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THE EXECUTIVE OFFICE OF THE PRESIDENT

AGENCY TEAM REPORT

NATIONAL PERFORMANCE REVIEW

INTERNAL WORKING DOCUMENT
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August 4, 1993

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Section I

Introduction

INTRODUCTION

The executive branch employs almost five million people,[1] but is led by only one President, the "Chief Executive." For the President to lead the federal government most effectively, the Executive Office of the President (EOP) must be strong, nonbureaucratic and relentlessly forward-looking amidst enormous distractions. And if reinvention is to succeed, it must begin at the top.

The EOP has already begun this effort. In the first days of the new Administration, the President announced that he would rapidly deliver on his promise to begin reinventing government by cutting the size of the EOP by 25 percent -- from 1,394 people in 15 agencies to 1,044 in 12 agencies, at a savings of more than $10 million.[2] In addition, he reorganized the White House's Office of Policy Development to maximize agency teamwork and cooperation on cross-cutting policy issues. In the time since that February announcement, internal review teams have scrutinized a broad range of the EOP's daily activities, from the workings of the budget process to the use of computer technology.

The EOP's mission and challenges are unique. It is constantly called on to help the President respond rapidly to crises ranging from terrorism to floods. Yet it must also keep up with the largest volume of incoming mail in American history. The EOP must coordinate with 21 cabinet-level agencies and 120 other agencies, all the while carrying out the day-to-day responsibilities reflected by its organizational chart: macroeconomics, national security, the budget, management of the government, environmental policy, international trade, federal science and technology policy, drug control policy oversight and other broad domestic policy questions. It must provide the rest of the federal government with coherent and consistent leadership, despite its dispersed offices and the many political appointees who come and go with each election.

As if these challenges weren't enough, the Executive Office of the President faces each task in a political fishbowl that makes it one of the most scrutinized organizations in the world. This visibility makes it a model for the rest of the federal government. Upon their arrival in Washington, most Presidents have reorganized the EOP to suit their priorities -- and this administration is no exception.

If the EOP itself faces unique challenges, so too do those who would reinvent it. In the wake of the EOP's 25 percent staff cuts -- far deeper than the gradual 4 percent cut mandated for the rest of government -- there are few additional functions to downsize, privatize, eliminate or automate. Further cuts in the EOP's 1994 budget of $180 million could weaken the EOP without significantly contributing to the President's deficit reduction package of close to $500 billion.

Instead, the charge to the National Performance Review (NPR) has been to identify opportunities to improve the quality of the EOP's services, to help it better use its scarce resources to give the President maximum leverage to guide the rest of the government, and to examine the operation of its largest units -- namely the Office of Management and Budget (OMB), the Office of the U. S. Trade Representative (USTR) and the Office of Administration (OA).

As mentioned above, the Administration has already implemented many reforms, and many more are on the way. But the NPR identified more than a dozen separate issues, spanning three major reinvention themes.

For the federal government to *Shift From Red Tape to Results*, the Executive Office of the President must lead. That effort should begin with the President's chief tool in achieving his priorities--the budget. Given its central role in formulating and overseeing the President's budget, OMB is the single strongest institutional lever the President has for effecting change and steering the government.

The NPR is recommending major changes in the government's budget systems and management infrastructure, changes which will affect the way OMB does business and make it a cornerstone of the effort to reinvent government. For example, the NPR is recommending that the budget development process be reformed to focus analysis on missions and measurable results, build consensus on cross-cutting issues, and give line managers more flexibility while holding them more accountable for reaching results -- a profound change from traditional, more process oriented, scorekeeping methods.

NPR's recommendations also spell new challenges for the OMB's management side. As many regulatory controls are moved to government's front lines, OMB will have to adapt its performance measurements to a new management culture -- requiring it to help balance greater flexibility against the greater risk for confusion or abuse. A stronger financial management infrastructure will integrate budget, financial and program information; streamline the delivery of financial services; and reduce unnecessary and overlapping regulations. Changes in the procurement process will foster more competitiveness and use of the private sector, create more competitive enterprises, and simplify procurement rules. A new OMB program design office will help government draw better blueprints for its policies. Widespread use of electronic technology will improve communications among agencies and strengthen the delivery of government services. As the government adopts new ways of doing business, OMB can't afford to merely keep up -- it must help the President lead.

But OMB is too often hamstrung by the demands of an increasingly complex government. As the number of leveraged interests that compete for resources through the budget process has grown geometrically, so has the time required for scorekeeping exercises involved in the budget process itself. As OMB's oversight and control responsibilities have grown more complex, its management and budget systems have become more cumbersome and less effective for the President as he attempts to manage and coordinate the executive branch through OMB. The OMB of the future will have to be more strategic and collegial in its culture, its policy reviews and its coordinating activities.

The NPR proposes to simplify many of these intricacies, yet strengthen the government's accountability to the President and to the public. Streamlining the regulatory review process (Issue #1), the paperwork reduction effort (Issue #2), and OMB circulars (Issue #3) should enhance OMB's role in EOP policy leadership and coordination, while reducing outcomes that burden our economy and the public.

One of the most unique units within the EOP is the Office of the United States Trade Representative, the President's agent to coordinate trade policy among government agencies and lead negotiations with our trading partners. The effects of international trade resonate deeply within our states and localities -- yet Washington has not systematically identified their needs and concerns. Recommendation #4 calls for such systematic outreach, in order to cut the red tape states and localities face in trying to get their voices heard.

To help the President do more with less, the White House must be able to call on and assemble the best minds available inside and outside of government. Federal advisory committees and informal interagency working groups have been invaluable sources of expertise, but they are increasingly expensive and hamstrung by laws which prohibit the pooling of agency resources. Recommendation #5 proposes streamlining the management of the advisory committee process in order to increase their efficiency without sacrificing their quality.

Second, the EOP must also be a leader in *creating a new, quality management culture*. Indeed, the EOP should be the model for customer service in the government, because everything it does reflects on the President. And the ultimate success of the EOP as an organization will be determined by the quality of service it provides to its internal and external customers.

OMB's internal reinvention process -- "OMB 2000" -- is searching for new ways to change OMB's philosophy and culture. Building on this initiative, the NPR has recommended a number of specific actions to improve OMB's management functions (Issue #6). For OMB to lead the way in eliminating systemic management deficiencies through the government, it must start by reexamining its own practices.

A new OMB can transform the way the American government plans and executes its mission. No other institution is so well-equipped to spot problems long before they become crises. And OMB can rebuild government's capacity to evaluate its programs and services, and help the agencies review and renew their fundamental missions.

By its nature, OMB must make decisions that frustrate agencies seeking resources to fulfill ambitious agendas. But even as we acknowledge this natural tension, there is a need for OMB to build stronger relationships with the agencies, as well as with state and local governments (Issue #7). The NPR is recommending specific actions to improve these partnerships, including the appointment of an ombudsman and the establishment of staff exchange programs.

USTR depends on an interagency trade policy coordination process to prepare common negotiating positions, and more strategic management of this process would get the most out of the considerable resources participating agencies can offer (Issue #8). Also, as international competition becomes more intense, the USTR must work to systematically build on the negotiating skills of its staff (Issue #9).

The diverse tasks and working environment of the EOP pose administrative challenges that would daunt even the most efficient private-sector firm -- especially one that seeks to reinvent its workplace culture. Creation of an EOP Customer Service Bureau (Issue #10) would help the Office of Administration meet the myriad, diverse, and fast-paced demands placed on it by the other EOP agencies.

Moreover, the EOP's commitment to a culture of administrative quality must endure beyond the tenure of any individual President. The NPR recommends that the Office of Administration institute a formal program of self-review of its critical administrative processes (Issue #11). Such a program will tap into the deep dedication and institutional expertise of the EOP's employees -- just as the NPR has called on such expertise across the government.

One of the most unique challenges to EOP's management culture are the regular and comprehensive transitions in leadership that occur with each election. Overnight, a new staff must acclimate itself to a new work environment, hire new political staff, and assume responsibility for running the federal government. If the transfer of power is to be orderly, the EOP must have greater financial and administrative support to cope with the tremendous changes and dramatic workload of America's presidential transitions (Issue #12).

Finally, the EOP is already *doing more with less,* but it can do even better. The best start will be to modernize many labor-intensive, paper-laden and duplicative administrative processes that do not take full advantage of current technology (Issue #13). A number of quick, relatively inexpensive initiatives are available to help offset the 25 percent staff cut, and several of these projects are already underway.

As we move forward to reinvent the federal government, the Executive Office of the President must provide *leadership* -- by showing a bias for results over red tape, by sparking a quality revolution in government, and by showing the federal bureaucracy and the American people that every federal office can produce more with limited resources. The EOP has already begun to provide this leadership, and now it must continue -- to streamline and save money, to examine its internal functions, and to seek new opportunities to make government work better. Our report shows how to begin the next phase.

Endnotes

1. This figure includes military personnel. Office of Management and Budget, Budget of the U.S. Government, Fiscal Year 1994 (Washington., D.C. 1993), p.39.

2. White House Press Release, February 9, 1993. Note: As cabinet-level agencies, the Office of Management and Budget and the United States Trade Representative, were subject to the President's overall government reductions, but not the 25% cut in the EOP. Thus, their staffs are not counted among the 1,394 or 1,044.

Section II

Issue Papers and Recommendations

Shifting from Red Tape to Results

OMB's processes must be streamlined so that it can help government manage for results and fix accountability for outcomes--rather than merely adhering to intricate rules and tracking compliance with burdensome and expensive procedures.

International trade negotiations can be strengthened through greater federal interaction with state and local governments, most of which are increasingly affected by complex trade agreements.

Federal advisory committees provide invaluable expertise, and could be of even greater utility if managed with greater flexibility and with a clearer focus on outcomes.

EOP-01

SHIFT REGULATORY REVIEW FROM A CENTRALIZED CONTROL FUNCTION TO A PROGRAM EVALUATION TOOL

Background

The Office of Management and Budget's (OMBs) centralized review of regulations serves several purposes, including: insuring consistency with the president's agenda, overseeing compliance with executive orders, and detecting and resolving conflicts among agencies. Thus, centralized review can serve as a significant management or program evaluation tool for an administration. But this role, which has evolved over the last twenty-five years, has led to substantial OMB-agency tensions and some duplication of efforts. In order to best serve this administration and future ones, OMB should address these concerns and move forward with a proposed "triage system" which would concentrate resources on significant programs or other priorities, but reserve the capability to evaluate agency rulemaking (and the triage system itself).

Before a regulation becomes law, OMB reviews and clears it twice--once before the agency proposes it and once more before it becomes final. Within OMB, the Office of Information and Regulatory Affairs (OIRA) performs these functions. OMB's role was not formally established until 1981,[1] but the last five administrations have used some mechanism to review proposed regulations outside of the originating agency.[2]

Many agencies and public interest groups offer a variety of complaints about the process: that OMB's role causes delay and preempts agency management, that OMB lacks the expertise to second-guess agencies, that the process can become a "back door" for special interest influence, that review criteria sometimes conflict with legislative intent, and that OMB's budget and management side do not always speak with one voice.

Some of these criticisms undoubtedly arise from natural inter-agency tensions or are policy arguments in disguise, particularly since administrations use OMB to enforce their priorities. Moreover, OMB's regulatory review role can help an administration to counter "iron triangles" composed of agencies, their respective congressional committees, and related special-interest groups, to disseminate presidential policies to the agencies, and to improve the quality of regulations.

But a deep reservoir of resentment has developed between OIRA and many agencies. OMB's new political appointees are working to address these concerns, but past tensions indicate that ongoing attention will be necessary.

Moreover, OIRA requires agencies to expend substantial time and effort preparing reports on regulatory activity. The reports have become redundant--particularly the semiannual "regulatory agendas" and the annual "draft regulatory program."[3] These reports will be changed by both the Administration's new Executive Order on regulatory review and OIRA's new review process, and any new compilations should highlight management information and high-quality agency innovations.

Most importantly, the change in administrations brings with it a new regulatory agenda--from changes in existing programs to new initiatives stemming from a national health care plan or the National Performance Review. OIRA is studying how to use its limited staff to respond to this growing workload and meeting with agency regulators to develop a cooperative "triage system" for prioritizing proposed regulations.

Under the triage system, agencies will decide which proposed regulations are significant and advise OIRA of pending regulations through periodic reports. OIRA will retain the ability to review all proposals, or select proposals at random for review. The random review of some non-major regulations will tax OIRA's resources, but it will be invaluable for the President to insure that agencies are accountable for their actions. OIRA plans to document its review process and criteria in a handbook.

The history of regulatory review demonstrates that there is no easy, obvious way to use OMB's finite resources to perfectly balance agency desires for autonomy, White House desires for oversight, and other interests with a stake in the regulatory review system. OIRA should use the ideas discussed here as a foundation for innovation, and continue to work with the agencies to develop new ideas.

Recommendation

Expand OIRA's capacity by using a triage system to sort proposed regulations for review and developing more cooperative relationships with the agencies.

OIRA is working with the agencies to develop the triage system, under which agencies would select regulations for central review only if OIRA could add value. With some of its time freed from oversight, OIRA could focus more time on evaluating programs and developing management information. Some regulations not selected by the agencies for review could be studied on a random sample basis in order to evaluate agency performance (and the effectiveness of the triage system itself).

OIRA should work with the agencies and the Small Business Administration's Chief Counsel for Advocacy[4] to revise the regulatory "agenda" and "program" reports to reduce redundancy and highlight the elements that are effective tools for (1) coordinating administration policy, (2) providing public notice of impending agency actions and soliciting public opinions, and (3) promoting rule making that is flexible, innovative and sound.

OIRA's Information Collection Review Handbook can serve as a model for documenting the internal OIRA regulatory review process. The handbook or other guidance should clarify when desk officers should comment in writing, and when and how these comments will become part of the official record at the agency or at OMB.

In light of the bruised relationships and distrust that have developed over time, OIRA should move promptly and visibly to incorporate a service attitude into its culture. A professional attitude by OMB should encourage reciprocal respect from agency personnel.

Implications

By reviewing fewer regulations, OIRA can devote its attention to the functions for which it is best suited: evaluating whether the regulatory process as a whole is promoting the best interests of the public and the policies of the administration.

Fiscal Impact

The triage system could reduce some workload in OIRA. However, the drafting of a handbook and evaluation of the effectiveness of the new Executive Order and regulatory review pilots will require any free resources in the first fiscal year. In the following years, any free resources should be devoted to providing service to the agencies more promptly than is possible now. Under those conditions, this proposal is revenue neutral.

Endnotes

1. Executive Order 12291, issued on February 17, 1981, established OMB review of all regulations. The E.O. required the preparation of a "Regulatory Impact Analysis" for major rules.

2. Prior to Executive Order 12291 (E.O.), presidents have attempted to control federal regulations through the use of their formal and informal powers and advisory, interagency reviews. President Nixon set the precedent for OMB's current mandatory review with the establishment of a Quality of Life Review within the agency. This system, which focused primarily on EPA regulations, gave OMB the authority to preside over interagency reviews both before public comment and final issuance. OMB also had the authority to extend the time allowed for these reviews in order to resolve any disputes over proposed regulations. Later, Presidents Ford and Carter issued executive orders (11821 and 12044) that made the clearance of all federal regulations subject to interagency reviews, but only the promulgating agency had the authority to mandate changes. President Clinton and the new Administrator of OIRA have already announced that centralized review of regulations will continue.

3. The regulatory agenda is required by the Regulatory Flexibility Act. It requires that each agency publish a description of rules under consideration that would have a substantial impact on small entities, i.e small businesses, small not-for-profit enterprises or the governments of small jurisdictions. Executive Order 12291 added the requirement that rules under consideration that would have an economic impact over $100 million be discussed in these reports. The Regulatory Program is part of the planning process established by Executive Order 12498. It contains an overview of each "agency's regulatory policies, goals, and objectives for the program year" and related information.

4. Agencies submit their regulatory agenda and regulatory flexibility analyses on all regulations to the chief counsel who may comment, but has no enforcement powers.

EOP-02 DELEGATE ROUTINE PAPERWORK REVIEW TO THE AGENCIES AND REDEPLOY OMB RESOURCES MORE EFFECTIVELY TO ATTACK SYSTEMIC PROBLEMS

Background

In the thirteen years since Congress passed the Paperwork Reduction Act[1] (the Act), the importance of minimizing the burden of government information requests has not subsided.[2] The Office of Management and Budget (OMB) estimates that Americans annually spend about 6.5 billion hours responding to federal information collections.[3]

But OMB the agencies and Congress must improve this effort if the Act is not to overwhelm other important goals. Any easy reductions in paperwork due to the Act have probably now been made. Every agency has reviewed its major information systems in order to comply with the Act, and established procedures to determine what other information collections take place.

Under the Act, the Office of Information and Regulatory Affairs (OIRA) in OMB reviews agency information-gathering proposals and decides whether the information collection request (ICR) will be permitted.[4] OIRA requires an agency to show that a proposed collection is the least burdensome necessary, is not duplicative, and has practical utility.[5] OIRA now rejects very few information-gathering proposals as duplications of existing collections.[6]

Instead, OIRA's policy of reviewing ICRs on a case-by-case basis has led to significant bottlenecks. The case-by-case method is well suited for reviewing large or complex requests. But this approach becomes an exercise in red tape when applied to simpler requests such as small, voluntary customer comment cards with no statistical significance and doesn't address the cumulative impact of multiple requests on a single entity.

To focus OIRA on significant issues, reviews under the Paperwork Reduction Act should be shifted from a case-by-case approach to one emphasizing periodic reviews of whole programmatic areas.[7] OMB has made similar proposals: a 1992 report suggested that "successful burden reduction and management occurs when agencies evaluate broad categories of information as they relate to program objectives, rather than isolated information collection requirements."[8] The new OIRA administrator has also suggested focusing on sectors of the economy, or studying the cumulative burden on respondents.

OMB's information collection budget should be reformed to reflect this philosophical shift. The total burden is currently calculated and presented on a bureaucratic, agency-by-agency basis. The information collection budget should focus instead on *results* -- the impact of information requests on respondents and the value of information collected--in order to assess different information collection methods and identify opportunities for new reductions.[9]

As the effort to reinvent the government moves forward, agencies should move to actively solicit the opinions of their customers.[10] But the Paperwork Reduction Act subjects these voluntary inquiries to the same rules and two-month delays as it does compulsory collections.[11] While quality and accuracy are critical to survey design, this anomaly will inhibit the progress of agency reinvention.

