MEMORANDUM FOR ALL OMB STAFF

FROM: THE DIRECTOR
THE DEPUTY DIRECTOR

SUBJECT: MAKING OMB MORE EFFECTIVE IN SERVING THE PRESIDENCY
Changes in OMB as a Result of the OMB 2000 Review

The Purpose of this Memorandum

The Steering Committee's recommendations gave us bold, concrete ideas to improve OMB's ability to serve the Presidency in the coming years. Some of those recommendations we accepted, some we revised. This memo explains the decisions we have made and their rationale. We believe this is an exciting time for OMB and look forward to working with all of you to implement this vision that so many of you had a hand in developing.

The OMB 2000 Process

OMB 2000 represented the most comprehensive self-examination undertaken by OMB in recent memory. We tasked the Steering Committee to bring us recommendations to improve OMB's efficiency and effectiveness after two decades in which OMB's responsibilities had changed substantially. We called on all OMB staff to get actively involved, and to approach the exercise in an open spirit in which no long-standing assumptions went unquestioned.

A project team spent more than two months away from their regular duties analyzing the organization. The team conducted 125 internal interviews across the organization (reaching nearly 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 -- to tap the widest range of thinking on OMB's strengths and weaknesses and opportunities for improvement. A support staff group provided input on improving the OMB work environment. An "electronic suggestion box" set up through e-mail to encourage all staff to contribute ideas received more than 200 specific recommendations, several of which
we implemented while the project proceeded.

In addition, all OMB branches completed "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 project team to produce estimates of the OMB resources devoted to various activities across the institution. This work profile analysis gave us a welcome snapshot of how the organization works and where its resources are expended — knowledge that was hard to come by in the early days of an Administration with a dynamic, all-consuming agenda.

**OMB 2000: A Snapshot of the Reforms We Propose**

The basic premise of the new course we have chosen for OMB is that, to be successful in improving Executive branch operations, OMB’s oversight role must better integrate our budget analysis, management review and policy development roles. We must also improve our capacity and opportunity to do mid-term analysis and spend more time on the analysis that supports our recommendations to the Presidents we serve.

The theme of integration was echoed repeatedly in OMB 2000 interviews with individuals inside and outside OMB. Our support of an integrated approach to overseeing agency programs and policies also represents a shift in our thinking from January 1993, when we first arrived. Having led this institution for over a year, listened carefully to the views of current OMB staff, former Directors and career staff, and those who watch OMB from the outside, we are convinced that management is integral to budget and vice-versa. Whatever we can do to bring both functions to bear on Presidents’ agendas will improve our service to that institution.

Organizational changes are but one aspect of the improvements we hope to bring about. We are also committed to new processes — for example, using ad hoc teams more frequently to deal with cross-cutting issues — that will enable OMB to provide analysis that cuts across OMB's and federal agencies’ typical organizational boundaries. The changes described below also address staff concerns about OMB's work environment and bring attention to internal management issues, concerns that staff raised throughout the OMB 2000 process. In addition, we have examined the suggestions raised by staff for eliminating low-priority work and we have accepted some of those suggestions. Finally, we have responded to concerns raised by the National Performance Review (NPR) about OMB-agency relations.

**Why These Reforms Are Needed Now**

On March 3, 1993 President Clinton announced a 6-month review of the federal government and asked the Vice President to lead the effort. The Report of the National Performance Review stressed that we need to change the way the government works. This administration believes it is time to create a government that works better and costs less. As part of this reinvention, the federal government will be rightsizing and reducing the
workforce by 252,000 employees, streamlining the bureaucracy and working toward measuring performance through results. The Office of Management and Budget will be at the center of these efforts and it is imperative that before we assist other agencies to achieve these goals, we examine our own way of doing business.

Critics of these recommendations may say that efforts to "integrate" management and budget will end in merely bigger budget divisions, whose management responsibilities will be driven out by daily fire-fighting on budget issues. We believe this criticism is based on a false premise that "management" and "budget" issues can be thought about separately. In fact, the changes are intended to improve OMB's ability to oversee agency programs and policies to ensure their efficiency and effectiveness.

It is true that OMB has been through several reorganizations, many of which in part aimed to improve OMB's focus on management. Perhaps the most pertinent example occurred in 1973, when Deputy Director Fred Malek moved staff with management competencies to the budget divisions -- but still in separate units -- and moved specific management functions to other agencies. However, Malek alone was the driving force behind that reorganization and failed to institutionalize the proposed changes. Within a few years of his departure, the initiative dissipated.

We believe that 1994 offers an opportunity and context for reorganization far more propitious than existed in 1973 when OMB last experienced major reorganization. OMB now has twenty more years of experience to guide change. The OMB 2000 interviews show a remarkable consensus on the need to strengthen OMB's focus on program oversight issues by integrating management skills with those areas of OMB that have program specific knowledge. Moreover, the OMB 2000 process itself, by soliciting staff views on how OMB can work more effectively, offers OMB's political leadership a unique opportunity to change OMB with career staff support and advice. It also offers a more solid institutional basis for ensuring these changes will strengthen OMB for Directors and Presidents in the years to come.

Contents

Descriptions of the changes we propose are organized into the following sections:

I. Organizing for Effectiveness in Management and Budget
II. Different Processes for Better Outcomes
III. Improving the OMB Work Environment
IV. Improving Agency-OMB Relations
V. Reducing or Eliminating Low-Priority Work
VI. Implementation Schedule
VII. A Final Word
I. ORGANIZING FOR EFFECTIVENESS IN MANAGEMENT AND BUDGET

OMB’s Management Role Today

OMB now influences the quality of agency program operations primarily through its budget divisions and through the units with responsibility for discrete aspects of management – the Office of Information and Regulatory Affairs (OIRA), the Office of Federal Financial Management (OFFM), the Office of Federal Procurement Policy (OFPP), and General Management (GM). The budget divisions necessarily deal with management issues as they examine budget proposals, program effectiveness, policy development, and budget execution – but their impact on agency management practices is uneven at best. The management units approach discrete management policies often without the benefit of in-depth program knowledge, which many believe is essential to improving agency program operations.

Whatever the occasional successes of the idiosyncratic program division involvement in management, or the virtues of the individual units dealing with discrete aspects of management, we have been convinced by our experience at OMB thus far and by those who have commented in the OMB 2000 process (alumni, current staff, former Directors, Hill staff, agency personnel, etc.) that the net effect of these approaches does not enable OMB to address and resolve fundamental issues of program effectiveness and efficiency.

We have also discovered that in some instances there is unnecessary duplication between the management and budget areas that may result in our giving conflicting signals to agencies on the same issues. This occurs, primarily, when management staff get involved in tracking the implementation of agency-specific projects. Many of the key initiatives required by statute may not receive the full weight of OMB behind them because of this lack of integration. This unnecessary duplication and conflicting policy signals are a source of frustration to agencies and diminishes OMB’s ability to effectively utilize its own shrinking resources.

OMB’s Management Role As It Should Be

Every few years, OMB attempts to do better on some dimension of management, or on overall agency management, by adding special units and functions outside the budget and policy analysis process. The Steering Committee specifically recommended that we not take this course again, and instead focus on ways to integrate OMB’s “M” and “B” so we can perform both responsibilities more effectively. The new Resource Management Offices (RMO) we will create will be neither the current budget divisions augmented by more people, nor the current management Offices. In time, they will by mission, training, staffing, and operating style, be new entities unlike anything now in OMB.

The RMOs will be responsible and held accountable for: (1) budget formulation, analysis, and execution; (2) program effectiveness and efficiency; (3) annual, mid- and long-
range policy and program analysis; (4) implementation of government-wide management policy as formulated by the statutory offices; and (5) program evaluation. The effect of the RMOs will be to support government-wide policies more effectively and to answer the following questions:

- How well do agencies operate their programs and use resources to produce desired goals as defined in laws and in an Administration’s policies?

- How well do agencies choose or seek legislative authority for the most appropriate method for delivery of a service or benefit?

- How well do agencies assess programs and policies (current efficiencies as well as long-term net impacts) to determine degrees of success or failure and do what ought to be done about what is found?

Creating OMB’s New Role

New capability. OMB staff in the new RMOs will have integrated responsibilities for the management, budget, and policy aspects of their assigned agencies or programs. They will be neither budget examiners as currently in budget divisions, nor, except in special circumstances, experts in discrete management skills or competencies. The new staff will be policy analysts, with new job descriptions in units with new mission and function statements, and with performance appraisals linked to these new roles.

We will train current staff to understand and work with agencies on all facets of policy development and implementation. We will also hire a greater proportion of our staff from among people with significant experience in the public sector, preferably in program management. Supervisors will be able to spread program responsibility among more staff, thus allowing staff to deal in more depth with a broader range of management and budget issues. Supervisors will also be able to have specialists (e.g., for procurement in program areas that relies extensively on contractors), but these specialists will work cooperatively and directly with analysts.

The PADs, DADs and Branch Chiefs will play a crucial role in helping us change the mode of operation here at OMB. We will rely on them for ensuring day-to-day that we look not only at the fiscal implications of programs, but program effectiveness and implementation of government-wide management issues as well.

As part of the more cooperative OMB-agency relationship discussed elsewhere in this report, OMB will conduct periodic reviews with agencies on agency-wide operations and for specific program or agency components. These reviews will contribute to the resource allocation decisions made in the process described below.
The Resource Management Offices and their staffs will:

- examine and make recommendations on the effectiveness with which proposed and new policies can be or are being implemented;
- ensure that policy proposals to Congress are accompanied by adequate explanation of, and resources for, implementation;
- ensure implementation of government-wide management initiatives; and
- acquire and maintain skills in understanding state of the art techniques of public administration.

We recognize that few OMB supervisors and staff have the ability to carry out all these tasks effectively now. We also believe that we can build on OMB's base of expertise to develop centralized competence in improving how the Federal government is run.

New processes. The RMOs will use different methods to get information from the agencies, analyze that information, and present it to officials for decisionmaking.

The President's budget document will contain comprehensive information on the management of government as well as the information it now contains on its budget. OMB Circular A-11, which now structures the Executive Branch budget process, will be revised to require an integrated management and budget process. The creation of this new document will require agencies to incorporate performance measures into their budget recommendations.

- Agency justifications for new programs will include: how and with what resources the agency intends to implement it; timeframes; the relation to existing programs and administrative systems; standards for success; measures and data collections to inform judgments on whether standards are met; and when the judgment should be made to continue, terminate, or modify the program.

- Agency submissions for existing programs will include comparable information and assessments of success. Also, agencies will justify their personnel policies (e.g., FTE levels, recruitment and retention strategies) based on the skills needed to manage new and existing programs.

Agency Congressional budget justifications will report to Congress on effectiveness.

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1The portion of Circular A-11 now relating to the use of MAX and budget concepts will be handled in a separate document.
and efficiency of agency management of programs, and make clear how such information has been used to support the agencies' discretionary spending requests and to manage discretionary and mandatory spending programs. (Of course, the form and content of Congressional justifications are set by the Appropriations subcommittees, with whom we will consult as we carry out these changes in the coming months.)

Similarly, agency legislative proposals will specify how the agency expects to implement new proposals, resources needed to do so, the standards by which success will be measured, and the timetable by which the agency expects to have information for the President and Congress on how well the agency is meeting standards. (And we will conduct comparable consultations with authorizing committees.)

At the recommendation of the NPR, the President established a Management Council (PMC) that works with OMB to ensure that strategic and quality management principles, re-engineering of administrative processes, and annual performance reviews are implemented throughout the Executive branch. PMC members are responsible for management of their own organizations and, collectively, for advising the President on the management of the entire Executive branch.

The PMC is chaired by OMB and includes as members the Chief Operating Officers (a designation also created upon NPR recommendation) of cabinet departments. This provides OMB with a forum for cooperative government-wide management policy decisions. As outlined in the President's memorandum, the Council is responsible for:

(1) improving overall Executive Branch management, including reform of government-wide systems, such as management controls, financial management, personnel, budgeting, and procurement;

(2) coordinating management-related efforts to improve government and, as necessary, resolving specific interagency management issues;

(3) ensuring adoption of new management practices; and

(4) identifying examples of and providing mechanisms for interagency exchange of information about best management practices.²

Organizing OMB to Better Integrate Management and Budget Oversight (see the attached organization chart)

Creating the new Resource Management Offices means that OMB is about to enter an

²The President’s memorandum to the heads of Executive department and agencies is published in the [issue] Federal Register.
extended period of change. Staff in the existing budget divisions must think of their jobs differently and learn to incorporate a broader set of management issues into their day-to-day work. Some staff in the discrete management units — OFFM, GM, OFPP and OIRA — will move to the new RMOs, and their arrival will give the RMOs the resources they need to devote more energy to program oversight and budget issues. Core staff in OFFM and OFPP will refocus their efforts on developing and coordinating government-wide management policy informed by RMO activity and less on individual agency activity.

