A Report by a Panel of the

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

for the U.S. Department of Agriculture, Forest Service

March 2006

FIRST-YEAR ASSESSMENT: USDA FOREST SERVICE INFORMATION SOLUTIONS ORGANIZATION (ISO)

FINAL REPORT

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First published March 2006

Printed in the United States of America
ISBN 1-57744-128-1

Academy Project Number: 2082-000

FOREWORD

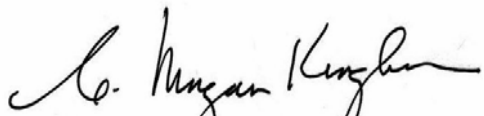
Like most federal agencies, the U.S. Forest Service must inventory all of its jobs every year and classify them as "inherently governmental" or "commercial." Inherently governmental jobs can be performed only by government employees, but commercial-type jobs can be done by government or private sector employees. The President's Management Agenda requires federal agencies to open their commercial-type activities to private sector bidders who might provide the same services at lower costs. This requirement is commonly referred to as "competitive sourcing."

Following this procedure, the Forest Service competed its whole Information Technology Infrastructure function in 2004 and won the competition. This huge and mission-critical function encompasses nearly all Forest Service computers, electronic networks, telephones, video operations and radios. The win required the Forest Service to establish a separate organization within the agency to consolidate and significantly downsize the federal workforce that previously administered the function in a decentralized manner. The new organization—the Information Solutions Organization (ISO)—was organized in October 2004-January 2005, and began its first full year of operation in February 2005.

In August 2005, the Forest Service asked the Academy to work with it to help ensure the ISO's first year success, and to prepare a first-year assessment. The ISO is representative of a new class of federal organizations—called "Most Efficient Organizations" (MEOs)—that must be established whenever a federal agency wins a competitive-sourcing award. MEOs such as the ISO can be expected to multiply throughout the federal government in coming years.

This report provides an early, in-depth case study of competitive sourcing that should be read by the leaders of all federal agencies engaged in this activity. As the Academy began to work with the ISO, it became clear that relatively little experience and guidance were available on several issues with which the ISO was grappling. The Academy convened a 19-agency symposium to gather the early experiences of other MEOs as part of this study. The proceedings from that symposium have been published separately and should be read in conjunction with this report.

I want to thank the Academy Panel and staff for their intensive effort to produce this thorough and insightful report. The Academy appreciates the opportunity to assist the Forest Service, as it has done on several previous occasions. The assignment has been gratifying for two reasons. First, the large, highly complex and essential-service nature of the new ISO organization presents a government reorganization challenge of the first order. Second, it is a challenge that many federal agencies are beginning to face under the competitive sourcing initiative. The Forest Service is in the forefront in meeting it.



C. Morgan Kinghorn
President
National Academy of Public Administration

TABLE OF CONTENTS

APPENDICES

TABLES AND FIGURES

ACRONYMS

ALP	Acceptable Level of Performance
ASC	Albuquerque Service Center
ATO	Agency Tender Official
CGA	Continuing Government Activity
CO	Contracting Officer
COMPARE	Standard Software Programs Required for Costing and Reporting on Circular A-76 Competitive Sourcing Proposals
COR	Super Contracting Officer Representative
COTR	Contracting Officer Technical Representative
CRM	Customer Relations Manager
DOE	U.S. Department of Energy
DOT	U.S. Department of Transportation
EUSC	End User Support Center
FAR	Federal Acquisition Regulations
FLFG	Field Leadership Focus Group
FS	U.S. Forest Service
FTE	Full Time Equivalent
GFE	Government Furnished Equipment
GIS	Geographic Information System
GSA	U.S. General Services Administration
GSTC	Geotechnical Service & Technology Center
HR	Human Resources
IBE	Integrated Business Environment
IG	Inspector General
INFRA	A suite of Forest Service software applications
IRB	Information Resources Board
IRM	Information Resources Management Office
ISO	Information Solutions Organization
IT	Information Technology
LOO	Letter of Obligation
MEO	Most Efficient Organization
MYTOB	A Computer Virus Which Attacked the FS Computer Network During 2005
NITC	National Information Technology Center
OMB	U.S. Office of Management and Budget
OPM	U.S. Office of Personnel Management
PAS	Performance Accountability System
PBO	Performance-Based Organizations
PBX	Telephone Switchboard
PC	Personal Computer
PMA	The President's Management Agenda
PRS	Performance Requirements Summary
PWS	Performance Work Statement

QAR	Qualified Adjustment Request
QASP	Quality Assurance Surveillance Plan
RFC	Request for Change
RSAC	Remote Sensing and Application Center
SLA	Service Level Agreement
SLS	Site Local Servers
SOW	Statement of Work
SSO	Single Sign On
USDA	U.S. Department of Agriculture
UTN	Universal Telecommunications Network
WO	Washington Office
ZOTOB	A Computer Virus Which Attached the FS Computer Network During 2005

EXECUTIVE SUMMARY

PURPOSE AND SCOPE OF REPORT

The primary purpose of this report is to provide a first-year assessment of the programmatic and cost performance of the U.S. Forest Service Information Solutions Organization (ISO). The ISO is a new organization in the Forest Service, established October 1, 2004, under the terms of a "competitive sourcing" competition won by the government. Its first full year of performance—assessed in this report—began February 6, 2005.

"Competitive sourcing" is a program that requires federal agencies to identify their "commercial-type" jobs and invite private sector organizations to compete against the "most efficient organization" (MEO) the agency can propose to perform the function in the future using primarily federal employees. The MEO is also sometimes referred to as the "agency service provider." The competitive sourcing program is administered under the terms of U.S. Office of Management and Budget (OMB) Circular A-76.

The purpose of the Forest Service competitive sourcing initiative was to identify a provider to consolidate and more efficiently manage the previously decentralized computers, electronic networks, telephone and video conferencing systems, and radios. The ISO's proposal to continue this work inside the government—consistent with the Performance Work Statement (PWS) to which all proposals had to conform—was accepted, and the ISO received an award for six periods (phase-in time plus five one-year performance periods). The award is subject to renewal each period based on satisfactory performance.

This report addresses:

- The Academy's assignment and background required for understanding it (Chapter 1)
- Challenges faced by the ISO as it began performing its assigned functions (Chapter 1)
- The Academy's assessment of the ISO's progress at the end of its first full year of performance, ending February 5, 2006 (Chapters 2-6)
- Recommendations for improving the ISO's performance, based on the Academy's assessment of the ISO's first performance year (Chapter 7)

ORGANIZATION, FUNCTIONS, AND BENEFITS OF THE NEW ORGANIZATION

The Forest Service discovered, through numerous data calls and other investigations during the development of the A-76 study of the overall IT infrastructure function, that about 1,260 Forest

Service FTEs[1] (not including contractors) were involved in providing this function. In addition, over 400 IT service contracts were in force to help support this nationwide operation that provides round-the-clock service to about 40,000 desktop computers, 1,200 servers, 7,000 printers, 50,000 radios, and much more. These requirements are spread over 1,800 locations in 44 states, Puerto Rico, and the Virgin Islands.

As the new service provider, the ISO established a staff of about 538 regular full-time positions. The Forest Service "continuing government activity" (CGA) to which the ISO reports—the Information Resources Management Office (IRM)—has a staff of about 100 positions. No immediate change was proposed in the existing contractor support services because a precise inventory of them was not available, they had varying periods of performance, and doing so would have required more support from Forest Service's acquisition staff than was available. Overall, the new ISO/IRM configuration represents a substantial staffing reduction—from 1,260 FTEs to 638 regular full-time positions.[2] This reduction was made in the computer and telecom sectors, which could be tied together and serviced electronically more easily than the radio sector, which requires considerable on-site activity. The radio sector was recognized to be thinly staffed already, so it was not reduced in the ISO's competitive proposal.

In addition to staff and cost reductions, benefits of consolidation were expected to include improved professional development and performance of the IT workforce, better career opportunities for employees desiring to specialize in IT work, higher quality of the services provided to most users, and a consistent set of IT services available everywhere in the country. This last benefit is particularly important in the Forest Service where many geographically dispersed employees need to travel a great deal and where so connect with each other electronically on a regular and reliable basis regardless of where they happen to be at any given time. The primary disadvantage was that the users would have to use—and adapt to—a different way of getting IT services.

- Instead of asking for on-site assistance from a familiar person located nearby, the primary means of getting service would be by calling or e-mailing the centralized End User Support Center (EUSC), which would usually provide or arrange for remotely provided services via telephone, or computer-to-computer link, or scheduling a site-visit service call.

- Most new computers would be installed by the company selling them to the Forest Service.

- EUSC was made into the one-stop entry point for all three types of service—computer, telecom, and radio—not just for computer service as before.

[1] An FTE (Full-Time Equivalent) is the "equivalent" of one Forest Service employee working full-time. Full-time work is 40 hours per week. Because IT infrastructure work of the type now being done by mostly full-time ISO employees was previously performed to a much greater extent by employees holding other concurrent assignments, an FTE is not the same as a position. Thus, for example, it often took several employees (positions) to equal a single FTE in this type of work.

[2] FTE reductions are not the same as position reductions, for the reasons stated in footnote 1. Many of the "positions" that contribute hours to the calculation of IT infrastructure FTEs remain in the Forest Service field organization where they now are assigned to other duties.

- Complex problems that could not be handled remotely by phone or computer linkages would be turned over to specialists or field people employed by the ISO, or to contractors still available under existing government-provided contracts, or to equipment vendors responsible for warranty services.

In the future, the existing government-supplied service contracts are to be consolidated into fewer, larger, more cost-effective agreements as they come up for renewal—thereby saving the government additional money. These government-supplied services are pledged to the ISO at current levels without counting against the ISO cost allowances.

HOLDING THE ISO ACCOUNTABLE

The IRM organization is responsible for overseeing the performance of the ISO, coordinating the promised government-supplied contract and agreement services to the ISO (including the EUSC contract), and providing the government-supplied equipment and facilities needed by the ISO. IRM also maintains four Customer Relations Management (CRM) Teams that work with customers and help monitor customer satisfaction. In addition, IRM provides the interface between the ISO and Forest Service executive management—where basic IT requirements are specified and organizational satisfaction (as opposed to individual customer satisfaction) is registered.

The Letter of Obligation (LOO), a written agreement under which the ISO operates, specifies the amount of money it is supposed to receive and the levels of service it is to deliver to the Forest Service in return, much like a contract would.

Although a close relationship between ISO and IRM is essential to the effectiveness of both organizations, the LOO establishes this vital link formally through the designated Contracting Officer (from the Forest Service Acquisition Office) rather than through normal management channels. This is a new way of managing a government-run operation.

Any significant change in the Service Level Agreements (performance commitments) or costs of the ISO must be reflected in a formal modification of the LOO—just as if it were a contract modification processed under the Federal Acquisition Regulations (FAR).

The ISO is responsible for tracking costs to compare them against the projected costs contained in its proposal, and the Forest Service Contracting Officer (CO) is responsible for comparing the ISO costs to those awarded by the LOO.

Program performance is measured by the ISO and tracked quarterly by IRM through its Quality Assurance Surveillance Plan (QASP). For the first full year of ISO operations, 10 performance measures were specified (and subsequently expanded to 12), but for the following years 20 measures will be used.

