

Management Initiatives Overview

In 1981, it was apparent that Government had grown too large, and that it was important to reduce its size and make its operation more efficient. It was also widely felt that improved management of Government could help ensure that a greater share of Federal expenditures would benefit the intended recipients. Thus, early in this Administration, a major goal was established: to provide needed services in the most economical and efficient way possible.

GAO reports indicate that previous efforts at management improvement failed because of a lack of support from the Executive Office of the President and the absence of a linkage of management initiatives with the annual process of developing the President's budget. With this in mind, the Reagan Administration developed a management improvement program with significant Presidential involvement and support. And, for the first time, organized reviews of management improvement activities have been included in the budget review process.

As a result, major management improvement initiatives are now underway that will fundamentally change the way the Federal Government operates. These initiatives reflect the efforts this Administration is making to bring permanent improvements to the management of the Federal Government. It is one of the most ambitious programs to improve management and reduce costs ever undertaken.

This Administration's management initiatives seek to overcome specific problems that have been prevalent in Government. The Federal Government has not managed its cash well; it has not put enough emphasis on debt collection; it has allowed incompatible and redundant administrative systems to proliferate; and it has not always had good financial data.

1985 Budget Initiatives

As part of the overall management improvement initiative of this Administration, the 1985 budget process included organized reviews of management improvement issues. These issues were selected after a careful review of management and administrative operations and problems, and were screened to identify targets of opportunity that would lead to accomplishment. Government-wide policies for management and administrative operations were developed and used to assign specific management goals to agencies for the period 1984 to 1988. A Government-wide system was established to track agency progress in reaching these goals. This will ensure the continuity, support, and emphasis on implementation that previous management reform efforts have lacked.

As a result of the 1985 management reviews, agencies were directed to achieve \$2.8 billion in management-related deficit reductions in 1985 and \$7.4 billion over the 1984 to 1988 period. These deficit reduction measures relate to outlay savings or increased receipts; they do not include cost avoidances or savings captured outside the 1985 budget review.

1985 Management Related Deficit Reductions

(Dollars in millions)

	1984	1985	1986-88	Total 1984-88
Outlay savings for 20 largest agencies:				
Reduce fraud, waste and abuse ¹	647	658	1,404	2,709
Improve agency management	19	303	2,157	2,479
Adopt cross-agency management systems	1	22	71	95
Other	34	75	357	466
Subtotal, outlays	702	1,058	3,989	5,749
Revenue increases:				
Collection of delinquent taxes .....	....	1,700	....	1,700
Total	702	2,758	3,989	7,449

¹ The accomplishments of the Inspectors General usually result in the more efficient use of resources and have not been included as budget savings in this category.

Major Management Objectives

The 1985 management-related deficit reduction targets shown in the table reflect the four major objectives of the Administration's management reform program. Specifically, they are as follows:

Reduction of fraud, waste, and abuse.—This objective seeks improved control over the expenditure of Federal funds through more vigorous collection of debt owed the Federal Government; adoption of more sophisticated cash management and internal control procedures; and the pursuit of questionable Federal expenditures through the activities of the Inspectors General.

Significant accomplishments in this area include:

- initiation of a major program aimed at collecting delinquent debt owed to the Federal Government;
- improved use of over \$30 billion in funds through the effort of the President's Council on Integrity and Efficiency, established in March 1981 to coordinate the work of the Inspectors General; and
- internal control system improvements resulting from agency-wide evaluations and actions taken pursuant to the Federal Managers' Financial Integrity Act.

Plans for 1985 include:

- increasing agency emphasis on debt collection, including application of the latest computer and telecommunications technology to collection functions;
- supplementing the traditional audit approach of the Inspectors General with increased emphasis on prevention;
- continuing to institutionalize the internal control evaluation, improvement, and reporting process in Federal agencies; and
- improving the use and management of cash balances and the payment process.