Here is what we plan to do:

1. We will create five integrated Resource Management Offices.

   - The National Security and International Affairs PAD area and Natural Resources, Energy and Science PAD area will become RMOs with comparable agency coverage.

   - The Health PAD area will become the Health and Personnel RMO and acquire responsibility for Veterans Affairs, OPM, EOP and the Postal Service. Veterans' Affairs is reassigned to this RMO because much of OMB's work in this area centers on health care. The new RMO will also acquire responsibility for examining OPM, EOP and the Postal Service, in part to better balance the responsibilities among program areas. The HHS Unit, which now reports to both the Health and Human Resources Associate Directors, will be incorporated into the Health Division, and will continue to work closely with the Human Resources RMO. We believe this unit will be more effective under one policy official.

   - The Human Resources PAD area will become an RMO (after the change described above).

   - The Economics and Government PAD area will become the General Government RMO with responsibility for Commerce, Transportation, Housing and Urban Development (HUD), Treasury, Justice, GSA, and financial institutions.

2. OFPP and OFFM will retain their statutory policy roles, and some staff will also be reassigned to the new RMOs. OFPP will have core responsibility for government-wide procurement policy development and retain staff for this work. OFFM will continue to have government-wide policy development responsibility for financial management. Some staff from these offices will move to RMOs to provide additional analytical capacity there. We want the core management offices to focus on the development of government-wide policies in their statutorily-charged areas. We believe these core offices will have greater influence with the agencies because of the expanded number of OMB staff dealing with these issues on a day-to-day basis.
Some staff from OIRA will move to each of the five RMOs. We chose not to move most OIRA desk officers to the RMOs at this time. The Steering Committee recommended such a move because they wanted RMO analysts to deal with the full range of issues affecting their agencies and not to leave review of regulations to another OMB component. We're not prepared to take this step, primarily because we want OIRA staff in place to implement the new Executive Order on regulatory management, issued on September 30, 1993. We want to consider the issue of how best to integrate regulatory and paperwork review with the work of the RMOs at a later date. It is more important that OIRA implement successfully the timeframes and coordination requirements in the new Executive Order (E.O.) on regulatory review. Further consideration of how and when to better integrate regulatory and paperwork review with the work of the RMOs is postponed until after the processes envisioned by the new E.O. have taken hold. Instead, we will move some staff from OIRA to the RMOs. The majority of those moved will be support staff. Such a move will reduce the ratio of support staff to professionals in OIRA, while giving the RMOs more support staff to carry out their new duties. The professional staff reassigned to the RMO's will add further analytical ability to those Offices.

Some staff will move to the RMOs to enhance OMB's mid-range analytical functions. Several staff will move from Economic Policy (EP), Budget Review Divisions (BRD), and from GM's Evaluation and Planning Branch to the RMOs.

We will integrate the Special Studies Divisions into the RMOs. An important theme of the changes in this report is to provide the RMOs with resources and incentives to do the mid-term analytic work, much of which is now done by the Special Studies Divisions (SSD). We want to integrate the performance of such analysis into the RMOs, as some divisions have already done. Our guiding principle is that we want as many staff as possible involved in analysis grounded in an integrated view of agency oversight. We do not want to confine such work to special units -- even though those units have been successful in doing some analysis that the rest of OMB did not have sufficient time to do.

We will separate the Administration Office from the Legislative Reference Division. OMB's Administration Office (AO) and the Legislative Reference Division (LRD) now report to one Associate Director. We will restore independent status to each organization. The head of each office will now report directly to the Director.

We will charge the Management Committee (see section III below) with overall responsibility for examining workload per Senior Executive Service (SES) manager and increasing SES span of control where appropriate. The OMB 2000 process suggests that supervisory span of control in some areas is too small and should be reviewed. The Management Committee will work closely with the Executive Resources Board (ERB) on this issue.
II. DIFFERENT PROCESSES FOR BETTER OUTCOMES

The OMB 2000 process revealed four major areas where OMB can improve the processes we use to make policy:

Integrating Tax and Spending Policy

Tax expenditures contribute enormous "outlay equivalents" or "revenue losses" — about $400-500 billion in FY 1994 and rising — in several policy areas, such as housing, commerce, education, income security, and State and local government support. Yet decisions about taxes are almost always made completed independently of those made about direct spending, OMB's more immediate purview. OMB analyses seldom pull together both spending and tax expenditure/credit resources devoted to functional policy areas. Agencies almost never put information in their budget requests about tax expenditures in their area or what the outputs are from these expenditures. The Steering Committee believed — and so do we — that this sort of information is truly critical to a more informed policy process.

To create a more integrated review of tax expenditures and direct spending, the Steering Committee recommended that OMB, Treasury, and the Council of Economic Advisors (CEA) work together more closely during the budget process through a formalized mechanism for jointly reviewing tax expenditures and spending requests. These spending-tax reviews should result in integrated decisions and recommendations for the President. We expect to be back to you shortly with details on how we'll begin this new process this year.

Enhancing Cross-Cutting, Interagency Policy Development

Many of those who commented in the OMB 2000 process argued that the best context for budgetary and tax policy-making, regulatory review, and management oversight is a particular policy area or governmental function, not an individual agency. Increasingly, the problems facing the country and the Federal government cannot be addressed without crossing agency and program lines. However, OMB is not organized to make decisions this way. Most of the budget divisions are organized on an agency-by-agency basis.3

In addition, management oversight and budget review responsibilities are located in separate organizational units in OMB. This separation further inhibits meaningful cross-cutting analyses and coordinated decision-making. Not unexpectedly, interviews across OMB suggest that two stumbling blocks to improving OMB's ability to address cross-cutting issues are the turf consciousness of many staff and the duplication that occur in the cross-cuts run

3There are notable exceptions for two large departments: responsibility for USDA's programs are spread among three divisions (NRI, HRD, and IAD), and HHS programs are spread between two divisions (HD and HRD).
by staff who do not have examining responsibilities.

One concern raised by examiners is that cross-cuts usually result only in increased expenditures rather than decreased resources or more efficient spending. Another concern is the amount of time required by cross-cuts — whether they are in-depth analyses to aid budget and policy decision-making or the simple "tracking" that is often done after budget decisions have been made, to discover how much has been requested in a cross-cutting area.

To facilitate more meaningful cross-cutting analyses, we will choose cross-cutting "themes" for the budget early in the process (perhaps as early as March) and communicate these themes to agencies by the beginning of their internal budget processes. We will ask that agency budget requests reflect their roles in these cross-cutting policy areas.

We will also ask the PADs to reach agreements with the agencies on policy issues or hypotheses to be explored, a timetable, staff assignments, and the degree to which decisions made in the cross-cut will bind agency budget requests in the fall. OMB, agency, and other EOP officials will meet in the fall to review the interagency analysis and make recommendations for Presidential review. The agencies and OMB would then start work on the oversight process for cross-cut policies, including strategies for enactment of necessary appropriations or authorizations, implementation, evaluation, and periodic reassessment of progress and problems. The natural conclusion to the process is that the printed Budget narratives will be largely organized around cross-cutting themes that were part of the budget process.

In the FY 1995 Budget process we began a condensed version of this process, with mixed results. We will be able to build upon much of what we learned as we begin this cross-cutting process early this year in preparation for the FY 1996 Budget.

Conducting More Long-Term, Mid-Range Analyses

OMB has the staff expertise to do "mid-range" analyses but the pressure of immediate requirements makes this type of work often a second priority. We want staff to spend more time on such analyses. This longer-term perspective should be reflected in several arenas:

(1) multi-year budget planning; that is, more focus on long-term cost and implications of policy decisions (beyond the five-year horizon);

(2) more attention to potential economic, budgetary, and institutional problems that are looming on the horizon; and

(3) more analyses of policy or program issues that can aid in policy development for the Presidency.

We also intend to use ad hoc staff teams from different parts of OMB to deal with
cross-cutting and longer-term analytic issues — teams that will junior as well as more senior staff.

Increasing Agency Involvement in the Budget Process

We think that the Management and Budget Reviews represented a good first step in systematizing a new and improved relationship between OMB and the agencies. We also know that certain OMB divisions have been invited to sit in with agencies as they go through their own internal budget processes. These practices have opened communications and information-sharing 00 between OMB and the agencies, which in turn contributes to a more cooperative relationship and in bringing issues to the table much earlier in the process.

OMB’s improved working relationships with agencies should also be expanded to include cross-cutting issues (a process also begun with the FY 1995 Budget) to enhance coordination of their budget requests. To enhance interagency coordination, we want OMB to be more proactive in working with the agencies to identify cross-cutting themes for the Budget.

Improving Strategic Policy Thinking and Policymaking

Another issue is how OMB can improve its decision-making processes to parallel more closely those in Congress, and how it can more effectively make the case for an Administration’s policies. While we wouldn’t want to organize OMB along the lines of the committees in Congress, we do want to be more strategic in the way we prepare the Budget.

We also want to do a better job of anticipating how the Congressional committee structure leads to policy tradeoffs made during the Congressional budget process. OMB does not now systematically anticipate these tradeoffs, particularly with respect to the appropriation subcommittees that include a range of programs. For example, in the VA/HUD subcommittee veterans programs, space, aeronautics, basic research, disaster assistance, community and economic development, environmental programs, and others compete for resources.

Therefore, in advance of passback or Presidential review of OMB decisions, we want to conduct internal budget reviews based on appropriation subcommittees to give policy officials a better sense of what the tradeoffs are and to parallel processes in Congress. We will ask the Budget Review and Concepts Division (BRCD) to do periodic rack-ups of agency requests and tentative decisions by subcommittee jurisdictions.

OMB’s Interaction With Congress

Another aspect of this issue is how career staff can help carry out an Administration’s policies. OMB’s traditionalists argue that career staff should not visibly help enact a
President’s policy proposals to avoid hurting (some would say harm further) OMB’s reputation for “neutral competence.” Others think OMB must play this role, arguing that more frequent communication with Congress will moderate the negative images held of OMB and improve the policy process.

Most agree that career staff should provide information or technical assistance to Hill staff on an Administration’s policies. Advocacy, however, is the other extreme and most career staff agree that this is inappropriate. However, there are gradations of behavior within these extremes and different divisions within OMB have different operating styles in this regard.

We tend to agree that OMB career staff can actively support enactment of a President’s agenda without becoming “politician.” Staff should be able to explain an Administration’s policies, but should not get into the business of making deals or trades on policy issues or legislation. The latter are clearly the domain of those appointed by a President to represent an Administration.

To make OMB staff interaction with the Hill more consistent across divisions and to ensure that new staff are aware of the “rules of engagement,” we will ask OMB’s General Counsel (GC), Administration Office (AO) and Legislative Affairs (LA) to provide guidance to OMB career staff on appropriate interactions with the Hill. (See the attached three charts depicting better processes for better outcomes)

III. IMPROVING THE OMB WORK ENVIRONMENT

Over the past year, we have learned that OMB takes enormous pride in being an organization that demands a great deal of its staff. A recurring theme in many of the OMB 2000 interviews is that these demands have created an unfriendly work environment, especially for staff with family responsibilities. Staff observations tend to fall into three categories: (1) that the demands of the work are often needlessly burdensome and unreasonable; (2) that staff are often uninformed of what is going on, with the result that they are not as effective as they could otherwise be; and (3) that personnel management is too often an afterthought and staff is at the mercy of managers who are generally unskilled in basic supervision.

The prevailing experience here is that it is more difficult for individuals with family responsibilities to meet the demands of a senior position at OMB. This severely limits prospects for women and, in an era where men are increasingly assuming parenting duties, for men as well. Data show a wide disparity (especially between budget and non-budget divisions) in the percentage of senior, non-SES men and women. That may be attributable to the perception that the work schedule is particularly onerous and unpredictable on the budget side and thus less suitable for persons with substantial family responsibilities (especially those
with young children).

While these concerns are dismissed by some as the "griping" heard in most healthy, hard-working organizations or the frustrations of staff who take great pride in their work and thus can never do enough, there exists a general consensus that OMB's staff assignments and personnel policies can be made more "family friendly." Of course, those who work at OMB have made an explicit choice. There are easier places to make a living, and the OMB work environment is hardly a secret. OMB staff trade the greater demands of this workplace for the opportunity to influence public policies in ways not available to the same extent elsewhere. Nevertheless, we believe there are ways to make the work environment more friendly while not compromising the quality and responsiveness that are OMB's hallmark.