ACADEMY ASSESSMENT OF THE ISO'S FIRST YEAR

The Academy Panel overseeing this study closely observed and probed these accountability mechanisms, and made the following seven findings.

Finding 1. ISO costs for the first full year of performance were slightly less than expected, and the promised savings resulting from consolidation were realized. These savings are expected to recur every year. However, additional future savings depend on the achievement of server consolidations, which are beyond the control of the ISO, and which have not yet occurred. Therefore, the additional savings projected in the ISO proposal will be delayed.

- The substantial savings delivered by the ISO resulted from consolidating Forest Service IT infrastructure services and significantly reducing the amount of staff assigned to the work.

- This finding is clearly documented by careful tracking of both FTEs and other costs associated with the ISO—consistent with OMB cost-tracking specifications.

- A significant number of employees who had been doing the type of work now being done by the ISO—generally as a part-time collateral duty—remain in Forest Service jobs assigned to other duties. Tracking their activities will be necessary to ensure that they do not duplicate ISO activities.

- It is now apparent that achieving the additional savings promised by ISO in future years depends on substantial unanticipated investments in, and decisions about, server consolidation and the creation of a limited number of national data centers. These decisions need to be made outside the ISO. The schedule for these improvements is uncertain at this time.

Finding 2. The Forest Service IT infrastructure is becoming more unified and manageable.

- This infrastructure consists of desktops, laptops, servers, certain types of computer software, network connections, security, voice/video telecommunications, and radios.

- For the first time, ISO has made possible an inventory of all Forest Service IT infrastructure components, and provided the capability to track the condition of the infrastructure, the status of upgrades, workloads, and performance levels—including responses to security problems and support for disaster incidents. Tracking data allow targeting of specific problems, as well as planning for efficient replacement of equipment, upgrades of software, standardization of services, and aggregation of agency-wide databases.

- The Forest Service now has an IT infrastructure system that can be managed and improved to meet agency-wide needs as they change over time. This new system is becoming more capable and efficient than the former disaggregated collections of

equipment and services, but it still needs improvements that are being planned and scheduled.

- It is too early to answer definitively the question of how much the ISO has strengthened the Forest Service IT infrastructure relative to reductions in personalized services to individual customers. A number of system improvements have not yet been completed, and improvements in customer services are still being sought.

Finding 3. ISO performance has met the agreed-to service levels in half the areas measured and the ISO is working hard to meet the established goals in the rest of the areas.

- A few persistent performance problems have been identified and are being worked on diligently. The largest lapses in meeting performance targets have been in radio and voice services, but some desktop services have also been deficient at times.

- Missed performance targets are taken seriously and improvements are sought expeditiously.

- Overall, performance of the ISO has been sufficient for the Forest Service to exercise its option to continue the ISO for Year-2. The composite performance score for the first year was 91.25 compared to the target of 98. The ISO actual performance score was dampened by documented extenuating circumstances beyond the ISO's control. Although the year-end score fell short of the target, the ISO appears to be on a path to improve.

Finding 4. Customer satisfaction is a high priority, and feedback mechanisms are in place to measure it. The scores received on the customer satisfaction survey exceed the established standard, but fall short of customer expectations.

- The Forest Service uses the outside expert Gartner Corporation to survey its IT customers and to benchmark the survey results against industry practice.

- While customer satisfaction as measured by the Gartner surveys exceeded the required level, it is still below industry norms. Senior management told us that this may be due, in part, to a disconnect between service levels that are specified in the LOO and what customers think they should be.

- The means being used to stay in touch with customers include the Gartner customer satisfaction surveys, the use of many direct channels of communication to high level national leaders, and three special "listening to the field" mechanisms: (1) Field Leaders Focus Group, (2) Field Impact Study, and (3) Albuquerque Service Center Customer Service Board. In addition, IRM maintains 25 customer relations employees organized into four geographic Customer Relations Management teams responsible for nurturing communications channels between Forest Service line officers (prime customers) and IRM.

- These "listening" and customer relations mechanisms have produced significant feedback. The predominant message heard is that better communication is needed about how the ISO works, the levels of service that have been established for it in the SLAs, and the progress it is making.

Finding 5. Some ISO Implementation Issues Remain Unresolved

- In theory, the ISO is to be treated the same as if it were a private sector service provider who won the competition. In practice, however, it remains a federal agency, and its employees remain federal employees who are indistinguishable from other federal employees in most respects. In addition, the ISO has been given no special operational flexibilities. It remains subject to all the normal federal personnel, budgeting, purchasing, and other regulations that applied before it won the A-76 competition. So, it cannot be as agile in responding to changing workload demands as was originally anticipated.

- The ISO—because it represents a major organizational transformation and because some of its employees perceive that they are at greater personal risk[3]—is placing unique stresses on its employees, and these stresses tend to create morale and attrition problems that need special attention.

- Several of the modifications to the LOO in the first full performance year were made to correct or update the PWS; these modifications were time consuming and costly to process.

Finding 6. The Forest Service is committed to making sure that the ISO will succeed, and has been implementing significant improvements in the ISO situation as the need for them has been demonstrated through its own "listening" mechanisms as well as through Academy reports. Recent actions include:

- A new newsletter entitled "Change is Coming" was established to alert all employees to issues such as Service Level Agreements, and to provide web links where more information can be found.

- Top leaders are addressing the issues of change raised by customer feedback when they meet with employee groups.

- ISO employee morale was elevated to a high priority concern.

- The ISO cost-reporting process was refined.

[3] The Panel does not necessarily agree that ISO employees are at greater risk. Indeed, one could argue that, because they have participated in and won a competitive sourcing opportunity, they are less at risk than others engaged in commercial-type activities whose work has not yet been competed. Even for those employees, the risk is not as great as one might imagine. In Fiscal Year 2005, the government MEO won more than 80 percent of such competitions. Nonetheless, the turbulence and uncertainties created by a change on the scale of the Forest Service's ISO invariably create morale concerns to which the Forest Service needs to and has paid heed.

- Administrative support services are being adjusted to the special needs of the ISO.

- The time required to process changes to the Letter of Obligation is being reduced.

- The IRM and ISO work programs have been integrated.

Finding 7. Overall, the Forest Service has implemented the ISO in a manner that complies with OMB Circular A-76.

PANEL RECOMMENDATIONS

As a result of these findings, the Academy Panel makes the following five recommendations.

Recommendation 1. Forest Service officials responsible for the ISO and related matters should continue on the path they have established. The established practices for tracking costs and performance have been largely successful, and provide a sound basis for further improvements. The Panel agrees with the Forest Service determination to continue the ISO for Period 3 (second full year of performance), and recommends that the Forest Service take the following additional steps to continue improving ISO performance.

- **Costs and savings and other organizational impacts related to, but outside the IT infrastructure function, should also be tracked agency-wide to make sure that the implications of the ISO savings for the whole agency are fully understood.** A substantial number of employees in IT-related job series remain outside the ISO and IRM organizations. This may be justified by the fact that they are doing work that was not studied within the scope of the ISO competition, but that should be confirmed periodically.

- **Examine the IT functions "not studied" in the competition that created the ISO to see if it makes sense to add them—or some of them—to the ISO portfolio (GIS, webmasters, and wireless communications other than radios).**

Recommendation 2. Forest Service officials should take action to ensure future savings by:

- **Resolving the server-consolidation/data-center issue.** The money required for both the hardware and software needed to implement this new consolidated and more efficient structure must be identified. Until the money is found and a firm schedule can be established, the future savings predicated on this strategy will remain unrealized.

- **Broadening the scope and authority of the Information Resources Board (IRB), and linking its IT strategic planning to the overall Forest Service strategic planning process.** The IRB needs to become a more strategic decision-making forum that can deal with policy issues designed to help reduce costs and improve performance over the long-term. It is important to link the IRB's planning and decisions solidly to the agency's

overall strategy, because that is where overall mission goals, outcome-oriented performance measures, and efficiency improvement targets are foremost. This stronger link could help to tie IT investments more closely to the agency's mission accomplishments.

- **Bringing the ISO's CO in earlier on issues that are likely to result in needs for LOO modifications and other actions for which the CO is responsible, and developing a closer relationship with the budget office to make sure that office understands and supports the unique nature of the ISO's relationship to IRM under OMB Circular A-76.** These two actions may be the best ways to help speed the LOO modification process—and make the ISO more nimble. Budget and other types of flexibilities are needed by the ISO to maintain its ability to keep up with rapidly changing conditions and customer needs.

Recommendation 3. The Forest Service leadership should take action to institutionalize the MEO support system. This will help the ISO, but may be of even greater help to other MEOs in the Forest Service. These actions should include:

- **Providing everyone in the Forest Service who has anything to do with the ISO (and other MEOs) a much fuller understanding of the theory and realities of MEOs.** The ISO is a unique organization that is not yet fully defined and is still evolving. Top executives need to understand the ISO's basic requirement for flexibility to make internal decisions **within** its own organization. Only the top executives can set this tone. Then, all those who provide specific support services to the ISO need to understand that it is their responsibility to follow up on this commitment to flexibility and customer-oriented agility in their everyday dealings with the ISO—whether for human resources, budget, acquisition, or other services.

- **Establishing change-management support services not only for MEOs and their employees, but also for other major Business Operations transformation initiatives.** These specialized change-management services will be needed to support and facilitate the many interrelated changes to new ways of doing business that are coming over the next several years, and to help the agency adjust to the cumulative impact of these changes. These services might also include specialized communications, business process analysis, transformational workforce planning, stepped-up recruitment and placement services to support large-scale consolidations and reorganizations, employee counseling, training, just-in-time acquisitions, and A-76 savvy budget assistance.

- **Strengthening and rationalizing the capacity of the Forest Service Competitive Sourcing Office and contracting office to: (1) be more helpful to individual MEOs in developing consistent monitoring and reporting processes, (2) share good practices among MEOs across the agency, and (3) better manage the agency's overall competitive sourcing program.** The ISO has established many good practices worthy of emulation by additional Forest Service MEOs, and these practices should be considered by new MEOs before they strike off on their own. If the current A-76 circular and FAIR Act remain in effect, the Forest Service should expect to have many more

MEOs in the future, so it will be important to help them all to be established and operated as effectively and efficiently as possible. The IRS model of assisting and providing flexibility to its MEOs (cited in Chapter 6) should be considered by the Forest Service as it strengthens its A-76 office.

- **Circulating drafts of future PWSs earlier and with higher priority for executive scrutiny.** Top executives should support this activity to ensure that underlying business improvements are undertaken and needed flexibilities are built-in before the PWS is issued (when it is easier to do) rather than later in the process when more formal and difficult contract or contract-like LOO modifications would be required. Each PWS, and the overall agency competitive sourcing strategy, should be reviewed for consistency with the Forest Service Strategic Plan.

Recommendation 4. The Forest Service should continue to give high priority attention to the ISO's customers. The Forest Service has made a good start on monitoring and improving customer satisfaction, but it needs to do more. The Panel's three primary recommendations for improvement are to: (1) better manage customer expectations about the levels of service they will receive, (2) involve customers more fully in setting service-level standards, and (3) prepare IRM's Customer Relations Management teams to serve more fully as a bridge between the ISO, IRM, and their Forest Service customers.