Agency deficit reduction goals for 1984 to 1988 are illustrated in the following table:

Fraud, Waste and Abuse-Related Deficit Reductions

(Dollars in millions)

	1984	1985	1986	1987	1988
20 largest agencies:					
PCIE ¹ .....	....	....	....	....	....
Debt Collection ²	417	2,147	418	475	475
Cash Management	230	211	36	....	....
Total	647	2,358	454	475	475

¹ The accomplishments of the Inspectors General usually result in the more efficient use of resources and have not been included as budget savings.

² Includes \$1.7 billion in receipts for 1985 related to increased collection of delinquent taxes.

Improvements in agency management.—This objective is to improve the efficiency and effectiveness of agency administrative operations. This can be accomplished through such means as the consolidation of common administrative support servicing operations; implementation of staffing standards; and reductions in non-personnel resources such as office space, travel, printing, and publications costs.

Accomplishments already made in this area include:

- establishment of a Government-wide program to consolidate and eliminate unnecessary periodicals and publications, and
- adoption of procurement reforms aimed at enhancing competition, improving agency management of the procurement process, and resulting in significant savings and cost avoidances.

Plans for 1985 include:

- consolidating, where cost effective, administrative support operations, both in headquarters and in field locations;
- improving service and reducing personnel costs by adopting productivity standards and correcting overclassification in the mid and upper level positions;
- closing and downgrading printing plants and duplicating facilities where the private sector offers cost-effective alternatives; and
- closing 17 agency travel offices by taking advantage of commercial travel services.

Administration goals for improving agency management between 1984 and 1988 are shown in the following table:

Savings Related to Improved Agency Management

(Dollars in millions)

	1984	1985	1986	1987	1988
20 largest agencies:					
Consolidations of Administrative Support					
Systems	18	82	107	145	155
A-76 (efficiency reviews)	1	33	89	148	180
GS 11-15 Overgrading .....	....	106	228	362	488
Printing and Publications .....	....	11	10	10	10
Space Management .....	....	69	73	74	74
Travel Management .....	....	1	1	1	1
Total	19	303	508	740	909

Development of management processes that cut across agencies.—This objective focuses on improving and standardizing management systems common to all Government agencies, including financial and accounting systems, payroll and personnel systems, and real and personal property systems. These improved systems will greatly strengthen central policy direction of administrative support services, resulting in Government-wide management efficiencies. One accomplishment in this area is the development of an electronic communications network, now connecting senior officials in the twenty largest agencies with the White House.

Specific plans include:

- introducing Government-wide accounting system standards;
- developing centrally coordinated administrative systems plans, feasibility studies, and/or design specifications;
- expanding the electronic data system to more agency officials;
- requiring agencies to develop comprehensive department-wide plans for all administrative processes and systems; and
- consolidating payroll/personnel systems.

Savings from Cross Agency Processes and Systems

(Dollars in millions)

	1984	1985	1986	1987	1988
20 largest agencies:					
Financial Operations and Planning Systems	1	....	3	3	3
Payroll/Personnel Systems.....	....	20	24	16	9
Other .....	....	2	4	4	4
Total	1	22	31	23	16

Improving delivery of services.—This objective looks at the way the delivery of Federal services is handled across the country. The goal is to achieve improved service at lower cost through improved technology and management techniques such as prescreening, computer matching, adjusted payment schedules, contractor and grantee performance incentives, and a streamlined field structure.

Management Factsheets

More detailed descriptions of this Administration's management initiatives, including the issues addressed in the 1985 budget review process, are provided in the following eight factsheets.

Fraud, Waste, and Abuse-Related Deficit Reductions

President's Council on Integrity and Efficiency

Program Description

The President's Council on Integrity and Efficiency (PCIE), made up of 18 agency Inspectors General, representatives of the Justice Department and the Office of Personnel Management, and the Special Counsel of the Merit Systems Protection Board, has provided a focal point for the President's efforts to reduce fraud, waste, and abuse in Federal programs. This interagency working group has been responsible for providing leadership in the use of computer applications for the matching and prepayment screening of beneficiaries, and in Government-wide initiatives to make program and administrative systems less vulnerable to fraud, waste, and abuse.

