



# Management Effectiveness

*We shouldn't just give our people a government that's more affordable. We should give them a government that's more competent and more efficient. We can't win the future with a government of the past.*

*Barack Obama, President of the United States  
January 25, 2011*

The Obama Administration has challenged Federal agencies to make the Nation's government more effective – to deliver more to the taxpayers and manage Federal resources responsibly. The challenge includes reviewing programs for savings opportunities, eliminating lower priority and underachieving programs, encouraging employees to identify savings opportunities, and investigating new ideas to increase the effectiveness and efficiency of government operations. The Administration's performance management efforts focus on the following strategies with the highest potential to achieve meaningful performance improvement within and across Federal agencies:

- Driving agency top priorities.
- Cutting waste.
- Reforming contracting.
- Closing the information technology gap.
- Promoting accountability and innovation through open government.
- Attracting and motivating top talent.

The Department of the Interior is working aggressively to meet the Administration's management challenges and the progress is reflected in the 2012 budget. Interior's 2012 budget:

- Manages for results by defining core mission priorities, with deliberate strategies and performance measures.
- Reflects a comprehensive review of programmatic priorities.
- Implements the Administration's Accountable Government Initiative with \$99.4 million in targeted administrative cost savings in high cost areas such as supplies, travel, and advisory services.
- Continues to implement Department-wide policy changes in travel and relocation, information technology consolidation, and strategic sourcing to achieve another \$62.0 million in savings in 2012.
- Reflects efforts to enhance Federal contracting and acquisition policies and procedures to ensure taxpayers get the best value possible.
- Transforms the delivery of information technology services to a more consolidated and customer-oriented business model.

- Budgets for fixed cost increases by accommodating these adjustments among programmatic priorities.
- Reflects ongoing efforts to improve management of asset inventories, reduce real property costs and, in financial management, reduce the number of improper payments made.
- Looks forward to develop innovative approaches to achieve additional savings in future years.

- Build a 21<sup>st</sup> Century Department of the Interior.

## MANAGING FOR RESULTS

At the end of 2010, the Department completed a new five-year strategic plan that simplifies Interior's mission objectives and outlines five mission areas with discrete goals, strategies, and measures to assess performance.

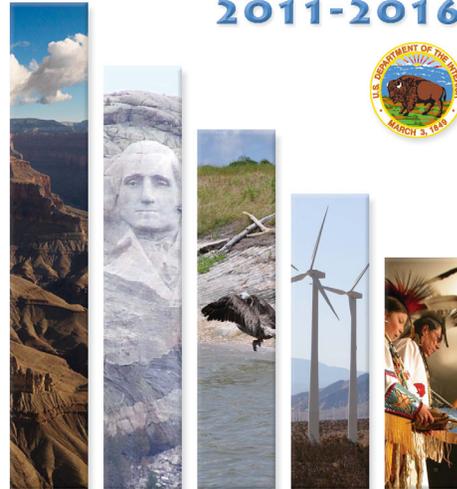
Interior's Strategic Plan will facilitate the integration of programs, the allocation and alignment of resources to achieve key goals, and collaboration and coordination with stakeholders. These five mission areas will guide the Department's activities for the next five years. The performance measures will be used to gauge progress and enable the President, Congress, and the public to assess the Department's performance. The Plan was developed over the course of 18 months including extensive consultation to incorporate lessons learned and reflect a more integrated, simple, and focused presentation. The Department incorporated expanded consultation with Indian Tribes. A series of nine consultation sessions were held across the Nation and the comment period was extended several times to accommodate additional input.

The following five mission areas provide the framework for the Department's over arching stewardship responsibilities and define long-term areas of focus:

- Provide natural and cultural resource protection and experiences.
- Sustainably manage energy, water, and natural resources.
- Advance government-to-government relationships with Indian Nations and honor commitments to Insular areas.
- Provide a scientific foundation for decision-making.

UNITED STATES DEPARTMENT OF THE INTERIOR

## STRATEGIC PLAN FOR FISCAL YEARS 2011-2016



These combined mission areas contain 23 goals, including five priority goals. Each goal has one or more strategies that define how the Department plans to accomplish results. The Plan identifies performance measures for each strategy that tie program contributions to the goals for each mission area.