Here are steps we will take to improve the work environment at OMB, addressing the broad range of concerns raised in the staff interviews, e-mail to OMB 2000, and by the Steering Committee:

Managing the Workload

We need to be more aware of the workload to manage it effectively. Therefore, we plan to reinstate the practice of having the Assistant Director for Budget report at each Friday staff meeting on BDRs. In addition, we want other information requests that go to multiple divisions to be reported each Friday — whether these requests originate from the Director's Office, the Office of Economic Policy, or other OMB offices. We also want the PADs and DADs to raise questions at Friday meetings about any work orders that they think are unnecessary or too elaborate.

Although compensatory time, flexi-time, alternative work schedules, and job sharing may have limited application given the "always at the ready" mode of operation here, they have been successful in limited circumstances in helping staff without reducing productivity. We think these policies are inextricably tied to the workload issues, and we think they are worth exploring. Therefore, we have asked the AO to convene a working group to report in 90 days on the expanded use of these techniques in OMB. We want managers to be instructed in the use of these techniques and encouraged to use them in selected cases, and the criteria and procedures should be documented and distributed to all OMB staff.

Improving Communication

We prefer that both senior and junior career staff be included in meetings with policy officials on matters in their areas of responsibility, except where there is a legitimate need to limit attendance. The presumption in all cases should be that junior staff will attend meetings in the Old Executive Office Building; DADs and branch chiefs should bring their analysts to these meetings unless otherwise instructed.

Two ideas in this area were suggested by staff through the OMB 2000 process and
have been carried out already. The first was that the names of staff who work on a particular memo or analysis appears on the memo itself, which has helped us understand who has expertise in which areas. The second idea was that the Director's Office should issue a summary of Friday senior staff meetings, so all staff knows which issues are most important in the near and long-term. We hope that the DADs report to their branch chiefs even more detailed information, as appropriate, than contained in the summary we prepare weekly.

To provide OMB staff with organized opportunities for presentations by outside speakers, and to provide some managerial experience to those in the SES candidate development program, we will ask the AO to assign to each of the members of the SES candidate development program one or more junior staff. As a developmental part-time assignment, these staffers will be tasked with planning and conducting at least semi-monthly OMB fora, to include presentations by outside speakers and by OMB staff on current issues likely to be of broad concern.

Improving Managerial Skills and Personnel Policies

We want to establish an OMB training group to conduct seminars and workshops on a curriculum to be developed by them but to include: basic supervision; personnel evaluation and counseling; working with and integrating support staff in a changing office environment; and conflict resolution. The training group should consist of a cross-section of OMB staff, assigned as a collateral duty; on a rotating basis and should also be responsible for keeping a current catalogue of and evaluating outside training courses that might be useful for OMB staff.

We want to provide a mechanism, modeled on course/instructor evaluations submitted by students and other private sector company practices, for staff (professional and support) to evaluate their supervisors and suggest how they can improve communications and operations.

As we implement OMB 2000, we plan to establish two new positions in OMB's Administration Office to be responsible for career management and Equal Employment Opportunity (EEO):

- Part of the function of the career management staff will be to counsel with each supervisor at least annually on his/her group's human resources plan (including recruiting, job counseling and skills development planned for each individual). Career development should be considered broadly to include intra-OMB and agency rotations, participation in professional organizations, and site visits as well as formal training courses. We want the career development staff in AO to help us conduct an annual, comprehensive review of the entire SES corps, to include recommendations for rotations, other development, and job counseling.

- The principal duties of the EEO staff person will include: (1) developing an aggressive recruiting program targeted at increasing the pool of minority and woman
applicants for all position levels; (2) working with individual supervisors with vacancies before (especially mid- and senior-level) jobs are posted, to devise an outreach program to encourage minority and woman applicants, including recruiting more agency staff and work-force re-entrees (e.g., mothers with older children); and (3) conducting a continuing series of seminars and workshops on EEO-related issues such as preventing sexual harassment and managing in a multi-cultural environment.

Support Staff

Many of the OMB 2000 interviews and the work of the Support Staff Team revealed to us substantial job dissatisfaction among support staff as well as some dissatisfaction among professional staff with the type and level of support provided. Some divisions have too many support staff; others have too few. On the whole, we do not make as efficient use of our support resources as we should.

Therefore, we will ask the AO to conduct within 90 days an analysis of the requirements of the support staff environment, establish performance standards for use of current equipment, identify needed support staff training, and, where appropriate, prepare new job and grade descriptions.

We also want to encourage a broader rethinking on the use of support staff to include centralizing the reception and records management function at the division level; requiring staff to answer their own phones and use voice mail; and explicitly recognizing (and reviewing their compensation) that the senior support person in a division is an office manager responsible for division administrative operations. The Management Committee will work with the divisions to implement these changes.

To begin to rationalize the distribution of support resources among OMB’s offices, we will establish a clerical-professional staff ratio of 1:5 vs. 1:3.8 today (not counting budget assistants as clerical). We will also require that clerical vacancies be filled from within until the number of clerical positions reaches the new ceiling, which is essentially a continuation of current practice.

Management Committee

OMB has no permanent group of career staff, representing professional and support staff, SES and non-SES, to advise us on internal management issues. Yet these are precisely the people who have the most interest in the subject, the most experience in successes and failures in dealing with the issues, and the most to gain or lose from good or bad OMB management practices. The existing internal OMB committees do their jobs but are confined
to certain activities, not to advise us on internal management as a whole.⁴

OMB’s internal management, its policies and procedures regarding personnel, organization, hiring, staff, etc., are ultimately the responsibility of OMB’s political leadership. Of necessity, however, internal management must be of lower priority than the policy, program, and budget issues on which the President needs our assistance. By the time we can learn enough about OMB’s organization, personnel, and culture to understand fully many internal management issues, the opportunity to resolve those issues has passed.

Therefore, we will establish a Management Committee consisting of two non-career staff, five career SES managers, two non-SES professional staff, and one support staff to advise the Director on all internal management issues. The Director will appoint the chair of the Management Committee, and both Deputy Directors will be ex-officio members. The Management Committee will provide us with advice on internal management issues and be a sounding board for our own proposals. It will also provide guidance for and assistance to AO, which will continue to be responsible for the administrative operations of OMB. The Assistant Director for Administration will be a member of the Committee. In addition, any member of the Director’s immediate staff who has major administrative responsibilities will also be a member. It will serve as an institutional memory on internal management and as the permanent group in OMB concerned with the continuing need to keep “reinventing” ourselves as an effective institution.

IV. AGENCY-OMB RELATIONS

We recognize that respect, courtesy, and professional conduct are essential to the productive working relationships between agency and OMB staff that enable OMB to serve the President effectively. We also recognize that even when all three elements are in place, agency-OMB relations may sometimes be strained due to the inherent nature of these institutional relationships. OMB staff are frequently in the position of critically questioning agency proposals. Such questioning is often uncomfortable for both parties, especially when the questions are designed to show whether a program or plan is effective or ineffective.

We recognize that critical analysis and questioning of agency programs, priorities, and management is central to the work we do for the Presidency. At the same time, we also think that OMB can more effectively serve the Presidency by improving agency-OMB relations.

⁴The Executive Resources Board reviews the hiring, promotion and transfer of SES staff; the Performance Review Board summarizes recommendations for SES bonuses for the Director; the Personnel Advisory Board makes recommendations regarding non-SES staff.
One of the most important new practices that will improve agency-OMB relations is earlier and more extensive agency involvement in the budget process. The FY 1995 budget process was designed to engage the agencies substantively and jointly in finding creative ways to craft a Budget that reflects the President’s priorities. We hope that the new collaborative process has communicated clearly to OMB staff that we care about and intend to seek agency views on policy. Indeed, we have already heard selected agency reports that this new effort has improved relations significantly since it began last year.

Additional measures will also help improve agency-OMB relations. Therefore, in addition to the new budget process now underway, we want to implement the following new practices:

1. Require performance evaluations (critical job elements and performance standards) for examiners/analysts, branch chiefs, and DADs who have contact with agencies, to include an additional element on maintaining good relations with agencies;

2. Deny promotions, bonuses, and awards to staff who are consistently the subject of valid agency complaints (and ultimately ask some to leave OMB);

3. Place greater emphasis on agency or another form of operating experience as a prerequisite to selection for senior OMB positions;

4. Establish an annual workshop on “how to work with agencies” that will identify and encourage replication of “best practices”;

5. Conduct annual meetings between OMB and agency staff to assess relations (as part of the more comprehensive and mandatory training curriculums we propose);

6. Establish agency-OMB staff exchange programs to broaden each’s understanding of the other’s roles; and

7. Establish electronic mail connections between the agencies and OMB to speed communications (now underway).

V. REDUCING OR ELIMINATING LOW PRIORITY WORK

A common complaint among OMB staff is that they do not have enough time to do in-depth analysis because they are overwhelmed with less important, near-term work assignments, all with tight deadlines. One way to allow staff more time for analytical and anticipatory work is to eliminate or reduce certain current responsibilities.
The Steering Committee offered up many options on this topic, many of which would have taken OMB out of the job of reviewing small programs, minor rules, and other items. With the exception of certain rules and paperworks (which have been dealt with in the new Executive Order), we are generally uncomfortable with the idea of giving up unilaterally OMB's review authority. Many of the comments we read stressed that OMB's strength lies in its ability to provide the Presidency with a strong central review and coordination of Administration policies. To some extent, we now share some of that responsibility with other White House organizations - such as the National Economic Council (NEC) - but we are still the primary reviewers of agency budget and legislative proposals.

Correspondence

While it would be optimal to respond to each and every letter from the public with in-depth responses, OMB simply does not have the resources available to do so. Instead, OMB divisions should only prepare responses to letters from Members of Congress, Governors, those referred by the White House and those the Director has specifically requested be responded to. Most other correspondence should be either answered by form letters or referred to agencies for their direct reply. This has become current policy, and the Steering Committee recommended that it be continued. We agree.

Circulars

The Steering Committee recommended that OMB publish only those Circulars essential to OMB responsibilities. A complete review of all circulars will be conducted under the direction of the Deputy Director for Management. A determination will be made after this review on the need for elimination or transfer to an appropriate agency.

Legislation

The Steering Committee recommended that all enrolled bill memos should contain only concise summaries of the major provisions of enacted legislation. This has been the general practice in the last few years and should be continued. Also, LRD should publicize regularly to staff, and especially to new employees, the existence of information it has available on the history of bills and previous positions and how staff may gain access to that information and avoid unnecessary research.

Catalogue of Federal Domestic Assistance

Many OMB staff would like to eliminate OMB review of the Catalogue of Federal Domestic Assistance (CFDA). The Steering Committee thought this was clearly low-priority because OMB's role is only to check the facts. This raises the issue of whether removing an OMB review would lead to so many errors that the document would lose a good deal of its value to the Congress and the public. We will ask GSA to do a tally of OMB changes to the agency CFDA materials. If it turns out that OMB does catch a significant number of errors,
and there seems to be no other way to get agencies to do such routine work accurately, we will keep this responsibility. If we don’t add significant value to this document, we shouldn’t spend time reviewing it.

VI. IMPLEMENTATION

Schedule

March 1  Announce decisions on OMB 2000 through staff meeting, handouts, newsletter article, press release.

March 1 - March 22 AO discussions with staff reassigned to new areas.

April 1  Staff notified of reassignments.

Early April  Beginning of intensive staff training sessions on functioning in the new organization.

May 1  Begin office moves.

Process

To ensure that the process is fair to all staff, we have asked the Assistant Director for Administration to spearhead the reassignment effort. He and his staff will assess the particular needs of each new RMO, as well as the skills of those to be reassigned. Where possible, the preferences of individual staff members will also be taken into account. This does not mean, however, that staff will be allowed to make their own assignments through discussions with potential supervisors. OPM has given us guidance on conducting this process so it is fair to all concerned and we intend to use a straight-forward, objective and open process during this transition.

VII. A FINAL WORD

If we have explained the changes in sufficient detail, it is probably clear that our institution is going to be substantially modified in the next few months as staff assume their new assignments and as the RMOs gear up for their new responsibilities. As we considered the Committee’s recommendations, we gave great weight to the disruption these changes might cause in the short term. After weighing the short-term disruption against the long-
term gains in effectiveness and productivity, we have opted for the bolder — and admittedly more painful — course.

At the same time, we have tried to construct a process for change that minimizes the short-term costs. We will hold special sessions with the DADs, branch chiefs, and with every PAD-equivalent area in OMB. We will resurrect the OMB 2000 e-mail address to receive comments or suggestions on how to make the change process run more smoothly or to improve the content of the changes we are making. If, as we proceed with these changes, you see opportunities we have missed to minimize disruption, please advance them to the OMB 2000 e-mail address.