There are many tools available to prevent the Paperwork Reduction Act from impeding the growing flow of information into the government. OMB and the agencies should explore delegations of authority and other pilot projects to enhance the capacity of the system to absorb the growing influx of information.[12]

For example, the Act allows OMB to delegate its approval authority to a senior agency official who is sufficiently independent of program responsibility and has the resources to fairly evaluate a proposed ICR under the Act.[13] But OMB has exercised this authority only once, in a 1984 delegation of authority to the Board of Governors of the Federal Reserve System.[14]

By shifting accountability to the agency that best knows the respondents, such delegations carry a powerful potential for reducing the delay and inefficiency inherent in OMB's extra layer of review. If OMB feels that the agency officials are not independent enough, it should be permitted to make "partial delegations" to agencies in specific program areas at a sub-cabinet level (with departmental review). Currently, OMB will delegate only when an agency requests complete authority.[15]

Other innovations could reduce the rigidity of the Paperwork Act. Under current policy, each case is re-reviewed no later than three years after approval -- regardless of its size, significance, or the nature of the program to which it relates.[16] This inflexible repetition diverts resources from the most meaningful review activities.

Where the program is non-controversial or unchanged, OIRA should explore ways to expedite or delegate ICR renewal reviews. OIRA could even experiment with the pre-approval of a catalogue of survey questions or sample forms, and grant expedited review to other materials which conform with the approved templates.[17]

The Act also mandated a Federal Information Locator System (FILS), to include a directory of information resources, a data element dictionary, and an information referral service.[18] But the current FILS is more modest than the drafters of the Act envisioned, and it now serves primarily as a library of abstracts of ICRs.[19] OMB recently commissioned studies of what is needed and how to achieve it, [20] and OMB should continue developing the FILS to the level originally envisioned for it.

As technological advances have spread across society, several agencies have developed computer bulletin board systems which are open to the public.[21] These systems give large segments of the public easy, inexpensive access to government information -- as well as an open forum through which agencies may feed information and collect public opinion. OMB should not permit the Paperwork Reduction Act to hamper innovation in the design and use of agency bulletin boards.

Similarly, OMB itself should solicit and draw upon public concerns and ideas for cutting red tape. The Paperwork Reduction Act requires that the agencies and OIRA involve the public in the paperwork review process, and all forms requesting information invite public comment.[22] This notice requirement is the only government-wide, systematic solicitation of direct citizen participation in paperwork review, and it works. Since 1988, OMB has received three thousand responses to these notices.[23] It should work with the agencies to respond to every relevant comment, even if only by preprinted postcards. Though time consuming and unglamorous, such acknowledgments are a basic courtesy to government's customers that could catalyze further public involvement.

OMB should also act to shore up the government's statistical expertise, especially as agencies conduct more frequent surveys.[24] The lack of such expertise has led to frequent agency errors in drafting questions and using statistical techniques. Indeed, a Government Accounting Office report recently challenged even OMB's statistical expertise.[25]

The quality of agency statistical efforts can be improved through training and referrals to qualified statisticians. Large agencies, or those performing large or frequent studies, should be encouraged to develop statistical expertise in-house. Smaller agencies, or those using surveys largely for customer satisfaction purposes, should be permitted to rely on OMB's expertise or referred to existing expertise elsewhere in the government or in the private sector.

Recommendations

1. **Attack the federal paperwork burden by shifting the focus of review efforts from case by case to programmatic reviews.**

   With its limited resources, OMB ought not give the same level of attention to every information collection request it reviews. Case-by-case reviews will not decrease the paperwork burden significantly -- and they can even be counterproductive.[26]

   Therefore, OIRA should focus on reviewing the impact--across agency lines--of the paperwork burden on categories of respondents, such as dry cleaners or universities, or on categories of information such as employee health care benefits. Agencies should strive to combine or delete requirements that are similar, not just duplicative ones. Solutions should generally have a significant or continuing impact--like innovative uses of "tiering" to recognize and reduce disproportionate impacts on small respondents.

2. **Where feasible, OMB should employ delegations of authority and other existing mechanisms to improve the capacity of the government to reduce unnecessary burdens and manage useful information.**

   OMB should expand the use of delegations of authority to agencies, and consider partial delegations to address the perceived lack of independence of agency reviewers.

   OMB should use its public reports--such as the annual Paperwork Reduction Act report and its report on the Information Collection Budget--to educate agencies and inform Congress and the public about best practices, fiascos, and barriers to further reductions. OMB should make these reports available to agencies to load onto public electronic bulletin boards. Greater use of the evolving FILS, agency information locators and bulletin boards or data will improve access to government information by the public and permit broader sharing of information among the agencies.

3. **Make greater use of public opinion to evaluate government performance, including paperwork reduction efforts.**

OMB and the agencies should leverage the public's interest in reducing the paperwork burden. Thoughtful first-hand reports from the affected public should be given more weight than an agency's or OMB's analysis of a request. Conversely, the relative lack of comments, when in the face of a dynamic, responsive and *credible* outreach effort, would indicate that a burden reduction effort should be reassessed.

Implications

OMB's efforts to attack the real paperwork burden need not be buried in an avalanche of intra-governmental red tape. Indeed, these proposals will reinvigorate the war on paperwork.

Where necessary, OIRA should use the command and control tools provided by the Paperwork Reduction Act. But the time has come for OIRA to develop new kinds of tools to ensure that the government is accountable to the public and the President for the burdens it places on others.

Fiscal Impact

Most paperwork review is performed by three branches in OIRA that are also responsible for regulatory review. Total employees include three branch chiefs, twenty-two analysts and five support staff. Three additional staffers support the docket room.

We estimate that the three branches split their time equally between paperwork reduction and regulatory review. Therefore, paperwork review consumes the efforts of about 15 FTE's. This proposal envisions that many delegations of review authority will be only be partial, and that they will be granted only over a period of time. In the early years, any savings will be offset by the delegation effort itself.

As real savings appear, these resources can be shifted to interagency coordination, the promotion of public participation and increased training and consulting services (especially in statistics and survey techniques).

Endnotes

1. 44 USC § 3501, *et seq*. The Act was first passed as Pub. L. 96-511, December 11, 1980. It was amended in 1986 by Pub. L. 99-500. Future references are to the sections of the Act, as codified.

2. The Act has three purpose: to minimize the burden of federal paperwork on the private sector, minimize the cost to the government of the collection and retention of information, and maximize the usefulness of information collected. The Act replaced the Federal Reports Act of 1942.

3. Office of Management and Budget, *Information Resource Management Plan of the Federal Government* (Washington, D.C. 1992), p. II-3.

4. The information may be requested for many reasons, including economic studies, research projects, regulatory enforcement, marketing surveys, and other purposes.

5. 5 CFR 1320.4(b). This regulation also requires an agency to minimize the cost to itself of collecting the information, comply with general guidelines appearing in another section, and advise OMB of how it has consulted with other agencies and the public.

6. OMB reported finding three duplications in proposed ICRs in 1990 and two in 1991. OMB, *Managing Federal Information Resources, Ninth Annual Report Under the Paperwork Reduction Act of 1980* (Washington, DC 1992) p. 11; *Tenth Annual Report*, p. 8.

7. Periodic reviews would not impose a new burden on the agencies. Under the Paperwork Reduction Act, every information collection request, including those related to regulations, expires and must be reviewed at least every three years.

8. OMB, *Managing Federal Information Resources, Ninth Annual Report Under the Paperwork Reduction Act of 1980* (Washington, D.C. 1992), p.13.

9. The status of the budget as an enforceable limit on agency information collections is unclear. OIRA made significant changes in the way the budget is reported when it was combined with an Automatic Data Processing report into the *Information Resources Management Plan of the Federal Government*.

10. See, for example, the National Performance Review Reports on Customer service. OMB reported on the success of the Internal Revenue Service (IRS) in redesigning its forms with the assistance of public participation.

11. OMB reports that its reviews averaged 65 days in 1991, up from 62 days in 1990. OMB, *Managing Federal Information Resources*, Tenth Annual Report (Washington, D.C. 1992) p. 4.

12. One pilot could build on OIRA's current effort to help agencies find ways to determine which of their regulations require the highest level of review.

13. Section 3507(e) provides that OIRA may delegate to a senior official in an agency "the authority to approve proposed requests in specific program areas, for specific purposes, or for all agency purposes."

14. One year after the delegation, OMB reported the delegation as a success. "OMB has been pleased with the Board of Governors' exercise of its delegated paperwork clearance authority and encourages other agencies, with equally effective controls and oversight, to apply for similar delegations. By giving agency heads the responsibility to review their agency's paperwork requests, OMB is transferring the decision making to a level closer to the development of the proposed information collection. In addition, such delegations allow OMB to target its own resources to areas of greatest need." OMB, Fourth Annual Report, p.18.

15. OMB's *Information Collection Review Handbook* provides that "Unless special circumstances exist, OMB will not otherwise delegate its review and approval authority for less than the full scope of an agency's collection of information activities." (Washington, D.C. 1989) p. 79.

16. Section 3507(d) prohibits OIRA from approving an ICR for longer than three years. Failure to renew an approval triggers the public protection clause, just as failing to obtain initial approval does. Under § 3512 of the Act, no person is subject to any penalty for failing to maintain or provide information if the requesting agency has not obtained OMB approval for the ICR. Criminal convictions have been overturned on the authority of this clause. See, for example, *U.S. v. Smith*, 866 F.2d. 1092 (9th Cir. 1989).

17. OMB regulations (5 C.F.R. §§ 1320.15(b)(1), 1320.18) for expedited approval require that the agency publish the form or questions in the Federal Register. While the effort to inform the public is laudable, it is largely an empty gesture, especially when the target of a survey or other collection is a citizen.

18. 44 USC § 3511.

19. The Act specifically prohibits storing actual data on FILS. 44 USC § 3511. Current proposals to amend the Act do not contain that prohibition. *See*, U.S. Congress, Senate, *A bill to Amend chapter 35 of title 44, United States Code, relating to Government paperwork reduction*, 103rd Cong., 1st sess., S. 560; *A Bill to Further the Goals of the Paperwork Reduction Act*, S. 681.

20. A report, "Federal Information Inventory/Locator Systems: From Burden to Benefit" was issued on July 27, 1990. Another report, "Identifying and Describing Federal Information Inventory/Locator Systems: Design for Network-Based Locators" was issued on August 25, 1992.

21. For Example, the Department of Commerce, National Technical Information Service, operates "FedWorld," a bulletin board with gateways into other agencies.

22. 5 CFR § 1320.21(a) requires that forms disclose an estimate of the time required to respond, and advise the public to send comments to the agency or OIRA.

23. OMB, *Tenth Annual Report*, p.17.

24. When the Office of Chief Statistician was moved back to OMB from the Department of Commerce in 1980, it contained 35 people. It now contains five.

25. Government Accounting Office, *Paperwork Reduction, Mixed effects on Agency Decision Processes and Data Availability*, (Washington D.C., 1989) pp. 38 - 39. Three national experts tested 17 cases. The experts disagreed with some OMB approvals and with some OMB denials. GAO concluded that OMB agreed with its experts in only 35 percent of the cases. OMB responded that the cases selected for review were not a random sample, and showed leniency toward the agency practices.

26. See "Small Business Paperwork: Problems and Progress," a report prepared by the Office of Advocacy, U.S. Small Business Administration after a series of hearings around the country. The major targets of concern were paperwork related to tax, census, procurement and pensions. But the participants also reported that any change in reporting or record keeping is burdensome and asked that the government balance "the advantages of the change against the inevitable costs that small business respondents will incur if the changes are adopted."

EOP-03 WHAT MODIFICATIONS SHOULD BE MADE TO THE OMB CIRCULAR SYSTEM?

Background

OMB circulars are a major tool for the Executive Office of the President to exercise managerial and policy control over federal departments.[1] Ideally, they should promote government effectiveness by providing policy consistency among Federal agencies. But OMB's processes for developing and reviewing circulars, and for involving agencies in their development, are unsystematic.

While not having the force of law themselves, circulars shape federal agency actions (some are required by law). The 33 circulars currently in effect provide guidance or prescribe policy over a broad range of administrative subjects. Current circular topics range from detailed instructions on preparing agency budget requests to principles for determining allowable research and training costs at universities.

Such centralized guidance serves important functions. Where agencies implement circulars through regulations, the circular's requirements assume the force of law. Some agency officials desire even more centralized policy guidance, which also gives OMB leverage to improve data collection and enhance administrative savings in agencies.

But many agency officials also criticized circulars as too often redundant, irrelevant, or needlessly burdensome. Others point to the significant work needed to document compliance with circular requirements. OMB officials also expressed the view that some circulars should be revised or eliminated.[2]

Keeping circulars current and relevant to changing circumstances is a continuing challenge for OMB.[3] Over the past few years, OMB has reviewed its circulars and eliminated some of them. In 1988, OMB revised and abolished a number of circulars. In 1991, after a more comprehensive review,[4] OMB eliminated eleven more circulars and incorporated many of their requirements into other circulars.[5]

But the effort to revise OMB circulars appears to lack a sharp focus or sustained management attention. Some circulars have not been revised for many years, and their utility as sources of contemporary policy guidance is questionable.

The process by which OMB develops and promulgates circulars also lacks uniformity and specific procedures. Because OMB Circulars affect not only Federal agencies but also state and local governments and the private sector, it is important that OMB obtain the views of the affected agencies and public during the development or revision of any circular. OMB publishes draft circulars in the *Federal Register* to seek comments from the public and other agencies,[6] and often convenes task forces and ad hoc agency teams to provide input in developing draft circulars.

But OMB makes no concerted effort to explain its disposition of comments received when it publishes a final circular in the *Federal Register*. Agency officials expressed concern that at times they were unable to determine how their comments were considered in the development of a final circular. They were interested in knowing how their comments were incorporated into final documents, an action which would help strengthen OMB's relationships with the agencies.

Recommendations

1. **OMB should reinvigorate its process for review, update, and consolidation of circulars.**

   This should include OMB designating a central contact point at the level of the Deputy Director for Management to spearhead the review, update and consolidation effort. Future circular revisions should be undertaken with the specific objective of minimizing the compliance burden which circulars impose on agencies and the public.

2. **OMB should develop uniform agency-wide processes for developing circulars and for obtaining input during their development from affected agencies and the public.**

   OMB should undertake a survey to determine customer perceptions of how best to incorporate their views on proposed circular revisions, and to identify which circulars should be assigned priority for revision.

3. **OMB should review its Bulletins and Policy Letters to ensure their consistency with existing or planned circular revisions.**

Implications

A regular process for the review and update of these significant sources of policy guidance will improve administrative efficiency and ensure that agency compliance burdens are kept to a minimum.

Fiscal Impact

It is not possible to estimate accurately the potential savings attributable to implementing this recommendation. Reduction in time and effort due to a reduced compliance burden by agencies will be a function of the degree to which they are affected by a specific circular.

Endnotes

1. Circulars are "...instructions of a particular nature applicable to the departments and establishments." Circular A-1, 1921. The OMB circular system has been in place since 1921, and over the past 72 years, literally hundreds of circulars have been issued, revised, abolished, or incorporated into other circulars.

2. See Tables 2 and list of OMB Circulars identified as needing revision by NPR Systems Teams, and Table 3 for circulars identified by agency NPR teams.

3. As a 1943 version of Circular A-1 stated "Some...circulars have become obsolete due to the passage of the conditions which brought them into being; others have been rescinded by specific reference. However in the case of many circulars, their current status has been in doubt." August 1, 1943 Budget Circular No. A-1 Transmittal Memorandum to the heads of Executive Departments and Establishments. Re-issue and consolidation of prior Budget Circulars.

4. September 19, 1993 OMB Announces Elimination of Unnecessary Circulars. Office of Management and Budget.

5. The most recent change was the issuance of the first part of Circular A-130 Management of Federal Information Resources in July, 1993. This action also rescinded two other circulars while incorporating some of their requirements. While

OMB has established target dates for circular revision, those target dates have not always been met.

6. In many ways, OMB circulars are treated as Federal Regulations promulgated under the aegis of the Administrative Procedure Act. Draft circulars are published in the *Federal Register* similar to Federal regulations, comments are accepted, and a final version of the circular is then published in the *Federal Register*. However, they are not codified as Federal regulations in the Code of Federal Regulations.

TABLE 1:
List of Office of Management and Budget Circulars
and year of most recent revision

CIRCULAR NUMBER	NAME	LAST REVISION
A-1	OMB's system of circulars	1952
A-11	Budget preparation and submission	1992
A-16	Coordination of surveying and mapping activities	1990
A-19	Legislative coordination and clearance	1990
A-21	Cost principles for educational institutions	1991
A-25	User charges	1993
A-34	Instructions on budget execution	1991
A-45	Charges for federally-owned rental quarters	1984
A-50	Audit follow up	1982
A-73	Audit of federal operations and programs	1983
A-76	Performance of commercial activities	1992
*A-87	Cost principles for state and local governments	1981
A-89	Catalog of Federal Domestic Assistance	1984
A-94	Guidelines and discount rates for benefit-cost analysis of federal programs	1992
A-97	Providing federal agency assistance to state and local governments under Governmental Cooperation Act	1969
A-102	Grants and cooperative agreements with state and local governments	1988
A-105	Standard federal regions	1974

CIRCULAR NUMBER	NAME	LAST REVISION
A-106	Reporting requirements relating to environmental pollution at Federal facilities	1974
A-109	Major systems acquisitions	1976
A-110	Grants and agreements with institutions of higher education, hospitals, and other non-profit organizations	1987
A-119	Federal participation in the development and use of voluntary standards	1982
A-122	Cost principles for nonprofit organizations	1987
A-123	Internal accounting and administrative control systems for Federal agencies	1986
A-125	Prompt payment	1989
A-126	Improving the management and use of government aircraft	1992
A-127	Financial management systems of federal agencies	1984
A-128	Single audits of state and local governments	1987
A-129	Managing federal credit programs	1993
**A-130	Management of federal information resources	1993
A-131	Value engineering	1993
A-133	Audits of institutions of higher education and other nonprofit institutions	1993

*** Denotes revised Circular due for imminent release**
**** Denotes Circular to be released in two phases**

TABLE 2:
Circulars mentioned in National Performance Review Systems Teams' reports as requiring revision

CIRCULAR NUMBER	SYSTEMS TEAMS' RECOMMENDED CHANGES
A-34	Budget Systems Team: Revise to address apportionment issues.
A-50	Financial Management Systems Team: Revise to incorporate an audit threshold.
A-87	State and Local Government Systems Team: Modify to substitute fee for service in return for a 5% reduction in administrative funding and elimination of annual audit and reporting requirements; require that the cost-cutting requirements be certified to single Federal point of contact and for a multi-year period.
A-102	State and Local Government Systems Team: Require that the cross-cutting requirements be certified to single Federal point of contact and for a multi-year period.
A-123	Leadership/Management Systems Team: Completely rewrite to be a succinct document that defines the central policy for establishing and reviewing management controls.
A-129	Financial Management Systems Team: Require the referral of non-tax delinquent debt to private collection agencies after three months of delinquency.
A-134	Financial Management Systems Team: Revise to shift the responsibility for interpretation of Statements of Federal Financial Accounting Standards from OMB to the FASAB or any future independent Board.
A-137	Budget Systems Team: Redefine Federal Employment to include contract personnel.