Recommendation 5. Forest Service officials should continue to pay special attention to ISO staff morale. The ISO depends on a solid and stable employee base. However, its employees are subject to new and stressful performance requirements and to major transformations in their job responsibilities, organizational relationships, and workloads. They need special consideration, supported by additional study of their specific needs. Experience and research elsewhere has shown that transformations of these magnitudes can be expected to be disruptive, especially if they are left unattended. This should be considered a broad, agency-wide issue, because it applies to everyone in the Forest Service whose jobs are classified as commercial activities under the FAIR Act.

CHAPTER 1

INTRODUCTION

This report is submitted by the National Academy of Public Administration (the Academy) in accordance with USDA Forest Service Contract # AG-3187-C-05-0002 dated August 24, 2005.

The primary purpose of the contract is to produce a first-year assessment of the programmatic and cost performance of the Forest Service Information Solutions Organization (ISO) under the terms of a competitive sourcing competition won by the government. Those terms are spelled out in a Letter of Obligation (LOO) and a Forest Service policy guide on A-76 implementation.

The ISO passed through an organizing and staffing "transition" phase (October 2004 through February 5, 2005, and began operating in its first full-performance year as a "most efficient organization" (MEO) on February 6, 2005 under the terms of OMB Circular A-76. This first-year assessment compares actual performance of the ISO to the performance specified in the Forest Service Performance Work Statement (PWS)—the Forest Service's proposal to continue the work inside the government—and the Forest Service letter of obligation that awarded the continuing work to the proposed ISO for a period of five years.

This report addresses:

- The Academy's assignment (Chapter 1)
- Background required for understanding the assignment (Chapter 1)
- Challenges faced by the ISO as it began performing its assigned functions (Chapter 1)
- The Academy's assessment of the ISO's progress at the end of its first year of implementation (Chapters 2-6)
- Recommendations for improving the ISO's performance based on the Academy's assessment of the ISO's first implementation year (Chapter 7)

THE ACADEMY'S ASSIGNMENT

Under the Forest Service contract with the Academy, the Academy is charged with performing a first-year assessment of (1) the performance of the ISO with respect to specified service accomplishments and costs of performance, and (2) how well the ISO fits into and responds to the needs of the Forest Service. The Academy examined the organizational "fit" portion of this assignment in light of the existing customer, management, and employee environments in the Forest Service.

The ISO is the first large MEO produced within the Forest Service, so it is breaking new ground organizationally within the agency. It results, in part, from a congressional recommendation that urged the Forest Service to replace what was viewed as an inefficient practice of creating numerous A-76 competitions too small to attract private-sector bids or to produce savings sufficient to off-set the costs of the competitions. The ISO proposal specified a substantial reduction of IT personnel within the Forest Service and created a newly consolidated organization within the Washington (headquarters) Office. This new office is governed in accordance with agreed-to service level (performance) agreements and reduced cost allowances.

In organizing itself, the ISO established a substantial number of positions at both the management and worker levels, that are widely dispersed geographically (all across the country) even though they are assigned to and function as members of the Washington Office (WO) headquarters. Although this practice helps with recruitment and retention of talented and highly motivated people in the ISO, and often places people in locations where they are needed, it relies heavily on electronic links and travel to create staff cohesion and efficiency.

The Forest Service engaged the Academy for this assignment because it recognized that the ISO was a very complex, high-stakes, risky undertaking that was occurring (1) under the watchful eyes of both Congress and OMB and (2) simultaneously with several other equally critical Business Operations Transformations in finance, human resources, and acquisitions. With this challenging environment of multiple changes, the agency wanted assistance in making sure that the ISO would be successfully and properly implemented and well documented under the relatively unfamiliar provisions of OMB Circular A-76.

This report is intended to meet all the OMB Circular A-76 requirements for the first year assessment of an MEO. Those requirements, as stated in the circular, are:

> **Monitoring Performance.** Regardless of the selected service provider, after implementing a performance decision, an agency shall (1) monitor performance for all performance periods stated in the solicitation; (2) implement the quality assurance surveillance plan; (3) retain the solicitation and any other documentation from the streamlined or standard competition as part of the competition file; (4) maintain the currency of the contract file, consistent with FAR Subpart 4.8, for contracts, MEO letters of obligation, and fee-for-service agreements; (5) record the actual cost of performance by performance period; and (6) monitor, collect, and report performance information, consistent with FAR Subpart 42.15, for purposes of past performance evaluation in a follow-on streamlined or standard competition. To record the actual cost of performance for a specific performance period, the agency shall adjust actual costs for scope, inflation, and wage rate adjustments made during a specific performance period. The agency shall compare the actual costs to the costs recorded on SCF Lines 6 and 7 when the performance decision was made.

The Panel believes that this report meets these requirements in all material respects other than internal Forest Service file maintenance requirements, and exceeds them in many respects.

- The required cost and savings evaluation is provided in Chapter 2.

- The required performance tracking in provided in Chapters 3 and 4—including a detailed assessment of the implementation of the Quality Assurance Surveillance Plan (QASP).

- The Panel believes its assessment of Customer Satisfaction (in Chapter 5) and MEO Implementation issues (in Chapter 6) exceed the requirements of OMB Circular A-76.

- Academy staff discussed the Forest Service contract file maintenance requirements with the ISO Contracting Officer (CO) and received assurance that those requirements were being met.

BACKGROUND

Before the Forest Service's reorganized its IT infrastructure function and initiated a competition with the private sector, the bulk of this work was provided by the agency's individual forests, Job Corps centers, and research stations dispersed throughout the nation. The IT infrastructure function was defined for purposes of this proposal to include:

- IT Management

- IT Infrastructure Design, Integration, Testing, and Software Delivery

- IT Security and Information Assurance

- Enterprise Network, Radio, Voice and Video Communications

- Server Support

- Desktop Support

- Electronic Messaging and Groupware Support

- Database Management

- NIFC Incident Communications Systems Support

- All Risk Incident Support

For computer users, an End User Support Center (EUSC) had been established about two years prior to the A-76 study. This contractor-run center (directly outsourced) currently has about 100 private employees, and it now provides the intake point for service requests related to radio, telephone, and video communications problems—in addition to computers. However, webmasters, GIS experts, support for cell phones and other handheld devices, and development

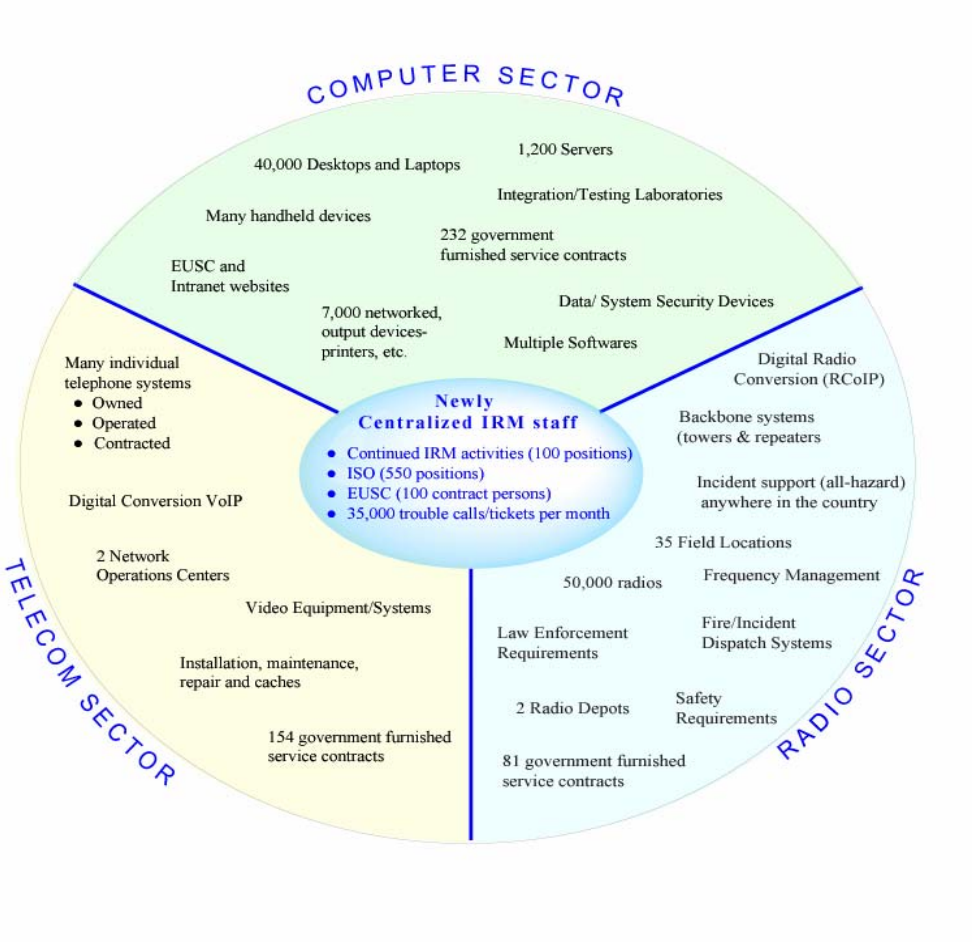
of many specialized software applications were not studied as part of the ISO proposal and are not included in either the ISO or EUSC responsibilities.

The Forest Service discovered, through numerous data calls during the development of the A-76 study of the overall IT infrastructure function, that about 1,260 Forest Service

FTEs[4] (not including contractors) were involved in providing this function. In addition, over 400 IT service contracts were in force to help support this far-flung operation. Figure 1 shows the approximate composition of the three sectors of IT infrastructure for which the new organization was to be responsible.

Providing services 24/7 to 9 regions, 7 stations, one Area, one Institute and the Washington Office; FS land in 44 states, Puerto Rico, and the Virgin Islands; 900 offices; 900 remote locations having fewer than 10 people; 19 job corps centers.

Figure 1. Forest Service IT System Deployment



[4] An FTE (Full-Time Equivalent) is the "equivalent" of one Forest Service employee working full-time. Full-time work is 40 hours per week. Because IT infrastructure activities of the type now being done by mostly full-time ISO employees were previously performed to a much greater extent by employees holding other concurrent assignments, an FTE is not the same as a position. Thus, for example, it often took several employees (positions) to equal a single FTE in this type of work.

The New ISO

As a result of the A-76 study, the Forest Service found that a largely consolidated organization could provide the same or better service with 638 full-time Forest Service staff positions.[5] No immediate change was proposed in the existing contractor support services because a precise inventory of them was not available, they had varying periods of performance, and doing so would require more support from Forest Service's acquisition staff than was available. The FTE reductions were made in the computer and telecom sectors, which could be tied together and serviced electronically more easily than the radio sector, which requires considerable on-site activity. The radio sector was recognized to be thinly staffed already, so it was not reduced in the government's proposal.

ISO Benefits Sought

In addition to staff and cost reductions, benefits of consolidation were expected to include improved professional development and performance of the IT workforce, better career opportunities for employees desiring to specialize in IT work, higher quality of the services provided to most users, and a consistent set of IT services available everywhere in the country—which is particularly important in the Forest Service where many geographically dispersed employees travel a great deal and need to connect with each other electronically on a regular and reliable basis regardless of where they happen to be at any given time. The primary disadvantage was that the users would have to use—and get used to—a different way of getting IT services.