We think this is an exciting time for OMB. The challenge of integrating management and budget will require the full cooperation of every person working at OMB, but the rewards will be great. We have a real opportunity to help make the government more efficient and effective and provide better services to citizens over time through this integration. We know you will accept this challenge — as you always have — and help us in making OMB work better to serve the Presidency.
Government-Wide Implementation of Good Management Practices Falls Through the Cracks Now

Poor Communication Between "M" and "B"

Implementation of Good Management Practices and Government-Wide Policies

EPA Contracting
Collection of Tax Receivables
Farmers Home Loans
Child Support Enforcement
Guaranteed Student Loans
Other High Risk Areas

Budget Offices
National Security and International Affairs
Health
Economics and Government
Natural Resources, Energy and Science
Human Resources

Little or No Coordination Between "M" and "B" Efforts to Improve Agency Management
December 1995

OFFICE OF
MANAGEMENT AND
BUDGET

Changes Resulting
From the OMB 2000
Reorganization
In contrast to our 1989 general management review of OMB, this review focused on a specific reorganization initiative. As agreed with your offices, our review was descriptive rather than evaluative in nature because, at the time we started our review, it was too early to evaluate this complex and significant reorganization of OMB. Moreover, it was very difficult to separate the influence of OMB 2000 from concurrent management reform initiatives, such as the Government Performance and Results Act of 1993 (GPRA) or other components of NPR. We did our work in Washington, D.C., from November 1994 through July 1995 in accordance with generally accepted government auditing standards. Appendix I provides additional details on our objectives, scope, and methodology.

We provided a draft of this report to the Director of OMB for her review and comment on November 28, 1995. OMB's comments are presented and evaluated on page 28 of this report, and a copy of OMB's comments is in appendix V.

Management and budget issues have long competed for attention and resources within the Executive Office of the President, with management concerns commonly subordinated to the exigencies of the budget process. During the past 50 years, a number of presidential advisory groups have recommended changes designed to strengthen the Office's central management leadership. In response to the recommendations of one of these groups, the Bureau of the Budget was reorganized in 1970 and renamed OMB, thereby signaling the intent to heighten the management focus in the agency. However, the creation of OMB did not produce an institutionalized capacity for governmentwide management leadership. OMB's budget role continued to dominate management responsibilities, and its capacity to provide management direction for the executive branch remained a persistent concern. Observers have debated how to best ensure that management issues are not overwhelmed by budgeting pressures. Some observers have advocated integrating the two functions, while others have proposed the creation of dedicated offices, or even a separate agency to provide governmentwide management leadership.


2GPRA requires agencies to develop strategic plans, obtain input on desired goals from key stakeholders, and measure and report progress toward achieving those goals.
Previous OMB reorganizations have reflected these different points of view, alternating between integrating management into the budget review process and creating separate management offices. Proponents of integrating management into the budget review process believed doing so could increase the attention both OMB examiners and agencies give to management issues by linking these issues to budgetary consequences. However, budget issues have tended over time to squeeze out management issues and erode attempts to dedicate specific resources to management. On the other hand, proponents of creating separate management offices believed the separation of management and budget functions could help ensure a consistent level of attention to specific management issues. However, these offices may have marginal impact in leading changes at the agencies without the influence of potential budgetary consequences.

Our 1989 report on OMB examined the agency's repeated reorganizations and management improvement efforts and concluded that OMB had been unable to coordinate its management and budget functions effectively and had not established a stable management capacity. We found that OMB's short-term, budget-driven focus often made it difficult for the agency to address long-term management problems. We recommended that OMB (1) establish a systematic process within the annual budget cycle for identifying and overseeing agency progress on key management issues, (2) give budget divisions the responsibility and resources to oversee agency implementation of management policy, (3) improve coordination between management and budget staff, and (4) consider creating the position of Deputy Director for Management (DDM).

Congress has used its legislative power for the past two decades to help direct OMB's governmentwide management leadership. For example, the Federal Managers Financial Integrity Act of 1982 required OMB to help establish guidelines agencies could use to evaluate their internal control systems. To increase attention to certain management problems, Congress created three separate statutory offices in OMB focused on specific management areas: the Office of Federal Financial Management (OFFM) to guide the establishment of systems and controls needed for agencies' financial management; the Office of Federal Procurement Policy (OFPP) to provide overall direction for executive agencies' procurement policies, regulations, and procedures; and the Office of Information and Regulatory Affairs (OIRA) to direct and oversee agencies' management of information resources and reduction of unnecessary paperwork. In addition, in the Chief Financial Officers Act of 1990, Congress established the DFM position to strengthen federal management in general. In 1993, Congress also
required OMB to lead the implementation of GPRA, which was designed to improve the efficiency and effectiveness of federal programs by establishing in each agency a system for setting goals for program performance and measuring results. Congress did not create a separate office in OMB for GPRA, but OMB initially placed responsibility for that function in its General Management Division, where responsibility for other governmentwide management initiatives was housed.

Results in Brief

OMB 2000 created a new organizational structure for the agency by reorganizing and replacing OMB’s former budget program areas with five Resource Management Offices (RMO) staffed by employees reassigned to new program examiner positions. The RMOs were assigned integrated responsibilities for examining agency management, budget, and policy issues. In general, the agency-specific oversight responsibilities of the three statutory offices were shifted to the RMOs, but OMB decided to retain responsibility for developing governmentwide management policies in the statutory offices. OMB’s General Management Division was eliminated.

Our review of budget documents and interviews with OMB staff indicated that there was greater attention to agency management issues in the fiscal year 1996 budget process (after OMB 2000 was implemented) than in the fiscal year 1995 process. A greater variety of management issues was presented in more depth in the fiscal year 1996 budget documents than in the previous year’s documents. These results reflected the clear commitment of OMB’s top officials to ensure the treatment of management issues in the budget cycle.

Although RMO staff said that budget examiners had looked at agency management issues before OMB 2000, they said that after the reorganization more attention was given to particular management issues by the RMOs, specifically the fiscal year 1996 budget initiatives on agencies’ streamlining plans and use of performance information. They also said that OMB and agencies were more likely to take action on management issues when they were associated with the budget. However, some RMO staff said that the expansion of their responsibilities raised concerns that short-term budget pressures could limit their examination of long-term management issues. Some program examiners also said they did not have and could not easily locate the expertise needed to address certain management issues for which they were responsible. However, despite these concerns about its initial implementation, OMB staff generally had a positive view of OMB 2000.
Only one budget cycle has been completed under this reorganization. Therefore, some of the problems experienced to date may be merely transitional in nature, and it remains to be seen whether the initial positive results can be sustained over the longer term. Top OMB officials have fostered greater attention to management issues in the budget, but our interviews revealed concerns over whether this focus has become institutionalized for the longer term. We believe that OMB needs to address the longer term prospects for its capacity to provide central management leadership. Although OMB initially planned to evaluate OMB 2000 as a distinct management initiative, it now plans to assess more broadly its overall effectiveness in formulating and implementing management policies for the government in response to GPRA requirements. In recognition of the continued key role Congress expects OMB to play in addressing federal management issues, and in recognition of the history of tension between the two concepts of (1) integrating management and budget responsibilities and (2) segregating management responsibilities to prevent them from being overwhelmed by budget responsibilities, we believe it is important that OMB understand how the reorganization has affected its capacity for sustained management leadership.

**Changes in OMB's Organizational Structure, Responsibilities, and Staffing**

OMB 2000 altered OMB's organizational structure and the responsibilities of units within that structure. As a result of OMB 2000, the RMOs were created and made responsible for all agency-specific reviews, and the statutory offices continued to be responsible for developing governmentwide policy. Each RMO consists of at least one division, with several branches in each division. OMB 2000 created new staff positions, moved staff to different units within the new structure, and made other staffing changes. Overall, the RMOs were assigned about 26 percent more staff than the former budget program areas had, although OMB's total fiscal year 1994 staffing allocation (356 full-time equivalents) was unchanged. (App. II shows OMB's staffing profile before and after OMB 2000.)

**Creation of the RMOs**

OMB 2000 created five RMOs from five former budget program areas, which had examined agency budget requests and made funding recommendations to OMB's Director. OMB 2000 redistributed some former budget program area assignments in order to balance the workload within and among RMOs. Before OMB 2000, OMB had separate management offices that examined agencies' implementation of management initiatives. OMB had a General Management Division prior to OMB 2000 that was responsible for, among other things, performance measurement, program
evaluation, and federal personnel and property management issues. In addition, OMB has three management-related offices that were created by statute: OPM, OFPP, and OIRA. OMB reassigned staff from both the former budget program areas and the management offices to the RMDs to examine agencies' specific management, budget, and policy issues. Figure 1 shows OMB's organization before OMB 2000.
Figure 1: Office of Management and Budget, Before OMB 2000

Director
- Deputy Director
- Deputy Director for Management

Communications
Legislative Affairs
General Counsel

OMB-Wide Staff and Support Offices

Budget and Program Areas

Legend:
- Divisions
- Branches
- Entire branch transferred by OMB 2000
- Eliminated by OMB 2000

- National Security and International Affairs
  - National Security
  - International Affairs

- Natural Resources, Energy and Science
  - Natural Resources
  - Energy and Science
  - Special Studies

- Economics and Government
  - Transportation, Commerce and Justice
  - Housing, Treasury and Finance

- Human Resources
  - Human Resources

- Health
OMB-Wide Staff and Support Offices

Statutory Offices

Management Offices

Office of Federal and Financial Management
- Financial Standards and Systems
- Management Integrity
- Civilian Workforce Management

Office of Federal Procurement Policy
- Management Controls
- Procurement Law and Legislation
- Procurement Policy Development
- Cost Accounting Standards Board

Office of Information and Regulatory Affairs
- Information Policy
- Information Technology
- Commerce and Labor
- Human Resources and Housing
- Natural Resources
- Statistical Policy

General Management Division
- Federal Services
- Federal Personal Policy
- Education and Planning
The National Security and International Affairs and the Natural Resources, Energy, and Science budget program areas became OMBs with comparable agency coverage. The Health budget program area became the Health and Personnel OMB and acquired responsibility for the Department of Veterans Affairs, the Office of Personnel Management, the Executive Office of the President, and the Postal Service. Some of the Human Resources budget program area's examining responsibilities (such as responsibility for the Department of Veterans Affairs) were moved elsewhere. Coincident with these changes, the Human Resources budget program area became an OMB. Finally, the Economics and Government budget program area became the General Government and Finance OMB, maintaining responsibility for the Departments of Commerce, Justice, Housing and Urban Development, Transportation, and Treasury; and federal financial institutions; and adding responsibility for the General Services Administration. (The OMB's organizational structure and examining responsibilities are illustrated in app. III in figs. III.1 through III.5.) Figure 2 shows OMB's organization after OMB 2000.
Figure 2: Office of Management and Budget, After OMB 2000

Legend
- Divisions
- Branches

Director
- Deputy Director
- Deputy Director for Management

Communications
- Legislative Affairs
- General Counsel
- Economic Policy

OMB-Wide Staff and Support Offices

National Security and International Affairs
- National Security
- International Affairs

Natural Resources, Energy and Science
- Natural Resources
- Energy and Science

General Government and Finance
- Transportation, Commerce, Justice and Services
- Housing, Treasury and Finance

Human Resources
- Human Resources

Health and Personnel
- Health
- Veterans Affairs/Personnel

Resource Management Offices
The RMOs were also given responsibility for overseeing agencies' implementation of governmentwide management policies—a responsibility that had formerly been assigned to OMB's management offices (the statutory offices and the General Management Division). For example, OMB made the RMOs responsible for examining agencies' audited financial statements and for assessing agencies' high-risk, procurement, and information resources management (IRM) issues. OMB eliminated OFFM's Credit and Cash Management Branch and the Special Studies Divisions that had been associated with three of the five budget program areas. The Special Studies Divisions, which had originally been established to provide management expertise within the budget program areas, had most recently focused on longer term policy analysis.

The General Management Division was eliminated when two of its three branches (the Federal Services and Federal Personnel Policy Branches) were moved to RMO and the third branch (Evaluation and Planning) was eliminated. The movement of the Division's responsibilities for examining the other two central management agencies (the General Services Administration and the Office of Personnel Management) reversed a previous initiative to give the General Management Division some budget examining responsibilities.