EOP-04 STRENGTHEN THE OFFICE OF U.S. TRADE REPRESENTATIVE'S COORDINATION WITH STATE AND LOCAL GOVERNMENTS

Background

As the impact of trade policy becomes more visible, state and local governments have become more sophisticated and proactive in their approaches to international economic policy-making. Moreover, new agreements like the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) and U.S.-Canada Free Trade Agreements require the United States and the other participants to take measures to ensure compliance by state and local governments.[1] In the past, the Office of the United States Trade Representative (USTR) has not always systematically coordinated with them. In an information-age economy where more actors are involved in trade policy, it is critical that USTR continue to expand its coordination efforts.

The coordination process is more than just good politics; it provides USTR with the resources to do its job. Information from state and local governments provides USTR with data to identify trade related problems and determine negotiation objectives. Additionally, information sharing can help to cultivate national support for USTR trade initiatives and facilitates strategic planning by all levels of government. Trade agreements now cover areas that have traditionally been state responsibilities and, in some cases, state laws need to be changed.[2] State health and safety laws, for example, may need to be modified to facilitate compliance with the North American Free Trade Agreement (NAFTA).

USTR's primary private-sector outreach mechanism is the Private Sector Advisory Committee System, composed of 1,000 advisors and 40 committees.[3] The System has three components: the President's Advisory Committee on Trade Policies and Negotiation (ACTPN), which considers trade policy issues in the context of the overall national interest; seven policy advisory committees, which provide advice based on their specific sector or area perspective; and more than 30 technical, sectoral and functional advisory committees, which provide more specific, often highly technical advice concerning the effect of potential trade policy decisions.[4] These committees meet periodically and prepare advisory reports for the President, Congress, and USTR.[5] There is a formal Intergovernmental Policy Advisory

Committee (IGPAC), but some contacts at state and local governments are unaware of its existence.[6]

Although USTR established an office of intergovernmental relations in 1992, coordination with state and local governments has been primarily informal.[7] For example, during the 1992 GATT case filed by Canada against U.S. state controls on beer and wine, USTR's communication with the states was haphazard and USTR often contacted the wrong offices according to the National Governors' Association.[8] In spite of recent efforts to expand outreach, many contacts assert that USTR coordination is inadequate.

State and local governments complain that USTR seldom solicits input from them, and that they are not kept well-informed about USTR's activities.[9] For example, during the 1990 Uruguay Round negotiations, the European Community offered to open its procurement at all levels of government, contingent on other countries doing the same. While USTR asked the state governments to volunteer to open their procurement markets and remove any "buy-local" incentives, the National Governors' Association has argued that USTR has not sufficiently educated the states, thereby slowing the open market process.[10]

Recommendations

1. **The Office of United States Trade Representative should undertake a comprehensive review of the trade policy needs of state and local governments.**

   Trade representatives from all states should be surveyed to obtain their ideas on improving the current coordination process. A representative sample of both small and large municipalities should also be surveyed.

2. **After completing the survey, USTR should become even more aggressive in their efforts to make the coordination process more effective.**

   For example, satellite-transmitted "town meetings" -- paid for at least in part by groups who wish to participate -- would expand outreach at little expense.

Implications

Under the new administration, USTR has placed a renewed emphasis on outreach to groups that were "frozen out" and publishing a newsletter on trade issues.[11] But a truly expanded outreach campaign will buttress USTR's role as an "honest broker", increase domestic support for American trade policies, and make trade policy formulation more democratic. It will also strengthen USTR's position in negotiations among the agencies and abroad. Finally, it will enable USTR to better take advantage of the growing mass of information that is relevant to trade policy.

Fiscal Impact

Although these recommendations do not call for new staff, survey results may support the need for travel and enhanced electronic communications.

Endnotes

1. Charles S. Colgan, National Governors' Association's Committee on International Trade and Foreign Relations, Forging a New Partnership in Trade Policy between the Federal and State Governments, 1992, p. 5.

2. Ibid., p. 2.

3. Office of the United States Trade Representative, *1993 Trade Policy Agenda and 1992 Annual Report of the President of the United States on the Trade Agreements Program* (Washington, D.C., Government Printing Office, 1993), p. 116.

4. Ibid.

5. Ibid.

6. Interviews with state and local government officials, July 1993.

7. Colgan, *Forging a New Partnership in Trade Policy between the Federal and State Governments,* p. 6.

8. Ibid, pp. 4, 8.

9. Interviews with state and local governments and members of representative associations.

10. Colgan, *Forging a New Partnership in Trade Policy between the Federal and State Governments*. p. 4, 6.

11. Interview with USTR official, June 1993.

EOP-05 IMPROVE FEDERAL ADVISORY COMMITTEE MANAGEMENT

Background

Although federal advisory committees are an invaluable tool for assembling the best help available to tackle important public policy issues, several management problems currently impair their usefulness. Despite the ad hoc, cross-cutting nature of these committees, Congress regularly bars agencies from pooling their resources to underwrite them. Management oversight by the General Services Administration (GSA) is hampered by its lack of budget and control authority. Finally, no effort has been made to measure the performance of these committees or even pool their products.

The use of federal advisory committees for expert advice to the government is as old as the Republic itself. President Washington convened one of the first advisory committees in 1793 to help address concerns raised by the Whisky Rebellion. Today, advisory committees continue to play an important role giving professional advice to the president and agency heads on issues as far reaching as health care, environmental science, grant reviews, and defense.

Over time, the ad hoc nature of these committees has raised concerns. In 1972, in response to allegations of closed decision making, favoritism, undue influence, and poor government management, Congress passed the Federal Advisory Committee Act (FACA).[1] The FACA did address many of these problems, but the number of committees and their costs have continued to increase. After more than twenty years of management scrutiny and analysis, the number of advisory committees hovers near the 1,100 level.[2] Their real costs have increased by approximately 50 percent in the last decade.[3] This has led Congress and the president to call for substantial improvement of the federal advisory committee management system.

Yet congressional action actually makes this task more difficult. By prohibiting agencies from sharing resources ("passing the hat") to fund these committees,[4] Congress makes participation prohibitively expensive for small agencies and forces larger "deep pocket" agencies to fund them time and again. Since budget expenditures come only after two years of lead time, presidents and agencies cannot always assemble and fund task forces when they are needed.

If the government is to better manage these committees, the Executive Branch will have to reconsider the decision to lodge these responsibilities with the GSA.[5] GSA's oversight has been largely advisory. For example, its Committee Management Secretariat, comprised of seven full-time equivalent positions, has developed a videotaped introduction to FACA and a training module for agency committee management officials. GSA also prepares an annual report on advisory committees for the president.

Although GSA did publish a final rule in 1987 outlining FACA management controls and procedures,[6] its largely consultative role has led OMB to maintain a general management oversight role. OMB has worked to help three presidents, including President Clinton, reduce the number of task forces,[7] required agency heads to examine their advisory committees during the budget process,[8] and unilaterally reduced agency support or eliminated unneeded agency task forces.[9] It is unclear why FACA management responsibilities should remain so artificially split between OMB and GSA, especially when only OMB has the power to exercise the scrutiny called for by the President and Congress.

Ironically, the focus on management of federal advisory committees ignores a more central question: Do they work? If more emphasis is to be placed on the outcomes of government programs, a serious look should be taken at the fate of these committees' products. Indeed, there is not even a single, readily accessible repository of advisory committee records, minutes and reports.

Recommendations:

1. **The President should work with Congress to discontinue the "anti pass the hat" language annually inserted in the general provisions of the Treasury, Postal, and General Government Appropriations Act.**

   Flexibility and equity among agencies are better served by allowing each agency to contribute its fair share of costs.

2. **Move the Committee Management Secretariat for federal advisory committees from GSA to OMB.**

   OMB has the ability to provide the budget controls and management necessary for better oversight of the advisory committee process. OMB's role in the budget process would also strengthen its ability to manage and terminate these advisory committees as necessary.

OMB should design an accounting mechanism for tracking advisory committees, so that direct costs can be associated with specific efforts. This will make it easier for agencies to account for their share of committee costs and preserve OMB's oversight responsibilities. OMB should also give advisory committee managers incentives to manage the process for results rather than numbers.

3. **Review the results of advisory committee advice produced in the last five years.**

   For twenty years the number and cost of advisory committees has been debated and legislated. To date, there has been very little thought about the outcomes of advisory committee deliberations. The focus on results will broaden the emphasis from management procedures to policy outcomes -- the original purpose of these advisory committees.

4. **Establish a repository in the secretariat of all advisory committee minutes and reports for reference and public access.**

   New advisory committees are formed each year without the benefit of past advisory committee products on similar issues. A single repository would aid in assessing past success, planning for new advisory committees, and provide the public with a single access point. The secretariat should also seek to disseminate the reports and related information to interested people and organizations.

5. **OMB should establish a policy to limit the total number of committees to no more than 1000 and achieve a cost reduction.**

Implications

Placing the complete authority of FACA administration in OMB will streamline the overall management of the advisory committee process and give OMB the management "muscle" to keep efficiency at a maximum.

Measuring for outcomes rather than inputs will encourage agencies to save money, and creating a single place where data and experience are readily available will help the government streamline the advisory committee process and manage the future use of expert advice.

Fiscal Impact

The annual savings from reducing advisory committees is less than 1 percent in fiscal year 1992. Savings from eliminating advisory committees accrues to the budgets of the agencies that administer them.

Improved management will also result in savings, because outdated committees will be taken out of service more quickly and the remaining operating committees should operate more efficiently.

Endnotes

1. Public Law 92-463, 5 U.S.C., App.

2. Congress created 65 percent of the current advisory committees through authorizing legislation or specific statute; agencies authorized another 33 percent; and two percent are created by presidential authority. On average, approximately 128 new committees are started each year, and 93 are terminated. General Services Administration, *Twenty First Annual Report of the President on Federal Advisory Committees, Fiscal Year 1992* 2.(Washington, D.C, January 7, 1993), pp. 1-12.

3. In FY 1992, GSA estimated that federal agencies spent $146 million managing 1,141 advisory committees. The federal government expended the equivalent of 1,389 full-time positions supporting advisory committees, making up approximately 50 percent of the total cost ($71.3 million). *Ibid.*

4. Financing for committee business is controlled under the general provisions of the Treasury, Postal Service, and General Government Appropriations Act. See most recently: Treasury, Postal Service, and General Government Appropriations Act of 1993, §612.

5. FACA originally named OMB as the lead administrator. But these management functions were transferred to GSA as part of a 1977 reduction in the size of the Executive Office of the President. Executive Order 12024, *Relating to the Transfer of Certain Advisory Committee Functions*, December 1, 1977.

6. 41 Code of Federal Regulations, Part 101-6.

7. Memorandum to Heads of Executive Departments and Agencies, February 25, 1977 (Carter); OMB Bulletin No. 89-08, *Improved Management of Federal Advisory Committee Operations*, December 23, 1988 (Reagan); Executive Order 12838, *Termination and Limitation of Federal Advisory Committees*, February 10, 1993 (Clinton).

8. *OMB Bulletin 89-08.*

9. Murphy, Brian C. *Implementation of the Federal Advisory Committee Act: An Overview*, Government Publications Review, Vol. 9, p.15, 1982.

Creating a Quality Management Culture

A new OMB can transform the way the American government plans and executes its mission. No other institution is so well-equipped to spot problems long before they become crises. And OMB can rebuild government's capacity to evaluate its programs and services, and help the agencies review and renew their fundamental missions.

More strategic management of interagency trade policy coordination and enhanced negotiating skills will help the USTR staff better represent the U.S. in trade negotiations.

A new Customer Service Bureau can provide vital administrative help to meet the serious challenges of the EOP work environment. To ensure that a culture of quality endures beyond the tenure of any individual President, a formal program of process reviews is proposed, along with stable support for the EOP to cope with the tremendous workload of America's presidential transitions.

EOP-06 OMB'S MANAGEMENT MISSION SHOULD BE REINVENTED TO PROVIDE MANAGEMENT INFORMATION FOR PRESIDENTIAL LEADERSHIP

Background

Distant concerns, such as the long-term viability of Social Security, massive unfunded liabilities, or the intergenerational effects of the national debt, loom on the horizon. Scandals at the Department of Housing and Urban Development (HUD) and the massive collapse of the savings and loan (S&L) industry, despite warning signs, take the government by surprise, bust the budget, and raise questions in the public's mind about the government's financial integrity and capacity to spot problems early enough to solve them.

The Office of Management and Budget (OMB) is often thought of as one of the government's watchdogs, but OMB's budget examiners are overwhelmed by day-to-day budget business (which has steadily expanded as a year-round workload).[1] Programs with a marginal or negligible anticipated effect on the deficit have tended not to be closely scrutinized, as was the case with the S&L crisis.[2]

Moreover, the biggest problems, such as environmental clean-up, often cross agency boundaries and thus don't fall neatly into one budget examiner's portfolio, and domestic crises that are laid at government's feet don't always start as a problem in a federal agency somewhere — they have their origins in social trends, an industry's business conditions or in the economy as a whole. Yet the government is held accountable for dealing effectively with the resulting mess.

On its Management side, OMB has taken on an increasingly intricate agenda of oversight and control duties, while losing overall resources at the same time. During the 1980's, OMB promoted a complex system of management control and oversight through such directives and mandates as OMB Circular A-123 (internal control reviews), the Federal Managers' Financial Integrity Act (FMFIA), procurement reform, contracting-out, and others. These are designed to spot weaknesses, establish accountability for correcting them, and install more cost-effective and competitive operations. However, studies by the President's Council on Management Improvement (PCMI)[3] and the congressional General Accounting Office (GAO) have found major flaws in OMB's implementation of these reforms.[4]

While OMB has recently begun to move in a new direction, the unintended effects of its earlier approaches to management control have taken root. The nature and culture of bureaucratic organizations have driven control efforts in the direction of process compliance and away from the big picture as jobs and careers have coalesced around the management control function.

For example, just about every page of OMB Circular A-123 calls for "cost-effectiveness" as a criterion for identifying weaknesses and implementing corrective action.[5] Yet at many agencies a culture of duplicative and cost-insensitive micro-management has tended to drive problem identification towards the technical and trivial end of the spectrum. This diverts both internal control and external program implementation resources away from agencies' primary missions.

OMB also directs the "High Risk" assessment program for improving detection of weaknesses and assuring agency corrective action, but GAO found that although the program was beneficial, OMB relied too much on agency self-assessment. This was due primarily to OMB's resource limitations. Only 3 OMB "staff-years" were assigned to a list of risk areas far longer than the High Risk list under scrutiny by GAO, a far larger agency.[6] [7] Up to 15 staff were involved altogether, but GAO had questions about accountability, internal communications, and coordination. According to OMB management, the Fiscal Year 1993 budget request for more staff has not been implemented.

Other key mechanisms, processes, and activities, both inside and outside of government were also less than fully effective in addressing major weaknesses and problems. These include the inspectors generals, the program evaluation function, congressional committees, GAO, hotlines, whistleblowers, and investigative journalists.

Agency inspectors general (IGs) have broad powers of investigation and oversight, but not all Igs have the same level of expertise, influence or ability to look in the right place. Even when an IG's vigilance spots an embryonic problem, the reports may be buried or ignored, as happened in the case of the HUD crisis.[8]

IG warnings may also go unheeded where program managers believe an IG has an unnecessarily adversarial axe to grind, exceeds his or her function of impartial review, or has conducted investigations that lack relevance to agency priorities. Sometimes IG reports just get lost in a flood of paper, or too few people have a clear charge to act on them.[9]

Additionally, IG staff expertise tends to be limited to auditing and investigation under narrow accounting principles. IG performance measures (and built-in rewards of the budgeting process) have tended to focus effort on the number of "hits", rather than the magnitude or significance of developing problems.[10] In 1989, the President's Council on Integrity and Efficiency (PCIE) found that 64 percent of IG cases resulted in fines of less than $1,000, with 56 percent producing restitutions in similar amounts.[11]

While the conventional IG approach has the merit of deterrence, it crowds out opportunities to prevent larger problems, identify opportunities as well as threats, improve service and program results, and shift emphasis onto solving long-range problems.

Program evaluation refers to a broad range of techniques for studying the net impact of a program on the need it should address, its effectiveness in achieving the outcomes intended, or other such findings that enable public administrators to make good programming and service delivery decisions. However, GAO and others have warned of government's diminished commitment to and capacity for program evaluation activities.[12] [13]

Absent program evaluation, government agencies may be highly efficient and honest but use the wrong means or pursue the wrong ends. Achieving efficiency, preventing waste, or maximizing procedural compliance generally have only marginal effects on budget deficits; if the program resource base itself is being invested where spending is unnecessary, inappropriate, or where potentially preferable alternatives have not been assessed, no amount of effectiveness and internal control will benefit the public interest.

Congressional committees play an oversight role through hearings and investigations, but clearly cannot watch every alley, or even study every IG report.[14]

GAO is regarded as having improved its abilities as a watchdog, but is subject to the same pressures and limitations as, for example, inspectors general.[15] Moreover, GAO often has its options limited by its primary role of responding to congressional requests for studies and investigations, sometimes with an exceedingly narrow focus.[16] GAO was in a position to detect problems at HUD, but "no one at GAO thought to piece the fragments together." [17]

The effectiveness of anonymous "hotlines" depends on the substance of the complaint and the investigative follow-up. GAO rated its own system and found that of 94,000 calls received (1979-1988), 13,992 cases were investigated or referred and 2,169 (2.3 percent of all calls) resulted in substantiated allegations or preventive actions. GAO concluded that "millions of dollars in waste, fraud, abuse, and mismanagement have been identified through hotlines."[18] While GAO's report did not state the costs of implementing the hotlines and investigations, the hotline approach appears to be reasonably successful on a relatively small scale, both in spotting problems and possibly deterring them.