The Strategic Plan outlines a set of goals and values for the 21<sup>st</sup> Century Interior Department that will guide efforts to recruit, train, and retain a highly motivated and skilled workforce; optimize youth engagement through a diverse array of programs and places; sustainably manage the Department's programs and facilities; and serve as a model for effective and efficient management. Key to progressive management is a culture of inclusiveness in which the very best ideas, diverse viewpoints, and most talented individuals are brought to the forefront. Creating a strong culture of diversity and inclusion at Interior will facilitate increased engagement from all employees and ensure an optimal return on investment.

The 21<sup>st</sup> Century Interior also incorporates a strong commitment to sustainable practices to more effectively use resources and protect the environment in the context of operating, maintaining, and

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constructing facilities; managing fleet and equipment; implementing approaches to reduce travel; and using renewable and energy efficient solutions to the greatest possible extent.

For the second year, Interior has identified five priority goals. The top priorities for 2012 remain consistent with last year allowing the Department to build upon the tangible near-term goals set in 2011. These five priority goals define areas of notable reform outlined by the Secretary with a particular emphasis on achieving results in the near-term, including renewable energy, sustainable water management and conservation, climate change adaptation, youth stewardship and engagement, and efforts to improve the safety of Indian communities. These priorities are fully supported in the 2012 budget.

### CUTTING WASTE AND ACHIEVING EFFICIENCIES

The challenging economic situation makes it incumbent upon Federal agencies to bear in mind their role as stewards of taxpayer dollars with responsibility to ensure a high return on spending, and intolerance for waste and abuse.

Over the years, Interior has kept pace with inflationary increases and programmatic requirements by streamlining and improving the efficiency and effectiveness of programs. The Department is a mission-focused organization. It works hard to leverage resources with State, local, tribal, and non-profit organizations through partnerships and cost-sharing arrangements. Departmental programs use strategic and workforce planning, employee development programs, and other business process improvement strategies to increase the effectiveness of management and operations.

Interior employs practices such as shared services, facility co-location, centralized acquisition, recycling and reuse, equipment life-cycle management, and many other administrative business management practices. Nonetheless, there remain opportunities where innovative ideas could identify potential additional savings and efficiencies.

The Administration has challenged Federal agencies to end ineffective programs. In formulating the 2012 budget, the Department's leadership conducted a comprehensive review of agency priorities, trust responsibilities and commitments, and the need

for inherently governmental functions. The 2012 budget includes more than \$494 million in program reductions which include proposals to eliminate programs that either lack effectiveness, are out of date, do not serve a broad audience, or could be, or are already provided by someone else.

### ACHIEVING ADMINISTRATIVE SAVINGS

The 2012 budget also reflects two years of targeted administrative cost savings efforts. The 2012 request incorporates \$62.0 million of Department-wide savings measures proposed in the 2011 request, \$17.4 million of bureau-specific efficiencies, and nearly \$100 million in additional reductions as part of the Administration's government-wide administrative cost savings effort.

Interior's savings strategy began with the 2011 President's budget, and with the proposed implementation of Department-wide policy changes in travel and relocation, strategic sourcing, and information technology consolidation. The Department continues to support these reductions and includes these savings in the 2012 request.

The 2012 budget also identifies another \$99.4 million in reductions as part of the Accountable Government Initiative. These reductions build upon the efficiencies in travel, relocation, and acquisition savings identified in 2011 and target efficiencies in high-cost areas such as supplies, travel, and advisory services. These administrative cuts equate to an 11 percent decrease in spending among the top five administrative object class categories – travel of people, transportation of things, printing, advisory services, and supplies.

**Travel and Relocation** – Interior will reduce expenditures for travel and relocation through improved management at the program level and re-examination of Departmental policies. This will impact how Interior manages employee travel, conferences, and permanent change of station relocations. Technological advancements have created smart alternatives to travel for long-distance meetings – teleconferencing, video conferencing, shared websites, and web conferencing – all enabling real-time communication and document sharing. Interior will leverage its current inventory of video conferencing facilities by making them available across bureaus to maximize use. Interior will issue travel ceilings against which

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managers can track travel spending throughout the year and reinforce smarter travel practices that emphasize highest priority mission travel.