OMB assigned most of the responsibilities and staff from these units to the RMOs. For example, the two staff members who coordinated OMB Circular A-76 activities and credit and cash management responsibilities were moved from the General Management Division and OFFM, respectively, to the General Government and Finance RMO. The staff member who coordinated GPRA responsibilities was transferred initially from the General Management Division to the Human Resources RMO. In May 1995 OMB relocated the individuals responsible for coordinating GPRA and OMB Circular A-76 initiatives from the RMOs to its Budget Review Division, because it determined that these crosscutting issues could be better handled centrally.

OMB attempted to reassign staff with specific expertise from the pre-OMB 2000 management offices to areas where they could continue to use their skills. For example, OMB assigned two former GPRA staff to an RMO branch that works on Department of Defense procurement issues and a former OFFM staff member to an RMO branch that works on housing loan issues.

*OMB Circular A-76 establishes the federal policy on commercial services. The circular specifies cost-comparison procedures for determining when it is more economical to contract out for services currently done by federal employees.
However, competing priorities prevented OMB from assigning some staff to areas related to their expertise and also prevented some RMO branches from receiving any new staff. Following the initial OMB 2000 staff reassignments, it was up to each branch chief to determine what, if any, technical skills the branch needed to fulfill its new responsibilities and to develop those skills within given staffing allocations. No specific guidance or technical support was provided toward this end, and we observed no organized assessment on OMB's part to identify required skills or any deficiencies.

The branches within the RMOs were given discretion to decide how they would address management issues, and the methods they used varied. Some RMO branches used former management staff primarily as management specialists, while others assigned them program examiner responsibilities to examine specific agency accounts. For example, the Housing and Urban Development/Federal Emergency Management Agency Branch of the General Government and Finance RMO assigned two former management staff a lighter load of agency examining responsibilities than other examiners in the branch, allowing them to spend at least half of their time on management issues. In contrast, the Income Maintenance Branch of the Human Resources RMO assigned a former financial management staff member a workload similar to that assigned to the other program examiners in the branch, with responsibility for examining budget, policy, and management issues within specific program areas.

Creation of the RMO Program Examiner Position

Before OMB 2000, budget examiners were responsible for budget review and program oversight for an assigned agency or agency program. As a result of OMB 2000, OMB replaced its budget examiner positions with program examiner positions and reassigned staff from the budget program areas, the General Management and Special Studies Divisions, and the statutory offices to fill those positions in the RMOs. Program examiners are employed in the RMOs as federal General Schedule (GS) employees in grades GS-9 through GS-15, with GS-15 the full performance level. Program examiners' position descriptions were expanded from those of budget examiners to more explicitly include responsibility for management issues. For example, before OMB 2000, budget examiners were to assist General Management Division staff in analyzing reorganization proposals; after OMB 2000, the program examiners were made responsible for conducting those reviews on their own. Program examiners were also given responsibility for planning and conducting studies on financial management and procurement. However, the position description does not explicitly mention RMO responsibilities. (See fig. IV.1
in app. IV for a comparison of examiners' major duties before and after OMB 2000.)

OMB also developed a new set of performance standards to cover all of its professional staff, including RMO and statutory office staff. Before OMB 2000, standards were individually tailored to particular positions. For example, previous performance standards for a budget examiner were focused specifically on budget formulation and review responsibilities. OFFM policy analyst standards included analyzing, coordinating, and monitoring financial systems issues; General Management Division policy analyst standards included analyzing the implementation of management initiatives, program evaluation, and long-range planning. OMB revised its performance standards to make them more uniform, to simplify them, and to encompass broader responsibilities, but the standards no longer identify specific responsibilities, including management responsibilities. (Fig. IV.2 in app. IV shows OMB's new critical job elements and performance standards for professional staff.)

As it has done traditionally, OMB primarily used on-the-job training to familiarize its examiners with their responsibilities. However, OMB also offered (but did not require) some formal training for the new responsibilities given to program examiners as a result of OMB 2000. For example, OMB offered training primarily on budget concepts, laws, and procedures for new program examiners who transferred from the management offices. OMB also invited all its staff to attend an OMB-wide "dialogue" on the fiscal year 1996 budget process and gave them the option of attending sessions designed for new OMB staff. The training included 1- to 2-hour sessions on such topics as the budget process; streamlining plans and the use of performance information (crosscutting issues that were emphasized in the fiscal year 1996 budget cycle); legislation; and initiatives related to certain statutory office responsibilities (e.g., procurement reform). OMB officials told us that 80 to 90 percent of OMB's program examiners and statutory office staff attended these sessions. In addition, some of the statutory offices provided informal training or other guidance for program examiners and RMO branch chiefs on certain management issues. For example, OFFM conducted seminars on financial management issues, such as reviewing audited financial statements.

\*In addition to RMO program examiners, OMB's professional staff includes such positions as policy, management, and program analysts; accountants; economists; attorneys; statisticians; and other specialists. These professionals are employed throughout OMB, such as in the statutory management offices and in other, non-wide offices. Program examiners are employed in the RMOs.
Changes to OMB's Statutory Offices

As a result of OMB 2000, OMB reduced the number of authorized staff positions in each of its statutory offices and moved those staff to the RMOS. The size of the staff reductions varied by office. All the statutory offices retained their governmentwide policymaking roles, and OMB retained its oversight responsibilities for regulatory and paperwork issues. However, the offices' responsibilities for overseeing agencies' implementation of other governmentwide management initiatives were transferred to the RMOS. Each statutory office followed a different approach in devolving these responsibilities. During our interviews, OMB staff identified a number of benefits that occurred as a result of changes to the statutory offices, such as enhanced coordination with agencies and the visibility of the financial management or procurement issues that became tied to the budget process. However, they also expressed some concerns about these changes, including concerns about how OMB 2000 had affected OMB's capacity to address financial management and procurement issues. These issues are only a part of the many responsibilities of a program examiner; prior to OMB 2000, they had been the responsibility of a limited number of management staff dedicated specifically to these issues.

Office of Federal Financial Management

As a result of OMB 2000, 21 of OMB's 41 authorized staff positions were shifted to the RMOS, including most of the staff of the Credit and Cash Management Branch, which was abolished. According to the March 1, 1994, memorandum announcing the reorganization, these staff were shifted from OFFM to increase the RMOS' analytical capabilities, OFFM retained responsibility for developing and coordinating governmentwide financial management policies, but OMB transferred responsibility for assessing agencies' implementation of these policies to the RMOS. RMQ program examiners also were made responsible for assessing the status of agencies' progress regarding high-risk issues and for reviewing agencies' audited financial statements—functions that had been the responsibility of OFFM.

Several RMQ officials said that there was better coordination between OFFM and other parts of OMB following OMB 2000. For example, OFFM took steps to work jointly with the RMOS and increase RMQ officials' participation in

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*Generally, these authorized positions were staffed by OMB employees who were moved to the RMOS from the statutory offices. In some instances, however, the statutory office positions were vacant and OMB abolished these positions and established new positions in the RMOS. Therefore, changes in the number of authorized positions were somewhat greater than the total number of staff who were transferred.*
the Chief Financial Officers Council. OFFM sent Council meeting agendas and minutes to RMOS officials and solicited their input. OFFM also held several training sessions for RMOS staff on a range of financial management issues, including accounting standards, the form and content of audited financial statements, and consolidated reporting.

Despite these efforts to improve the RMOS’ knowledge and analytical capabilities, a number of OMB staff we talked to expressed concerns about the program examiners’ capacity to address financial management issues. They said some program examiners did not yet have the expertise they needed to carry out their agency-specific financial management oversight responsibilities, such as reviewing audited financial statements. They also said that they were uncertain how to address credit and cash management questions since responsibility had been devolved to the RMOS.

Office of Federal Procurement Policy

OMB reallocated 10 of OFPP’s 30 authorized staff positions to the RMOS as a result of OMB 2000. Six of the 10 former OFPP staff became jointly managed under a “matrix management” approach in which they were made responsible for working on both the agency-specific issues in their RMOS and crosscutting procurement issues (e.g., electronic commerce) on an OFPP team. OFPP’s responsibilities for overseeing agency implementation of governmentwide procurement policies were reassigned to the RMOS.

According to OFPP’s Administrator, the matrix approach was used to provide the structure needed to implement OMB’s statutory procurement responsibilities and provide the RMOS with the procurement expertise they needed to perform their oversight responsibilities. He said that RMOS matrixed staff who worked on OFPP teams could also oversee the implementation of the teams’ ideas by the agencies for which they had responsibility. For example, he said that the RMOS matrixed staff serving on OFPP’s research contracting team collaborated on this issue with several agencies on major research contracts, developed appropriate points of contact in the agencies, and worked jointly with OFPP staff and agency officials to address the issue. OFPP extended the matrix approach to include nonmatrixed staff from RMOS on the OFPP electronic commerce team.

The Chief Financial Officers Council was established by the Chief Financial Officers Act of 1990 to advise and coordinate the agencies’ activities on such matters as consolidation and modernization of financial systems, improved quality of financial information, financial data and information standards, internal controls, legislation affecting financial operations and organizations, and other financial management matters. The Council is chaired by OMB’s DDM.
However, some of the OMB staff we interviewed said that OFPP’s matrix management approach caused difficulties for the matrixed staff because they reported to managers in two different organizations with different expectations. One reported difficulty was the attempt to integrate former OFPP staff as RMQ program examiners when OFPP’s Administrator expected the matrixed staff to work solely on procurement issues. Most of the matrixed staff said it was difficult to sort out work priorities under this staffing arrangement.

Office of Information and Regulatory Affairs

OIRA’s 56 authorized staff positions were relatively unchanged by OMB 2000, with only 4 authorized positions transferred to the RMQs. OIRA’s 12 IRM staff retained responsibility for establishing governmentwide IRM policies, but responsibility for overseeing agency implementation of those policies shifted to the RMQs. However, OMB’s program examiner position description does not explicitly include IRM oversight responsibilities. OIRA also continued to be responsible for all regulatory and paperwork reviews as well as statistical policy issues. According to the March 1, 1994, memorandum, OMB postponed any major reorganization of OIRA because of its responsibility for implementing Executive Order 12866 on regulatory planning and review.6

OIRA’s Administrator told us that as an alternative to decentralizing staff to the RMQs, OIRA used IRM teams, composed of RMQ program examiners and OIRA staff. The teams were developed to enhance working relations between the groups and to ensure that RMQs were knowledgeable about IRM issues. The Administrator and some RMQ staff said OIRA generally had a good working relationship with the examiners before OMB 2000 in both the regulatory and IRM areas, and that this relationship continued after the reorganization. Also, OIRA staff still concentrate on governmentwide and crosscutting issues. For example, a team composed of OIRA and GAO staff developed a best practices guide to help OMB program examiners and agency personnel identify important issues in oversight of information technology investments.7 Also, each IRM specialist in OIRA’s Information Policy and Technology Branch serves as a liaison to at least one interagency group, including groups on wireless communications,

6Executive Order 12866 was issued on September 30, 1993, making OMB responsible for ensuring that agencies’ rulemaking is consistent with applicable law, the President’s priorities, and the Executive Order’s principles.

international trade data, electronic mail, wage tax reporting, and system
benefits.\textsuperscript{10}

OMB’s Attention to
Management Issues
Changed After OMB
2000

The budget documents we reviewed and our interviews with OMB staff
indicated that OMB’s attention to management issues changed following
OMB 2000. The documents showed that the quantity and quality of
information about management issues presented during the budget
process increased after the reorganization. Many of the OMB staff we
interviewed also reported that they believed there had been an increased
focus on management issues in the budget process after OMB 2000 and said
this focus had resulted in changes in their work. However, they also
expressed some concerns regarding OMB’s attention and capacity to
address certain issues.

OMB Fiscal Year 1996
Documents Showed an
Increased Focus on
Management Issues

The budget documents we reviewed related to five selected agencies
generally contained more substantive and detailed discussions of
management issues for fiscal year 1996 than the previous year’s
documents; although the information provided by agencies and the level of
analysis by OMB staff varied. Changes in OMB’s management emphasis were
apparent in three areas—OMB’s management priorities, issues related to
OMB’s statutory offices, and other program-related management issues.

OMB Management Priorities

OMB’s top management priorities for the fiscal year 1996 budget cycle were
agencies’ streamlining plans and use of performance information.\textsuperscript{11} OMB
budget preparation guidance published in July 1994 said agencies’ fiscal
year 1996 budget submissions were to identify the key features of their
streamlining plans (e.g., increased span of control, reduced organizational
layers, and/or milestones for full-time equivalent reductions). The
guidance also encouraged agencies to include performance goals and
indicators in their budget justifications and to include output and outcome
measures instead of workload and other process measures.\textsuperscript{12} During their
review of agency budget submissions, RMD program examiners were

\textsuperscript{10} In early 1996 the Information Policy and Information Technology Branches were merged into the
Information and Technology Branch.

