

UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

21st Century Transformation Challenges

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

**Excellence in Government Conference
April 5, 2007**



Three Key Change Concepts

Candor:

To state the facts and speak the truth about the need for change and possible ways forward

Courage:

To act and do the right thing even though it may be unpopular and counter-cultural

Commitment:

To persist with the needed change effort until you prevail

The Case for Change

The federal government is on a “burning platform,” and the status quo way of doing business is unacceptable for a variety of reasons, including:

- Numerous government performance/accountability and high risk challenges
- Past fiscal trends and significant long-range challenges
- Selected trends and challenges having no boundaries
- Rising public expectations for demonstrable results and enhanced responsiveness
- Additional resource demands due to Iraq, Afghanistan, incremental homeland security needs, and recent natural disasters in the United States
- Outdated federal organizational structures, policies, and practices

Major Reported Long-Term Fiscal Exposures (\$ trillions)

	2000	2006	% Increase
• Explicit liabilities	\$6.9	\$10.4	52
<ul style="list-style-type: none"> • Publicly held debt • Military & civilian pensions & retiree health • Other 			
• Commitments & contingencies	0.5	1.3	140
<ul style="list-style-type: none"> • E.g., PBGC, undelivered orders 			
• Implicit exposures	13.0	38.8	197
<ul style="list-style-type: none"> • Future Social Security benefits 	3.8	6.4	
<ul style="list-style-type: none"> • Future Medicare Part A benefits 	2.7	11.3	
<ul style="list-style-type: none"> • Future Medicare Part B benefits 	6.5	13.1	
<ul style="list-style-type: none"> • Future Medicare Part D benefits 	--	7.9	
Total	\$20.4	\$50.5	147

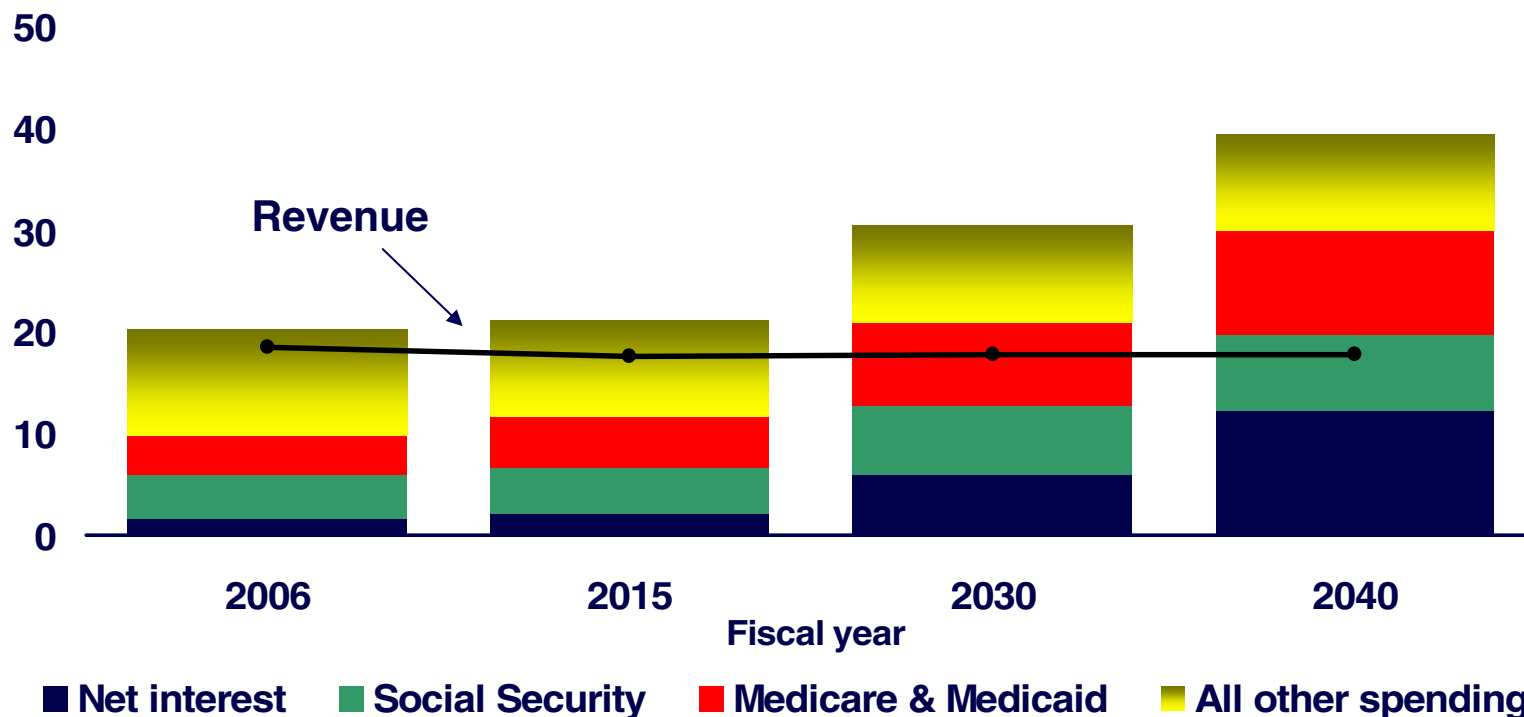
Sources: 2000 and 2006 Financial Reports of the United States Government.