Rules protecting whistleblowers are not always sufficient to protect the non-anonymous individuals who complain. This approach depends on individuals of rare courage; most people within organizations are reluctant to take the professional risks of sounding an alarm. The individual can only do so much; watchdog agencies have to respond.

Investigative journalists have uncovered a number of problems, but they have missed many big ones. Reporters work for editors who must consider the public's appetite for dramatic news. However, major problems often start out as obscure stories in agencies far from the glamorous White House beat.[19]

Moreover, publication of a newspaper article does not guarantee an appropriate response by the government. Economist Robert J. Samuelson's analysis of the S&L crisis asserts that reporters, most economists (himself included), and Congress failed to imagine that an entire industry could fail so disastrously. There was plenty of media coverage, but no one "put the pieces together because we hadn't seen the puzzle before.... [W]ishful thinking prevailed. No one wanted to take responsibility for problems as they arose." [20]

In summary, government's ability to know what is going on and do something about it is impaired. Watchdog agencies often miss the burning forest while counting leaves. Signals of long-term danger get lost in the noise of short-term minutiae. A narrow focus on compliance and efficiency fails to evaluate alternatives or question a program's basic design or mission in the first place. Reports of problems are overlooked. Corrective actions for high risk areas are not always implemented. OMB may know what the problems are but can't always get someone to act on them. No one is clearly accountable for putting bits and pieces together into a clear view of the whole, brokering corrective resources, and committing the players to action, especially when the necessary action may require the spending of significant political capital.

OMB shows evidence of having evolved in response to changing circumstances. OMB managers are responsive to many of the criticisms outlined above, but important institutional weaknesses within OMB and systemic deficiencies across government remain.

OMB must help government spot problems (as well as opportunities) long in the making, prevent crises before they happen, and build capacity for long-range planning and preparedness in the domestic sphere. From its unique, central position to span boundaries and promote interagency linkages, OMB must empower agencies with strategies, practices, and flexibility that will mean better coordination and integration of complex interagency programs and services. It must rebuild government's capacity to evaluate programs and services, including questioning basic assumptions at the heart of traditional programmatic missions.

OMB's leadership should reinvent the management mission to include the active development and application of long-range "leadership information" needed by the President to prevent major crises and steer the nation and the government into and through the 21st century. The organizing principle of the "M" side would be the creation, development, and analysis of government-wide "management and leadership information" for the President to use in leading America. This means obtaining and, if necessary, cultivating the kind of decisive intelligence that the nation's leaders need to make decisions and take actions, whether to prevent crises or create new sources of social and economic wealth.

This "leadership information" would be for the Management side of OMB what budgetary dollars are to the Budget side. OMB's core management function would be to help identify and analyze the emerging trends and patterns in oceans of data and advise the President which ones are the opportunities and which are approaching threats.

The recommendations that follow are intended to suggest a few of the specifics of the new mission. Most important perhaps, is the thoroughness with which OMB reexamines its purpose and identity, its roles and responsibilities with respect to that aspect of management concerned with preparing for the future and planning in terms of the "Big Picture." This includes capacity building (internally and externally), transforming the institutional culture, and creating organizational structures or processes to assure that a long-range vision of national interests remains clear above the dust raised by day-to-day crises and efforts.

Recommendations

1. **OMB should pay much more creative attention, within and beyond OMB, to the issues and efforts that span agency boundaries, the larger world of interactions between government, society, and the economy, and future-oriented issues such as the**

long-term economic, social, and environmental effects of policy proposals, especially on future generations.

The S&L crisis was more than the sum of poor management and fraud at individual institutions; it grew as much out of unanticipated economic changes (e.g., inflation and the real estate bust) as from failures of oversight. An OMB supervisor was quoted in an investigative journal: "At OMB, it [the developing thrift crisis] didn't seem like such a problem, because we were dealing with the federal budget. That was not a budget problem — it was a massive American economic problem, but we didn't see it that way at the time." [21] Why was no one paying attention to the broader economic indicators, or assessing institutional vulnerability to macro-economic fluctuations? Robert Samuelson identifies economic factors as the basic cause and asserts that mismanagement and bad regulation basically made an already bad situation worse.[22] The combination created a crisis of historical proportions.

Moreover, it is conceivable that an agency could address every isolated material weakness identified through management control reviews, OMB "SWAT team" audits, and other vulnerability assessments, yet overlook a pervasive vacuum of leadership or fail to realize that an entire mission or program has become obsolete or is exposed to unconventional risks. Citing the HUD scandal, GAO identified lack of attention to underlying systemic or department-wide weaknesses as a continuing vulnerability of the High Risk program.[23] Thus, in assessing risks and developing correctives, OMB's analyses should include non-governmental, non-budgetary factors, such as the broad economic changes that were rapidly increasing the risk exposure of the federal program insuring savings and loans deposits.

On the opportunity side of its mission, OMB should work with the increasing proportion of governmental initiatives involving the coordination of numerous agencies and programs (e.g., services to multiple-crisis families, welfare reform, environmental cleanup). OMB should ensure that such efforts are well served by central management policies (such as procedural and regulatory waivers) that embody the expansiveness of vision, creative collaboration, and flexibility called for in managing complicated and chaotic circumstances.

Moreover, OMB should actively solicit agency requests for flexibility in implementing program coordination and service integration. In considering such requests, OMB should cultivate a more general and less specialized orientation among the reviewing staff units and encourage the spanning of program and categorical boundaries where this will improve program and service integration. If broad-ranging skills are not sufficiently represented within OMB, access should be developed to external resources such as foundations or academia.

Cross-cutting, long-range issue analyses should be undertaken to assure that short term business doesn't drive out long-term vision.

What is needed is a new culture and way of doing business on the Management side of OMB. There are two different organizational options for how this can be done:

(1) Existing budget units can be tasked and resourced to look at future implications or interstitial problems, as proposed by *OMB 2000*, OMB's internal reinvention effort. This might resemble the desk officer approach, such as at the Department of State, and could improve coordination and integration by subsuming program area-specific regulation, information collection and management, budgeting, evaluation, planning, controls, oversight, etc., under a single, accountable official.

The strengths of this approach are the closer integration of information and activities transcending both the "M" side and the "B" side. This approach is evolutionary and incremental, maintaining appropriate continuity with institutional tradition and existing missions. If the arrangement is formalized and responsibility for long range considerations made explicit, accountability could be comparable to alternative (2), below. It is also important that the investigative skills described under option (2) be available to the "desk officer" option (1), although an investigative analyst might not be the equivalent of a desk officer. The risk of (1) is that budgetary scorekeeping, as well as the "crises-as-usual" in the budget divisions, will consume the attention of the desk officers and staff, driving the focus inevitably toward the short-term. This tendency is all-too-familiar and difficult to prevent unless resources and priorities are explicitly and formally devoted to the reformulated mission.

(2) Other practitioners, theorists, and analysts argue that an important and difficult mission can not be well served without a specifically designed organizational unit charged to regard the mission as a priority and having the expertise, functional specialization, and resources to perform it. Hence, to assure OMB's new mission of building a longer term focus for government is carried out, OMB would establish a team of investigative analysts, reporting to the Deputy Director for Management (DDM). This team, which should include a range of talents, including some generalists, is not necessarily meant to replace the High Risk "SWAT" teams, since it would have a broader mission. Qualifications for the investigative team would include social research skills as well as the ability to put bits and pieces of evidence together, in the manner of investigative journalists,[24] to find the story of emerging, big-ticket problems, especially those that cut across budget categories. Other elements of OMB should be involved as well, particularly budget examiners and their supervisors, perhaps as part of joint task forces or special teams. OMB could recruit from a wide range of sources, explore rotations from federal and state agencies or by staff from elsewhere in OMB, and invite experts to share tradecraft.

The creation of a separate unit ensures that the new function has an accountable and adequately equipped staff to perform it. The actions and findings of the new unit would be easy to highlight for agencies and other interests and branches of government and society. The disadvantage of a separate unit is the risk of isolation from knowledge and expertise elsewhere in OMB and poor coordination with other OMB objectives and resources, including the all-important budget directorates. A special team may become an elite, and its activities may become esoteric.

(The recommendations that follow would be relevant to either direction taken in implementing the proposal.)

2. **The investigative analysts should work in cooperation with "SWAT" teams and the High Risk program to implement control functions under the more flexible and**

innovative set of management values being proposed throughout the National Performance Review.

The new OMB should collaborate with GAO, Igs, agency managers, and agency program monitoring and evaluation staff, etc., both in identifying problems (including pervasive, systemic deficiencies) and in working out solutions, including crisis prevention, wherever possible. They would help the government oversight function move away from looking for every misspent dollar or at non-compliance technicalities and take a disciplined but more broad-ranging, flexible and deductive approach, identifying not only failures and risk areas but model practices and opportunities for creative change and growth.

A change in attitude towards agencies, from outright distrust to "trust but verify," would not only enhance working relationships between OMB and the agencies, but enable OMB to place its focus on the really important issues, not be consumed in scorekeeping and "micro management." Along with calls for greater managerial flexibility and innovation, a new governmental culture emphasizing performance must have a strong, information-based control system, however flexible.

As valuable as increased discretion for line management may be, there will always be the need for a "safety net," particularly as a new era of innovation and experimentation begins. Flexible controls should be pro-active, affirmative and preventive — not reactive and primarily negative. Strategic information, not procedural rules, should be emphasized. Strengthening the oversight function of OMB and other "watchdogs" must be appropriate to the new performance paradigm, but it should not be neglected altogether.

3. **OMB's Deputy Director for Management (DDM) should work with agencies to develop a system for "red-flagging" and correcting special high risk situations, particularly involving management issues. Where the agency cannot make corrections with existing resources and where corrections cannot be safely down-sized, the DDM should be prepared to help the agency make its case to Congress for more funding, investing and deploying OMB's analytical reputation wisely.**

A major weakness of governmental oversight processes is that the responsibility for action is not always clear. Warnings go unheeded. A GAO or IG audit of an agency program or process may establish accountability and identify a party responsible for acting upon the findings. However, management's disagreement with findings or the unavailability of corrective resources complicate the picture, and when the subject is a broad programmatic area, with many players, as opposed to a narrow technical compliance issue, the risk of inaction is increased. The Congressional Budget Office (CBO) estimated that the final cost of cleaning up the S&L mess was doubled by the delay in providing funds to close failed institutions.[25]

OMB Circular A-11 provides an exhibit for agencies to separately list high risk areas (often these are material weaknesses identified under the Federal Managers' Financial Integrity Act) and request the funds to correct them.[26] According to the chairman of the Management Control Coordinating Council, in the real world of diminished resources many high risk items, such as overcrowding in federal prisons, make the list but don't get fixed because there is no money.[27]

The revised mission proposed for OMB would attempt to address this problem by utilizing the Office of the OMB Deputy Director for Management to raise corrective action negotiations to the appropriate level of program leadership, summon all players to the table, and add its influence and analytical reputation to the case that would have to be made to Congress when additional resources are needed. OMB's Management and Budget sides should work together alongside the agency (which, of course, has the primary responsibility) in building the case and presenting it.

Arguments in favor of spending funds on corrective action would have to stand rigorous tests to be effective. Concern would be limited to issues of major significance and impact, with the emphasis on management issues, not political ones where greater congressional controversy can be expected. Developing the initial criteria for "red flag" status should be a collaborative effort among OMB, agencies, GAO, and Igs. (Congressional staff could also have an advisory role to play in criteria development.)

By taking this approach, OMB will by no means assure that no crises will erupt, no scandals explode, or all new problems be prevented. Knowing and framing the issues or stimulating corrective action on a case-by-case basis is only part of the picture; in many major areas, the element of political willingness to take action must come to the table. While such will is not OMB's to command, having the facts and analysis at hand improves the odds that a convincing case for action can be presented to those who make the decisions.

There will also always be the familiar problems caused by lack of integrity. Some people conceal and deceive, and take deliberate actions to throw the watchdogs off the scent. Much of what was worst at HUD was in this category.

4. **OMB's new mission should include detecting and flagging for the President and the Cabinet problems in society at large that pose unexpected threats for government and the nation.**

OMB should direct its concern to significant and previously unrecognized needs in society for which an appropriate role for government could be developed as part of the response. Exploration of private sector and market alternatives should always be included in the analysis.

Because OMB works for the President, it can only quietly advise, not advocate. Its reputation for rigor and objectivity would be an important resource.

5. **OMB must champion program experimentation and evaluation activity, help rebuild government's capacity for doing it (and doing it well, according to valid principles of social research), and promote reliance upon evaluation findings to inform program policy and guide program management.**

In his Inaugural Address, President Clinton said, "Let us resolve to make our Government a place for what Franklin Roosevelt called bold, persistent experimentation." [28]

According to OMB: "Current federal capacity to assess what works and why, and how results compare with original goals, is very limited. Federal programs are usually carried out on an incremental, year-to-year basis. Federal managers are more likely to be held accountable for how well they manage internal processes than for program effectiveness. GMD [OMB's General Management Division] has initiated limited efforts over the past two years to rebuild the government's program evaluation capacity (substantially diminished since the 1970's). OMB's renewed emphasis has resulted in evaluations being highlighted in the President's Budget. Approaches being considered include requiring evaluations as a prerequisite for major program reauthorization; establishing and increasing funding for evaluation in the agencies; and setting aside funding for evaluation in major programs."[29]

OMB must continue to undertake concerted efforts to improve program evaluation and strengthen the agency management units responsible. This will require not only the full resources of the evaluation and planning branch (in GMD). Other units, such as the management integrity branch in the Office of Federal Financial Management, as well as every program budget division, could play strong roles.

The fact is that OMB and the agencies could cure every material weakness in government yet have an economic effect that was only a fraction of base program costs. If those base costs are being invested incorrectly, no amount of efficiency is going to make them worthwhile expenditures. More attention is needed to the analysis of program impact and effectiveness and to assessments of alternative methods of service delivery. It is a mistake to maintain too exclusive a focus on improving the marginal efficiency of business-as-usual.

With regard to the various initiatives sponsoring total quality management (TQM), analyses of programmatic mission, customer needs or expectations, and service delivery alternatives should precede any project to increase quality and efficiency. This means designing TQM and other productivity efforts in the context of <u>purpose</u>. TQM is a valuable tool, a means, but not an end-in-itself. Agencies should ensure that they do not end up doing the wrong things, or the things of lesser importance, more abundantly and with more polish, while drawing scarce resources away from better courses of action. Maximizing employee input and improving efficiency are worthy goals. Customer feedback is essential. However, none of these should displace valid measurement of outcomes, the acquisition of knowledge about net program impacts, the disciplined field testing of program-delivery hypotheses, the rigorous analysis of findings, and their application to the mission.

Clearly, any major investment (programming, procurement, etc.) over a certain impact threshold should have a cost-effective evaluation plan, appropriate to measuring effectiveness and outcomes and determining whether modification, replication or continuation is warranted. ("Impact threshold" could mean exceeding a certain dollar level, involving significant waivers of rules, or having effects upon vulnerable populations, public policy concerns, equity, etc.)

The absence of such a plan, or its failure to be completed without good cause, means the entire programmatic funding is at risk of being invested ineffectively and with no provision for government to learn from its failure (or success). OMB could strengthen program evaluation by issuing a new circular or advocating an executive order setting forth criteria under which evaluation would be necessary. A less prescriptive approach could be that any guidance or commentary OMB promulgates or endorses relative to management controls under the Federal Managers' Financial Integrity Act (e.g., revision of OMB circular A-123) should cite any such "high impact" program without an appropriate evaluation plan as an example of a material weakness and subject to correction.

6. **The analysts should continue to develop access to a wide range of data, such as data developed in connection with the credit early warning reports and the Chief Financial Officers Act and performance data under the (proposed) Government Performance and Results Act, as well as private and academic studies, FMFIA reports, IG reports, GAO studies, etc.**

Other indicators could include delinquent debt, key staff turnover in critical units, performance data from automated financial management information systems, etc. Efforts should also be made to tie into financial and accounting systems being developed under the Chief Financial Officers Act.

Whenever possible, reports or information transmittals to OMB from agencies, both verbal and quantitative, should always include a machine-readable copy, rather than only a hard copy, to facilitate research, analysis, and integration.

7. **Because of the extensive information resources involved in the new tasks, OMB should fully equip its staff with up-to-date information resources and explore the advanced development or utilization (on a pilot basis) of artificial intelligence applications such as neural networks and/or expert systems, able to roam through and integrate diverse and complex data sources.**

OMB staff are currently four to five years behind the times in terms of personal computer hardware and software. This is an unacceptable level of information resource poverty for the key analytical staff of the U.S. Presidency. A first phase of upgrades has been budgeted for fiscal 1994, which would result in about half of OMB's staff having personal computers driven by "486" chips. At the risk of appearing to "micro-manage," it is recommended that hardware procurement resources be allocated in fiscal 1995 (estimated at $350,000) to complete the process of providing modern equipment to the staff. An additional $350,000 should also be devoted to networking (file servers, software, and systems administration).

In addition to the above, which involves only the most basic requirements, OMB should be more than merely even with the information resource management capacity of many government agencies; it should lead the way in developing tomorrow's tools of analysis, especially given the complexity of its tasks. To this end, a relatively low-cost pilot project involving artificial intelligence is recommended to enable OMB's analytic staff to get a handle on the enormous amounts of data involved in implementing the information-based system of management and oversight that this and other National Performance Review proposals entail.

Neural networks can look for patterns and trends, identify potential warning signs, and "learn from experience"; expert systems can incorporate the insights and problem-solving rules of human experts. An integrated system can apply such systems to monitoring and evaluating highly complex processes, including those requiring rapid, real-time responses.[30] "Expert networks" have been created in recent years which combine the characteristics of both approaches.[31] Both systems can be used with simulations and models of complex processes.[32] Costly supercomputer resources are no longer a requirement, since local area networks of desktop workstations can reproduce the parallel processing and ultra-high performance computing needed.[33] Expert systems have grown considerably in precision and usefulness in recent years and are being applied successfully by Wall Street analysts and corporate chief financial officers (e.g., at American Express, Digital Equipment Corporation, AT&T, DuPont, Xerox) [34] and even by investigative reporters [35] for purposes similar to the use OMB might make of them.