\textsuperscript{11} The identification of these areas of emphasis and any subsequent change of emphasis in the budget
process may have been related to other events occurring simultaneously, such as the implementation
of GPRA, the passage of the Federal Workforce Restructuring Act of 1994 (Public Law 103-222), and
the implementation of NPR recommendations.

\textsuperscript{12} OMB’s Circular A-11 guidance for fiscal year 1997 includes instructions on the preparation and
submission of agencies’ strategic plans. These plans should set the agencies’ strategic course; describe
their overall programmatic and policy goals; and spell out how these goals will be achieved.
expected to assess whether agencies' streamlining plans were acceptable and, if not, to recommend changes. They were also asked to identify (1) whether performance information had been provided, (2) why such information was not provided or was limited, and (3) what additional information would be useful.

In September 1994, the OMB Director and the DDM established more specific guidance for RMO program examiners to use when reviewing agency fiscal year 1996 budget submissions for these areas of emphasis. For example, guidance stated that the examiners' reviews of streamlining plans should be more than a "numbers exercise" and that they should consider the quality, scope, and nature of each agency's streamlining effort. The guidance instructed RMO program examiners to include performance measurement information, where available, in all their analyses of major issues. 13

The budget documents we reviewed indicated that OMB's priorities on streamlining plans and the use of performance information had a clear impact on the fiscal year 1996 agencies' submissions and OMB's internal budget review documents. Whereas the fiscal year 1995 documents discussed streamlining primarily in terms of the number of positions to be eliminated, the fiscal year 1996 documents also included discussions about how proposed staff reductions could affect the agencies' performance. In the documents for one agency, RMO staff commented that its fiscal year 1996 plan was thorough and comprehensive and was designed to meet NPR's targeted staffing levels while providing better customer service, cost savings, and an improved working environment for agency employees. OMB internal budget documents for another agency included a detailed analysis of the agency's performance management system. The analysis noted that the resources the agency requested were justified in terms of activities to be funded but also said that the agency lacked a clear picture of the outcomes that would result from the requested funding. The documents also highlighted problems with the agency's performance reporting system (e.g., lack of cost data and limited data quality and comparability), noting that the system did not contain enough information to identify underlying problems and did not link outcomes to reported outputs. RMO staff recommended specific performance measures that would be useful to OMB and identified problems that confronted the agency in designing an effective performance measurement system (including potential conflicts.

13OMB continued this emphasis on performance information by reinstituting a Spring Review as a prelude for the fiscal year 1997 budget. Unlike prior Spring Reviews that emphasized program policy and budget issues, this review was intended to help OMB and agencies work together to identify useful performance information.
between federal agencies' goals and missions, exogenous effects on outcomes, and linkages between social costs and outcomes).

Statutory Office and Other Management Issues

Issues related to OMB's statutory offices were also generally discussed in greater depth in the fiscal year 1996 budget documents than they were in the fiscal year 1995 documents. For example, the discussion of financial management issues in internal OMB documents for one agency was much narrower before OMB 2000 than it was after the reorganization. The discussion in the fiscal year 1995 documents was limited to a statement that the agency faced challenges in such areas as contract management and financial systems. The fiscal year 1996 documents included an assessment of financial management issues at the agency, such as a review of the agency's 5-year plan and how it related to reengineering and streamlining efforts.

The fiscal year 1996 budget documents also included a broader discussion of other types of management issues than there was in the fiscal year 1995 documents. For example, in the fiscal year 1995 documents, both the Department of Justice and OMB raised the issues of prison overcrowding and the continuing growth in full-time equivalent requirements for the Department's Bureau of Prisons as strictly resource issues. In contrast, in the fiscal year 1996 documents, OMB's assessment extended beyond the resource issues to include information on trends in state and county prison systems, operating costs at the Bureau's medium- and low-security facilities compared to private facilities, and issues involving the quality of confinement and the adequacy of security. In OMB's review of the Department of Housing and Urban Development's fiscal year 1995 budget request, OMB budget examiners discussed the Department's credit management and asset disposition strategies. In OMB's review of the Department's fiscal year 1996 request, OMB staff again discussed these issues but also analyzed the relationship of improved credit management and asset disposition to budget savings, reduced administrative and full-time equivalent requirements, and improved customer service. In their analysis, the OMB staff included selected performance measures and identified specific actions that could be adopted on the basis of evidence from the Department's financial statements, Federal Managers Financial Integrity Act and audit reports, and other sources.

OMB not only increased its attention to certain management issues in the fiscal year 1996 budget cycle, it also changed the type of information it requested from the agencies under OMB Circular A-11 for high-risk and information systems reports. Although the individual high-risk programs
were discussed in as much or more detail in the fiscal year 1996 documents, OMB required agencies to report on fewer high-risk programs and to concentrate their high-risk efforts on those operational improvements not requiring legislative authorization.\textsuperscript{14} OMB Circular A-11 guidance for the fiscal year 1996 budget process consolidated requirements for some financial management and financial systems reports and reduced the level of detail that agencies were required to report to OMB. In consolidating or reducing these requirements, OMB attempted to concentrate on financial and mixed systems critical to agencywide financial management, reporting, or control and no longer required data on nonfinancial reporting systems.

The OMB staff we interviewed said that changes arising from OMB 2000 had mixed effects on OMB's ability to address management issues. OMB staff expressed a widespread view that OMB's attention to certain management issues, such as streamlining plans and the use of performance information, had increased in the fiscal year 1996 budget cycle. Former budget examiners generally said that they felt more responsible for management issues after OMB eliminated what some viewed as an artificial separation between management and budget. Some of the staff also said, however, that OMB's attention to other management issues that were formerly statutory office or General Management Division responsibilities had decreased or varied across the RMO branches. RMO staff, both those who had formerly been management staff and those who had formerly been budget examiners, voiced specific concerns about the reorganization, although they generally expressed positive views about OMB 2000.

Program examiners who were formerly budget examiners generally said that although they had looked at management issues before OMB 2000, the degree to which they emphasized those issues had increased since the reorganization. Many of the OMB staff we interviewed said that the Director and the OMB were clearly committed to improving federal management and that their commitment had raised the importance of management issues in OMB as a whole. However, because the management focus of OMB 2000 was so closely identified with these officials, some of the staff raised questions about whether that emphasis would survive when those officials left OMB.

Several OMB staff also said that OMB and agencies were more likely to act on management issues when those issues were raised in the context of

\textsuperscript{14}According to OMB Circular A-11 for the fiscal year 1997 budget process, OMB program examiners will have the discretion to decide whether an agency must report on its high-risk programs with its budget submission.
budget reviews. They said linking management and budget issues provided examiners with more leverage for change in the agencies. For example, an OMB staff member cited financial management restructuring as an example of an area where agencies took action more quickly when the issue was raised by an RMO during the budget review process than when this issue was raised outside of budget discussions by OMB.

Some of the OMB staff we interviewed said that the discretion given to RMOs in overseeing agency implementation of management issues resulted in a more varied approach to addressing management issues within OMB than had been the case before OMB 2000. They said the RMO branches differed in both whether and how they treated management issues for which the statutory offices or the General Management Division were formerly responsible. RMO staff said that the particular management focus an RMO takes depends on the kinds of activities and issues at the agencies being examined. For example, procurement issues may be more prominent in OMB's examination of agencies that do a lot of purchasing, such as the Department of Defense.

One of the goals of OMB 2000 had been to realign resources so that program examiners could do more long-term "mid-range" analysis. However, RMO staff frequently said there had been an increase in their responsibilities as a result of OMB 2000, and their workload increased in response to such initiatives as reinventing government and congressional agency restructuring proposals. They also said they had not been told to eliminate any responsibilities or tasks as a result of OMB 2000. Because they had to balance competing responsibilities, several program examiners said that less emphasis had been placed on certain management issues—those that lacked a clear budgetary impact, did not require an immediate response to a short-term deadline, or did not reflect the administration's priorities. In particular, they said the short-term pressures of the budget process left little time for long-term analysis.

Although they felt more responsible for agency management issues, some program examiners said that they did not know how to address all of these issues. They also said that the reduction of centralized management expertise in the statutory offices and the elimination of the General Management Division left them with fewer sources of expertise and assistance. Because program examiners had little time to spend looking

16The memorandum announcing OMB 2000 indicated that a lack of time to do such analysis had been a common complaint from OMB staff for some time. In our 1993 report on OMB (GAO/GGD-88-65, May 4, 1988), we reported that OMB's focus on the short-term consequences of actions had limited OMB's efforts to help resolve long-term problems.
for the expertise that was available, they said that certain management issues were not addressed or received less attention. OMB staff were not always sure how various management issues related to each other and to the budget process. According to OMB's Director and DDM, OMB is working to develop a unified framework to bring together the various management-related laws and initiatives with a performance focus.

OMB Has Not Formally Evaluated OMB 2000

OMB initially planned to assess the OMB 2000 effort. However, the Associate Director for Administration said that OMB decided not to evaluate OMB 2000 in the spring of 1996 because the unprecedented pace of the fiscal year 1996 budget process left insufficient time to perform any evaluation. He said OMB no longer planned any formal assessment of the personnel and organizational changes in OMB 2000. However, a Special Assistant to the DDM said OMB intends to assess the effectiveness of OMB as a whole in response to GPRA requirements. Part of this assessment will be an evaluation of the integration of OMB's management and budget responsibilities.

Conclusions

The changes associated with OMB 2000 should be viewed in the context of OMB's perennial challenge of carrying out its central management leadership responsibilities in an environment in which its budgetary role necessarily remains a vital mission. Previous congressional and OMB attempts to elevate the status of management and protect it from budgetary pressures by creating separate management units within OMB sought to ensure that a consistent level of effort was focused on management issues. However, these efforts were widely acknowledged to have been only marginally successful in affecting budget decisions and sustaining attention to OMB's role of leading management improvement in the agencies. Sustained attention to management issues often remained subordinated to budget concerns and perspectives, and the leverage the budget could offer to advance management efforts was not directly available to the management units.

OMB 2000 represents another OMB approach to try to strengthen its management leadership capacity and influence. Although policy development responsibilities were retained within its separate management offices, OMB attempted to elevate the importance of management by linking its management oversight and budget preparation responsibilities within newly created RMOs. In decentralizing responsibility for management issues throughout the RMOs, OMB 2000 increased reliance
on the commitment of OMB managers and staff and coordination of their activities with the statutory offices. OMB's initial experience with this approach during the 1996 budget process showed the clear support of top OMB officials and staff to enhance the treatment of certain management issues in the budget. Even though this was a particularly difficult budget cycle, there was a noticeable increase in the attention given to management issues that transcended immediate budgetary concerns. However, given the many issues competing for the attention of OMB officials and staff, top leadership direction will continue to be an important factor in ensuring consistent guidance across OMBs and continued concern for government-wide management issues. At the time of our review only one budget cycle had elapsed since the inception of OMB 2000, so it remains an open question whether the heightened attention to management issues will be sustained after the current leadership leaves OMB.

In addition, sustained congressional oversight of both management policies and reform initiatives will continue to play a vital role in ensuring a consistent focus on management issues within OMB. Some recent statutory management initiatives have, in fact, provided a new set of tools that may aid the integration of management issues in the budget process. The Chief Financial Officers Act requires agencies to produce, for the first time, audited financial data that can be used in the budget process to better measure the actual costs of programs and promote improved financial management of scarce resources by federal agencies. Under these, agencies are required to generate performance measures and information that may help OMB better assess the management of program resources and achievement of program goals.

A critical question facing OMB is whether its new approach toward integrating management and budgeting as well as its implementation of statutory management responsibilities can be sustained over the long term. Sustaining a management focus in budgeting relies on the capacity and expertise of the program examining staff to address management issues. These issues warrant continued attention and periodic assessment by OMB itself to help promote the organization's long-term capacity to achieve an integrated approach to management as part of the budget process.

OMB needs to periodically assess how well its OMBs and statutory offices are working together to address management issues. Such an assessment should most appropriately be undertaken as part of a broader assessment
of OMB's performance in formulating and implementing management policies for the government that address a larger range of issues affecting the effectiveness of OMB's management role. This assessment could also inform the ongoing debate on how best to protect management from being overwhelmed by budgetary pressures—specifically, whether a separate office of management is needed. The most effective evaluation would be one where all stakeholders reached mutual agreement on the particular elements of the evaluation and the indicators used to measure performance. The GPRA strategic planning process offers an excellent opportunity for OMB to evaluate its own institutional capacity and to identify opportunities to strengthen leadership of management issues.