Note: Estimates for Social Security and Medicare are at present value as of January 1 of each year, and all other data are as of September 30. Totals may not add due to rounding. Percentage increases are based on actual data and may differ from increases calculated from rounded data shown in table.

Potential Fiscal Outcomes

Alternative Simulation—Discretionary Spending Grows with GDP and Expiring Tax Provisions Extended (January 2007)
Revenues and Composition of Spending as a Share of GDP

Percent of GDP



Source: GAO's January 2007 analysis.

Notes: AMT exemption amount is retained at the 2006 level through 2017 and expiring tax provisions are extended. After 2017, revenue as a share of GDP is held constant—implicitly assuming that action is taken to offset increased revenue from real bracket creep, the AMT, and tax-deferred retirement accounts.

GAO's High- Risk List 2007

Addressing Challenges in Broad-based Transformations

	Year Designated
• Strategic Human Capital Management ^a	2001
• Managing Federal Real Property ^a	2003
• Protecting the Federal Government's Information Systems and the Nations' Critical Infrastructures	1997
• Implementing and Transforming the Department of Homeland Security	2003
• Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security	2005
• DOD Approach to Business Transformation ^a	2005
• DOD Business Systems Modernization	1995
• DOD Personnel Security Clearance Program	2005
• DOD Support Infrastructure Management	1997
• DOD Financial Management	1995
• DOD Supply Chain Management	1990
• DOD Weapon Systems Acquisition	1990
• FAA Air Traffic Control Modernization	1995
• Financing the Nation's Transportation System ^a (New)	2007
• Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests ^a (New)	2007
• Transforming Federal Oversight of Food Safety ^a (New)	2007

Managing Federal Contracting More Effectively

• DOD Contract Management	1992
• DOE Contract Management	1990
• NASA Contract Management	1990
• Management of Interagency Contracting	2005

Assessing the Efficiency and Effectiveness of Tax Law Administration

• Enforcement of Tax Laws ^a	1990
• IRS Business Systems Modernization	1995

Modernizing and Safeguarding Insurance and Benefit Programs

• Modernizing Federal Disability Programs ^a	2003
• Pension Benefit Guaranty Corporation Single-Employer Pension Insurance Program	2003
• Medicare Program ^a	1990
• Medicaid Program ^a	2003
• National Flood Insurance Program ^a	2006

SERVING THE CONGRESS AND THE NATION GAO'S STRATEGIC PLAN FRAMEWORK

MISSION

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

THEMES

GOALS & OBJECTIVES

Changing Security Threats

Provide Timely, Quality Service to the Congress and the Federal Government to . . .
. . . Address Current and Emerging Challenges to the Well-being and Financial Security of the American People *related to . . .*

- Health care needs
- Lifelong learning
- Work benefits and protections
- Financial security
- Effective system of justice
- Viable communities
- Natural resources use and environmental protection
- Physical infrastructure

Sustainability Concerns

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

- Homeland security
- Military capabilities and readiness
- Advancement of U.S. interests
- Global market forces

Economic Growth & Competitiveness

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

- Roles in achieving federal objectives
- Government transformation
- Key management challenges and program risks
- Fiscal position and financing of the government

Global Interdependency

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

- Client and customer satisfaction
- Strategic leadership
- Institutional knowledge and experience
- Process improvement
- Employer of choice

Societal Change

Quality of Life

Science & Technology

CORE VALUES

Accountability

Integrity

Reliability

Selected Sustainability Challenges

- ***Fiscal***
- ***Foreign Policy***
- ***Education***
- ***Energy***
- ***Environment***
- ***Health Care***
- ***Immigration***
- ***Iraq***