A small system, according to *Business Week*, costs about $200,000.[36] OMB might wish to undertake an embryonic system (later expandable) using desktop technology, costing somewhat less.

This proposal is not to suggest that OMB needs to enter the realm of science fiction, place its reliance on smart silicon, however sophisticated, or mistake the ambiguities and novelties of social and organizational management for the clarity of physics or astronomy. However, OMB and the U.S. Government should not lag decades behind Wall Street, industry or government's own research centers in applying advanced technology to the analysis of ultra-complex processes and systems, of which government itself is a prime example.

In the end, only human judgement can insure the level of quality that OMB demands. But computer systems can be a powerful tool in identifying issues — some strong and some weak — that now stay buried because no one has the time to look into them.

OMB analysts would use expert networks as tools, not crutches. The hard work would still be done by human beings through dogged investigation, laborious idea-crunching, institutional forensics, and aggressive cross-examination. The rewards would be those rare but priceless breakthroughs of insight and discovery, even if what is detected means bad news and painful institutional rehabilitation.

8. OMB should provide the additional resources needed by the High Risk program for the effective performance of its mission.

OMB should continue to deal with high risk areas (including priority FMFIA weaknesses, etc.) and conduct "SWAT" management reviews as needed, in cooperation with agencies, Igs and GAO. As earlier noted, additional resources for the High Risk program were requested in the Fiscal Year 1993 budget, but were not provided.

9. OMB's new mission should create linkages across government (including state and local levels) and the research and private sectors.

It would be operated to foster more interactive/proactive relationships between OMB and the agencies, both program staff and IG staff. Collaboration, particularly on the most complex cases and cross-cutting, long-range issues, would require the best talent within

OMB, the Executive Office of the President, the departments and agencies, and the policy community.

Traditionally, OMB has not had the budget to contract for research. While this option deserves consideration, other avenues are available to supplement OMB's capacity for neutral and objective analysis, such as eliciting the cooperation of universities, foundations, or the National Academy of Sciences. Overall, OMB should look for ways to strengthen the linkages between strategic planning, performance measurement, program evaluation, prevention of crises, and a more creative approach to the watchdog function.

Implications

Cost avoidance from crisis prevention is virtually impossible to quantify but for major situations could be in the billions of dollars. Cost-effective program redesign or redirection based on in-depth evaluations could also lead to core savings, significantly exceeding the benefits of marginal efficiencies or fines and restitutions.

National Performance Review (NPR) systems teams recommendations in several areas would fit with the new Management mission of OMB described in this proposal. These include proposals to improve monitoring and financial management, re-invent the IG function, and restore government's ability to evaluate programs and measure results. Other proposals are aimed at integrating the duplicative and uncoordinated layers of controls and audits (Chief Financial Officers Act, FMFIA, A-123, etc.) into a unified, flexible system that stresses line management judgement, strategic information, cost-effectiveness, and relevance to mission.

Overall, NPR proposals are likely to result in a reconfiguration and redeployment of OMB staff and other resources. If OMB can grant more discretion and flexibility to agencies in regulatory reviews, information collection, management controls, etc., it can free up the internal resources needed for a more forward-looking mission. Many of the proposals in this paper involve redirecting existing resources towards a new mission. Those potentially resulting in incremental increases, such as the deductive analysis teams, reinforcement of the High Risk staff, or the adoption of more sophisticated automated systems, may be supplied by the freeing up of resources as other NPR proposals are adopted. Decisions to use existing staff for some of the proposed activities will have to be based on OMB's assessment of current staff skills and available training resources.

Fiscal Impact

Potential cost savings from preventing crises cannot be realistically estimated but could be considerable. Internal decisions by the agency will reassign resources, establish new missions and reorder priorities. Options include creation of a special staff, use of automation and full funding of an existing function (High Risk). One, two or all three options could be implemented. No savings or reprogramming offsets are utilized, but it is proposed that all incremental FTE costs be covered by internal reprogramming. Pay is counted at the mid-range (step 5) and assumes the fiscal 1994 freeze. IRM costs would involve one-time additional costs.

Endnotes

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EOP-07 THE OFFICE OF MANAGEMENT AND BUDGET SHOULD WORK TO IMPROVE RELATIONSHIPS WITH AGENCIES

Background

The Office of Management and Budget (OMB) has one primary customer — the President — and its job is to serve as the President's "institutional eyes and ears and memory."[1] OMB's effectiveness in carrying out this role depends in large part on maintaining strong relationships with agencies and cabinet departments. Although OMB's central role will always lend institutional tensions to these relationships, these tensions have grown far beyond a natural level. If OMB were to take steps to improve these relations — by appointing an ombudsman, developing exchange programs, and using its internal reassessment efforts to review relationships with the agencies — it could serve the President even more effectively.

The problem is not illusory. During National Performance Review (NPR) interviews, one issue raised repeatedly was the responsiveness of OMB staff. OMB staff members frequently believe that most of these relationship problems with the agencies stem from its role as "the folks who have to say no," particularly in times of deficits and budget caps. OMB and the agencies agree that some natural tension will always exist because of OMB's responsibility for government-wide management and budget oversight for the President. However, staff in many agencies believe that communication with OMB is stifled, that OMB's style doesn't foster interactive, collaborative relationships in which their views can be expressed. They most frequently cited frustrations with OMB's regulatory review process in the Office of Information and Regulatory Affairs (OIRA); the lack of coordination within OMB, especially between the management and budget sides; frustrations with OMB's requests for agency data; and difficulty working with individual OMB staff members.

For years, Congress has permitted and encouraged federal agencies to adopt alternative dispute resolution techniques to deal with conflicts.[2] A review of the increasing number of ombudsmen's offices in both the federal government and private sector suggests that this kind of office is both a desirable and cost-effective element in an efficient dispute resolution system.[3] Ombudsmen serve as "impartial mediators who receive, investigate, and recommend solutions to complaints against federal agencies."[4]

Federal agencies are now creating and staffing ombudsman offices to handle complaints from both citizens and their own employees.[5] Federal agencies that have ombudsmen include the Army Materiel Command, Environmental Protection Agency, Food and Drug Administration, Internal Revenue Service, Secret Service, and Social Security Administration. The size of the ombudsman's office depends on the mission of the office. The Army Materiel Command's office, which responds to and investigates complaints resulting from the Command's procurement functions for the Army and has whistle blower jurisdiction,[6] operates with a staff of two — the ombudsman and a secretary;[7] the ombudsman draws on the specialists needed to work up a case.[8]

Existing federal agency ombudsmen derive their authority from an agency order. Creating the office by agency order has the advantage of being expedient, since there is no wait for legislative action. Of course, the office may be dissolved or the ombudsman's powers severely curtailed by future cabinet appointees.[9]

It is important to pick the right person and give him or her sufficient autonomy. The Administrative Conference of the United States, which researched the use of the ombudsman as a means of improving the administration of government programs by the executive branch, found that "experience, seniority, access to the head of the agency, and tenure — protection from pressure caused by the prospect of career-threatening setbacks due to unpopular recommendations — help ensure the ombudsman's independence and effectiveness."[10]

One way for OMB to improve its relations is for its employees to be able to draw from a broad range of experiences in other agencies. OMB makes some effort to insure this. Many of the "best and brightest" from other government agencies are recruited to serve on OMB's staff, and more than 75 percent of OMB professional staff have had some government experience prior to coming to OMB.[11] Short staff rotations between OMB and agencies are currently being done: (1) agency personnel may be detailed to OMB for a short period on a special assignment; and (2) OMB's senior executive service candidate program includes a short rotation period into an agency.

However, because of their increased workload, OMB staff members make virtually no field visits to agencies. Agencies complain that this has caused them to lose touch with day-to-day operations in the agencies, and, therefore, to be less effective in advising agencies on budgetary or other concerns. Some OMB staff members believe that the increased OMB workload, internal friction in OMB, and poor working relationships with agencies have made

OMB a less desirable place to work. An internal assessment group, *OMB 2000*, is also looking at ways to improve relationships with agencies.

State budget staffers can offer even more valuable perspectives. During the past 5 to 10 years, state fiscal crises have forced state budget offices to adopt budget and management practices, information systems, and performance measures that creatively and effectively address these issues. State budget offices have become the lead agencies for "reinventing" government service delivery. In turn, these offices have attracted the "best and the brightest" young people, who seek professional and intellectual challenges and who have significant opportunities to reshape government. They view themselves as participants in the total federal-state-local government budget system, yet seldom are invited to share their expertise and perspectives on programs and policies that cross government levels.

At the same time, state budget officials often have only minimal appreciation for the federal budget and management issues for which OMB has responsibility. With better understanding of these federal issues and OMB's role, the states would become more effective partners with OMB in implementing and funding federal programs.

Staff exchange programs can serve to increase needed staff capacity during peak work periods (e.g., budget review periods) while building more effective relationships between participating agencies. These programs demonstrate a commitment to develop staff through training programs that will improve public service, increase efficiency and effectiveness and retain the most skilled employees.[12] All participating agencies, federal and state, benefit from a program that uses the flexibility of work assignments to provide work experience.[13]

Recommendations

1. **OMB should appoint an ombudsman, reporting directly to the Deputy Director, to give both agency and OMB staff a way to deal with process-related conflicts and personnel issues without having to launch a formal appeal "through the agency chain."**

   The ombudsman would function as an open door for the agency to air problems or grievances in confidence, look for and recommend ways to resolve problems quickly, analyze patterns of problems across the OMB and look for structural solutions, collect and analyze data to support changes, and provide supporting evidence to people in position to effect change.

Having the OMB ombudsman report directly to the Deputy Director demonstrates the extent of the ombudsman's authority and status in the agency, provides the ombudsman with a bird's eye view of all OMB activities, which allows him or her to evaluate operations and suggest needed reforms, and ensures direct communication with OMB leadership.[14]

Given the fractured state of OMB-agency relationships, the appointment of an ombudsman will also serve as a symbolic announcement that OMB is working on improving its end of the exchange.

2. **OMB should establish two staff exchange programs and a training program to broaden OMB staff understanding of federal agency perspectives and of innovations in public sector budgeting at the state level, as well as agency understanding of regulatory reviews and federal regulatory practices.**

An OMB-Agency Exchange Program, in which OMB and Executive Branch agencies exchange senior staff for one-year assignments, would foster greater OMB and agency effectiveness in collaborating on federal programs and greater mutual understanding of each other's customer focus and perspectives.

A small, innovative OMB-State Fellows Program would select a number of exceptional "rising" state budget officials annually from nominations developed in conjunction with the National Association of State Budget Officers (NASBO), to work for one year with OMB Program Associate Directors (PADs) to enhance OMB's knowledge about state budgeting and program innovation. NASBO, as the national association representing state budget officers, is well-positioned to assist OMB in identifying outstanding state budget officials who will bring creative approaches and state-local perspectives to OMB and the executive branch as well as assist in disseminating state fellows' insight and perspectives among all state budget officials.

An OMB/OIRA program would provide training for agency personnel. OIRA has discussed establishing a program in which agency personnel would come to OMB for training in regulatory review, impact analysis, coordination, and other agencies' training programs.[15]

3. *OMB 2000*, the internal assessment underway in OMB, should examine ways to improve relationships with agencies.

"Best practices" within OMB of effective working relationships with external parties should be identified, rewarded, and replicated within OMB. Surveys and focus groups of agency personnel should be conducted to pinpoint substantive problems and to address "culture" issues. Specific recommendations should be made on how OMB staff can work in a more collaborative manner with agency staff. An element should be included in all OMB employee performance standards to evaluate employee working relationships with agencies. Staff mentoring, sabbaticals, and related initiatives should also be explored.

Internal turnaround times or other performance measures should be established for responding to agencies on correspondence, reviews and clearances. Data requests should be carefully reviewed to ensure that the request is needed and, if so, that data specifications are as clear as possible. Comments and suggestions from affected agencies about draft circulars, data calls, and other actions should be solicited. Better use of the latest communication technologies, including INTERNET services, should be made to provide maximum information flow between OMB and agencies.

Implications

Improving OMB's relationship with agencies through an ombudsman, state fellows and agency exchange programs, OMB/OIRA agency training program, and *OMB 2000* will provide a higher quality of service to the President, OMB, and agencies. The ombudsman's office will provide a means of identifying and tracking systemic problems; the fellows and agency exchange programs and OMB/OIRA agency training program will provide a means of renewing OMB's intellectual capacity while fostering stronger relations with other government agencies; and self review, as is being done in *OMB 2000*, will allow OMB employees to identify systemic problems and focus resources on the best ways to bring about positive change.

Fiscal Impact

Complete estimates cannot be made at this time, although it appears these recommendations would have minimal fiscal impact. If staffed by existing OMB staff, there would be no cost to establish the ombudsman's office. Cost estimates cannot be made for the agency exchange program, since it is not known how many agencies would participate in the program or if program criteria, which have not been developed, will require an even exchange in full-time-equivalent positions between OMB and agencies. There would be no additional cost for the OMB/OIRA training program because agency employees would be detailed to OMB for the length of the training program. To fund four state fellows per year in the state exchange program, it will cost OMB approximately $300,000 annually.

Endnotes

1. Larry Berman, *The Office of Management and Budget and the Presidency, 1921-1979* (Princeton: Princeton University Press, 1979), p. 67.

2. Under Public Law No. 101-552, agencies are "authorized and encouraged to use mediation, conciliation, arbitration, and other techniques for the prompt and informal resolution of disputes." The Act is based on Congressional findings that "alternative means of dispute resolution have been used in the private sector for many years and, in appropriate circumstances, have yielded decisions that are faster, less expensive, and less contentious; such alternative means can lead to more creative, efficient, and sensible outcomes; [and] such alternative means may be used advantageously in a wide variety of administrative programs." U.S. Congress. Senate, Public Administrative Dispute Resolution Act, S. 971. 101st Cong., (Washington, DC: Government Printing Office, 1990).

3. Mary Rowe, "The Ombudsman's Role in a Dispute Resolution System," *Negotiation Journal*, (October 1991), p. 353.

4. Linda Gaglio, "Ombudsmen," *Government Executive*, (March 1991), p. 36.

5. Ibid.

6. David R. Anderson et al, "Ombudsmen in Federal Agencies: The Theory and the Practice," (Professional report, Administrative Conference of the United States, U.S. Government Printing Office, Washington, DC 1990), p. 19.

7. David R. Anderson et al., "The Ombudsmen: A Primer for Federal Agencies," (Professional report, Administrative Conference of the United States, US Government Printing Office, Washington, DC 19961), p. 6.

8. David R. Anderson, "Ombudsmen in Federal Agencies," p. 50.

9. Ibid.

10. Anderson, "The Ombudsmen," p. 5.

11. Memorandum from Jim Murr, OMB, to Joellyn Murphy, NPR, June 11, 1993.

12. Executive Order No. 11348. "Providing For The Further Training Of Government Employees," Sec. 102. (April 20, 1967).

13. Ibid, Sec. 303.

14. Anderson, "The Ombudsmen," p. 5.

15. Telephone interview with Don Arbuckle, Office of Information and Regulatory Affairs, OMB, Washington, DC, August 2, 1993.

EOP-08 **STRENGTHEN THE OFFICE OF THE U.S. TRADE REPRESENTATIVE'S TRADE POLICY COORDINATION PROCESS**

Background

One of the Office of the U.S. Trade Representative's (USTR) two chief missions is to coordinate the formulation of U.S. trade policy.[1] Indeed, USTR's creation in 1962 stemmed in part from Congress' desire for an executive broker to synthesize agency positions and resolve interagency disputes -- a balancing role.[2] But in order for this process to work well, the agencies need a more systematically managed coordination process.

Before it ever gets to the international bargaining table, USTR has traditionally established the American position by coordinating a series of internal negotiations with other U.S. agencies involved in trade.[3] The agencies most involved are the Commerce Department, State Department, Treasury Department, and the Agriculture Department.

The coordination process operates largely within a structure of interagency task forces chaired by USTR. The first line operating group is the Trade Policy Staff Committee (TPSC), which deals with many of the more technical and less politically sensitive issues. Agencies are represented by senior civil service employees, who are broken up into 60 TPSC subcommittees. USTR assigns issues to these subcommittees, where agencies present their positions and work towards consensus. The subcommittees' conclusions and recommendations are presented to the TPSC, which works to reach interagency consensus.[4]

When the TPSC cannot resolve a policy issue, it is referred to the Trade Policy Review Group (TPRG) made up of agency undersecretaries and led by the Deputy USTR. The TPRG also deals with significant policy issues requiring higher-level attention than the TPSC can provide.[5]

The emerging role of the Clinton Administration's new National Economic Council (NEC) is changing the nature of USTR's coordinating responsibilities. The NEC function is to "coordinate the economic policy-making process with respect to domestic and international economic issues," including trade.[6] In recent months, the NEC has held many high-level interagency trade policy meetings once left to the TPRG.[7] Agencies have indicated that the NEC's deputies meetings duplicate USTR's TPRG meetings. Adjusting to this new model will require creativity and careful attention to its implications for interagency trade politics.

Many participating agencies have asked for clearer guidance regarding the NEC's and USTR's current role in the trade policy coordinating process.[8]

The NEC's new role still leaves USTR with significant coordination responsibilities. The process demands the right blend of agency expertise and USTR leadership, and USTR often calls upon agencies for information and analysis. Given its role as an honest broker, and its lack of power over other agencies, the USTR works to maintain relationships with other agencies that are professional and equitable. These relationships have been largely successful, and many agencies have lauded USTR for its judgement in performing such difficult work.

However, many of the participating agencies also see the need for improvements in USTR's management of the coordination process. They say that USTR's information and analysis requests too often are not prioritized, are uncoordinated and are duplicative.[9] For example, USTR gave one agency 48 hours to analyze a 2,000-page document that had not been catalogued. Another agency was told it had four hours to provide a legal opinion on a draft trade agreement. Others complained about hearing of a new issue just before the first coordination meeting is to be held. One office director noted that annual work studies of his office show that his staff spends half of its time meeting USTR's requests, and less than 40 percent of its time performing its assigned duties.[10]

These are not just isolated anecdotes. They represent a needless drain on agency time, they threaten to poison the relations between USTR and the agencies, and they could potentially lead to mistakes in the development and analysis of international agreements.