- Instead of asking for on-site assistance from a familiar person located nearby, the primary means of getting service would be by calling or e-mailing the central service center (EUSC), which would usually provide or arrange for remotely provided services, via telephone, or computer-to-computer link, or scheduling a site-visit service call.

- Most new computers would be installed by the company selling them to the Forest Service.

- EUSC was made into the one-stop entry point for all three types of service—computer, telecom, and radio—not just for computer service as before.

- Complex problems that could not be handled remotely by phone or computer linkages would be turned over to specialists or field people employed by the ISO, or to contractors still available under existing government-provided contracts, or to equipment vendors responsible for warranty services.

In the future, the existing government-supplied service contracts are to be consolidated into fewer, larger, more cost-effective agreements as they come up for renewal—thereby saving the

[5] FTE reductions are not the same as position reductions, for the reasons stated in footnote 4. Many of the "positions" that contribute hours to the calculation of IT infrastructure FTEs remain in the Forest Service field organization where they now are assigned full-time to other duties.

government additional money. These government-supplied services are pledged to the ISO at current levels without counting against the ISO cost allowances.

ISO's Organizational Environment

Figure 2 shows how the ISO and its functional responsibilities relate to the remainder of the Forest Service Information Resource Management (IRM) organization, the EUSC, the government-supplied contract services and the broad base of Forest Service customers to be served. It also shows that four types of IT services—webmasters, GIS experts, support for cell phone and other handheld electronic devices, and development of many specialized software applications—were not studied or included as part of this A-76 proposal.

But with these few exceptions, the ISO became responsible for most of the Forest Service's IT equipment, networks, databases, and user services. The ISO is also responsible for overseeing the operations of the EUSC, and for providing customer services that are beyond the capability of the EUSC to provide.

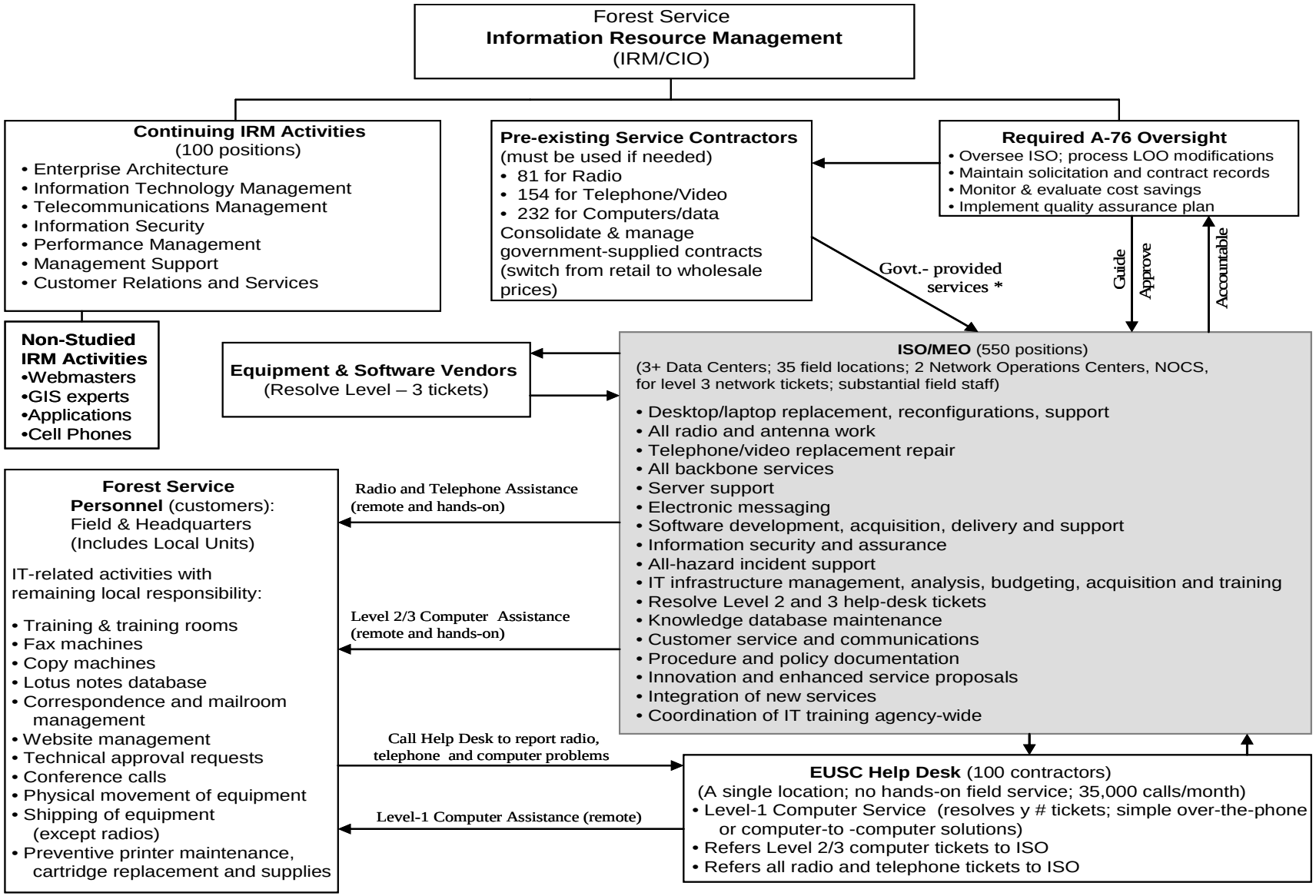
The IRM organization is responsible for overseeing the performance of the ISO, providing the promised government-supplied contract services to the ISO (including the EUSC contract), and providing the government-supplied equipment and facilities needed by the ISO. IRM also maintains four Customer Relations Teams that work with customers and help monitor customer satisfaction. In addition, IRM provides the interface between the ISO and Forest Service executive management—where basic IT requirements are specified and organizational satisfaction (as opposed to individual customer satisfaction) is registered.

Holding the ISO Accountable

Even though the government won this A-76 competition with the private sector, the ISO is expected to be treated in most respects as though it is a contractor. The LOO under which the ISO operates specifies the amount of money it is supposed to receive and the levels of service it is to deliver to the Forest Service in return. ISO employees remain Forest Service employees, of course, but the expectation under OMB Circular A-76 is that the ISO will be allowed to operate as a largely self-contained organization—similar to how the private-sector EUSC operates under its contract.

Following the federal government's acquisition model for acquiring private-sector services, the ISO director would be responsible for all personnel, subcontracting, and budgeting decisions internal to the ISO—consistent with applicable federal regulations, of course, since he is a federal employee. Although a close relationship between ISO and IRM is essential to the effectiveness of both organizations, the LOO establishes this vital link largely through the Contracting Officer rather than through normal management channels. The clear message is that this relationship is to be more like a contractor relationship than like a standard supervisor-subordinate relationship. And the reason for this arrangement is to provide the ISO (MEO) director maximum flexibility to meet the ISO's performance commitments within the cost constraints imposed on his organization. The LOO provides 10 percent budget reprogramming flexibility to the ISO without the need for outside approvals.

Figure 2. Organizational and Functional Relationships for Providing IT Infrastructure to the USDA Forest Service

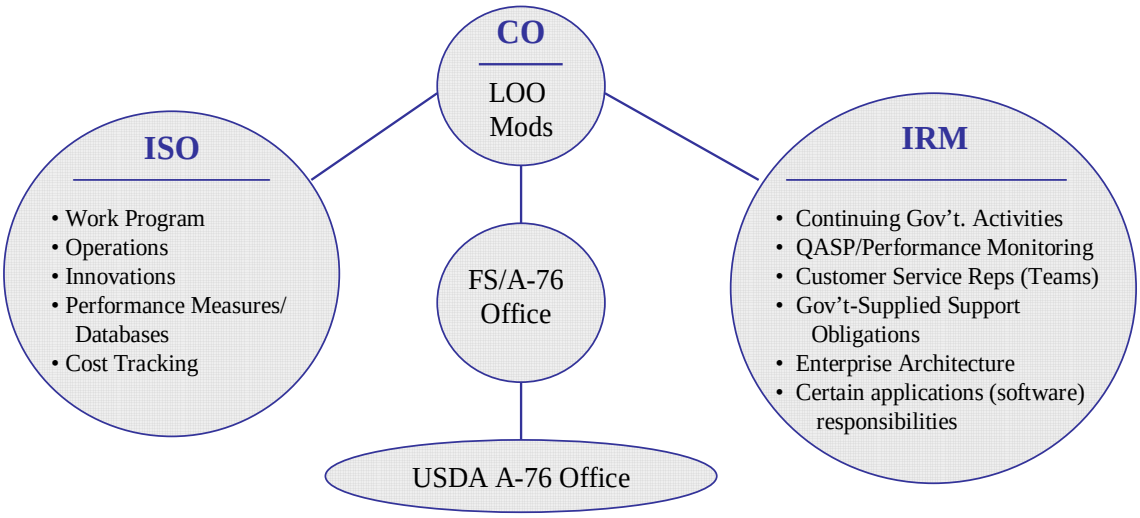


* Do not count against ISO spending ceiling.

27 December 2005

Figure 3 shows how this acquisition-type relationship is supposed to work. Any significant change in the Service Level Agreements (performance commitments) or costs of the ISO must be reflected in a formal modification of the LOO—just as though it were a contract modification processed under the Federal Acquisition Regulations (FAR). The LOO specifies that such changes can be made only (1) to correct errors in the PWS specifications, (2) to respond to changes in the workloads imposed on the ISO after the PWS was prepared, and/or (3) to pay for a government decision to "buy" a higher level of service from the ISO than the one specified in the PWS. These modifications are to be negotiated through the Contracting Officer. The LOO specifies a timely process for processing requests for such modifications.

Figure 3. LOO Administration Relationships



Under the LOO, the Contracting Officer is responsible for making determinations about whether requested modifications are within the "scope" of services contemplated by the PWS, and are therefore valid to approve. If not, they need to be re-negotiated so that they are "in scope." Under Forest Service MEO guidelines, any expansions that push the LOO 30 percent or more above the original winning bid may trigger a reopened competition with other bidders. Either the ISO or the IRM may request a modification.

The Contracting Officer is also responsible for determining whether the ISO's performance is so deficient (for each optional renewal year—years 2-5 of the 5-year contract period) that the operation should be re-competed with the private sector. These provisions—taken together—are designed to hold the ISO accountable for both program and cost performance similar to the way a private contractor would be held accountable. The Forest Service's Competitive Sourcing Office establishes and monitors the policies under which the Contracting Officer operates.

The ISO is responsible for tracking costs to compare them against the projected costs contained in the bid, and the Forest Service Competitive Sourcing Office and Contracting Officer are responsible for comparing the ISO costs to those awarded by the LOO.

Program performance is measured by the ISO and tracked quarterly by IRM through its Quality Assurance Surveillance Plan (QASP). For the first year of ISO operations, 10 performance measures were specified (and subsequently expanded to 12), but for the following years a larger number of measures has been adopted. Table 1 lists the first- and second-year performance tracking measures. The Year-2 measures incorporate the first year measures, but not always directly. Chapter 4 explains and evaluates the relationship between these two lists.