Current Status

Over the past 2-1/2 years, the PCIE has reported semi-annually to the President on its accomplishments as a Council and on individual efforts by Inspectors General. Since the Council's creation in March 1981, the Inspectors General (IGs) have secured commitments for more efficient use of or attempted collection of over \$30 billion in Government funds. Results from March 1981 through September 1983 include:

- over \$26 billion in commitments by agency managers to more efficiently use resources;
- approximately \$4 billion in commitments by agency managers to recover funds, call loans, and cancel guarantees;
- approximately \$154 million in revenues and penalties assessed through both civil and criminal actions;
- 6,563 successful prosecutions; and
- 7,419 administrative actions against Federal employees and contractors.

These figures alone do not adequately reflect the impact of the IG program. The work of the Inspectors General has created an awareness that the Federal Government is concerned about fraud, waste, and abuse, and has had an important deterrent effect. For example:

- Based on the finding of its Inspector General, the Department of Education has referred delinquent loans to the Department of Justice for collection. In several cases, the U.S. Attorney has repossessed automobiles from individuals with delinquent student loans, resulting in television and newspaper coverage in a number of communities and a greater awareness of the consequences of non-payment.
- The Federal Employees Receiving Government Assistance Project has uncovered 1,881 employees and retirees who improperly received \$14 million under Federal benefit programs. An additional 159,580 employees and retirees with delinquent indebtedness totaling over \$189 million have also been pinpointed.

This Federal Employees project has resulted in program and system improvements such as benefit pre-screening, revamped payment systems, and a greater awareness by agency managers of operational weaknesses.

The PCIE's long-term Computer Match Project has been instrumental in developing a network of resources and expertise to further the Government's use of advanced technology to stem fraud, waste, and abuse in Federal programs. This PCIE project has developed a compendium of "best computer match practices," and inventories of state computer matching activities, and has provided a conduit for sharing techniques, information, and expertise among state and Federal agencies.

In the past year, the emphasis of the Council has shifted from the traditional audit approach of post-action reviews to a more active front-end emphasis on preventing fraud, waste, and abuse. The prevention thrust is reflected in a number of Government-wide projects geared to improving program and administrative systems, implementing front-end checks prior to the awarding of contracts, grants or benefits, and a combined effort to improve the Government's procurement systems.

1985 Budget

The accomplishments of the Inspectors General are generally not construed as budget savings. The major contribution of the PCIE and the Inspectors General is to make recommendations for more efficient ways to use resources. Increased efficiencies usually result in reallocation of savings for program purposes.

Debt Collection

Program Description

An estimated \$288 billion was owed to the Government on September 30, 1983. Most of this debt is not yet due; however, almost \$44 billion of the total, as of September 1983, was delinquent or in default. Of this amount, \$26 billion is related to overdue taxes that are being pursued by the Internal Revenue Service, and \$18 billion relates to delinquent loans or delinquent accounts receivable. Some of these delinquent debts will have to be written off because the cost of recovery exceeds the amount likely to be recovered.

A significant cause of this problem is the past failure of agencies to pursue collection aggressively and a general attitude among debtors that they do not have to repay their debts to the Government. The President has committed the Administration to increasing collection of delinquent debts, including delinquent taxes owed the Internal Revenue Service.

Current Status

Several efforts have been launched to attack existing delinquency problems and improve debt collection practices across the Government.

- Debt information is being automated to improve the reliability and timeliness of accounts receivable reports.
- Uniform delinquency rules are being applied to ensure proper management of debt portfolios.
- Uniform standards for writing off uncollectable debts are being established and enforced.
- Agencies are preparing detailed plans that outline specific steps to be taken to implement the Debt Collection Act of 1982.
- Debt servicing and collection functions are being automated, using the latest computer and telecommunications technology.
- Risk analysis and credit scoring procedures are being used to ensure the integrity of the process for extending credit.