The agencies who participate in the coordination process are also concerned that the roles of the TPSC and the TPRG have become blurred. The TPRG has begun to address many of the more technical issues which the TPSC was created to resolve. This development wastes TPSC's considerable technical resources and forces TPRG members, who often lack such detailed expertise, to resolve them without the benefit of expert TPSC analysis.[11] Many TPRG members are uncomfortable or unwilling to deal with more technical issues, and many undersecretaries have begun to skip TPRG meetings and send lower-level representatives in their place.

Finally, the official membership of the TPRG and TPSC does not reflect the growing importance of new trade concerns like the environment, intellectual property and financial issues.[12] For example, the Environmental Protection Agency (EPA) is not an official member of the TPRG. However, environmental issues are integral to resolving the GATT and NAFTA negotiations, and their complexity demands substantive expertise from across the government.

Recommendation

USTR should improve its process of interagency coordination.

USTR should work with NEC and the cabinet departments to clearly define the allocation of work between the TPSC, the TPRG and the NEC deputies' and principals' meetings. The EPA should be made an official member of the TPRG.

USTR should review its management of the coordination process and survey the relevant agencies to better understand their needs and complaints. USTR should also work closely with the agencies to help prioritize multiple information requests, and give them significant advance warning of USTR report deadlines which will call for agency expertise. To insure that this function is carried out, USTR should designate one high-level staff member as a USTR-agency "traffic cop." This person would stay abreast of significant information requests made by USTR and work with USTR and agency staff members to help reduce bottlenecks, prioritize requests, and provide agencies with more advance notice of information needs.

USTR should also designate a different staff member as an "agency ombudsman." This person would listen to agency staff who have concerns about the coordination process and work with the appropriate USTR office to resolve the problem. The ombudsman should have direct access to a Deputy USTR.

USTR should also provide its coordinators with training in interagency negotiations.

Implications

While the agencies understand that the Clinton administration's interagency trade policy coordinating style is still emerging, clarifying the role of each link in the coordinating process will reduce overlap and confusion. The official inclusion of EPA in the TPRG will insure that experts in the complex field of environmental regulation will be present in future trade and environment policy discussions.

If USTR and the agencies could agree on how to prioritize upcoming issues -- or at least understand more about what each considered to be a priority -- the agencies could more efficiently allocate their resources in responding to requests for information and analysis. There will always be unexpected crunches and changes in priorities, but any added effort to prioritize will be welcome. Similarly, a timetable of upcoming USTR reports will help both USTR and the agencies to prepare better-quality information and analysis.

A USTR-agency "traffic cop" would be responsible for anticipating bottlenecks and work crunches and talking to USTR and agency officials about how to resolve them. Obviously, USTR policy coordinators would not need to contact this person each time they talked with an agency. But they would be responsible for letting this person know when major information requests were submitted or anticipated.

An ombudsman for agency concerns could help USTR and the agencies improve the mechanics of the coordination process. The information gained will be valuable in improving both the coordination process and the product. The person performing the ombudsman role should also contact the agencies when USTR has concerns about the agency's work product or role in the process.

Veteran USTR policy coordinators could hold training workshops, and training in interagency coordination is also available as part of broader training in negotiation skills.

Fiscal Impact

These recommendations are revenue neutral, since the "traffic cop" and ombudsman responsibilities could be given to existing staff members. Training in negotiation skills is discussed in another recommendation in this report.

Endnotes

1. The Omnibus Trade and Competitiveness Act of 1988 (19 U.S.C. 2171)(c)(1)(A).

2. I.M. Destler, *American Trade Politics*, 2d ed. (Washington: Institute for International Economics, 1992), p. 107.

3. Office of the United States Trade Representative, *1993 Trade Policy Agenda and 1992 Annual Report of the President of the United States on the Trade Agreements Program* (Washington, D.C., 1993) p. 118.

4. Ibid.

5. Ibid.

6. Executive Order 12835 of January 25, 1993, "Establishment of the National Economic Council," *Federal Register*, vol. 58, no. 16, January 27, 1993, pp. 6189-6190.

7. Steven Mufson, "Papers, but Where's Policy?" *The Washington Post* (June 13, 1993) p. H6.

8. Interviews with agency officials, May-July 1993.

9. Interviews with USTR and agency officials, May-July 1993.

10. Interview with agency official, June, 1993.

11. Interviews with USTR and agency officials, May-July 1993.

12. The Trade Policy Review Group (TPRG) consists of the following agencies: Deputy U.S. Trade Representative (Chair), Department of Agriculture, Department of Defense, Department of the Interior, Department of State, Office of Management and Budget, National Security Council, Department of the Treasury, Department of Justice, Department of Commerce, Department of Labor, Department of Energy, Department of Transportation, Council of Economic Advisors, International Development Cooperation Agency, and U.S. International Trade Commission (Advisor).

EOP-09 STRENGTHEN THE OFFICE OF THE U.S. TRADE REPRESENTATIVE'S NEGOTIATION PROCESS

Background

Since 1962, Congress has assigned to the Office of the U.S. Trade Representative (USTR) the chief responsibility for negotiating international trade agreements.[1] A large share of USTR's employees are involved in a great many negotiations, and the political and economic stakes of our trade agreements are greater than ever before. Yet USTR employees are not systematically trained in negotiation skills or in the cross-cultural styles and patterns they are likely to encounter across the bargaining table.

The USTR staff is highly talented, and many are either naturally competent negotiators or have learned these traits at USTR or at a previous job. However, USTR provides no formal training in negotiating skills and cultural differences, and that expertise in negotiation is not a significant factor considered in the hiring process. Many USTR employees acknowledge the benefits of such training although demanding work and travel schedules could make attendance at training sessions difficult.[2]

America's trade competitors take these negotiating skills very seriously. In Japan, the Ministry of International Trade and Industry's selective hiring process culminates in long apprenticeships for would-be trade negotiators.[3] Indeed, most of our allies employ trade negotiators for longer periods of time than USTR, giving us a comparative disadvantage in institutional memory. Many other U.S. agencies, including the Foreign Service Institute, the Department of Defense, and the Environmental Protection Agency, acknowledge the importance of negotiation training, and provide it for their employees.[4]

Negotiation skills training is available from several sources. For example, the State Department has a negotiation skills course for its Foreign Service Officers which is offered four times a year at the Foreign Service Institute. The course is open to all government employees on a first-come, first-serve basis (special sessions can be arranged). Although the Institute does not offer cross-cultural training, it does offer additional instruction in effective communication and listening skills. The private sector is another source of negotiation skills training. These courses are typically more expensive, but they could be more closely tailored to USTR's particular needs.

The negotiation skills training courses that are longer in duration, such as the one offered by the Foreign Service Institute, typically include extensive simulations. Research into adult learning indicate that people retain far more from simulations than from lectures.[5] Brown-bag lunches and half-day seminars are rarely as effective as lectures or simulations.

Training in negotiating skills is no panacea, but it can help offset this relative gap in time spent honing bargaining skills. It can also supplement the real-world experience on which USTR employees now exclusively rely. For example, negotiators from other departments indicated that they learn a great deal about our trading partners' culture and political framework from their trips abroad.[6] Yet there is no reason that such negotiators could not study these principles before they begin to negotiate.

Measuring the success of negotiations is a difficult exercise, and USTR has no formal set of guidelines for reviewing the success of a negotiation. However, certain offices in USTR have developed an ad-hoc negotiation evaluation process that would be worth systematizing across USTR -- the use of evaluation meetings that follow negotiating sessions and the end of negotiations.[7]

Recommendations

1. **USTR should require systematic negotiation training for its employees.**

   Several options are available. At little cost, USTR could create its own in-house training program in negotiation and cultural practices. USTR could send its personnel to negotiation training sessions available at the State Department. Private sector organizations offer courses in negotiation skills, and they can tailor them to USTR's needs.

2. **USTR should systematize its post-mortem analysis of its negotiations, by bringing negotiators together to assess their progress, review any mistakes, and plan for upcoming sessions.**

Implications

With its wealth of experienced negotiators, the USTR could benefit greatly from in-house workshops in negotiating skills. In-house programs cost little and can be tailored easily to suit employee needs and time constraints, although they will require a modest amount of staff resources to properly administer.

One obstacle to institutionalized training is the length of time required for such courses: the State Department course takes five days, and private sector training varies in length. USTR's employees are very busy, and many will be reluctant to set aside time to train for an activity they already perform on the job -- especially when such skills seem so personal and defy any easy set of principles or "lessons." But effective training can only help -- and for individuals, such training could be very valuable.

Fiscal Impact

The cost of in-house training is minimal, involving only the reproduction of teaching materials. The costs of other training options vary. The State Department's five-day class costs $380 per person. Private sector training costs vary based on the length of the course and the number of instructors involved. For example, American Arbitration Association courses cost a minimum of $1,500 per day.

This recommendation would have no significant impact, since USTR typically has training resources available. In the past four fiscal years, it has spent $175,000 on training.

Endnotes

1. Trade Expansion Act of 1962, Pub. L. No. 87-794, 76 Stat. 872, as amended.

2. Interviews with USTR officials, May-July 1993.

3. Andrew Tanzer, "There is a Sense of Running the Country," *Forbes* (April 30, 1990) p. 202; Daniel I. Okimoto, *Between MITI and the Market Japanese Industrial Policy For High Technology* (Stanford: Stanford University Press, 1989) p. 112-119.

4. Other agencies include the Department of Energy, the Department of Justice, the Library of Congress, the Department of Health and Human Services, the Department of Transportation, NASA, and the Postal Service. Information obtained from the American Arbitration Association, June 1993.

5. Fred H. Wood and Steven R. Thompson, "Guidelines for Better Staff Development," *Educational Leadership*, (February, 1980) pp. 376-377; Tonya Hilligoss, "Demystifying 'Classroom Chemistry': The Role of the Interactive Learning Model," *Teaching Sociology*, vol. 20, (January 12-17, 1992) pp. 15-17.

6. Interview with agency officials, June-July 1993.

7. Interviews with USTR and agency officials, May-July 1993.

EOP-10 ESTABLISH A CUSTOMER SERVICE BUREAU IN THE EXECUTIVE OFFICE OF THE PRESIDENT

Background

The Executive Office of the President (EOP) faces administrative challenges that would daunt any world class company. High turnover, unusual demands, and dispersed staff have led over the years to a costly "shadow administration" of front-line administrators who fill gaps in the central administrative apparatus and work around the official system. A reinvigorated EOP administrative apparatus must treat employees like customers and insure they are aware of where to go with their problems. Specifically, the EOP should establish a one-stop Customer Service Bureau for administrative problems, train Bureau employees as "case managers" who handle problems from beginning to end, solicit EOP feedback, and actively market the EOP's administrative services.

Designing administrative services for the EOP is a formidable challenge. Every four to eight years, the permanent staff must get acclimated to a brand new management and staff. The new administration inherits systems and technology that are often out of date. The agencies comprising the EOP are very different, requiring a broad range of administrative skills and services (e.g., the Office of Management and Budget needs massive computer support, while the Office of the U.S. Trade Representative requires complex travel arrangements.) Finally, a physically dispersed staff must keep up with a fast-paced, high-pressure workload, all under the public eye.

The result is an EOP staff that is without a clear guide to administrative services, frustrated at bottlenecks and delays, and hesitant to rely on any one office. Over several administrations, these sentiments have led to work duplication and a costly "shadow administration" that compensates for perceived gaps in administrative services.

Just as every company inherits rules or directives from previous management [1] the simplest EOP administrative tasks are often laden with out-dated rules or processes inherited from previous administrations. For example, three separate request forms must be completed in order to refinish a piece of furniture: removal, refinishing, and return. Relocating a single office can consume hours of an office manager's time because of the elaborate sequence of steps needed to provide telephones, furniture, computers, painting, repairs and the like.

Since many EOP staff members feel that the quality of administrative services is erratic -- or do not know who can help them -- duplication occurs as many different offices are called in an attempt to ensure the service is delivered, be it the General Services Administration (GSA), the Facilities Management unit in the Office of Administration (OA), the White House Administrative Office, or their own administrative personnel. This long-standing confusion and dissatisfaction with the quality of the EOP's centralized services has also led some of the larger EOP agencies to assemble a "shadow" administrative staff to fill these gaps and attend to their unique needs. The result is a hybrid system where OA handles some problems, the agency's shadow administrators handle others, and the third party contractors are hired to handle the others (often unnecessarily).

While this hybrid may often get the job done, it is costly. The EOP has spent approximately $3 million annually on about 70 administrative positions outside of the Office of Administration, indicating that the costs of administration have been historically understated.[2]

The hybrid arrangement also becomes self-fulfilling over time, as EOP employees forget about the services that OA can provide. For example, the standard forms for personnel (SF 171) and security (SF 86) have been automated for employee use by the Personnel Division -- but few employees know to take advantage of this service.

Over time, communications between OA and the EOP staff have broken down. As OA loses touch with its customers needs, the quality of administrative services further erodes. The EOP spends considerable resources attempting to provide administrative services, yet it lacks any systematic method for gauging customer satisfaction.

Recommendation:

Management should establish a small, one-stop-shopping Customer Service Bureau (CSB) within the EOP, under the auspices of the Assistant to the President for Management and Administration.

The Bureau would serve two functions: (1) an Information Center function would guide EOP staff in acquiring needed services; and (2) a Service Center function would help solve problems. Any EOP staff member could call the Bureau at a central telephone number about any problem, and administrative staff would be available or "on call" at all times.

Bureau personnel should also serve as "case managers," just as many innovative private sector firms assemble personnel and resources to handle the many steps associated with a major request.[3]

The new Customer Service Bureau should also develop mechanisms for systematic EOP staff feedback and evaluation. These could include customer surveys and case follow-up, which would be used to develop performance measures against which services should be routinely measured.

To complement administrative services brochures currently being prepared by OA, Bureau personnel should develop a comprehensive marketing strategy (like the administrative services marketing effort of the Department of the Interior[4]) to teach every EOP customer what administrative services are available, who to contact, and what level of service they should expect.

Implications

The incoming administration has shown considerable energy and interest in revamping the EOP's administrative services. A Customer Service Bureau could be a catalyst for significant improvements -- by reducing administrative duplication, improving customer satisfaction, and undercutting the incentive for a "shadow" administrative staff. Perhaps most importantly, a Bureau can provide the kind of customer focus that will sustain these reforms in a turbulent and challenging atmosphere.

Fiscal Impact

An initial staff of up to five full-time-equivalents (FTEs) would assist the customer service representative in channeling the anticipated volume of requests to the proper office. Increased outlays could be avoided if FTEs are redirected from elsewhere within OA or the EOP. One option would be for some current OA service providers to contribute 20 hours per week on a "job share" basis. A second option is to draw the positions from service areas where duplication is eliminated as a result of process reviews (issue #11) or other administrative efficiencies (#10 and #13).

Endnotes

1. Michael Hammer and James Champy, *Reengineering the Corporation: A Manifesto for Business Revolution* (New York: Harper collins Publishers, Inc., 1993) p. 22.

2. Work paper, Personnel Management Division, Office of Administration, Executive Office of the President, to National Performance Review Task Force, June 1993.

3. Hammer & Champy, *Reengineering the Corporation*, pp. 51-53.

4. U.S. Department of the Interior, Immediate Office of the Secretary, Abbreviated Guide to Administrative Services (Washington, D.C., February 1993).

EOP-11 CONDUCT QUALITATIVE SELF-REVIEWS OF CRITICAL ADMINISTRATIVE PROCESSES

Background

In the 1990s, all kinds of organizations are discovering that sticking to their old ways means falling behind or failing -- and the administrators who work for the Executive Office of the President (EOP) are no exception. The EOP staff is being reduced by 25 percent, but the workload is increasing. The EOP cannot depend on outsiders for new solutions, lest it be forever reacting to crises. It must look within, by establishing systematic quality reviews of its administrative processes.

The lessons of organizational reform yield an important conclusion: that well-packaged, well-marketed one-size-fits-all approaches to "fixing" things that are generated outside an organization usually bring disappointing results. Instead, the organizations which have been most successful in adapting to changing circumstances often undertake a fundamental internal reassessment of what they do, how they do it, and, most importantly, why they do it. This is often known as a process review (or "reengineering.")[1]

Such a review seeks to identify and retain only those activities that clearly add value for the customer. The review process draws on the considerable expertise of employees, but it is also dependent on the vision of the organization's executives and their willingness to accept the need for change and a thorough-going self-examination.

This technique has achieved striking results in the private sector. After analyzing its system for processing credit applications, IBM Credit Corporation cut turnaround time from six days to four hours and can now handle 100 times the workload with less staff. The Ford Motor Company reduced its accounts payable department by 80 percent by streamlining its payment authorization process and moving it to the receiving dock.[2]

Governments at every level are under the same pressures to find better ways to get their jobs done. This happened first at the local level, where the tax revolt of the late 1970s created such intense fiscal pressure that "state and local leaders had no choice but to change the way they did business."[3] For example, the Texas Office of the Comptroller designed its own *Renaissance Project*[4]. The first three reviews -- accomplished in 90 days -- are projected to save an estimated $12,000,000 during the first five years.

The Executive Office of the President has taken some first steps. EOP's management has established work groups to address the use of advanced technology and improve its clipping services. These ad hoc arrangements help to build teamwork, encourage the sharing of resources and support mutual problem solving.

However, a serious, ongoing review of critical processes will require an even stronger commitment by the EOP. No full-time management analysis staff is reviewing and reforming how the EOP does business. The EOP's high-speed, high-pressure environment has rarely permitted extensive internal review or creative long-range planning. If the EOP wishes to keep pace, and ensure that a new climate of administrative quality endures beyond the tenure of any individual President, it must build on these first efforts.

Recommendation

The Assistant to the President for Management and Administration should establish a formal program of ongoing, internal quality reviews of administrative processes.

Private-sector experiences with "reengineering" offer several lessons. Getting off to a good start is critical, and such a review will be taken seriously only if top-level managers conspicuously back the effort and "outlast the company cynics."[5] These reviews must be owned by the Assistant to the President for Management and Administration, and managed by the Director of the Office of Administration, even if the day-to-day management is provided by a separate full-time project coordinator.