The Way Forward: A Three-Pronged Approach

- 1. Improve Financial Reporting, Public Education, and Performance Metrics**
- 2. Strengthen Budget and Legislative Processes and Controls**
- 3. Fundamentally Reexamine & Transform for the 21st Century (i.e., entitlement programs, other spending, and tax policy)**

Solutions Require Active Involvement from both the Executive and Legislative Branches

Trans ***FORMATION***

Webster's definition

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

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

The Objective of Transformation

**To create a more positive future
by maximizing value and
mitigating risk within current
and expected resource levels**

Transformation: A New Model for Government Organizations

Government organizations will need to:

- Become less hierarchical, process-oriented, stovepiped, and inwardly focused
- Become more partnership-based, results-oriented, integrated, and externally focused
- Achieve a better balance between results, customer, and employee focus
- Work better with other governmental organizations, non-governmental organizations, and the private sector, both domestically and internationally, to achieve results
- Focus on maximizing value, managing risk and enhancing responsiveness within current and expected resource levels

Key Performance Measures

Dimensions

- Results
- Clients/customers
- People
- Partnerships

Context

- Absolute
- Trend
- Compared to Peers

The Need For Key National Indicators in the U.S.

- Federal spending exceeds \$2.7 trillion annually
- Federal revenues reduced by more than \$800 billion in tax preferences
- Agencies produce reams of regulations
- Most federal government policies and programs were created years ago

The Need For Key National Indicators in the U.S.

- **WHAT:** A portfolio of economic, social, and environmental outcome-based measures that could be used to help assess the nation's and other governmental jurisdictions' position and progress
- **WHO:** Many countries and several states, regions, and localities have already undertaken related initiatives (e.g., Australia; New Zealand; Canada; United Kingdom; Oregon; Silicon Valley (California); Jacksonville (Florida); Boston (Massachusetts))
- **WHY:** Development of such a portfolio of indicators could have a number of possible benefits, including
 - Serving as a framework for related strategic planning efforts
 - Enhancing performance and accountability reporting
 - Informing public policy decisions, including much needed baseline reviews of existing government policies, programs, functions, and activities
 - Facilitating public education and debate as well as an informed electorate
- **WAY FORWARD:** Key players working through a consortium within a nonprofit organization receiving technical assistance from the National Academies domestically and OECD and others providing assistance internationally on related efforts

Key National Indicators: Where the United States Ranks

The United States may be the only superpower, but compared to most other OECD countries on selected key economic, social, and environmental indicators, on average, the U.S. ranks

16 OUT OF 28

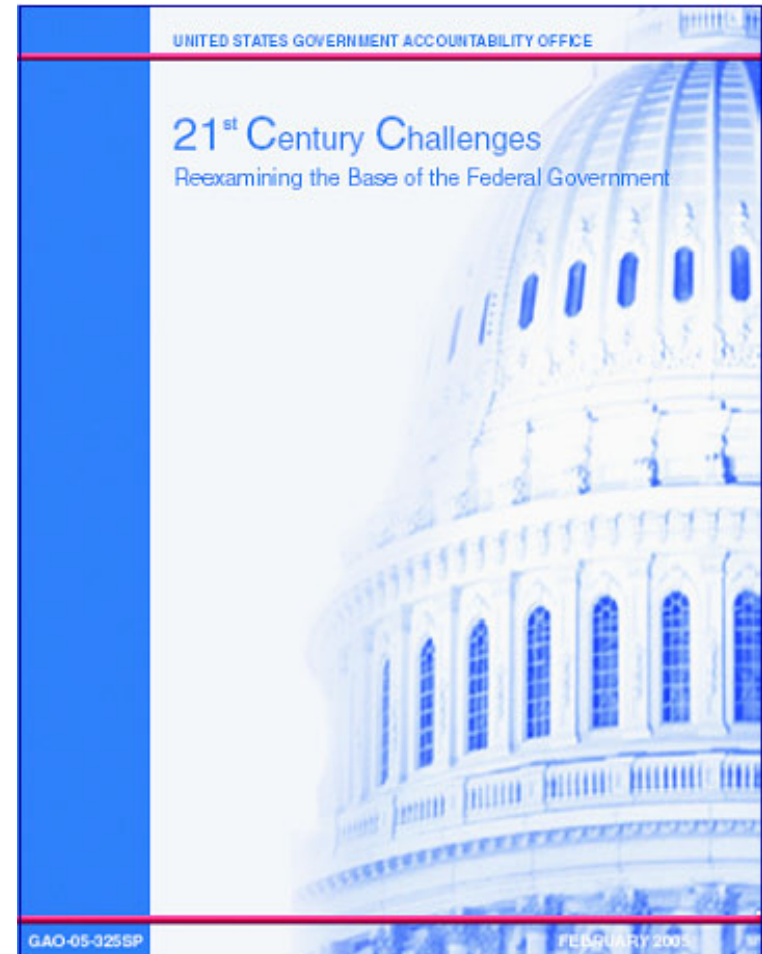
OECD Categories for Key Indicators (2006 OECD Factbook)

• Population/Migration	• Energy	• Environment	• Quality of Life
• Macroeconomic Trends	• Labor Market	• Education	• Economic Globalization
• Prices	• Science & Tech.	• Public Finance	

Source: 2006 OECD Factbook.

