Loan guarantees (\$28)
Explicit financial commitments	Undelivered orders (\$539) Long-term leases (\$50)
Explicit financial contingencies	Unadjudicated claims (\$9) Pension Benefit Guaranty Corporation (\$36) Other national insurance programs (\$8) Government corporations e.g., Ginnie Mae
Implicit exposures implied by current policies or the public's expectations about the role of government	Debt held by government accounts (\$2,674) Future Social Security benefit payments (\$3,549)* Future Medicare Part A benefit payments (\$5,931)* Life cycle cost including deferred and future maintenance and operating costs (amount unknown) Government Sponsored Enterprises (e.g., Fannie Mae and Freddie Mac)

\*Figures for Social Security and Medicare Part A are as of January 1, 2003, and are estimated over a 75-year period. These amounts represent NPV and are net of debt held by the Trust Funds (\$1,378 billion for Social Security and \$236 billion for Medicare Part A). The estimate for Social Security over an infinite horizon would be \$10.5 trillion according to the Social Security Trustees' 2003 annual report. There is no infinite horizon estimate for Medicare included in the Medicare Trustees' 2003 annual report.

Source: GAO analysis.



## Our Long-Term Fiscal Challenge: How Can We Begin to Address It?

- Recognize that we are in a fiscal hole, and stop digging. We also need to exercise more fiscal discipline on both the spending and tax sides.
- From a budget scoring perspective, assure that the long-term cost of selected major spending and tax proposals are quantified before legislation is enacted.
- Assure that Social Security and Medicare trust funds and existing entitlement programs are solvent and sustainable over time and aligned with 21<sup>st</sup> Century economic, demographic, and other realities.



## Our Long-term Fiscal Challenge: How Can We Begin To Address It?

- Conduct baseline reviews of all major mandatory and discretionary government programs, policies, and functions on the spending and tax side.
- Develop a set of key national indicators to assess (1) America's position and progress over time and (2) where we stand in relation to other nations.
- Modernize the federal government's organizational structure to make it more efficient, effective, and responsive.
- Reinforce the importance of proper accounting and reporting issues.



# **Trans**FORMATION

**Webster's  
definition**

**An act, process, or instance of  
change in structure appearance,  
or character**

**A conversion, revolution,  
makeover, alteration, or  
renovation**





**Transformation is about creating the future rather than perfecting the past. Effective human capital strategy is key to any successful transformation effort.**



## The Case for Change

- **Government is on a “burning platform,” and the status quo way of doing business is unacceptable for a variety of reasons, including:**
  - Past fiscal trends and significant long-range challenges
  - Rising public expectations for demonstrable results and enhanced responsiveness
  - Selected trends and challenges having no boundaries
  - Additional resource demands due to recent terrorism events in the United States
  - Government performance/accountability and high risk challenges, including the lack of effective human capital strategies



# Transformation: A New Model for Government Organizations

Government organizations will need to:

- Become less hierarchical, process-oriented, stovepiped, and inwardly focused.
- Become more partnership-based, results-oriented, integrated, and externally focused.
- Achieve a better balance between results, customer, and employee focus.
- Work better with other governmental organizations, non-governmental organizations, and the private sector, both domestically and internationally, to achieve results.





# Transformation Has Different Dimensions

**DOD**

**DHS**

**U. S. Postal Service**

**IRS**

**DOE**

**NASA**

**Human Capital Strategy**  
**Financial Management**  
**Information Technology**  
**Sourcing Strategy**  
**Disability Programs**  
**Real Property Management**

Note: All of the above are on GAO's High Risk List to one extent or the other.



## Keys to Making Change Happen

- Commitment and sustained leadership
- Demonstrated need for change
- Process (e.g., employee involvement)
- Identifiable and measurable progress over time
- Communication, communication, communication
  
- Several other actions needed:
  - Strategic Plan
  - Core values
  - Organizational alignment
  - Recruiting, development, and succession planning strategies
  - Performance measurement and reward systems



**In today's world, organizations  
that do not change may find  
themselves headed for extinction.  
At the same time, every organization  
should have a set of core values  
that can stand the test of time.**



## Key Enablers for Effective Performance Management

- People
- Process
- Technology
- Environment

The most important of the four is **PEOPLE** —  
an agency's human capital.





## People: Enabler of Transformation

- In knowledge-based organizations, people:
  - Define an agency's character.
  - Drive its capacity to perform.
- Effective strategic human capital management approaches serve as the cornerstone of any serious change management initiative.
- Requires a long-term commitment to valuing human capital as a strategic asset.