Under a Government-wide reporting system implemented in 1982, selected agencies are submitting quarterly financial reports that include information on:

- total debt owed;
- the age and amount of delinquent debt;
- the amount of interest assessed and collected on delinquent debts; and
- the number and value of debt cases referred to GAO and the Justice Department for collection.

Examples of successful debt collection operations include:

- The Department of Health and Human Services, especially the Social Security Administration, has upgraded its systems and procedures for debt collection, emphasizing the recovery of delinquent debts.
- The Education Department has identified over 46,000 Federal employees who are delinquent in repaying \$68 million in student loans. The Department is working with other Federal agencies to recover these funds and to date, over \$4 million has been collected. Under the Debt

Collection Act Federal employees who do not cooperate in repaying their debts can have their salaries offset to recover funds owed the Government.

1985 Budget Impact

As a result of this year's review of agency debt collection estimates, an additional \$2.1 billion is expected to be collected.

Cash Management

Program Description

The Cash Management Project was initiated to address the serious need for better oversight of the Nation's cash balances and the flow of Government funds.

In 1985, the Federal Government will collect and spend nearly a trillion dollars. The Government is the largest single spender in the United States but one of the most antiquated in the management of money. By using simple cash management techniques such as electronic transfers, delayed draw-downs, and lock boxes, the Government will be able to better manage its cash on hand and save millions in interest costs.

Current Status

The Cash Management Project was initiated in early 1983 and is a joint project under the leadership of the Department of the Treasury and the Office of Management and Budget. The project has developed cash management action plans for 20 agencies and is currently monitoring 316 initiatives.

Agency examples of cash management savings include:

- The Department of Housing and Urban Development estimates it will be able to save several million dollars over the next few years by avoiding duplicate interest payments on public housing note sales.
- The Department of Labor's Employment and Training Administration has been able to save \$750,000 by effectively monitoring and controlling grantees' cash balances.
- The Internal Revenue Service will develop and implement improved cash management procedures which will add over \$200 million in receipts to the Treasury in 1984.

1985 Budget

Government-wide cash management goals totalling \$210.8 million have been established for 1985. Examples of agency accomplishments which will be achieved in 1985 are:

- Conversion of Department of Health and Human Services grantee recipient payments to the Treasury Financial Communications System will save \$60 million in 1985.
- Implementing a concentration banking system and using electronic funds transfer for collecting and disbursing loans will reduce 1985 outlays by \$113 million for the Department of Agriculture's Farmers Home Administration and its Commodity Credit Corporation.

Savings Related to Improved Agency Management

Consolidation of Administrative Support Systems

Program Description

Multiple Federal administrative support facilities and widely scattered small administrative support centers have resulted in duplication of effort, low productivity, and high costs. The cost of processing administrative payments, for example, varies widely across agencies. Using successful consolidations as models, such as the Department of Commerce's Regional Administrative Support Centers, agencies are reviewing their administrative support systems with an eye toward consolidation and cross-servicing with other agencies. Such arrangements achieve economies-of-scale that reduce overhead costs.

Current Status

Several agencies have already consolidated administrative support operations.

- The Department of Commerce has consolidated regional administrative support operations in Seattle, Washington; Boulder, Colorado; Kansas City, Missouri; and Norfolk, Virginia.
- The Department of the Interior is preparing a plan to analyze the possible consolidation of more than 20 administrative payments processing centers. The plan will cover the consolidation of administrative payments operations, with implementation during calendar year 1985.
- The Department of Transportation will present a plan for a single administrative payments center to begin operation in calendar year 1985.

1985 Budget

The 1985 budget contains savings totaling \$81.6 million as the result of consolidations of administrative functions. Examples of actions being taken are:

- The Department of the Treasury will begin to consolidate administrative payments processing.
- The Department of Health and Human Services will reduce administrative payments processing from fifty-five centers to 29 centers and will develop a plan for further consolidation.
- The Departments of Interior, Agriculture, and Labor will each consolidate their headquarters administrative support operations.