Our review suggested a number of possible areas to consider for evaluation. For example:

- Although the OMB staff we spoke with were generally positive about the reorganization, they expressed some concerns about whether program examiners had sufficient time and expertise to adequately address certain management issues during their agency budget reviews. OMB could examine whether on-the-job training and a decentralized staffing approach are appropriate to develop the skills and abilities needed by RXOS to carry out management oversight responsibilities.
- OMB used three different approaches during the first year of OMB 2000 to structure RXOS' relationships with statutory offices and to provide program examiners with access to management expertise: (1) direct transfer of responsibilities and resources to RXOS, as used in reorganizing certain general and financial management activities; (2) joint assignment of staff, as used in matrixing federal procurement policy and oversight responsibilities; and (3) use of "best practices" guidance, as developed for information resources management. OMB could evaluate each of these approaches to determine whether any of them are more effective than the others, or whether changes are needed in the way they have been implemented.

Recommendation

OMB 2000 has clearly affected how the agency addresses management issues, but a broader assessment of OMB's management strategies and approaches is the most appropriate context in which to consider how to best ensure the integration of management and budgeting. Accordingly, as part of its planned broader assessment of its role in formulating and implementing management policies for the government, OMB should consider the lessons learned from OMB 2000. Such a review should focus
on specific concerns that need to be addressed to promote more effective integration, including (1) the way OMB currently trains its program examiners and whether this is adequate given the additional management responsibilities assigned to these examiners, and (2) the effectiveness of the different approaches taken by OMB in the statutory offices to coordinate with RMS and provide program examiners with access to expertise.

Agency Comments and Our Evaluation

We provided copies of a draft of this report for review by OMB officials. On December 1, 1995, we met with OMB's DDM and one of his special assistants, the Associate Director for Administration, and a staff assistant. They generally agreed with the facts presented and said they found the report useful. The OMB officials provided some additional information on the training OMB has provided and on OMB's planned assessment of OMB as a whole.

On December 10, 1995, the DDM provided written comments on this report (see app. V) in which OMB generally concurred with the report's conclusions and recommendation. In its letter, OMB said that it found our report to be thorough, accurate, and constructive in describing the OMB 2000 changes. OMB agreed that the strategic planning process it will be working on in the coming year offers an excellent opportunity for OMB to evaluate its institutional capacity and to identify opportunities to strengthen leadership of critical governmentwide management issues. OMB's letter stated that its planning effort will address the integration of management and budget responsibilities, including the adequacy of employee training and different approaches to integration and coordination among OMB's various units. In addition, the DDM wrote that OMB's Management Committee, consisting of the DDM and 13 other members from all levels within OMB, deals with the entire range of issues and initiatives pertaining to OMB's organizational effectiveness, structure, and work practices. We cannot yet evaluate the adequacy of the actions OMB plans to take in the coming year.

We are sending copies of this report to the Director and Deputy Director for Management, OMB, and other interested Members of Congress. We will also make copies available to others on request.

Major contributors are shown in appendix VI. If you have any questions concerning this report, please call either of us. Nye Stevens can be
reached on (202) 512-5676, and Paul Posner can be reached on (202) 512-9573.

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Director, Federal Management and Workforce Issues
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Abbreviations

DDM       Deputy Director for Management
GPRA      Government Performance and Results Act
IRM       Information Resources Management
NPR       National Performance Review
OIRA      Office of Information and Regulatory Affairs
OFFM      Office of Federal Financial Management
OFPP      Office of Federal Procurement Policy
OMB       Office of Management and Budget
RMO       Resource Management Office
Objectives, Scope, and Methodology

The objectives of our review were to describe (1) changes in OMB's organizational structure, responsibilities, and staffing as a result of OMB 2000; (2) changes to OMB's three statutory offices; (3) changes in the attention OMB gave to management issues in the budget formulation process before and after OMB 2000; and (4) how OMB planned to evaluate OMB 2000.

To describe changes in OMB's organization, responsibilities, and staffing as a result of OMB 2000, we reviewed OMB memoranda, personnel data, and other documents. We also interviewed OMB officials, including the Human Resources Manager, the Associate Director for Administration, and special assistants to the DDM. To describe changes in OMB's statutory offices, we examined what OMB is required to do by statute and reviewed OMB documents that described these offices' responsibilities. We also interviewed the top officials, selected branch chiefs, and other staff within the statutory offices—OFFM, OFPP, and OIRA.

We determined changes in the attention OMB gave to management issues in the budget formulation process by comparing fiscal year 1995 and fiscal year 1996 budget guidance, agency budget submissions, internal OMB budget documents, and the President's budget for fiscal years 1995 and 1996 related to five agencies: the Departments of Veterans Affairs, Labor, Justice, Housing and Urban Development, and the Environmental Protection Agency. For background information, we interviewed officials in each of the five selected agencies who were identified by their agencies as knowledgeable about the budget process and submissions for fiscal years 1995 and 1996. We selected these agencies for our review to provide examples of the agencies that the RMOs oversee (four of the five RMOs were included in our review: the Natural Resources, Energy and Science RMO; the General Government and Finance RMO; the Human Resources RMO; and the Health and Personnel RMO). The agencies were also selected to represent a mix of program activities (e.g., regulatory and grants); modes of service delivery (e.g., direct and third-party providers); and organizational structures (e.g., centralized and decentralized).

We reviewed OMB's budget preparation and submission guidance and other related OMB documents for fiscal years 1995 and 1996 and interviewed officials and staff from all the levels within the RMOs, including divisions and branches, who were responsible for examining these agencies. We also interviewed RMO program examiners from other branches who, before

\[\text{Page 32}\]

\[\text{GAO/GGD/ADM-96-50 OMB 2000}\]
the OMB 2000 restructuring, were budget examiners, management staff, or Special Studies Division analysts. To determine how OMB planned to evaluate OMB 2000, we interviewed the DDM and other top OMB officials. We also asked OMB staff if they were aware of any formal performance measures or goals for OMB 2000 or if they knew of any OMB plans to evaluate OMB 2000.

We asked all OMB staff and officials we interviewed a standard set of questions about OMB 2000, along with additional questions relevant to their positions or organizational location within OMB. Consequently, the number that constituted "some" of the respondents varied from question to question.
## Appendix II

### Staffing Profile, Before and After OMB 2000

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<th>Offices</th>
<th>Organizational component</th>
<th>Number of staff</th>
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\(^a\) Before OMB 2000 staffing data are as of January 1, 1994.

\(^b\) After OMB 2000 staffing data are as of June 18, 1994.

\(^a\) Although the Office of Administration and the Office of Legislative Reference were not established as separate offices until OMB 2000, for purposes of this analysis, staff data are presented separately both before and after OMB 2000.
The following figures illustrate each RMO's organization and the agencies for which it has examining responsibilities. The listings of agencies for which the RMO has examining responsibilities are not comprehensive. The agencies listed represent those with statutory Inspectors General and are included to illustrate RMO program responsibilities.

Figure III.1: National Security and International Affairs RMO: Divisions, Branches, and Agency Examining Responsibilities

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<td>• Force Structure and Investment</td>
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<td>• Operations and Support</td>
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<td>International Affairs Division</td>
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<tr>
<td>Branches</td>
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<tr>
<td>• Economic Affairs</td>
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<tr>
<td>• State/U.S. Information Agency</td>
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Agencies for Which RMO Has Examining Responsibilities

- Agency for International Development
- Arms Control and Disarmament Agency
- Board for International Broadcasting
- Central Intelligence Agency
- Department of Defense
- Peace Corps
- Department of State
- U.S. Information Agency
- U.S. International Trade Commission
Appendix III
Resource Management Office (RMO)
Branches and Responsibilities

Figure III.2: Natural Resources, Energy and Science RMO: Divisions, Branches, and Agency Examining Responsibilities

Natural Resources, Energy and Science RMO

<table>
<thead>
<tr>
<th>Natural Resources Division</th>
<th>Energy and Science Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branches</td>
<td></td>
</tr>
<tr>
<td>• Environment</td>
<td></td>
</tr>
<tr>
<td>• Interior</td>
<td></td>
</tr>
<tr>
<td>• Agriculture</td>
<td>• Science and Space Programs</td>
</tr>
<tr>
<td>• Water Resources</td>
<td></td>
</tr>
</tbody>
</table>

Agencies for Which RMO Has Examining Responsibilities

• Department of Agriculture
• Department of Energy
• Environmental Protection Agency
• Farm Credit Administration
• Department of the Interior
• Army Corps of Engineers

• National Aeronautics and Space Administration
• National Science Foundation
• Nuclear Regulatory Commission
• Smithsonian Institution
• Tennessee Valley Authority
### Figure III.3: General Government and Finance RMO: Divisions, Branches, and Agency Examining Responsibilities

<table>
<thead>
<tr>
<th>General Government and Finance RMO</th>
<th>Transportation, Commerce, Justice, and Services Division</th>
<th>Housing, Treasury and Finance Division</th>
</tr>
</thead>
<tbody>
<tr>
<td>Branches</td>
<td>Transportation</td>
<td>Housing/Federal Emergency Management Agency</td>
</tr>
<tr>
<td></td>
<td>Commerce and Justice</td>
<td>Treasury</td>
</tr>
<tr>
<td></td>
<td>Federal Services</td>
<td>Financial Institutions</td>
</tr>
</tbody>
</table>

### Agencies for Which RMO Has Examining Responsibilities

- Amtrak
- Appalachian Regional Commission
- Department of Commerce
- Commodity Futures Trading Commission
- Corporation for National and Community Development
- Corporation for Public Broadcasting
- Department of Housing and Urban Development
- Department of the Treasury
- Federal Communications Commission
- Federal Deposit Insurance Corporation
- Federal Emergency Management Agency
- Federal Housing Finance Board
- Federal Maritime Commission
- Federal Trade Commission
- General Services Administration
- Interstate Commerce Commission
- Department of Justice
- National Credit Union Administration
- Panama Canal Commission
- Resolution Trust Corporation
- Securities and Exchange Commission
- Small Business Administration
- Department of Transportation
Figure III.4: Human Resources RMO: Division, Branches, and Agency Examining Responsibilities

Human Resources RMO

Human Resources Division

Branches
- Education
- Income Maintenance
- Labor

Agencies for Which RMO Has Examining Responsibilities
- Department of Education
- Equal Employment Opportunity Commission
- Federal Election Commission
- Department of Labor
- Legal Services Corporation
- National Endowment for the Arts
- National Endowment for the Humanities
- National Labor Relations Board
- Pension Benefit Guaranty Corporation
- Railroad Retirement Board
- Social Security Administration
### Figure III.5: Health and Personnel RMO: Divisions, Branches, and Agency Examining Responsibilities

<table>
<thead>
<tr>
<th>Health and Personnel RMO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Division</td>
</tr>
<tr>
<td>Veterans Affairs/Personnel Division</td>
</tr>
</tbody>
</table>

**Branches**
- Health Financing
- Health and Human Services Unit

**Branches**
- Veterans Affairs
- Office of Personnel Management, Postal, and Executive Office of the President

**Agencies for Which RMO Has Examining Responsibilities**
- Consumer Product Safety Commission
- Federal Labor Relations Authority
- Department of Health and Human Services
- Department of Veterans Affairs
- Office of Personnel Management
- Postal Service

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*Excludes the National Security Council and the Office of Science and Technology.*
Program Examiners' Major Duties and Performance Standards

The following figures illustrate (1) the major job responsibilities of program examiners, comparing these duties with those of the former budget examiner position; and (2) the new critical job elements and performance standards that OMB has adopted for all OMB professional staff.
Figure IV.1: Comparison of Budget and Program Examiners’ Major Duties