Both the PWS and the LOO require the ISO to prepare and track a work program for each of its annual performance periods. The ISO is also required to propose innovations to meet Forest Service IT needs better and more efficiently from year-to-year after the first year. Appendix H summarizes the ISO work program as of October 18, 2005. It included 37 completed projects, 40 projects still being pursued during the final quarter of the first year of ISO implementation, and 23 new projects to be started in the second year of ISO implementation (the first Innovation Year).

Table 1. QASP Program Performance Measures

First Year and Succeeding years of ISO Operations (12 measures):	**Second Year of ISO Operations (20 measures that incorporate the 12 first-year measures)**
1. Respond to Complaints	1. Customer Satisfaction
2. Problem Confirmation	2. Problem Resolution
3. Technical Approval	3. IT Infrastructure Availability
4. IT Infrastructure Recommendations	4. Project Budgets
5. Security Activities	5. Project Benefits
6. Network Plans	6. Project Efficiencies
7. TMA Endpoint Health	7. Project Innovation
8. Network Resolution	8. NIFC Incident Command Request Response
9. Server Resolution	9. Security Incident Reporting and Mitigation
10. Desktop Resolution	10. Problem Resolution Confirmation
11. Radio Resolution	11. Inventory and Configuration Management
12. Voice Resolution	12. Trend Reporting in Key Systems
	13. Time to Notify Warrantor
	14. Innovation and Technology Refreshment Program
	15. Scheduled Milestones
	16. Training: Availability and User Satisfaction
	17. Innovation Project Audit Results
	18. Timely and Accurate Reports
	19. QASP Reporting
	20. Timeliness of Testing Activities

THE ISO CHALLENGE

Designing and implementing the ISO is a very ambitious enterprise—with the future success of the Forest Service riding on it. In particular, implementation of the A-76 model that it follows is not yet well understood. The specific ISO proposal is not only very large and complex, but it also calls for fundamental changes in the way the Forest Service does business and was built on considerably less than perfect data. These fundamentals add up to a daunting assignment for those involved, as explained below.

A-76 Challenges

The A-76 model of federal agency reform focuses on acquisition regulations in order to bring in private sector competition, as an incentive to produce dollar savings.

Compared to traditional agency initiatives for reorganization, process reengineering, or simple contracting-out—all of which might be free to explore related issues in open dialogue with everyone who might be affected and who might contribute helpful insights—competitive sourcing requires proprietary-type firewalls around the teams that are assigned to developing the fundamental request for proposals, making the government's bid, and selecting the winning bid. The process also operates within a rapid timeframe that may limit discovery of facts upon which to estimate workloads, costs, inventories of the equipment and people involved, and potential savings alternatively available from reorganizations and reengineering proposals. In this environment, assumptions may have to be substituted for facts, and the request for competitive proposals may contain some unknowns and estimates rather than a firm track record for potential bidders to examine.

Most domestic federal agencies have not had much experience with developing A-76 offerings, and relatively little guidance exists concerning post-competition implementation of MEOs. As part of this study, the Academy examined and shared with the Forest Service the experiences of other similar agencies that could help overcome this problem in the future. The Academy also discussed these issues with OMB. Chapter 6 provides more information about these matters.

Risks in this Specific ISO Proposal

The Forest Service ISO proposal combines agency reorganization, consolidation of a wide range of different types of personnel and functions into a central office, centralization of decision-making, process reengineering, and a significant downsizing of the workforce—all at once. Each of these proposals alone might be risky—especially if done in haste. Brought together, the risk multiplies. And, in addition, none of these changes had occurred before the proposal was put out to bid. The request for proposals was based on a large number of data calls designed to identify the people, equipment, and activities to be consolidated, but much of the data collected by this means within a short period of time proved to be incomplete and unreliable. More than a year later, some of this information was still incomplete. The overall objectives of the proposal made sense, but it was not possible to test or refine its design before it was put out to bid.

Some Special Challenges within the Forest Service Environment

The ISO is supposed to be a "commercial-type" unit operating within a largely traditional federal agency. So the question is, how much latitude it will be given to perform in an agile manner responsive to changing conditions, even while maintaining the expected cost-saving efficiencies? Even though the ISO contract is for five years, it must be renewed each year in order to continue operating. The annual decision to continue is based on a showing of adequate performance within the ISO's cost allocation. Thus, as the Academy's assessment of the ISO's progress proceeded, it kept an eye on such questions as:

- Was the Forest Service able to manage the ISO at arms length as called for by A-76?
- Was the ISO agile and flexible enough to deal with unexpected events and to meet changing customer needs under challenging conditions?
- Were the projected savings in the ISO be attained and maintained?
- Did related cost increases in government-supplied services, equipment, and facilities occur—or work shifted elsewhere—off-set ISO cost savings?
- Were the stresses on the downsized ISO workforce tolerable enough to enable it to maintain a talented, well trained, efficient, and effective workforce that enjoys high morale?

THE ACADEMY'S PRELIMINARY ASSESSMENT

As this assessment began, two important contextual issues were noted. First, several closely related government-wide administrative reform efforts were underway simultaneously, and second, the Business Operations part of the Forest Service—which includes the IRM/ISO, Budget and Finance, Acquisition, and HR staffs—is in the midst of implementing its own overall strategic plan for reform. These other reform efforts were midstream, as was the IRM/ISO reform—resulting in an unstable platform upon which to make the Academy's assessment. A few words follow describing these other efforts, to provide the additional background necessary to understand the challenging environment within which the ISO is working.

Administrative Reform Context

The President's Management Agenda (PMA) has been pushing hard and steadily for administrative consolidation and efficiency since 2001, and all of the five main points in that agenda come together to some extent in the ISO initiative. The prime one, of course, is competitive sourcing. But the others also are relevant. They include:

- Strategic management of human resources
- Improved financial performance

- Expanding e-government, including modernizing expensive-to-maintain legacy systems

- Integrating performance data with the budget

These government-wide initiatives come down to the agencies through their parent departments. In the case of the Forest Service, this means the Department of Agriculture (USDA). Thus, some of the IT/e-gov reforms that ISO must accommodate are department-mandated, and some of the schedules for accommodating specific IT applications within the ISO infrastructure are determined by the needs of human resources and financial reforms.

Business Operations Context

Within the Forest Service, most of these reforms take shape within the Business Operations office, but they also involve many other systems not within this organizational orbit—including the Engineering office of the National Forest System, where much of the technical capability for developing software systems and major databases resides for such items as geospatial and remote sensing applications. In addition, Forest Service IT activities at major national data centers within USDA are not under the control of IRM (such as the National Information Technology Center, NITC, in Kansas City). The Business Operations office is developing a comprehensive national service center in Albuquerque, New Mexico—where many human resources, finance, acquisition, travel, and IT functions are being consolidated. The strongest priority for this service center is to strengthen the Forest Service's finance system.

So, the ISO—and IRM as well—had to deal with these cross currents. Some became urgent and particularly demanding at specific times, not always with much warning.

Key ISO Issues

As the Academy began to assess the ISO experience, it prepared a preliminary assessment that highlighted the following four main issues. That assessment is excerpted below in the order in which these issues were receiving attention in the early analysis.

- **ISO Performance.** Almost all of the attention was being given to this issue. Under the Quality Assurance Surveillance Plan (QASP) established to oversee the ISO, ten key performance measures were being tracked and analyzed carefully every quarter since the ISO began business on February 15, 2005. In addition, customer satisfaction with the ISO services has also been tracked by regular surveys. The results of both of these measurement systems were being evaluated carefully in quarterly QASP meetings between the ISO (commercial activity) representatives and its IRM (continuing governmental activities) overseers. And corrective actions were being discussed and taken each quarter, as appropriate. Academy representatives attended the two-and-one-half day third quarter QASP meeting, and found it to be thorough and thoughtful. This issue is addressed in Chapter 4.

- **ISO Management.** In the QASP meetings, the ISO commercial activity and IRM governmental oversight roles are kept separate, and the Contracting Officer also attends as the formal link between the two principal parties. Potential modifications of the LOO and other understandings are discussed, and some are informally accepted by the government representatives. Others are deferred for additional consideration at a later time, pending further staff work. However, formal action on all LOO modifications is taken by the CO in a different process. Some also need additional funding and budget approval by persons not represented at these QASP meetings. These issues are addressed in Chapter 6.

- **ISO Costs and Savings.** The ISO is responsible for tracking the cost of its operations and reporting these costs quarterly. Academy staff initially reviewed budget status spread sheets prepared by the ISO showing budget available and expenditures (salary, travel, training, etc) for MEO Year 1 (Implementation Year) and MEO Year 2 (Innovation). These projections reflected the dynamic environment the ISO was operating in that several Requests for Change (RFCs) were pending which, if approved, would increase the "budget available" figures. At the same time, however, the sheets projected a decrease in staff positions (45 for Year 2) in accordance with the ISO proposal which had projected decreases in staff (an overall decrease from 545 to 413 by Year 5) based on projected efficiencies (such as reduction in the number of servers). The concern was that these reductions may not occur on schedule or in precisely the planned configuration (for various reasons), which could delay or reduce the projected savings. The Academy monitored this situation closely. The first-year costs and savings record and future-year prospects are detailed in Chapters 2 and 3.

- **ISO Workforce.** The ISO believes, as most other organizations do, that its people are its most important resource. The ISO sought and received dedicated human resources assistance in recruiting and placing well qualified personnel in the new organization. Nevertheless, some vacancies existed and some compromises had to be made in matching the skills and qualifications of available Forest Service employees to the needs of the new ISO jobs. The Academy heard early anecdotal evidence of some morale issues in the ISO workforce. This is an important issue that needed to be looked into right away, because once a morale problem develops, the longer it lies unaddressed, the more serious it may become. If it leads to attrition, the best people are likely to be the first to go, and that tends to make life harder for those left behind—who then make extra efforts to leave as well. The Academy has seen a downward spiral like this develop in two MEOs at another agency (see Appendix D). This is an area that needs continuing attention. Additional information about it is provided in Chapter 5.

The Story from the Field

The ISO, IRM and Forest Service Office of the Deputy Chief for Business Operations all were aware that it is important to have direct interaction with the customers they were serving in the field.

The ISO routinely invites feedback from all customers who request service through the central help-desk portal operated by the EUSC. Although not providing a very high rate of response, this source of feedback is evaluated regularly, and the mechanism is recognized as needing improvement or replacement. Every request for service received by the EUSC produces a "ticket" that is tracked, acted on, and closed-out. Service Level Agreements (SLAs) for different types of tickets have been established, and achievement of SLA goals is measured. This ticket database provides a management reporting resource never before available.

The IRM supports four Customer Relations Management Teams that attempt to provide two-way communication with Forest Service line officers and others being served by the ISO. These teams appeared frustrated by not having enough knowledge of ISO operations and other matters to be equipped adequately to respond effectively to many questions they receive.

Business Operations, for its part, has established regular communications with a specially constituted, nationally representative Field Leadership Focus Group (FLFG) that holds monthly conference calls and quarterly face-to-face meetings to discuss all of the Business Office reforms that are occurring. IT issues are prominently featured in these professionally facilitated discussions, and complete notes are maintained. These are pulse-taking listening sessions where promising ideas are captured for follow-up. The Academy observed and participated in the quarterly FLFG meeting held in Albuquerque on September 14-16, 2005.