## GAO: Leading by Example (Change, Performance, and Human Capital Management)

- Mission and vision clarification
- Core values: accountability, integrity, reliability
- Strategic planning
- Organizational realignment
- Definitions of success
- Multi-tasking and matrix management
- Procurement, contracting, and acquisition
- Human capital
- Information technology
- Knowledge management
- Financial management
- Client service/external agency relations
- Enhanced products and services
- Constructive engagement with agencies
- Partnering with other accountability organizations



# How GAO Has Addressed Its Human Capital Challenges

## Administrative

- ♦ HQ realignment & field office restructuring
- ♦ Self-assessment checklist
- ♦ Human capital profile
- ♦ Workforce & succession planning
- ♦ Employee feedback survey & suggestion program
- ♦ Employee Advisory Council
- ♦ Enhanced employee communications & participation
- ♦ Skills & knowledge inventory
- ♦ Employee preference survey
- ♦ Frequent flyer miles
- ♦ Student loan repayment
- ♦ Recruiting & college relations
- ♦ Training/development
- ♦ Recognition & rewards
- ♦ Flexitime & flexiplace
- ♦ Business casual dress & business cards
- ♦ Enabling technologies
- ♦ Opportunity/inclusiveness
- ♦ Mentor/buddy programs
- ♦ Commuting subsidy
- ♦ Competency-based employee appraisal system
- ♦ Human Capital Officer
- ♦ Office of Opportunity & Inclusiveness



# Legislation Addressing GAO's Human Capital Challenges

## Past

- Broad-banding system for mission staff
- Expedited hiring authority (e.g., internship program)
- Special pay rates
- Senior level for technical staff
- Targeted early out and buyout authority (3 years)
- Revised RIF rules

## Pending

- Targeted early out and buyout authority (permanent)
- Annual pay adjustment rates
- Pay retention provisions
- Relocation benefits
- Increased annual leave for upper level employees
- Executive exchange program
- Re-designation of "General Accounting Office" to "Government Accountability Office"





# Competency-Based Performance Appraisal

Objective of new system are to provide a:

2. Clear link to our strategic plan and core values
3. Fair, honest, accurate and non-discriminatory assessment of performance based on standards that are valid, properly applied, and transparent to employees
4. A sound basis for enhancing the performance capacity of all staff, rewarding high-performing staff, and dealing with "below expected" performers





# Employee Feedback Survey

- Employee Feedback Survey – to be administered annually
  - Three surveys conducted so far – September 1999, June 2002, July 2003
  - Key data source for people measures
- Benchmark where possible – primarily against OPM's 2002 Human Capital Survey.
- General improvement from 2002 to 2003: positives went up in 72 of 83 questions, with one area remaining constant, and negatives went down in 53 of 83 questions, with one area remaining constant.



## People Measures to Assess GAO's Performance in Human Capital Management

While 21 items in the employee survey comprised the people measures for 2003, three behaviors provided the mechanism for the greatest organizational change:

- Making good use of staff's skills and abilities
- Ensuring a clear link between performance and recognition
- Providing meaningful incentives for high performance



# Attracting and Retaining Staff

- Success in attracting a quality workforce  
Number of employees hired (177) out of those approved to be hired (180) = 98%
- New-hire acceptance rate = 72%  
In FY03, 177 acceptances out of 246 offers (69 declinations)
- Attrition = 7.7%  
Retirees = 4.1%; non-retirees = 3.6%



# Developing, Supporting, and Using Staff

- Staff Development

72% of GAOers responded favorably (composite of 3 questions), resulting in a 1.0% absolute increase over 2002

### 3. Staff Utilization

71% of GAOers responded favorably (composite of 3 questions), resulting in a 3.4% absolute increase over 2002



# Leading, Recognizing, and Listening to Staff

- **Leadership**

78% of GAOers responded favorably (composite of 10 questions), resulting in a 2.3% absolute increase over 2002.

- **Organizational climate**

71% of GAOers responded favorably (composite of 5 questions), resulting in a 4.4% absolute increase over 2002.



# Benchmarking Results for 2003

- GAO exceeded the government-wide average in 9 of 11 OPM benchmark questions, and it exceeded the private sector benchmark in all 4 questions, as shown below.

<b>Personal Experiences</b>	<b>Benchmarking Results</b>		
	<b>Private Industry 1999-2000</b>	<b>OPM 2002</b>	<b>GAO 2003</b>
I am given a real opportunity to improve my skills in my organization	59%	57%	66%
My job makes good use of my skills and abilities	70%	64%	71%
My work gives me a feeling of personal accomplishment	68%	70%	79%
Considering everything, how satisfied are you with your job?	67%	68%	74%

Source: Federal Human Capital Survey 2003 analysis, excluding GAO column.





**GAO will continue to lead by example and pursue benchmark opportunities with entities in both the public and private sectors.**



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