An Office of Inspector General report has identified opportunities to improve Interior's management of permanent change of duty station relocations. The Inspector General finding suggests a need for improved policies, practices, oversight, and reporting in multiple areas, including travel authorizations, payments, and standard requirements. The Department is integrating these services to better manage and maintain accountability. Additionally, Interior is evaluating potential improvements in voucher and payment processing and oversight.

**Strategic Sourcing** – In developing the Department's Acquisition Improvement Plan, expanded use of strategic sourcing was identified as the most promising method to achieve efficiencies and save on procurement costs. Interior's 2011 request identified \$30.0 million in reductions associated with these savings allocated among the bureaus and programs according to average acquisition costs for supplies, materials, and equipment.

Strategic sourcing is the practice of coordinating and consolidating large acquisition needs across the Department to negotiate lower costs. Interior has experience with this approach. Contracts have been in place for a number of years to purchase information technology hardware and software through consolidated contracts used by all bureaus and offices to leverage the Department's purchasing power. Using these contracts has achieved more effective deployment of information technology as purchases are consistent with a set of standards, greater efficiency is achieved with the use of consistent technology, and cost savings are realized through economies of scale.

The Department is developing shared contracts to use Interior-wide for the acquisition of commodities, supplies, and services. In 2011, Interior is implementing Department-wide strategic sourcing initiatives for office supplies and copier-based multifunctional devices. Targeted areas for future strategic sourcing initiatives include: furniture, uniforms, wireless communications, and contract closeout services.

Efficiency savings from expanded strategic sourcing is one component of a comprehensive plan to improve acquisition practices throughout Interior. The Department's Acquisition Improvement Plan recommends centralized purchasing to reduce labor costs

and shipping expenses, reducing costs with quantity discounts, more efficient processing of purchases including the use of electronic procurement tools and techniques, charge card processing, undelivered order management, prompt pay, and improving the capability of the acquisition workforce.

The 2012 budget includes \$5.0 million in the Department's Working Capital Fund appropriation to implement significant change in the agency's approach to acquisition. The funding will allow Interior to address identified skill gaps in acquisition staffing, conduct training of acquisition professionals and project managers to equip them with the skills needed to provide oversight of multi-million dollar contracts, and pursue options to maximize the effectiveness of an expanded strategic sourcing strategy. The Department is pursuing strategic sourcing centers of excellence with specialists in certain types of procurement, strategically located to implement master contracts. This approach of developing dedicated acquisition expertise would leverage Interior's acquisition capabilities and better position the Department to implement an aggressive strategic sourcing strategy.

**Information Technology Consolidation** – Through careful planning, strategic investments, and unprecedented cooperation, significant opportunity exists to realize efficiencies in the Department's information technology infrastructure, including energy and cost savings. In 2010, bureau and office Chief Information Officers worked to evaluate options to reduce duplication and parallel investment in information technology infrastructure across Interior. The objective was to identify immediate and long-term solutions to realize efficiencies and innovations for cost savings and avoidance across the Department's information technology environment. The team's purpose was to recommend innovative and creative actions to Interior's leadership to optimize and reduce the cost of the Department's information technology infrastructure and operations, while improving customer service and performance. At the conclusion of this effort the ideas were refined into five primary focus areas: risk-based information security services, infrastructure consolidation, unified messaging, workstation ratio reduction, and radio site consolidation. This analysis is being used to identify near-term savings and contribute to a strategy to achieve long-term savings that is now part of the Administration's reform strategy for information technology government-wide.

On a parallel track, the Department reviewed its

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information technology governance construct and developed recommendations to streamline management and decisionmaking for the information technology portfolio. Following OMB's lead in developing a review process for troubled and high-visibility systems, Interior created the iStat process to carry out reviews and information technology project improvement efforts. As the various information technology management activities progressed in development, the Department recognized many synergies and opportunities for integration. This then led to the development of the Information Technology Transformation initiative, which is discussed in greater detail below.

## TRANSFORMING INFORMATION TECHNOLOGY

One of the most significant undertakings to improve management effectiveness within the Department is the Information Technology Transformation initiative. This will implement a new business model for a consolidated delivery of information technology services to the Interior's programs and employees and realize energy and cost savings.