Along similar lines, Business Operations initiated a Field Impact Study in which evaluation teams were scheduled to visit three National Forests and one research station repeatedly over a substantial period of time to assess in detail the workload impacts and other issues at those locations attributable to the Business Office reforms that were occurring—including the ISO operations. Partial results of this study began to appear in December 2005.

From these sources, the early story coming back from the field sounded like this:

- **Desktop computer problems** topped the list of most commentators. Everything from installing a new computer, to getting the needed software on it, to fixing a malfunction drew attention. The established SLAs for this work require quick action, since computers are such a universal tool for keeping daily work on schedule. But, the SLAs are not always met—for a wide variety of reasons.

- **Radio problems** probably come in second. Although they affect far fewer users, they are often essential to safety, and often need urgent attention—usually on-site. That's not always easy to do with the current staffing.

- **Employee stress and frustration** appeared to come next. The radio sector led the list of complaints about overwork, but it was not the only source. Up to that time, there had been no systematic survey of employee satisfaction so the Academy was left with only anecdotal evidence on this subject. [Since then, the ISO has prepared an "ISO Organizational Development Study."]

- **E-mail access problems** also brought complaints about timeliness from some people. It did not appear to be widespread, but when it happens, it prevents work and builds frustration quickly. A special ISO project was established to address this issue.

- **Ticket close-out problems** also drew attention. Some busy people who are out of the office a lot sometimes found their tickets closed out before their problem was fixed. The rule is that a ticket cannot be closed out unless at least three attempts have been made to contact the person requesting assistance. This problem was recognized as one that needed special attention.

- **PDA support** is also a problem for a smaller number of people. A team was established to look into the possibility of ISO support for a limited number of PDA models—since there are far too many for all to be supported.

Despite these and other problems being voiced, the overall customer satisfaction survey results showed a satisfaction rate of 3.5 out of 5.0 for the EUSC. Nevertheless, there was still room for improvement, and the ISO was looking for ways to improve EUSC and its own services. Anecdotes, such as those cited above, can be particularly persuasive when they are presented directly to high level officials committed to having their organizations doing better. However, none of the SLAs call for "zero defects." So there will always be a need to respond effectively to individual cases even though overall performance remains within the SLA expectations.

Most ISO customers are not aware of the performance levels specified in the PWS and paid for by the LOO. They also do not particularly care. They just want the services they need, when they need them. So, their expectations—formed under the old arrangement with local technical support being close-by—may sometimes outpace the authorized capacity of the ISO to perform. The ISO is concerned that these expectations are not being communicated and "managed" in such a way that its customers have a clear idea of what level of service they should expect to receive in accordance with the new way of doing business contained in the ISO proposal.

Objective measures of ISO performance are reviewed in Chapter 4, and a fuller treatment of customer satisfaction is presented in Chapter 5.

ISO Management Issues

It appears that, even though the ISO was awarded the LOO and $295 million over five years, it was not allocated a definitive budget for its first year of operation—to administer internally, as would be the case if it were a commercial firm. Instead, the ISO budget decisions were being treated more like they would be for a regular office of the federal government. The Forest Service budget office carefully tracks the allocation of staff positions and vacancies as potential opportunities for budget savings. An alternative way to view this situation would be to allow the ISO itself to reallocate any available funds from unfilled staff positions to contract services targeted to replacing the services not being performed by the vacant positions. Under A-76, this is assumed to be an internal matter to be resolved within the ISO, rather than a concern of the Forest Service Budget office, as long as ISO spending remains within the LOO ceilings.

Another issue in the management of the ISO is the slow processing of requests for modification of the LOO. Six such requests had been made by November 2005, and most remained pending for a considerable length of time beyond the limit specified in the LOO. Only two would require modest amounts of additional funding. The others were delayed by work needed to present them in ways that are consistent with concepts used by the Forest Service budget office rather than by the A-76 COMPARE model—a dual presentation requirement that does not apply except when the government wins the competition. One would hope that once these formatting issues get worked out, future requests will be decided in accordance with the more rapid timeline promised in the A-76 guidance and the LOO.

Early in the process, the Contracting Officer did not feel involved in the LOO modification and other management issues requiring his determinations as much as would be expected by reading the A-76 guidance. Even though he is located on the West Coast, he expected to be privy to more of the early discussions leading to requests for modifications.

Finally, there did not seem to be regular long-range planning and coordination among the many separate Forest Service offices responsible for multiple parts of the agency's IT operations. There is a coordination group, but it sometimes was presented with urgent requests for approval of major initiatives without enough time to thoroughly and carefully consider them and their implications. The Academy was asked to look into one such incident, having to do with the vital subject of grants and agreements, and prepared a separate report on it. However, it may be a symptom of a larger coordination issue that can suddenly spring unexpected operational requirements on the ISO. The Panel's findings and recommendations on this topic are presented in Appendix F. Other ISO management issues are addressed more thoroughly in Chapter 6.

ISSUES OF IMMEDIATE CONCERN

Based on this early assessment, the Academy made the following preliminary suggestions about corrective actions that could be taken before March 2006 to improve the first-year assessment of the ISO. These early suggestions were contained in an Interim Report prepared by Academy staff and submitted to the Forest Service on November 30, 2005, before the Academy Panel was able to schedule its first meeting. The preliminary staff suggestions are presented below in a rough order of priority—from most to least important.

1. **Manage customer expectations about the levels of service the ISO is capable of delivering.** Unless ISO customers know what they should expect, they are likely to always be unhappy. This is largely a communications issue, for which FS management should take responsibility. It is essentially a question of explaining the level of service that top management agreed to pay for when the LOO was issued. If it is being met but is still not satisfying the customers, that situation should be remedied by a modification of the LOO.

2. **Measure, monitor, and work to improve or maintain a high level of ISO employee morale.** High employee morale is the number one pre-condition for enabling the ISO to meet the performance goals set in the LOO. A regular employee survey should be

established to follow up on the one initiated in September 2005, and to make sure a downward spiral is not developing. If a serious problem is found, corrective actions should be given very high priority.

3. **Develop sound information on ISO costs that demonstrate attainment of the expected savings.** This is the number one indicator of success that outsiders in the Administration and the Congress will be watching for. Care should be taken to make sure that this information will be complete and reliable.

4. **Take steps to empower the ISO to manage its own internal affairs with minimal need for external approvals.** One of the foremost features of the MEO idea is that it will produce a governmental unit as nimble and quick to serve the needs of its customers as a private contractor would be. To deliver on this process, the MEO (ISO in this case) should be free of as much government red tape and process as possible. An MEO lesson learned at the IRS was that a lot more flexibility is available within the federal government than most agencies are aware of or use. It pays to look for it and use it to its fullest. It may be necessary to transition into this hands-off method of operation as the ISO demonstrates that it is capable of managing this responsibility skillfully and reliably.

5. **Speed up the process for acting on requests for LOO modifications.** The current speed of processing LOO modifications in the Forest Service is considerably less than promised. It needs to be accelerated.

6. **Pull the government side of the relationship together to provide long-range planning and performance measures consistent with those required of the ISO.** The ISO depends upon many government-supplied facilities, services, and contracts—obligations spelled out in the LOO. These obligations of the government are essential enablers of ISO success in terms of both performance and costs, and they need to be tracked as carefully and in as timely a manner as ISO performance and costs. The ISO deserves to be as aware as possible as soon as possible of system changes that will affect it. Long-range strategic IT infrastructure planning in the Forest Service—and reaching into the whole department—should be pulled together into a much more reliable and well informed, forward-looking process to avoid surprises. Such surprises present very high risks of failed operations.

7. **Clarify relationships with the EUSC and other government-supplied contracts.** Contracting with the EUSC is a responsibility of the IRM, but management oversight of the EUSC is the responsibility of the ISO. The same is true of other government-supplied contracts. Smooth coordination will be required over the long haul to make sure this dual-responsibility arrangement will work well.

Also early in this study, the Forest Service asked the Academy to undertake a special short-term study of the Forest Service decision process that approved deployment of a new software system for administering grants and agreements electronically through a single national web-based portal known as I-Web. The launch of the system in August 2005 resulted in serious network capacity and customer interface problems that degraded service levels and necessitated

substantial work-around efforts. This study began on November 10, 2005, and produced a January 2006 Panel report with findings and five recommendations, which is provided in Appendix F.

The Forest Service immediately began implementing both the ISO Interim Report and the I-Web report. The implementation record is summarized in Appendix G.

This Panel report will revisit these concerns in Chapters 6 and 7.

Sources:

U.S. Office of Management and Budget, "OMB Circular No. A-76 (Revised): Performance of Commercial Activities", May 29, 2003

U.S. Congress, House of Representatives, Surveys and Investigations Staff of the House Appropriations Committee. "Implementation of the Competitive Sourcing Initiative at the U.S. Forest Service." March 2004.

U.S. Forest Service "Letter of Obligation between USDA Forest Service and Information Solutions Organization; IT Infrastructure Study Agreement LOO 04-0001, Version 2.2," October 1, 2004.

U.S. Forest Service, "Implementing the Agency Service Provider," December 7, 2004

CHAPTER 2

TRACKING MEO COSTS AND SAVINGS

INTRODUCTION

The issue of MEO costs and savings is central to the whole competitive sourcing initiative. The conventional wisdom—and expectation—is that competitions with the private sector will yield savings more on the order of 20 percent than the two, three, or four percent that might be expected from a simple agency reorganization or process reengineering. Consultants brought in to help agencies prepare their offers against the private sector often press this point and the agencies frequently go along because they are anxious to keep the work in-house.

But tracking competitive sourcing costs (and savings against a baseline) must be able to demonstrate that the savings are real, both to the government as a whole, and to the particular agency that is implementing an MEO. More than ever, agencies are under pressure to "do more with less," and are expected to document verified savings as an outcome. It does no good to show savings within the MEO if costs rise elsewhere in the agency as a result. Assurance needs to be provided, for example, that FTE reductions made in creating the MEO were not offset by increases in service contracts, and that the staff that were reassigned to other duties are not now performing ISO-type duties in a shadow organization.

The question of savings is complex in that they can be calculated in two different ways: first, using the A-76 COMPARE[6] model, and second, using the agency budget-oriented cost approach. The OMB COMPARE model utilizes standard rates for items such as fringe benefits (32.85%), overhead (12%), and personnel costs (step five is used for each GS level). Agency budget figures will differ from these standards (using actual step levels and overhead rates, for example).

The major cost elements being tracked are personnel (compensation and benefits), materials and supplies, equipment (both capitalized and otherwise), service contracts, and rent, communications, and travel expenses. The tracking of these costs is expected to be done quarterly. Savings for an MEO are determined by the difference between the "as is" organization's costs before the MEO begins operating and the MEO costs over the performance period being reported on.

Tracking the costs also requires comparing them with the costs projected in the MEO offer for the five year performance period. This chapter will offer evidence to answer this question by showing both the offered price and actual costs for the first year.