Reductions in Personnel Levels and Costs

Program Description

Reduction in personnel levels and costs have been made possible by the use of productivity standards, efficiency reviews, and adjustments in grade structure. Specifically, productivity standards have been applied to several administrative functions to determine appropriate staffing levels. Agencies are performing efficiency reviews as required by OMB Circular No. A-76 and savings targets have been established. Administrative personnel levels have been adjusted to reflect reduced program activities, and agency grade structures will be modified to correct the overgrading of positions at the higher grade levels.

Current Status

Federal agencies are currently applying productivity standards to determine appropriate staffing levels in the administrative processing operations. Most of these savings will be realized in 1985.

Federal agencies are required by OMB Circular A-76 to evaluate commercial-industrial type activities to determine if they can be performed more cost effectively by contracting with private industry. All agencies have developed inventories of commercial-related activities to be reviewed; several have completed many of their evaluations and reduced personnel costs:

- The General Services Administration has conducted reviews of 58 activities in 1983 and saved approximately \$7.2 million by eliminating the equivalent of 713 full-time positions (FTEs).
- Department of Defense estimates that the A-76 cost studies conducted over the last four years are achieving savings of over \$300 million annually. Over 900 cost comparisons have been conducted that have reduced personnel by 15,500. These reductions have been offset by increases due to higher priority national defense missions. The Department of Defense is reviewing activities involving 10,000 FTEs in 1984.
- The Department of the Interior is reviewing activities involving 3,080 FTEs in 1984.

From 1982 to the end of 1984, programmatic and other reductions are expected to reduce total non-defense employment by 75,000 FTEs.

1985 Budget Proposals

Savings of \$33.4 million and 3,700 FTEs from A-76 efficiency reviews are reflected in the 1985 budget.

To correct the overgrading of General Schedule grades 11 through 15 or equivalent positions, funding for these positions is being reduced by \$1.2 billion over the four year period 1985-88. Agencies will individually manage the correction of the grade imbalance.

Reduction in Non-Personnel Resources

Program Description

Non-personnel resources represent a significant portion of overhead costs. A number of initiatives have been undertaken to reduce these costs. In-house printing operations and travel offices have been reduced by greater reliance on the private sector, yielding improved service at less cost. Tighter authorization policies and increased use of discounts have further reduced travel costs. Strengthened reviews and evaluations have reduced space, publications, and audio-visual costs.

Current Status

One hundred eleven of the more than 1,000 printing and duplicating facilities in the Federal Government have been targeted for closure or downgrading. Much also has been accomplished to date in the consolidation and elimination of publications. Since April 1981, one out of every four publications in the Federal Government has been eliminated or consolidated.

Improvements in space and property management have resulted in the sale of 407 "items" by the General Services Administration and the Department of the Interior, for a return of \$195 million. The Department of the Interior has also sold 10,376 acres of public land for a return of \$8.1 million.

The widespread use of Federal and other travel discounts (\$377 million in 1983 savings alone), tighter travel authorization procedures, and the increased use of commercial travel offices to make low cost travel arrangements have resulted in more efficient use of travel funds.

1985 Budget Proposals

By closing or downgrading printing plants and duplicating facilities, and by increasing commercial contracts, printing services will be improved. Savings in 1985 for the twenty largest agencies will be \$11.5 million. Total savings for the 4-year period of 1985 to 1988 will be \$41.6 million for these 20 agencies, and \$50 million for all agencies.

Reductions in space needs due to decreased program requirements and the application of tighter space standards are expected to save \$69 million in 1985.

Closing 17 agency travel offices, relying on private travel agents, and other initiatives will save \$1.2 million annually and upgrade the quality of travel services available to Federal employees.

Savings From Cross Agency Processes and Systems

Financial Operations and Planning

Program Description

Burgeoning Government grants, contracts, and loans have generated a proliferation of stand alone, incompatible financial management and accounting systems. The introduction of standard accounting procedures and common data elements and a comprehensive information flow will make it possible for senior policy officials to analyze trends and performance. This will enhance the quality of resource allocation decisions and bring to Government expenditure controls similar to those found in large private sector organizations.