An Administrative Services Steering Committee should be formed to help guide and oversee the entire project. It should represent all of the users and providers of EOP administrative services, i.e., all EOP agencies and every division of the Office of Administration. The Committee will select EOP processes for review, pick EOP staff members for the review teams, and meet with them periodically to provide focus, feedback and assistance in addressing particularly difficult problems.

The first phase of the project will be critical. Materials should be developed to provide an early common understanding of the project, including organizational goals and definitions of the products, customers, and procedures to be followed. A distinctive kickoff should convey top-level commitment to the review, advise staff about what is anticipated, and solicit their participation.[6] The Steering Committee and team members will need to be trained, and a manual should provide detailed guidance on the tools available to support the effort. A charter should clearly describe each process under review, set out what is expected of the review, identify measurable goals and provide a work schedule.

The first reviews should focus on the administrative processes already identified in the EOP issue paper on *Improving Administrative Services*: mail operations, supply and property management systems, publishing, automation of routine procedures and formats, and resource management information systems. Other topics ripe for early review include space management and simplifying procedures for paying the General Services Administration.

Implications

With the proper commitment from management, a thorough self-review will outstrip any results an external review could achieve. By using front-line employees who know the agency systems well, combined with system users and employees who can take a fresh look at work processes, agencies can dramatically reduce processing delays, increase the quality of services and focus their resources on the most critical agency responsibilities. Employee satisfaction will increase as these reviews demonstrate their ability to bring about positive change.

Fiscal Impact

There are no costs or savings projected for this recommendation. There will be a significant investment of employee time, but the efficiencies, greater productivity, and redirection of resources to higher priority activities should result in significant savings.

The most significant hidden cost will be the time required of employees participating on review teams. Experience with these reviews suggests that participants should commit to working at least half of their time on the project (which average about four months in duration).

Employees will also need training in team building, process review, conflict resolution and change management. Costs can be kept to a minimum if staff members design the course and use guest speakers to provide free training.[7] Existing resources can be used to reproduce employee brochures, training materials, manuals, guidebooks, and the final report.

As these process reviews yield results, the EOP will enjoy improved procedures and operational efficiencies -- including measurable savings resulting from the elimination of duplication and the sharing of resources.

Endnotes

1. Michael Hammer and James Champy, *Reengineering the Corporation: A Manifesto for Business Revolution* (New York, Harper Collins Publishers, Inc., 1993) p. 32.

2. Hammer, *Reengineering the Corporation*, pp. 36 - 44.

3. David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* (New York, Penguin Books USA, Inc.) p. 17.

4. John Sharp, Texas Comptroller of Public Accounts, *Renaissance Project: Making the Best Agency Better,* a Team Manual, 1993.

5. Michael Hammer, "Reengineering Work: Don't Automate, Obliterate", *Harvard Business Review* (July- August 1990), p. 106.

6. John Sharp, "Renaissance Project: Rethinking the Way We Do Business" (a brochure).

7. The Xerox Corporation, for example, won the 1989 Malcolm Baldridge Award for their quality improvement process, and are thereby obligated to provide free assistance to others. *Leadership Through Quality Processes and Tools Review*, Xerox Corporation, Rochester, New York, 1989.

EOP-12 PREPARE THE EXECUTIVE OFFICE OF THE PRESIDENT FOR TRANSITION

Background

Congress regularly provides funding for the cost of presidential transitions,[1] but it narrowly defines how the funds can be spent: only by the President-Elect and Vice President-Elect between the general election and the inauguration, and by the former President and Vice President up to six months after their terms end.[2] But these appropriations ignore the ongoing transition needs of Presidents and Vice Presidents while they are still in office -- that is, the outgoing President before leaving office and the new President after being sworn in.

These needs are real and significant. A second-term President can anticipate what is needed and submit a funding request to Congress. For example, President Reagan was able to request funds in 1987 for his 1989 transition. These expenses included $650,000 for the White House, $250,000 for the Office of Administration, nearly $500,000 to pay departing officials for their accumulated annual leave, nearly $250,000 to install new computer capabilities, and another $165,000 to meet other extraordinary needs for office renovations, overtime to process increased mail, and additional supplies.[3]

But incumbent first-term presidents may not feel the need to request transition funds, and may, of course, be defeated. A request had to be hastily added to the 1993 supplemental appropriations bill, including $1.2 million for White House accumulated annual leave, unemployment compensation, new telephone and computer connections. An additional $3.2 million was required for temporary staff to help with the details of filling more than 5000 presidentially appointed positions.[4]

This supplemental appropriations bill was not signed until July 2, nearly triggering a crisis of insufficient funds to meet unavoidable costs that had already been incurred by both the outgoing and incoming Administrations. There is no reason for Congress not to appropriate provisional transition funding every four years, thereby eliminating the uncertainty.

Recommendations

1. **Legislation should be enacted to institutionalize transition funding for the Executive Office of the President every four years.**

Congress stated that the purpose of the 1963 Presidential Transition Act was to promote the orderly transfer of executive power. The transition needs of the sitting President are just as relevant to such an orderly transfer as are their needs after they leave office.

Similar legislation is needed to authorize additional funding to meet these needs. While funds can be and have been requested in the regular appropriation process for the EOP, the necessarily political nature of this process creates considerable uncertainty in preparing supplemental budgets.

Like the existing legislation, this new authorization should meet several criteria. It should provide a specified level of additional funding, rather than leaving this up to the incumbent to anticipate political events two years in advance. It should also automatically authorize funding every four years. Even if the incumbent remains in office, experience shows that significant transition still occurs and additional costs are incurred. Third, the legislation should identify specific expenses as extraordinary and clearly related to the transition, with funds to remain unobligated if not necessary for these specific items. Finally, the legislation should identify a specific time period in which funds would be available.

2. The Office of Administration should undertake a special study of all EOP offices to document all extraordinary items of expense related to the transition in 1993.

While supplemental funds have been requested for 1993, they have been limited to the clearly extraordinary and mandatory expenses that cannot be avoided (i.e., accumulated annual leave, unemployment compensation, and computer/telephone line changes.) There are other costs which, while not mandatory, are reasonable for the orderly transfer of executive authority. In 1989, with sufficient time to plan and establish management procedures for funding transition activities, other itemized expenses included overtime for handling extra mail, additional supplies and materials, personnel and payroll processing and office renovation.

Supplemental funds for the transition in fiscal 1993 have also been limited to the White House, the Vice President's Office, and the Office of Administration. Similar expenses in the other Offices of the EOP were absorbed within available funds. This may not always be possible and it should not be left to chance. The full costs of transition should be known during the development of legislation in order to make fully informed decisions about which items should be included.

3. **All EOP agencies, with oversight from the Office of Administration, should anticipate building transition funding into their 1997 budget request.**

   The next year in which support for transition activities will be required is fiscal 1997. The budget for 1997 will be initiated in 1995. If the legislation proposed above has been enacted, the specifics of the appropriation request may be predetermined. If not, the 1993 experience should be used to build a special request into the regular budget proposal. To the extent that any of the funds are not required for specifically authorized items, they will lapse.

4. **The Assistant to the President for Management and Administration should establish a special task force to conduct a study of total Presidential transition requirements.**

   Many other administrative support requirements for transitions are becoming increasingly complex. A study could include a full range of activities, such as development of written guidance for new staff on critical federal policies and procedures, publication of simplified handbooks on how to get things done in the EOP and what pitfalls to watch out for, strategies on how to cope with the extraordinary demands of changes in office space, and procedures to assure the documentation of appropriate changes in delegations of authority to maintain ongoing operations. The Office of Administration should use this time to capture the lessons of the 1993 experience while it is still relatively current so they can offer improvements for transitions in the future.

Implications

Costs which are guaranteed to accrue will be considered and authorized by Congress, relieving incoming Administrations from the necessity of scrambling to request additional funds or foregoing other needed budgeted items in favor of legally mandated transition spending.

Fiscal Impact

Based on the experience of 1989 and 1993, initial transition appropriations for the Executive Office of the President should be established at $6.0 million. The 1997 authorization would make this request automatic every four years. The 1993 experience also suggests the need for approval and funding for about 50 full-time-equivalents to help process presidential appointments.

Endnotes

1. The Presidential Transition Act of 1963 authorized a new appropriation of $900,000 to support the transition, to be administered by the General Services Administration. Public Law 88-277, March 7, 1964. Amended Public Law 94-499 October 14, 1976 and Public Law 100-398, August 17, 1988.

   In *Presidential Transitions: Eisenhower through Reagan*, Mr. Carl Brauer observed that "the federal government spends substantially more money on ex-Presidents than it does helping newly elected Presidents get ready to assume office. Large corporations devote infinitely more time and money to finding, recruiting and orienting people for senior management positions than Washington does for positions with substantially greater responsibilities". (New York, Oxford University Press, 1986), p. 262.

2. If the incumbent President is reelected, the funds are returned to the treasury.

3. Letter from Mr. Paul W. Bateman, Deputy Assistant to the President for Management and Director of the Office of Administration to Chairman Roybal, Chairman of the Subcommittee on the Treasury, Postal Service and General Government Appropriations, U.S. House of Representatives, July 18, 1989.

4. In past years, this additional workload was handled by Schedule C appointees who were detailed from other Federal agencies to the White House. Positions filled under Schedule C authority are not career federal employees, but are considered policy making or confidential in nature. Public Law 101-509 prohibited any federal agency from using appropriated funds to hire Schedule C appointees whose position was "created solely or primarily in order to detail the employee to the White House".

Now is the Time

The best place to begin to reinvent government is to get rid of or replace those labor-intensive, paper-laden and duplicative administrative processes that do not take full advantage of new technologies. A number of initiatives can be undertaken quickly and relatively inexpensively to improve EOP operations.

EOP-13 IMPROVE ADMINISTRATIVE PROCESSES

Background

Like many other public and private organizations, the Executive Office of the President (EOP) relies on a number of long-standing administrative processes that are unnecessarily labor intensive, paper-laden, and duplicative. Often they do not take full advantage of new technology. These problems are particularly acute in the handling of mail, the administration of forms and paperwork, document publishing, supply systems, and resource management information systems. Administrative initiatives in these areas could provide relatively fast and inexpensive relief for the EOP's increasingly burdened staff.

The new administration is receiving mail at the rate of twelve million pieces per year, more than double the previous record. However, three separate EOP agencies handle incoming mail -- the Secret Service, US Postal Service (USPS) and EOP's own Office of Administration (OA). This division of responsibilities, which evolved over many years, has created complex and duplicative processes for handling, sorting, and x-raying mail. Each agency has different operating procedures, which adds extra costs.

Significant backlogs are occurring in processing the President's mail. In addition to needlessly overlapping, these processes are labor-intensive, time consuming and largely manual. The dramatic increase in the volume of incoming mail has also exacerbated shortages in staff and technology.

The processing of routine paperwork is also in need of review. Many standard forms like travel authorizations, vouchers, and various personnel requests require EOP administrative personnel to manually prepare documents and hand carry them to the authorizing offices. Approximately 10,000 travel forms and 20,000 personnel forms are prepared, authorized/approved and routed manually each year.

Many authorizing offices unnecessarily require that forms be routed through intermediary offices -- an inefficient and time-consuming practice. For example, requests for telephone services must be routed through the OA Facilities Management Division, which simply sends them to the telephone office without taking any action.

Since all employees need supplies and property, careful management of these resources is vital to ensuring smooth, uninterrupted work throughout the EOP. OA's two EOP supply stores rely on labor-intensive ordering and inventory processes, which result in inadequate management controls over the supply system. Personal property inventory programs are only sporadically implemented throughout the EOP.

In the case of publishing and printing, available technologies are not sufficiently utilized. The OA's Publishing Branch has equipment which could handle the EOP's publishing and printing needs and provide complete graphics design and composition services. But the Publishing Branch lacks the staff and expertise in graphics art required to provide these services. As a result, many EOP agencies have employed outside contractors to meet their graphic design and publishing needs--at a historic cost to the government of approximately $300,000 a year. Meanwhile, the Publishing Branch staff has had to tend in the past to routine, repetitive tasks that are not publishing functions, like preparing Presidential trip diagrams and engraving door signs for the Old Executive Office Building.

The Office of Administration's financial and personnel management data systems are also underutilized. Since EOP employees and administrators do not have immediate, on-line access to the data, they feel these systems add little value to their day-to-day operations. A new accounting system, to be operational by October, will collect data on division-level agency operations and standard formats to allow an interface with other management systems, such as the payroll, and comparable analysis across accounts. Much of this accounting data will be made available on-line to EOP managers.

A new payroll and personnel data system must also be integrated into office operations. This comprehensive and integrated system generates 36 standard biweekly reports to specific individuals, can respond to ad hoc requests for special reports, and can be set up to provide on-line information to authorized managers. However, it has only recently been tested in OA, and EOP managers should be provided with the training and assistance necessary to use it properly.

Recommendations

1. The EOP should modernize and streamline its mail processing operation.

The three agencies involved in handling the EOP mail should eliminate duplicate scanning and sorting and modernize their process with available technologies. Certain archaic practices should be eliminated, like the Postal Service's policies of accepting mail only in mailbags and always sending Presidential mail and packages first class. The White House Correspondence Unit should use state-of-the-art technology to scan, electronically process, and store much of the President's incoming mail.

2. OA should allocate resources to automate routine standard paperwork.

For forms such as the travel authorization and voucher forms, the personnel action request form, and the training request form, the system should be designed to capture basic management information and send the forms electronically to any office.

3. OA should modernize its supply management operations.

OA should allocate resources to further implement and upgrade its new baseline automated supply system. The system should integrate all inventory management functions and feature a photo catalog of available stock, point of sale billing, and bar code labeling capabilities. OA should contract out for a baseline inventory of all items currently in the supply stores and the warehouse and incorporate the results into the new integrated inventory management system.

Once the automated system is fully functional, consideration should be given to consolidating the supply function at the warehouse. A consolidated system would make inventory management and order delivery more efficient, and the two supply stores could be replaced with an EOP mini-shop for emergency items -- freeing up space in both Executive Office Buildings.

OA should also ensure that EOP agency administrative officers conduct complete personal property inventories of all equipment and furniture under their control, and that they institute on-going personal property management programs within their agencies.

4. OA should create one-stop shopping to meet publishing and printing needs for EOP agencies.

The functions of preparing Presidential trip diagrams and engraving door signs should be transferred to more appropriate offices within the EOP, and the Publishing Branch should be staffed with employees properly trained in graphic design. Another Docutech, a very sophisticated printer, should be installed in the New Executive Office Building's print shop, and both Docutechs should be connected to offices with a high volume of printing, allowing them to send their jobs directly to the print shop electronically.

5. **OA should work with EOP agency managers to insure maximum use of the existing financial and personnel data systems.**

OA should ask key managers to define their primary on-line information needs, review available material to eliminate duplicative or obsolete reports, train personnel to retrieve available system data, and create on-line access to their agencies' data.

OA should also purchase an sub-system for the EOP accounting program which integrates budget preparation and permits manipulations of data under hypothetical conditions.

Implications

The three agencies that handle incoming mail will become more efficient by eliminating duplicative practices and using modern technology. If the President's mail could be processed in one day, OA staff would not have to transport and store containers of mail not yet processed. New technology that is available can scan both typed and handwritten incoming letters to the President.

Automated preparation and transmission of forms would help staff provide routine services more accurately, easily and quickly -- cutting down on bottlenecks and freeing up staff for other tasks. Customers could use the system to check the status of their requests, rather than repeatedly calling administrative staff. The system could also provide a database to aid administrators in management and assessment.

By instituting internal controls over the supply system, the EOP could properly meet its property management and accountability requirements. Greater use of the OA's Publishing Branch would permit the EOP to rapidly produce in-house documents while preserving document security.

Increased use of the existing financial and personnel data systems would give EOP managers immediate access to information they need to manage their resources.

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Fiscal Impact

Personnel could be used more efficiently and economically if the Secret Service could scan for USPS concerns during their scanning process (eliminating the need for USPS to re-scan mail upon delivery to the Old Executive Office Building), and if the warehouse laborers did not have to transfer mail from mailbags to tubs and back again four times a day. The EOP could also save money by sending Presidential packages by third class delivery instead of first class.

An off-the-shelf database management package "Paradox" could help automate standard forms and create data bases for around $200 per application. The cost of purchasing bar-code labeling software, scanners and cable, and installing a complete, fully integrated supply inventory management system would be approximately $3,000. Contracting for a baseline physical inventory of the supply stores and integrating it into the automated system would cost approximately $5,000. A budget sub-system for the accounting system would cost approximately $150,000. The staff time needed to support these various improvements would be provided as a part of current services.

By eliminating the need to contract out publication jobs, the EOP could save around $300,000 thousand a year. This would be partially offset by the need to hire a graphic ares specialist.

Section III

Agency Reinvention Activities

AGENCY REINVENTION ACTIVITIES

One of the first objectives of the new administration was to organize the offices in the Executive Office of the President (EOP) to better serve the President.

The new White House began to implement President Clinton's pledge to cut staff by 25% on January 20, 1993. From the first day, the new administration made certain that the direct office of the President's staff was measurably smaller than it had been. They accomplished this by simply hiring fewer people.

Since that day, the White House has continued to work towards the goal of a 25% reduction in staff by October 1, 1993, the beginning of the new fiscal year. In making its cut, the White House tried to avoid any budget gimmickry. Its definition of total employees included full and part-time staff, employees borrowed from other federal agencies, detailees, White House Fellows and Presidential Management Interns. The White House figures did not include personnel from the Office of Management and Budget and the U.S. Trade Representative's office, two cabinet level agencies that have been directed, along with the rest of the Cabinet, to reduce their spending and streamline their operations.

This staff reduction was part of a larger reorganization of the functions and the institutions of the White House and the Executive Office of the President. The new administration restructured the EOP to better implement the President's agenda. The structural changes serve not only to reduce staffing, but to improve the functions of several offices through consolidation and through stewardship.

Most significant among the changes, the President is now served by a reorganized cluster of policy development offices. These include the National Security Council, the Domestic Policy Council, the Office of Science, Technology and Space Policy, the Office of Environmental Policy and the Drug Policy Advisor. White House environmental functions were reorganized, to be led by Vice President Gore. The existing Council on Environmental Quality is being replaced by the White House Office of Environmental Policy.