On December 14, 2010, Secretary Salazar signed a Secretarial Order, Information Technology Management Functions and Establishment of Funding Authorities, to initiate the consolidation process and to mandate that the Department will have only one Chief Information Officer, instead of the previous construct, where each bureau and major office had its own Chief Information Officer. Under the Order, the Departmental Chief Information Officer assumes ownership of all Departmental information technology infrastructure assets.



Bureaus will maintain responsibility for managing and operating mission specific applications. Underlying infrastructure, such as networks and equipment, and compliance activities will be managed by the Chief Information Officer and transformed into a Department-wide standardized and efficient catalog of business and information technology services. The role of the bureau and office Chief Information Officer will transition to that of an advisor to the bureau director on the strategic applications of technology to meet mission requirements, with the positions renamed as Assistant Directors of Information Resources. These Assistant Directors will also oversee the orderly migration of information technology assets to the new structure.

The new business model will minimize redundancies, streamline information technology services, and enhance customer service while lowering the cost of delivering information technology services to the Department. Attention will be focused on better understanding the business needs of the programs and employees so that services can be delivered in an agile, reliable, and cost effective manner. There will be one e-mail system for the entire Department with enhanced features and a new consolidated customer care center. Interior employees and managers will also have the flexibility to choose those mobile technologies that best support their ability to execute their respective missions. The ultimate goal of the Information Technology Transformation initiative is two-fold develop Interior's information technology services into a 21<sup>st</sup> Century model to modernize mission support and in doing so, achieve long-term efficiencies and savings.

The Information Technology Transformation initiative is projected to save \$100 million each year from 2016 to 2020, for a cumulative total of \$500 million in reduced information technology costs. Funding to achieve the infrastructure consolidations and service delivery reorganization will be offset from savings resulting from the elimination of redundant systems and functions and closing unneeded facilities. The Department currently hosts 210 data centers, with a goal of reducing these to 115 by the end of 2015. This improvement in efficiency and effectiveness directly supports the President's emphasis on fiscal austerity, and it will allow Interior to preserve funds to support valuable mission and program functions and resources. Savings as a result of the Information Technology Transformation initiative will be funneled back to investments and services that help bureau programs support mission functions.

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By June 14, 2011, the Chief Information Officer is required to present the Secretary a detailed high-level execution plan for implementing the new structure and migrating information technology assets under the Chief Information Officer. The Office of the Chief Information Officer is implementing a communications plan to ensure that this is a transparent and collaborative effort.

After the project is complete in 2016, Interior will direct continued savings to information technology security needs, radio communications, and the modernization of aging mission applications, some of which are decades old. These investments will directly advance mission requirements and improve services to citizens by promoting interoperability and information sharing both within the Department and across government through the increased use of web-enabled technologies. Greater standardization, adoption of common enterprise services, and simplification of business processes across common lines of business will be key factors in the modernization.

In support of this effort, the 2012 budget includes \$5.0 million within the Department's Working Capital Fund appropriation to implement significant change in the agency's approach to information technology infrastructure management. This funding will be used to implement the consolidation effort to achieve long-term improvements in the information technology infrastructure and better management of information technology Department-wide.

## BUDGETING FOR FIXED COSTS

Interior's annual request for fixed costs is limited to a set of costs based on an agreement with the Interior Appropriations Subcommittee. Fully budgeting for these costs in the request provides a fuller description of their programmatic impact.

The 2012 budget request fully funds \$30.5 million of increases in non-discretionary fixed costs. These costs include space rental and associated security charges; workers compensation and unemployment compensation; and centralized administrative and business systems, services, and programs financed through the Working Capital Fund. The request includes a 6.8 percent increase in health benefits, a decrease for one less pay day, and an increase for the third installment of the non-foreign area / locality pay adjustment, however, no pay raise adjustment is included. The Department does not include within-grade increases in its fixed costs, nor increased costs

related to postage, fuel, or other consumables. The majority of the increase in 2012, \$22.5 million, is attributable to rent increases in the Department's GSA-leased space.

On November 29, 2010, the President proposed a two-year freeze in the pay of civilian Federal employees. The Congress responded to his proposal by including the freeze in the Continuing Appropriations and Surface Transportation Extensions Act, 2011. The Act freezes statutory pay adjustments for all executive branch pay schedules for a two-year period from January 1, 2011, through December 31, 2012. It also generally prohibits executive departments and agencies from providing base salary increases to senior executives or senior level employees, including performance-based increases.