The question of meeting predicted savings is complicated by the fact the MEO offer is prepared well in advance of the performance period, and cost-saving assumptions that were thought to be valid when the offer was prepared may not occur for a variety of reasons. Changes may be

[6] COMPARE is the costing software program that incorporates the costing procedures from the A-76 Circular.

necessary to adjust predicted costs to the realities of MEO implementation, and in the case of the ISO, there have been changes.[7]

This chapter documents the substantial savings that the ISO has generated in the consolidation of IT infrastructure services, and describes the need for a view of IT savings from the total Forest Service perspective. First full-year cost tracking and the need for cost adjustments are both described. Adjustments that were required due to insufficient workload details in the Performance Work Statement also are discussed, followed by a discussion of the server consolidation issue, which is a major determinant of future ISO savings. The chapter concludes with Panel comments and findings on the issues of MEO costs and savings.

DISCUSSION

Establishing the MEO Savings

In moving to the new IRM Information Solutions Organization (ISO), the Forest Service has reduced FTEs devoted to IT infrastructure activities from 1,260 to 538 full-time positions, a substantial reduction of about 50 percent, (638 positions with the Continuing Government Activity (CGA) added on). The total of 1,260 was arrived at by determining the number of individuals in the field who were performing IRM-type duties (in GS series 2210, 335, 391, 856, and 332) and the percentages of their time being spent on IRM duties. These duties covered a wide range, and it was decided to include all those who spent greater than 10 percent of their time in the count. Actual salaries were used to cost out the total FTE number and a baseline cost of $80M. Approximately 500 IT related positions[8] were not included in this study, consisting of individuals engaged largely in web-master and GIS work.

In arriving at a total anticipated savings figure for the five full-year performance periods, the Forest Service projected staff positions for the ISO for each of the five years, and compared each year with the base year (adjusted for salary increases) to arrive at a total estimate of long-term ISO savings of $106M. Using OMB guidelines, the only costs used in this analysis were salary, benefits, contract costs, and overhead. Also as provided in the A-76 Circular, one-time conversion costs (implementation costs) for such items as severance costs, relocation costs, and training costs, were accounted for in making the savings calculations. Details of the five-year analysis are shown in Table 2.

[7] One of these changes was to adjust the ISO baseline cost to reflect differences between the COMPARE rates for salary and fringe benefits and FS actual salary and fringe rates. Modification #3 to the LOO authorized an additional $2.6M for this adjustment. Such adjustments are authorized under the A-76 procedures.

[8] It was not possible in the time allotted for this study to translate this number into an equivalent FTE number.

Table 2: ISO Estimated Savings: Current-State less Future-State Costs (in thousands)

	Year	Current-State Costs	Future-State costs	Implementation Costs	Total Future-State Costs	
Full-Year Performance Period Costs	1	$78,805	$57,563	$35,469	$96,148	-$17,343
	2	$80,829	$55,131		$55,131	$25,698
	3	82,857	$52,045		$52,045	$30,811
	4	85,089	$51,469		$51,469	$33,620
	5	87,349	$51,899		$51,899	$35,450
Total		$414,928	$268,217	$35,469.	$306,691	$108,636

SOURCE: Business Operations Transformation Savings Analysis, March 2005

Savings from the Larger Perspective

ISO savings are just one part of the total picture, and it is important not to lose the total Forest Service view. Since the reduction of IRM-related FTEs is the major component of savings, an agency-wide view of FTEs and positions on a before-and-after basis is helpful. Since 2003 there has been an overall reduction of 33 percent in computer-related job series positions, and a 2 percent reduction in radio and voice job series positions. Table 3 shows the organizational locations of inventoried FTEs who had been performing IT infrastructure duties since the ISO was established with position totals for May 2005 and December 2005:

Table 3. Inventoried IT Series Positions: Organizational Locations in May 2005 and December 2005

	May 2005				December 2005			
Series	ISO	CGA	Other Org	Total	ISO	CGA	Other Org.	Total
GS 0352	0	0	8	8	0	0	4	4
GS 0335	7	0	84	91	7	0	63	70
GS 0391	31	14	8	53	32	17	5	54
GS 0856	146	0	23	169	154	4	8	166
GS 2210	310	75	383	468	299	65	355	719
Total	485	89	506	1079	492	86	435	1013

SOURCE: Forest Service Competitive Sourcing Program Office, February 2006

This presentation offers two points: first that the ISO and CGA figures are fairly static, and second, that there is a third category, "Other," that warrants future scrutiny. These are positions (e.g., web-masters and GIS specialists) that were beyond the scope of the study and remain located in the field, whether in a regional or forest office. Left alone, this category will not be subject to any further tracking, while both the ISO and CGA will continue to be tracked closely. For savings to be complete, these other positions should be reviewed to make sure that they are performing needed services that do not duplicate those now assigned to the ISO or CGA.

Additional approaches to viewing savings in the total perspective include showing the IRM portion of the total Forest Service indirect cost budget on a before-and-after basis, and comparing the Forest Service IT investment budget to the total Forest Service budget. IRM as an

indirect cost in relation to the total indirect cost pool (e.g., budget and finance, human resources, acquisition, fleet management, civil rights, and communication) would demonstrate the cost reduction results of the ISO design, while keeping attention on the entire IRM cost center as well. It will be necessary, however, to develop a good definition of which costs should be included in this analysis, as IRM has currently certain large-ticket costs such as licensing fees which would not support an "apples to apples" cost comparison with other indirect cost pools.

The results of comparing the IT investment budget and Forest Service budget figures (shown in Table 4) demonstrate that, while IRM has benefited from a lower FTE investment figure as a result of the MEO, these savings increasingly have been used to invest in new systems (due mainly to three application items, ConnectHR, Fire Program Analysis, and Performance Accountability System). However, the effect of these new system investments would have been far more dramatic had the staffing reductions not been taken by creating the ISO. This trend of high-ticket system investments can be expected to continue as automation is used increasingly to reduce staff while enhancing mission accomplishments.

Table 4. Comparison of IT and Forest Service Budgets (in thousands)

	2005	2006	2007
IT Total Investment Budget	$429.75	$435.93	$465.26
Forest Service Budget	$4667	$4212	$4087
IT as a % of FS budget	9.21	10.35	11.38

SOURCE: Forest Service Budget Office Analysis of IT Investments, March 2006

First Year Cost Tracking and Adjustments

Cost Tracking

The ISO has fulfilled the requirements for annual cost tracking as shown by the summary of those costs as compared with the ISO-offered price (Table 5). As required by the OMB Circular, costs for salary, materials/supplies, and rent, travel, and contractual services are to be tracked. With the exception of the expense category used for rent, travel, and contractual services, the ISO has been within the projected cost figures contained in their offer. The principal overrun was in the contractual services category, and resulted from a need for the ISO to secure subcontract labor to fill a void of unfilled positions. The cost totals show the ISO to be $270K below the projected costs target.

Quarterly cost reports have not been issued thus far, as required by the ISO Letter of Obligation (LOO). However, discussions between the ISO and the contracting officer are in process, and it is expected this issue will be resolved shortly. The review of quarterly reports will assume increased significance as the ISO enters the future performance periods of planned staff reductions (see discussion below).

Table 5. ISO Cost Report: Feb. 6, 2005-Feb. 5, 2006
(actual figures through 12/31/05, projected 1/1/06 through 2/5/06)

Cost Category	Proposal With Approved changes	Actual Costs	Difference
Salary	$45,081,655	$42,316,471	$2,765,184
Material/supplies	$1,682,750	$1,575,851	$106,899
Rent, Travel, Contractual Services	$9,370,946	$11,972,890	($2,601,944)
Total	$56,135,351	$55,865,212	$270,139

SOURCE: "ISO Report to CO: Expenses-Period 2"

Changes in the LOO Impacting MEO Costs and Savings

MEO offers are prepared well in advance of the performance period, and must rely on the best workload information available at that time. The Circular, the LOO, and the Forest Service agency guidance all anticipate that adjustments will be needed in the form of authorized additional work due either to omissions in the Performance Work Statement or new mission work.

In fact, several changes to the original Work Statement have been necessary. These changes are handled much like contract modifications being forwarded through channels to the Contracting Officer for approval. However, this process has proven to be more cumbersome than anticipated, with the hoped-for goal of a 30-day processing time rarely being met. Approved changes have the effect of raising the authorized cost ceiling for the ISO (originally set at $295M), and consequently lowering anticipated savings (since the "future state" costs have risen). The ISO has received eight approved changes to its LOO totaling $3.3M. Examples of these changes are shown in Table 6.

Table 6. Examples of Forest Service ISO Modifications

Modification 2, GSTC & RSAC (ISO funding increase: $286,800.)	Support to the Geotechnical Service & Technology Center (GSTC) and Remote Sensing and Application Center (RSAC) that was not adequately covered in the original PWS.
Modification 4, Radio Alaska (ISO funding increase: $267,864.)	Increased ISO Radio Support for Region 10 (Alaska). Additional funds were made available to support FTEs needed to handle the unique radio requirements for Alaska.
Modification 5, NIFC support (ISO funding increase: 0)	A clearer definition of ISO support to the National Interagency Coordination Center in Boise, ID. The PWS has been adjusted to reflect this change, with no increase/decrease in cost, since no new duties were assigned.
Modification 8, FS Enterprise Portal (ISO funding increase: $65,732.)	Provided for ISO project management of the FS Enterprise Portal project with increased cost and changes to the PWS.

SOURCE: Forest Service Competitive Sourcing Contracting Officer, February 2006

ISO Savings Dependencies

ISO savings for the five-year performance period are based on gradual decreases in the overall staffing levels as shown in Table 7:

Table 7. Planned ISO Staff Reductions

Full-Year Performance Periods	ISO Positions	Reductions in Positions
Year 1	538	
Year 2	492	-46
Year 3	439	-53
Year 4	425	-14
Year 5	413	-12
Total Planned Reductions		125

SOURCE: Forest Service Competitive Sourcing Contracting Officer, February 2006

At the time the ISO proposal was prepared, it was anticipated that these staff reductions could be achieved principally through the consolidation of the many locally-based servers in regional offices and forests throughout the country.

This consolidation would bring the number of data centers with multiple servers down from more than 100 to only 10. Such a reduction would enable the ISO to substantially reduce the server maintenance personnel assigned to these multiple locations over the performance period. However the consolidation has been delayed, for reasons discussed below, and the total number of data centers eventually maintained is also being reduced. This leaves the ISO in a position of having to keep approximately 40 positions in the second full year—beyond those in the original proposal to maintain the existing decentralized system for longer than anticipated.

IRM Server Consolidation Assumptions

Originally the ISO proposed to consolidate multiple servers at some 130 National Forests, Research Stations, and Regional Offices into 10 centralized data centers with sufficient server capacity to handle the entire Forest Service server workload. However, subsequent analysis and evaluation has changed those plans somewhat. The Forest Service Executive Leadership Team approved plans in early 2006 to consolidate those 130+ server locations into just three national data centers at Kansas City, Portland, and Albuquerque. The decision to delay the implementation of the original server consolidation proposed by the ISO has resulted in significant impacts upon the cost reductions proposed to become effective in the second full year of performance.

The additional costs that the ISO calculated for this additional server administration workload are $9,750,000 over a five-year period. Negotiations concerning this issue in the form of a Request for Change to the Letter of Obligation were initiated. The server consolidation issue is covered in more detail in Chapter 3, IT Infrastructure.