Current Status

The introduction of Government-wide accounting system standards and common data requirements has just begun. Nonetheless, several improvements have already been achieved and many more are in the planning stage.

- Commerce has created a department-level financial information system that extracts data from eight incompatible bureau systems. This system will serve as a prototype for financial information systems throughout the Executive Branch.
- Funding requests for ten financial systems involving nine agencies were deferred pending the development of acceptable automated data processing plans, feasibility studies and/or design specifications.
- An automated grant payment system has been implemented by the Department of Health and Human Services. This system will result in interest savings and adoption by other grant making agencies could achieve additional savings.

1985 Budget Proposal

Agency budgets have been reduced \$400,000 by discouraging development of uncoordinated financial systems. Improved systems will give top managers better tools for controlling expenditures and making budget decisions.

The 1985 budget provides for investment of \$67 million for improvements in agency financial management systems. The Department of Defense has a major initiative underway to streamline, integrate, and modernize its systems.

- Seven domestic agencies (Department of Transportation, Department of Education, Department of Housing and Urban Development, Department of the Interior, Department of Labor, Department of Commerce, and Department of Energy) are working together to develop a common accounting system that could ultimately serve the needs of all domestic agencies.
- The four major international agencies (State, Agency for International Development, United States Information Agency, and the Peace Corps) are working together to develop a system to serve overseas needs.

Personnel and Payroll Systems

Program Description

There is no reason to continue the approximately 150 personnel/payroll processing systems which perform virtually identical functions for Federal agencies. To reduce the number, the most modern and least costly systems are being identified and put to use by more agencies. Information compatibility and cost-effectiveness are being enhanced by requiring small agencies and agencies with older or less efficient systems to obtain processing services from agencies with more-up-to-date systems. In addition, automation of labor intensive functions is being encouraged. Consolidating parallel systems within agencies and designing system upgrades will be patterned on approved criteria. In the near future, these approaches will eliminate more than half the systems being used today and will avoid substantial costs for upgrading outdated systems. In general, there is an accelerated trend toward the development of generic systems.

Current Status

Early results of this program evolved from targets of opportunity identified during an inter-agency review of existing practices.

- The Department of Education is now being serviced by the Department of the Interior's payroll and personnel processing systems; the Departments of Commerce and Housing and Urban Development will obtain personnel/payroll processing from another agency in 1985.
- During 1984, the General Services Administration, Department of the Treasury, Small Business Administration, and Department of Labor will be adopting the Air Force personnel system.
- Veterans Administration, National Aeronautics and Space Administration, Department of Justice, and Environmental Protection Agency will review and assess options for personnel and payroll systems during 1984 to determine the most cost-effective approach.
- The Department of State, Agency for International Development, United States Information Agency, and the Peace Corps plan to adopt a personnel/payroll system which will service all four agencies, and will lead to future savings and the avoidance of development and maintenance costs.

1985 Budget Proposal

The 1985 budget contains savings of \$20.5 million due to consolidations and increased automation of payroll and personnel systems. Agencies with unusually high costs for their personnel/payroll systems will be reviewing their operations. Costs will be reduced by obtaining services from another agency or through internal improvements. All agencies employing fewer than 6,000 people have been directed to seek personnel/payroll processing services from one of a few agencies with advanced systems. Savings and management improvements expected include:

- \$33 million will be saved (and 20% of the personnel staff reduced) when Health and Human Services automates and otherwise improves its existing payroll/personnel system, beginning in 1985 and continuing through 1988.
- \$8.4 million a year will be saved by Treasury by consolidation of its personnel/payroll systems.
- \$800,000 will be saved by the Department of Labor by converting to the Air Force personnel system.

Appropriations of \$1.5 million have been requested for Office of Personnel Management to upgrade its Central Personnel Data File so that this Government-wide data file can provide better and more reliable data to the Congress, General Accounting Office, Office of Management and Budget, and Federal agency managers.