## LOOKING FORWARD

In 2010 Interior received the 14<sup>th</sup> consecutive favorable financial audit opinion from KPMG LLP, an independent certified public accounting firm and the Department's external auditor. In announcing the audit opinion, Assistant Secretary Rhea Suh who serves as the Department's Chief Financial Officer, said "This audit opinion is a reflection of the Department's continuing commitment to sound financial management and success. It also reflects our commitment to significant reforms to improve efficiency and services across the board."

Interior recognizes the likelihood of continuing shrinking budgets and proposes investments in the 2012 budget to lay a foundation for comprehensive innovations that could yield savings in future years. The 2012 budget for the Working Capital Fund appropriation includes \$5.0 million to conduct a thorough analysis of opportunities for long-term savings by thinking innovatively across the Department to look in-depth at ideas like the consolidation of services, facilities, and infrastructure. The Department recognizes that to continue to deliver Interior's core missions in a constrained economy will require innovation and efficiency. Interior proposes to take a corporate approach in 2012 to identify operating efficiencies and potential savings. Interior will take a comprehensive look at the Department's infrastructure and supporting services to identify ways to leverage resources to work smarter and more efficiently. The 2012 budget also includes a small investment of \$250,000 to support rigorous program evaluations to better assess programmatic performance and mission relevance

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as Interior continues to assess priorities against resources in the coming years.

As part of the Administration's management challenge, Interior has also begun to implement management actions with the potential for longer-term efficiencies and savings. The Administration has set a target to reduce spending government-wide on real property. The Department has been working with bureau space, leasing, and asset management staff to identify and implement actions that reduce the footprint of Interior assets. In this coordinated effort, the Department expects to find real property cost savings that result from actions such as disposing of excess, inactive, under-utilized, and non-utilized assets; consolidating leased space; taking advantage of telecommuting and hotelling; implementing new policies that prohibit the acquisition of land that contains assets in poor condition; moving personnel into owned space from leased space; reducing space provided to contractors; and establishing more restrictive Interior-wide space standards.

As part of its Accountable Government Initiative, the Administration is targeting one of the biggest sources of waste and inefficiency – improper payments made to individuals, organizations, and contractors. Interior's improper payments are below risk susceptible thresholds of 2.5 percent of annual program or activity payments of \$10 million, and represent a very small portion of the \$111 billion in Federal improper payments made annually. Whether the errors resulted from inadequate record keeping, inaccurate eligibility determinations, inadvertent processing errors, the lack of timely and reliable information to confirm payment accuracy or fraud, payment errors are unacceptable. The Department has developed an action plan to prioritize payment recapture activities and establish a framework to identify specific targets for recapture audits. In 2011, Interior will have a recapture audit program in place and will assess the cost-effectiveness of the program in identifying improper payments.

Another important component of the Department's strategy for improved management, accountability, and transparency is the Financial and Business Management System. Interior has been deploying an integrated business system to its nine bureaus and

offices. Today there are four bureaus operating the system for core financial, acquisition, personal property, fleet management, real property, travel, financial assistance, enterprise management information and reporting in one, single integrated system. The system has delivered on promised improvements in functionality, consistency in reporting, standardized internal controls and processes, and improved data availability. The system has successfully supported the Department's clean financial audits, allowed bureaus and offices to conduct quarterly closings and reconciliations, and allowed Interior to terminate the operation of legacy systems.

During the summer of 2010, the Department in coordination with OMB, conducted an in-depth review of the system – evaluating risks, complexities, and costs – and as a result modified the deployment schedule. The 2012 budget reflects these modifications with a reduction in the request for the FBMS project. The budget includes \$58.1 million, a reduction of \$22.3 million from the 2010 Enacted/2011 CR level including administrative savings. The 2012 budget reflects the elimination of the budget formulation module from the project scope and deferring acquisition and grants functionality from the deployments to the Bureau of Indian Affairs and the National Park Service planned for completion in 2013. The deployment to the Bureau of Reclamation is deferred to 2014, principally to reduce risk in 2013.