In addition, the role of the Office of National Drug Control Policy is being significantly restructured. This office is being reduced in size but elevated in stature to Cabinet rank. The White House's science and technology function is also being reorganized. Both the National Space Council and the Critical Materials Council are being merged into the Office of Science, Technology and Space Policy, headed by the President's senior science advisor--who sits on the newly created National Economic Council.

Along with staff reductions and office reorganization, the White House, beginning in February, took steps to cut back on perks and extras. Salaries of incoming senior staff were set at six to ten percent lower than comparable salaries from prior administrations. Portal to portal car service was limited to only three individuals for whom there was national security justification. The executive mess and the staff mess, which had previously been reserved for only top staff, were opened to all who work in the White House.

Many of the individual agencies of the Executive Office of the President have undertaken their own reinvention efforts, and have already implemented many changes.

OMB 2000

Kicked off by the Director and Deputy Directors in a meeting with all OMB staff in early May, OMB 2000 represents the most comprehensive self-examination undertaken by OMB in recent memory. The Director tasked the steering committee--comprised of senior career officials and several political appointees--to bring him recommendations to improve OMB's efficiency and effectiveness after two decades in which OMB's responsibilities had changed substantially. The Director called on all OMB staff to get actively involved, and to approach the exercise in an open spirit in which no sacred cows went unquestioned. "Make your ideas known," he said in a memo to all staff. "It's <u>your</u> institution--renew it."

Inspired by the Vice President's leadership, the reinvention commitment at all levels of OMB has been unprecedented. A day-to-day project team--jointly staffed by five political and career staff detailed to the OMB 2000 effort full-time--spent more than two months analyzing the organization. The team conducted 125 internal interviews across the organization (reaching virtually one in three professionals!), as well as 35 with career and political alumni, agency personnel, congressional staff, and others in the budget community. The team met a number of times with groups of OMB employees--for example, at regular branch chief lunches or through budget examiner focus groups--to tap the widest range of thinking on OMB's strengths and weaknesses and opportunities for improvement. An e-mail "electronic suggestion box" set up to encourage all staff to contribute ideas was a tremendous success, resulting in over 200 specific recommendations, several of which were implemented by the Director even while the project proceeded.

In addition, the project team assisted all OMB branches in completing "work profiles" that documented each area's missions, activities and end-products. These profiles, when combined with estimated time allocations provided by the branches, enabled the team to "turn OMB's budget on its side" and present senior officials with estimates of the OMB resources devoted to various activities across the institution. Along with other organizational analyses, such efforts assured that hard questions were asked about the contributions and work processes in all areas of the organization. A useful by-product of this work was to give new political officers a welcome snapshot of how the organization works, knowledge hard to come by in the early days of an administration with an aggressive, all-consuming agenda. In addition, the in-depth collaborative effort between political and career officials on OMB 2000 gave each insights into the perspectives and pressures facing the other, and thus went far to improve these critical relationships.

The steering committee's recommendations--still in final development at this writing--are expected to offer the Director bold, concrete ideas to improve OMB's ability to serve the Presidency into the next century. Two areas OMB 2000 has particularly emphasized have been upgrading the effectiveness of OMB's management function, and improving OMB's often frayed relationships with agencies--areas where the team has worked closely with NPR staff to forge sensible, effective solutions. The Director also expects the work of ongoing organizational improvement to become institutionalized at OMB, building on the energy the Vice President has galvanized.

Customer Service

In conjunction with the Vice President's National Performance Review, the Executive Office of the President has been conducting its own internal review and has pursued a number of different avenues for bolstering services. Operating under the leadership of the Assistant to the President for Management and Administration, teams have focused on improving the quality of services the public and government employees experience when visiting and working with and within the White House.

Among the agendas of the internal reinvention team was an effort to bolster the quality of the experience people visiting the White House have as tourists. The White House is one of the most popular tourist destinations in Washington D.C. People from throughout the world expect to be able to see and visit the home of the President, and the President wants his temporary home to be accessible to all who would like to visit it. Yet, because the White House is open to anyone who will stand in line, the lines are long. In order to try to accommodate as many people as possible, the staff have historically made tours short. The internal review team also found that written materials are not consistently handed out and tours are not as informative as they could be.

In the last two months the team has identified a number of potential improvements to the tour process. These include refurbishing the Visitor's Center, adding historical signs around the perimeter of the White House, offering clearer and more informative material about tour times and locations, creating more written material in multiple languages so that visitors from this nation and elsewhere leave informed about what they have seen, improving the ticketing procedures and waiting process, adding equipment that enhances the safety of visitors, and creating a general sense of friendliness and welcome for tourists who want to see the nation's home. Many of these changes are simple, but all improve the experience every visitor has when seeing the White House. Work on nearly all of these recommendations now has begun in the new White House.

Much of the day-to-day business of the Executive Office of the President happens within the Old and New Executive Office Buildings that abut the White House. The buildings house the Office of Management and Budget, the Council of Economic Advisors, the National Security Council as well as most of the staff that directly serve the Presidency. Aside from serving as an office complex the facilities are used daily for numerous public activities: meetings with other government agencies, meetings with public interest groups and community organizations, press conferences, and one-on-one exchanges between members of the public and administration officials. One issue the team addressed is how to facilitate these types of meetings and outreach efforts. In addressing this issue the team focused on improving the clearance process into the complex, improving signage so that visitors can easily find their meetings, and creating material to aid in the logistics of planning and holding meetings in the facility. Many of the short term tasks identified by the team have already been completed. Long term efforts that required in-depth analyses and commitments of significant funds have been noted and plans are being made for implementation.

When the current administration entered the White House, a number of critically important services were antiquated. Phone equipment, computer technology, and a host of other services were outdated, inefficient, and had reached a point where they severely limited the effectiveness of the White House in serving the American public. Many of the services and technologies one would expect to encounter in even a small business were not available within the White House.

Since taking office, the administration has conducted a thorough, careful assessment of the telecommunications and information resources currently available to support the President, his advisors and their staffs. They determined that existing computer resources were outdated, in some cases obsolete, and insufficient in their search and retrieval capabilities to support the needs of the president and his staff.

Computer systems, which require updating every three to five years in order to maintain compatibility with state-of-the art systems elsewhere in the government, have not been sufficiently enhanced during the past five years in the Executive Office of the President. Formerly standard computer processors known as mini-computers are still the standard throughout the White House, though they require significantly higher costs in labor and maintenance than do current personal computer-based network systems. The new administration's analysts determined that rather than the current centralized, mainframe and mini-computer based system, a decentralized system capable of manipulating and refining large quantities of data would serve more efficiently and effectively. Since conducting this initial review, the Office of Administration has explored several options for redesigning the computer system to better serve the President and will implement one or more options over the coming year.

Likewise, the telecommunications system currently in use at the White House is not only out-of-date and inefficient but represents a threat to the confidentiality of Executive Office of the President communications. The White House possesses a telecommunications system that has essentially remained unchanged for over ten years. The White House operator group works with circa 1966 "cord switchboards." This configuration can comfortably process approximately 5,500 calls daily. The balance of the complex is served by myriad other systems, some dating back to 1965.

The age of the system is compounded by the increase in calls daily to the White House. An average of 65,000 callers reach the White House, and uncounted others receive busy signals each day. These figures by all accounts are many times greater than during the previous administration.[1] Due to the high volume of calls, key federal government officials as well as officials of state & local government, private organizations and the public have reported difficulty getting through during weekdays.

The above problems are compounded by things such as: no confidentiality available on some systems, no way to allow receptionists to be in different locations from the call coverage areas, no voice messaging, minimal intercom capability and other similar problems. The fact that many phones have no privacy buttons means that in the offices of some senior staff, it is impossible to prevent individuals elsewhere in the complex from listening to confidential conversations.

The administration has put together a comprehensive plan to upgrade the White House telephone system. This past June, the EOP awarded a contract for the modernization of the phone system. Rather than costing more (for a better system) the new system will save between $2 million and $7 million over the ten year life of the contract. At these savings, the EOP will have a fully functional system that requires significantly less labor time to reconfigure (saving on repair service costs) and includes state-of-the-art digital consoles for the White House operators, enabling them to process calls more efficiently and thus handle the greater volume they now experience. The new system will include cost saving devices such as voice mail, to decrease the number of receptionists needed and will include the features outlined above which do not currently exist. The EOP has designed this new system to save money over the life of the contract and are beginning implementation in August, 1993.

The reinvention team also worked to identify other areas for improvement. This process started by interviewing many "internal" and "external" customers of the White House about critical services that were not currently meeting their needs. During the interviews a number of concerns arose yielding a catalog, in the end, of services that needed improvement: meeting space was inadequate, mail delivery slow, training nonexistent, garnering information difficult, and internal services such as facilities maintenance, personnel functions and technology support in need of improvement. In the last few weeks an agenda for service improvements has been created. Some steps have already been accomplished and the rest are scheduled for completion in the coming six months.

The goal of the reinvention team within the EOP has been to identify ways that the White House might offer improved service to people working with and within the White House as well as visitors to the complex. In the process, the team has have discovered a number of opportunities that will, when implemented, significantly enhance people's experiences working with, and visiting the White House.

Office of Administration

The Office of Administration embraced the President's challenge to change the way government operates by undertaking serious reviews of the way business has been conducted in the past, with particular emphasis on state-of-the-art technology and streamlining operations. Upgrading basic office technologies such as the telephone system, computers, cabling and facsimile capabilities within the White House complex received top priority at the beginning of the administration. Initiatives to improve support services operations such as mail processing, financial accounting, newsclippings, publishing and printing, and supply management dovetailed with the National Performance Review team's review. Staff from OA worked with National Performance Review members to begin several improvement projects.

For example, technological options such as optical scanning and document management systems are currently being studied with the intent to upgrade the capabilities for processing the record volumes of mail that the President is receiving. Another initiative to install an automated system for ordering office supplies from the OA supply stores is being finalized to enhance that system to provide full inventory management capabilities. A new accounting system is in final phase of testing and will be operational throughout EOP by the beginning of the next fiscal year, and efforts to add budget manipulation capabilities to it are planned. One particularly critical tool used in reinvention efforts that has been pursued by Office of Administration is to institutionalize Process Reviews of various administrative functions that affect all EOP agencies and are problematic or could use improvement.

OA management is striving to instill a more competitive, customer-driven mentality in it's employees by emphasizing communication, flexibility, open-minded and quality services.

Endnotes

1. Statistics were not kept by previous administrations but hold-over staff have anecdotally documented the increase.

Section IV

Fiscal Impact Summary

EXECUTIVE OFFICE OF THE PRESIDENT
FISCAL IMPACT SUMMARY

CHANGE IN BUDGET AUTHORITY
In Millions

Ch. Ref.	Recommendation	FISCAL YEAR 1994	1995	1996	1997	1998	5-YRS	Change in FTEs
EOP	1 Shift Regulatory Review from a Centralized Control Function to a Prog. Eval. Tool	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	2 Delegate Routine Paperwork Review to the Agencies and Redeploy OMB's Resources	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	3 What Modifications Should be Made to the OMB Circular System?	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	4 Strengthen the Office of the U.S. Trade Rep.'s Coordination with State and Local Govts.	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	5 Improve Federal Advisory Committee Management	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	6 OMB's Mgmt. Mission be Reinvented to Provide Mgmt. Info. for Pres. Leadership	($0.126)	($0.768)	($0.071)	($0.073)	($0.076)	($1.114)	1
EOP	7 OMB Should Work to Improve Relationships with Agencies	($0.300)	($0.306)	($0.312)	($0.318)	($0.325)	($1.561)	0
EOP	8 Strengthen the Office of the U.S. Trade Representative's Trade Policy Coordination Process	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	9 Strengthen the Office of the U.S. Trade Representative's Negotiating Process	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	10 Establish a Customer Service Bureau in the Executive Office of the President	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	11 Conduct Qualitative Self-Reviews of Critical Administrative Processes	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	12 Prepare the Executive Office of the President for Transition *	$0.000	$0.000	$0.000	($6.048)	$0.000	($6.048)	50 *
EOP	13 Improve Administrative Processes	($0.280)	($0.122)	($0.126)	($0.129)	($0.132)	($0.789)	1
	TOTAL RECOMMENDED COSTS, EXECUTIVE OFFICE OF THE PRESIDENT	**($0.706)**	**($1.196)**	**($0.509)**	**($6.568)**	**($0.533)**	**($9.512)**	

CHANGE IN OUTLAYS
In Millions

Ch. Ref.	Recommendation	FISCAL YEAR 1994	1995	1996	1997	1998	5-YRS	Change in FTEs
EOP	1 Shift Regulatory Review from a Centralized Control Function to a Prog. Eval. Tool	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	2 Delegate Routine Paperwork Review to the Agencies and Redeploy OMB's Resources	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	3 What Modifications Should be Made to the OMB Circular System?	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	4 Strengthen the Office of the U.S. Trade Rep.'s Coordination with State and Local Govts.	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	5 Improve Federal Advisory Committee Management	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	6 OMB's Mgmt. Mission be Reinvented to Provide Mgmt. Info. for Pres. Leadership	($0.113)	($0.704)	($0.140)	($0.073)	($0.076)	($1.106)	1
EOP	7 OMB Should Work to Improve Relationships with Agencies	($0.270)	($0.305)	($0.311)	($0.318)	($0.324)	($1.528)	0
EOP	8 Strengthen the Office of the U.S. Trade Representative's Trade Policy Coordination Process	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	9 Strengthen the Office of the U.S. Trade Representative's Negotiating Process	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	10 Establish a Customer Service Bureau in the Executive Office of the President	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	11 Conduct Qualitative Self-Reviews of Critical Administrative Processes	$0.000	$0.000	$0.000	$0.000	$0.000	$0.000	0
EOP	12 Prepare the Executive Office of the President for Transition *	$0.000	$0.000	$0.000	($6.048)	$0.000	($6.048)	50 *
EOP	13 Improve Administrative Processes	($0.280)	($0.122)	($0.126)	($0.129)	($0.132)	($0.789)	1
	TOTAL RECOMMENDED COSTS, EXECUTIVE OFFICE OF THE PRESIDENT	**($0.663)**	**($1.131)**	**($0.577)**	**($6.568)**	**($0.532)**	**($9.471)**	

* One-time funding for transition costs which would probably have been requested in a supplemental appropriation

DRAFT - INTERNAL WORKING DOCUMENT

NATIONAL PERFORMANCE REVIEW
AGENCY TEAMS
ISSUE DECISION PACKAGE

TEAM: Executive Office of the President

Date: August 4, 1993

NO	ISSUE TITLE	5-YEAR IMPACT (mill)	NPR TEAM POSITION	AGENCY POSITION	ACTION FROM TOLLGATE 4 MEETING
1	Shift Regulatory Review from Centralized Control Function to a Program Evaluation Tool	$ 0	Eliminate mandatory review of all proposals Establish priority categories for review and an approach to review by random sampling	Support Support	
2	Delegate Routine Paperwork Review to the Agencies and Redeploy OMB's Resources More Effectively to Attack Systemic Problems	$ 0	Need to relieve Agency burdens OMB review cross-agency proposals only Delegate review authority	Support Support Support	
3	What Modifications Should be Made to the OMB Circular System?	$ 0	Review, update and consolidate circulars Development process to include customer input Review Bulletins and Policy Letters for consistency	Support Support Support	
4	Strengthen The Office of the U.,S. Trade Representative's Coordination with State and Local Governments	$ 0	Survey State and local trade needs Develop outreach mechanisms	Not yet determined Not yet determined	

NO	ISSUE TITLE	5-YEAR IMPACT (mill)	NPR TEAM POSITION	AGENCY POSITION	ACTION FROM TOLLGATE 4 MEETING
5	Improve Federal Advisory Committee Management	$ 0	Eliminate ban on multi-agency funding Transfer committee management from GSA to OMB Track outcomes and costs Establish a repository of minutes and reports OMB policy to limit number and achieve cost reductions	Unknown Unknown Unknown Unknown Unknown	
6	OMB's Management Mission Should be Reinvented to Provide Management Information for Presidential Leadership	($1.114)	Address long term problems, opportunities and issues that cross agency boundaries Reorder priorities and resources so long range concerns aren't displaced by short term crises Improve investigative, preventive, and evaluation skills, and increase coordination between Budget and Management Strengthen the high risk program and systems for information access and analysis Strengthen program evaluation skills and utility throughout the government Improve capability to implement corrective actions, emphasizing collaboration with agencies and a flexible approach to controls	Support Support Support Oppose - NPR should not micro-manage Support Support	

NO	ISSUE TITLE	5-YEAR IMPACT (mill)	NPR TEAM POSITION	AGENCY POSITION	ACTION FROM TOLLGATE 4 MEETING
7	OMB Should Work to Improve Relationships with the Agencies		Appoint an ombudsman	Oppose - too symbolic and won't be effective	
			Establish staff exchange programs with federal and state agencies	Support	
		($1.561)	OMB 2000 should examine additional ways to improve relationships with the agencies	Support	
8	Strengthen the Office of the U.S. Trade Representative's Trade Policy Coordination Process		Clarify coordination roles of NEC and TPRG	Not yet determined	
			Include EPA in the coordination process	Not yet determined	
			Prioritize and designate a "traffic cop" to handle information requests	Not yet determined	
		$ 0	Designate an agency coordination ombudsman	Not yet determined	
9	Strengthen the Office of the U.S. Trade Representative's Negotiating Process		Provide training to enhance negotiation skills	Not yet determined	
		$ 0	Conduct systematic post-negotiation assessments	Not yet determined	
10	Establish a Customer Service Bureau in EOP	$ 0	Provide rapid assistance and a trouble shooter for administrative services EOP, available on a 24-hour basis	Good idea but needs further definition	
11	Conduct Qualitative Self-Reviews of Critical Administrative Processes		Establish a permanent capability for radical assessments and redesign of administrative processes focused on customer needs	Are already underway on review of optical scanning potential for improving news clips	
		$ 0	Tap into employee expertise		

NO	ISSUE TITLE	5-YEAR IMPACT (mill)	NPR TEAM POSITION	AGENCY POSITION	ACTION FROM TOLLGATE 4 MEETING
12	Prepare EOP for Transition	($6.048)	Authorize automatic funding for EOP every 4 years for transition needs of all EOP agencies Review experience for other ways to improve transitions	Good idea	
13	Improve Administrative Processes	($0.789)	Cut duplication, save labor, automate, streamline Improves mail operations, supply management, publishing, MIS and forms processing	Are already reviewing options for mail operations Good ideas	