<table>
<thead>
<tr>
<th>Budget Examiner; GS-550-15</th>
<th>Program Examiner; GS-301-15</th>
</tr>
</thead>
<tbody>
<tr>
<td>* Senior examiner, CMB expert and focal point for all matters pertaining to specific area of assignment.</td>
<td>* Senior examiner, CMB expert and focal point for all matters pertaining to specific area of assignment.</td>
</tr>
<tr>
<td>* Coordinates the formulation and execution of the budget. Develops, reviews, and advises on the preparation of formal documents (e.g., Executive Orders and budget submissions). Participates in review of and is primary advisor on CMB recommendations relative to apportionments.</td>
<td>* Coordinates the formulation and execution of the budget. Develops, reviews, and advises on the preparation of formal documents (e.g., Executive Orders and budget submissions). Participates in review of and is primary advisor on CMB recommendations relative to apportionments.</td>
</tr>
<tr>
<td>* Prepares materials for Director’s review, arranges and chairs hearings. Assists with internal administration and management of the office.</td>
<td>* Prepares materials for Director’s review, arranges and chairs hearings. Assists with internal administration and management of the office.</td>
</tr>
<tr>
<td>* Prepares letters from the White House and CMB.</td>
<td>* Prepares letters from the White House and CMB.</td>
</tr>
<tr>
<td>* Within assigned program areas, assists in the review and clearance of legislative proposals and testimony. Presents the need for new legislation as well as changes in legislation.</td>
<td>* Within assigned program areas, assists in the review and clearance of legislative proposals and testimony. Presents the need for new legislation as well as changes in legislation.</td>
</tr>
<tr>
<td>* Performs legislative, economic, policy, program, organizational, and management analyses; reviews issues needing special attention, as well as executive orders and regulations.</td>
<td>* Performs legislative, economic, policy, program, organizational, and management analyses; reviews issues needing special attention, as well as executive orders and regulations.</td>
</tr>
<tr>
<td>to Management Division staff on reorganization proposals, clarification of regulations among the integration of programs, and other management improvement items.</td>
<td>Plans, conducts, and completes analyses and studies on financial management and procurement.</td>
</tr>
<tr>
<td></td>
<td>* Reviews major reorganization proposals. Studies personnel management, and systems development to help develop and initiate long-range plans and goals.</td>
</tr>
<tr>
<td></td>
<td>* Develops and recommends strategies for approaches to improvement in the value and effectiveness of management systems, field administration, program operations, mid-range and strategic planning, and program evaluation; determines the most efficient and cost-effective methods of management and program service delivery services as well as an assessment of performance and results.</td>
</tr>
<tr>
<td></td>
<td>* Provides leadership and procurement management direction. Participates in the development, implementation, and oversight of policies, regulations, and procedures followed by executive agencies in providing for the procurement of property and services and by recipients of federal grants and assistance.</td>
</tr>
<tr>
<td></td>
<td>* Reviews and analyzes agency submissions, studies, research materials, and other information related to assigned areas. Synthesizes highly complex and voluminous materials. Assists in the review and clearance of reports to Congress.</td>
</tr>
<tr>
<td></td>
<td>* Reviews, comments on, and leads negotiations on policy issues.</td>
</tr>
</tbody>
</table>

Note: Shaded text indicates additional responsibilities assumed by program examiners.
Appendix IV
Program Examiners' Major Duties and
Performance Standards

Figure IV.2: OMB's Critical Job Elements and Performance Standards for All OMB Professional Staff

Job Knowledge

Fully Successful Performance Standards:

• Demonstrates thorough knowledge of assigned program areas and applicable policies.
• Identifies relevant issues and options for analysis and develops appropriate recommendations for decisions.
• In the context of established time constraints, produces staff work on issues that is complete, concise, accurate, unbiased, creative, quantitative wherever possible, and analytically and logically sound.
• Evaluates significant existing program policies, plans, and performance to assess whether they achieve intended purpose cost effectively and consistent with administration priorities.

Job Execution

Fully Successful Performance Standards:

• Assignments are completed accurately and on-time, provide meaningful information, conform to applicable requirements, are internally consistent, and properly reflect decisions that have been made.
• Analysis (legislative, regulatory, paperwork, policy, procurement, budget, and management) is completed in time for action by policy officials and taken to the appropriate organization level for resolution.
• Accurately identifies policy or program issues that contribute to improving program effectiveness, evaluates problems and remedial actions, such that appropriate policy decisions can be reached and actions taken.

Job Effectiveness

Fully Successful Performance Standards:

• Plans, schedules, and executes work assignments to be responsive to management needs.
• Displays initiative, creativity, resourcefulness, and collegiality in completion of assigned duties.
• Ensures broad integration and coordination of work within and outside OMB.
• Works well as a team leader or member with others within and outside OMB.
• Maintains positive, professional working relationship with staff in OMB, throughout the Executive Office of the President, and with agencies.
Dear Mr. Stevens:

We appreciate the opportunity to respond to your November 28 request for comments on the draft General Accounting Office report dealing with changes resulting from the OMB 2000 reorganization. As discussed in our December 1st meeting with you, we find the report to be thorough, accurate, and constructive in describing the OMB 2000 changes, and in underscoring the continuing need to measure and promote effective integration of management and budget activities within the OMB.

As your draft report indicates, we will be working on an OMB strategic plan in the coming year. We agree with GAO that the strategic planning process offers an excellent opportunity for OMB to evaluate our institutional capacity and to identify opportunities to strengthen leadership of critical government-wide management issues. This planning effort will address the integration of management and budget responsibilities, including the adequacy of employee training and different approaches to integration and coordination among OMB's various units.

We think it is also important to note that one of the significant innovations of OMB 2000 was the creation of an OMB Management Committee, which has been very effective in institutionalizing the integration of management and budget activities within OMB. The Management Committee includes the Deputy Director for Management and has thirteen other members (including eleven career staff from all levels - Deputy Associate Directors, Branch Chiefs, examiners and support staff). The Committee deals with the entire range of issues and initiatives pertaining to OMB's organizational effectiveness, structure, and work practices. The Committee has, for example, provided leadership and guidance in assessing staff training needs, making the employee performance appraisal system more effective, and in anticipating future changes in function and roles within OMB.

I want to reiterate that your draft report has been very helpful in pinpointing implementation strategies that OMB must examine carefully in the coming months. Just as your 1989 study of OMB's management functions was pivotal in raising awareness of the need for OMB budget divisions to play a larger role in implementing management improvements, so, too, will this report help us concentrate more effectively on the key issues affecting the integration of management and budgeting activities.

Sincerely,

John A. Koskinen
Deputy Director for Management
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### Office of General Counsel
- Ana H. Finley, Senior Attorney
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TESTIMONY OF
ALICE M. RIVLIN
DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE
HOUSE SUBCOMMITTEE ON
GOVERNMENT MANAGEMENT, INFORMATION AND TECHNOLOGY
COMMITTEE ON GOVERNMENT REFORM AND OVERSIGHT

February 7, 1996

Mr. Chairman, Members of the Subcommittee, I am pleased to discuss with you today the impact of OMB 2000 on OMB's capacity to improve management practices in the Federal Government. I am accompanied by John Koskinen, OMB's Deputy Director for Management.

This Subcommittee has had a continuing concern with the development of policies and procedures that would improve the management and effectiveness of Federal agencies. I believe that OMB 2000 has made a significant contribution toward improving OMB's ability to provide Executive Branch leadership in this area.

OMB 2000 represented the most comprehensive self-examination that OMB has undertaken in recent memory. In the spring and summer of 1993, a project team conducted numerous interviews, reaching nearly a third of OMB's professional staff, many OMB career and political alumni, personnel from other agencies, Congressional staff, and others in the public affairs community. An "electronic suggestion box," set up through E-mail to encourage all staff to contribute ideas, received more than 200 recommendations. The work of all OMB units was reviewed, providing a snapshot of how the organization functioned and how its resources were deployed. Based on these materials and the deliberations of a Steering Committee of several senior career staff and policy officials, then-Director Leon Panetta and I, then the Deputy Director, announced our decisions in a March 1, 1994 memorandum to OMB's staff.

Most fundamentally, we concluded that OMB's disjointed approach to dealing with both government-wide and agency-specific management issues was counter-productive. OMB was influencing agency program operations through two distinct channels: its budget divisions and the units responsible for discrete aspects of management -- the Office of Information and Regulatory Affairs (OIRA), Office of Federal Financial Management (OFFM), Office of Federal Procurement Policy (OFPP), and the then-General Management Division. The budget divisions tried to deal with management issues, but their impact on agency management practices was uneven at best. The management units often approached management issues without the benefit of detailed program knowledge.

Frequently, the results were unnecessary duplication and conflicting signals to agencies. Moreover, agencies gave scant attention to management advice from OMB's units because it was divorced from resource decisions. Consequently, OMB was hampered in its efforts to address and resolve questions of program effectiveness and efficiency.
Under our new course, all OMB activities are part of a comprehensive whole. OMB must carry out its responsibilities in serving the Presidency -- from policy development through program implementation -- in as integrated a manner as possible, not through two separate sets of organizational and operational procedures. As Leon Panetta and I wrote in our memo, "to be successful in improving Executive branch operations, OMB's oversight role must better integrate our budget analysis, management review and policy development roles."

To implement this new vision, OMB established Resource Management Offices (RMOs), which combined staff from the previous budget divisions with selected staff from the management offices. The RMOs work with agencies on all facets of policy development and implementation. They are responsible and held accountable for budget formulation, analysis and execution; program effectiveness and efficiency; annual, mid- and long-range policy and program analysis; implementation of government-wide policy as formulated by OIRA, OFPP and OFFM; and program evaluation. They not only review the policy and budgetary implications of program issues, but they also:

- examine, and make recommendations on, the effectiveness with which proposed and new policies can be or are being implemented;
- ensure that policy proposals to Congress are accompanied by adequate explanation of, and resources for, implementation; and
- ensure effective implementation of government-wide management initiatives.

OMB's statutory management offices continue to provide leadership and policy direction for the areas within their purview -- procurement, financial management, and regulations and paperwork. They work with the RMOs and the agencies to assure that the developed policies are understood and adequately carried out.

For example, OFPP has been working with an RMO to help the Energy Department improve the management of its contract operations. OFFM and the RMOs held joint meetings with each agency Chief Financial Officer this fall to discuss each agency's progress in meeting financial system requirements. These joint meetings leveraged the specialized technical expertise of the financial management staff with the program knowledge of the RMOs.

Mr. Chairman, our experience shows clearly that OMB 2000 has successfully integrated budget and management responsibilities. The most recent review of the organizational and process changes that OMB 2000 has generated was the General Accounting Office's (GAO) December 29, 1995 report, entitled, "Changes Resulting From the OMB 2000 Reorganization." GAO found that there was a greater attention to agency management issues in the fiscal year 1996 budget process (after OMB 2000 was implemented) than in the fiscal year 1995 process. A greater variety of management issues were presented in more depth in the fiscal year 1996 documents than in previous years' documents. These results reflected the clear commitment of
OMB's top officials to ensure the treatment of management issues in the budget cycle.

In particular, in the fiscal 1995 budget process we focused on agency streamlining plans. We wanted to know how agencies were meeting the requirements of the Workforce Restructuring Act of 1994. But, equally important, we wanted to assess how the restructuring process was affecting agency operations and programs.

Moreover, the consequences of OMB 2000 extend beyond the budget cycle. We are committed to new processes that enable OMB to provide analyses that cut across traditional organizational boundaries. Under the leadership of John Koskinen, OMB working groups have addressed a number of issues that have arisen in the last few years -- guidelines for creating government corporations, acquisition of information technology, the development of OMB's 1995 Spring Review of agency performance measures, and the implementation of the Government Performance and Results Act. These working groups include staff from all parts of OMB, often with most of the group representing the RMOs. Even in areas as technical as financial management, OMB 2000 has led OFFM and the RMOs to work together with the agencies on such matters as designing the steps needed to meet the audit requirements of the Government Management Reform Act.

We have enhanced OMB's impact by having the RMOs deal with agency management concerns in their day-to-day dealings with agency staff, collaborate with the OMB's statutory offices, and focus on common problems in internal working groups. The old idea of "management" and "budget" sides of OMB is rapidly evolving into the notion of a common corps of professionals working cooperatively to bring their varied talents to bear on the problem of delivering public services in the most effective way.

Another key innovation of OMB 2000 was the creation of an OMB Management Committee concerned with OMB's internal structure and functioning. That Committee, which has 13 members (including the Deputy Director for Management and 10 career staff from all levels), has provided leadership and guidance in, for example, assessing staff training needs and making the employee appraisal system more effective. The Committee's work on questions of organizational effectiveness and work practices can play a major role in institutionalizing the integration of management and budget activities in OMB.

GAO recommends that we periodically assess the effectiveness of OMB 2000 and our capacity to provide leadership in government-wide management issues. We agree. As noted in our written response to the GAO report, we are working on an OMB strategic plan which "will address the integration of management and budget responsibilities, including the adequacy of employee training and different approaches to integration and coordination among OMB's various units." Organizations must adapt to changing needs, priorities, and experiences, and we are looking for better ways to implement OMB 2000.

It is only through the type of cooperative, integrated approach that OMB exemplifies that
we can help Federal agencies grapple with the complex issues raised by an era of limited financial resources, downsizing, restructuring, and other management challenges -- and create a government that "works better and costs less." We look forward to working with this Subcommittee as we continue to search for better ways to serve all of our citizens.

Mr. Chairman, Members of the Subcommittee, that concludes my prepared statement. I would be pleased to answer any questions that you may have.