21st Century Challenges Report

- Provides background, framework, and questions to assist in reexamining the base
- Covers entitlements and other mandatory spending, discretionary spending, and tax policies and programs
- Based on GAO's work for the Congress



Source: GAO.

Twelve Reexamination Areas

MISSION AREAS

- Defense
- Education & Employment
- Financial Regulation & Housing
- Health Care
- Homeland Security
- International Affairs
- Natural Resources, Energy & Environment
- Retirement & Disability
- Science & Technology
- Transportation

CROSSCUTTING AREAS

- **Improving Governance**
- Reexamining the Tax System

Generic Reexamination Criteria and Sample Questions

■ **Relevance of purpose and the federal role**

Why did the federal government initiate this program and what was the government trying to accomplish?

Have there been significant changes in the country or the world that relate to the reason for initiating it?

■ **Measuring success**

Are there outcome-based measures? If not, why?

If there are outcome-based measures, how successful is it based on these measures?

■ **Targeting benefits**

Is it well targeted to those with the greatest needs and the least capacity to meet those needs?

■ **Affordability and cost effectiveness**

Is it using the most cost-effective or net beneficial approaches when compared to other tools and program designs?

■ **Best practices**

Is the responsible entity employing prevailing best practices to discharge its responsibilities and achieve its mission?

Classification and Compensation System: Key Guiding Principles

- Enables GAO to attract and retain top talent
- Is reflective of the roles and responsibilities that we expect GAO staff to perform
- Is market-based, as well as skills, knowledge, and performance-oriented
- Conforms with applicable statutory limits
- Considers absolute and relative performance
- Tries to assure reasonable consistency in both ratings and related compensation results within and between teams
- Results in equal pay for work of equal value over time
- Helps to better target a finite amount of resources
- Is affordable today and sustainable in the future

GAO's Classification and Compensation Changes 1989 vs. 2006

Strategy	1989	2006
Guaranteed that no one would lose	Yes	No
Automatically promoted some staff (e.g., from GS-13 to GS-14)	Yes	No
Guaranteed across the board raises, even for unacceptable performers	Yes	No
Gave some people the opportunity to earn more than the prior system	No	Yes
Considered relative performance to a much greater extent	No	Yes
Used "roles and responsibilities" studies for comparison	No	Yes
Used market-based pay compensation studies to ensure competitiveness in markets where GAO has personnel	No	Yes
Positively correlates pay with performance—within applicable pay caps	No	Yes
Results in equal pay for work of equal value over time	No	Yes
Is affordable and sustainable based on current and expected resource levels	No	Yes

GAO's Band II Restructuring Effort: *Lessons To Be Shared*

- Study the relative roles and responsibilities of the employees affected before determining the number of bands
- Conduct an independent market-based compensation study instead of relying on GS-pay ranges
- Design and implement a modern, effective, and credible performance management system that makes meaningful distinctions in performance

Keys to Making Change Happen

- Commitment and sustained leadership
- Demonstrated need for change (i.e., burning platform)
- Start at the top and with the new people (transformation takes 7+ years)
- Process matters (e.g., employee involvement)—Don't fight a two-front war
- 15-percent rule
- Identifiable and measurable progress over time
- Communication, communication, communication
- Figure out what's right versus what's popular
- Patience, persistence, perseverance to pain before you prevail

Key Leadership Attributes Needed for These Challenging and Changing Times

- ***Courage***
- ***Integrity***
- ***Creativity***
- ***Partnership***
- ***Stewardship***

UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

21st Century Transformation Challenges

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

**Excellence in Government Conference
April 5, 2007**



On the Web

Web site: www.gao.gov/cghome.htm

Contact

Paul Anderson, Managing Director, Public Affairs
AndersonP1@gao.gov (202) 512-4800
U.S. Government Accountability Office
441 G Street NW, Room 7149
Washington, D.C. 20548

Copyright

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.