PANEL COMMENTS AND FINDINGS

The Panel notes that the ISO was set up to save money—$106M over the five full-year performance periods. The first full year has demonstrated that the MEO will generate substantial savings, even after being adjusted for several cost-increasing modifications. The Panel views these modifications as necessary, and that such changes are to be expected in this kind of uncertain environment.

The projected savings resulting from the creation of the ISO are considerable, and the Forest Service is commended for having put this new organization in place. However, the ISO savings should not overshadow the need to track competitive sourcing savings on an agency-wide basis, to ensure that savings in one area are not being offset by increases in another through workload shifts. Two possible approaches to viewing savings on an agency-wide basis have been offered as examples.

Similarly, the Panel notes that there is a need to examine the IT functions "not studied" in the recent competitive study; it may make sense to add them, or some portion of them, to the central IT service provider. Care should be taken, however, in considering additional ISO functions to stay within the 30 percent ceiling described in Forest Service guidance ("Implementing the Agency Service Provider", U.S. Forest Service, page 13) to avoid the possibility of a re-competition, as stated below:

> "If the size of the workload change is thirty percent or more in relationship to the total cost of the activity, then the Contracting Officer must determine if a re-competition of the activity is required with no prejudice to the existing Agency Service Provider"

Finally, the Panel suggests that the pending LOO modification relating to the server consolidation issue be resolved as soon as possible, given the impact of this on future staff reductions and resulting savings.

Sources:

National Academy of Public Administration, *New Tools for Implementing "Most Efficient Organizations" in the Federal Government: Symposium Proceedings* (Washington, DC: The Academy, February 6, 2006).

Office of Management and Budget, "OMB Circular No. A-76 (Revised), May 23, 2003

National Academy of Public Administration, "Unanticipated Shifts in NIH Administrative Workloads," *Appendix H, Effective Administrative Restructuring: Lessons from the NIH Experience.* (Washington, DC: The Academy, September, 2005).

U.S. Forest Service, "Implementing the Agency Service Provider", December 7, 2004

CHAPTER 3

ASSESSMENT OF THE FOREST SERVICE IT INFRASTRUCTURE

The IT Infrastructure of the Forest Service is a complex combination of hardware, software, and telecommunications (data, voice, radio, and video) components. These facilities and services are provided to all Forest Service locations plus incident command teams operating at field locations during emergencies (such as fighting wildfires).

Since the ISO has been given responsibility for consolidating, operating, and improving the whole Forest Service IT Infrastructure, a key measure of success is whether that infrastructure is working better or worse as a result.

For the first time, the ISO has made possible an inventory of all these elements of the IT infrastructure and provided the capability to track infrastructure condition, the status of upgrades, workloads, and performance levels—including responses to security problems and support for disaster incidents. Tracking data allow targeting of specific problems, as well as planning for efficient replacement of equipment, upgrades of software, standardization of services, and aggregation of agency-wide databases.

Table 8 summarizes the current state of those components; briefly describes the changes in management of those components before and after the standup of the ISO; and, where appropriate, briefly describes of current and/or future activities addressing various challenges associated with those components.

In addition to the tabular summary shown on Table 8, the following narrative contains summaries of the current status of selected key infrastructure components based on what the Panel found in its review.

DESKTOP SUPPORT

At the time of the ISO standup, there were 34,710 "healthy" endpoints (desktop and laptop computers equipped with all the most recent operating system upgrades and software patches) in service. By January 2006, the ISO had improved the situation to the point that there were over 40,000 healthy endpoints in service. It is important to note, however, that the Performance Work Statement forecast no more than 38,000 endpoints. The ISO based its workforce planning and staffing on the assumption that it would have to support no more than 38,000 endpoints. By March 2006, there were over 41,000 such endpoints. The ISO will have to work with the agency to determine how best to deal with this unexpected increase in a manner that is appropriate, given the contract-like status of the ISO.

NETWORK STATUS

The high-speed data networks currently in use in the Forest Service were designed in a time when secure communications across the public Internet was in its infancy. Accordingly, the current high-speed data network is essentially a closed network in which multiple hops are required from a user's desktop to access the public Internet. The agency is currently working in close coordination with USDA and AT&T to implement the Universal Telecommunications Network (UTN) at all of the agency backbone locations and down to all the Forest Supervisors Offices (or their Research equivalents). However, the installation of the UTN at these locations will not be completed until March 2007. The Academy is concerned that the agency will find itself facing severe network capacity limitations until this network installation is completed and is also concerned that the "last mile" of the agency network (that portion of the network that connects some 600 Ranger Districts to the internet) is not being addressed as part of this upgrade. The Forest Service is currently hopeful that the installation of the UTN at the Forest Supervisor's Offices will result in enough network improvements that the Ranger Districts will also benefit. However, the agency is planning to test the network capacity at the Ranger District offices soon after the UTN is installed.

Meanwhile, the agency is converting rapidly to increased use of web-enabled software. In addition, a recent USDA decision that requires all of its agencies to switch to a new Department-wide standard email system has enormous, and costly, ramifications for the Forest Service. It will require the Forest Service to replace its current Lotus-based Time and Attendance (Paycheck) system with what will most likely be a web-enabled system of some kind. When that occurs, the impacts on the agency's network will be substantial, since every employee of the agency enters his or her paycheck data on a bi-weekly basis. The agency's Travel Voucher System (also Lotus-based), and its Correspondence Database (again, Lotus-based), also will have to be migrated to some other platform as a result of this change. The cumulative impact of these changes on the agency's ability to transact its daily business could be enormous, and the agency will have to plan the transition to these new systems with extraordinary care and diligence to work around the long delays in implementing the UTN.

RADIO/VOICE STATUS

One of the biggest changes that came about as a result of the ISO standup is the manner in which requests for radio and voice assistance are handled. Previously, local telecommunications managers and technicians on each unit took care of these needs, but with the standup of the ISO, these requests now go through the contractor-operated End User Support Center. The agency has faced major backlogs in providing critically needed radio and voice support for its user community ever since the standup of the ISO, and the ISO has taken a number of steps to control this situation (as described in Table 8 and Chapter 4). The Academy believes that the ISO is placing an appropriate level of attention and resources on this problem, but it is an area that needs to be carefully and continuously monitored.

Table 8. Forest Service IT Infrastructure Status

IT Infrastructure Component	Status Before ISO Standup	Status After ISO Standup	Performance Measures						Major Accomplishments/Comments
			Year 1 Description/Standard	Year 1 Performance Actual				Year 2 Revisions	
				Q1	Q2	Q3	Q4		
IT Management	Responsibility of CIO	Responsibility of CIO	NONE	N/A				IT Infrastructure Availability (PI 8 & 40)	Agency has proposed Information Resource Officer to coordinate and integrate application development across Deputy Areas
IT Infrastructure Design, Integration, Testing, and Software Delivery	• Responsibil-ity of National IRM Staff under Direction of CIO; • Forest Service Direction is badly outdated	• Responsibi-lity of National IRM Staff under Direction of CIO • Forest Service Direction is badly outdated	• Make evaluations and recommendations about the agency IT Infrastructure • Performance target of 95% completed within 22 days after end of the quarter (In process of changing to negotiated due date)	95	100	100	67	• Timeliness of Testing Activities (PI 35) • Technology Refresh Program (PI 10) • Documentation of Changes (PI 9) (pertaining to Technology Refresh Program)	• IRM Staff is working with customers to define and implement Integrated Business Environment: • Hardware & Software • Network • Pre-Production & Testing Environment • Backup Site for Critical Agency Data
Security and Information Assistance	Responsibility of National and Regional IRM Staff(s)	• CIO and IRM Staff responsible for Policy and Direction • ISO responsible for implementation	• Implement and Monitor Security Plans, SOPs, Instructions and Mitigation Activities • Performance target of 95% completed within agreed-to due dates 99% of the time	99	82	85	91	• Security Incident Reporting (PI 38) • Mitigation of Discovered Security Control Deficiencies and Vulnerabilities (PI 39)	
Enterprise Network, Radio, Voice and Video Communication	Supported Locally	Supported via EUSC, with Level 2 Support from ISO	• Network: Resolve Network Component Problems (Including Remote Access) • Performance target is 99% of problems resolved within 5 days • Voice: Troubleshoot and Resolve Voice Problems • Performance target is 99% of problems resolved within 5 days • Radio: Troubleshoot and Resolve Radio Problems • Performance target is 99% of problems resolved within 5 days	98 - - 	92 - - 	93 82 74 	96 78 65 	• Problem Resolution (PI 25): Measures the time to resolve problems when the EUSC escalates a ticket to the ISO	• Major effort underway to reduce open ticket backlog • Telecomm working on both internal processes to improve and contract maintenance proposal to expand technical support capability • ISO began radio modernization project; developed a structured roadmap to FY06 radio replacement

Table 8. Forest Service IT Infrastructure Status (continued)

IT Infrastructure Component	Status Before ISO Standup	Status After ISO Standup	Performance Measures						Major Accomplishments/Comments
			Year 1 Description/Standard	Year 1 Performance Actual				Year 2 Revisions	
Server Support	Supported via EUSC, with Local Level 2 Support	Supported via EUSC, with ISO Level 2 Support	• Troubleshoot and Resolve Server Software Problems • Performance target is 99% of problems resolved within 2 days	91	89	91	93	Problem Resolution (PI 25): Measures the time to resolve problems when the EUSC escalates a ticket to the ISO	Original ISO plan was to consolidate 120+ Forest Data Centers into 10 National Data Centers; that plan has evolved into the proposal by the Integrated Business Environment Team to establish 3 National Data Centers
Desktop Support	Supported via EUSC, with Local Level 2 Support	Supported via EUSC, with ISO Level 2 Support	• Desktop Software: Troubleshoot and Resolve Desktop Software Problems • Performance target is 99% of problems resolved within 5 days • Healthy Endpoints • Performance target is 99% of problems resolved within 5 days	92 93	76 97	86 97	96 96	Problem Resolution (PI 25): Measures the time to resolve problems when the EUSC escalates a ticket to the ISO	ISO went from 34,710 Healthy Endpoints at Standup to approximately 40,000 Healthy Endpoints by Jan 06 PWS predicted 38,000 Endpoints; Actual Number is over 41,000. Adjustments in either SLA's or workforce availability are necessary to meet SLA's
Electronic Messaging and Groupware	Supported via EUSC, with Local Level 2 Support	Supported via EUSC, with ISO Level 2 Support						Problem Resolution (PI 25): Measures the time to resolve problems when the EUSC escalates a ticket to the ISO	• ISO Installed 4 additional servers to support Sametime (Electronic Messaging) • ISO Consolidated 14 Domino Servers for better performance and simplified administration
Database Management	DBMS Admin/Mgt Tasks performed by local systems personnel	DBMS Admin/Mgt Tasks performed by ISO personnel							Approved agreement whereby NITC provided servers for consolidation of 120+ INFRA databases into one central INFRA database
NIFC Incident Communications System Support									This Performance Indicator was dropped for the 2nd year. The ISO Staff responsible for these functions have been assigned to the NIFC staff via an MOU. The ISO Staff working for NIFC must adhere to NIFC SLA's.
All-Risk Incident Support	Supported by EUSC; On-site personnel provided by units	Supported via EUSC; On-site personnel provided by ISO							ISO issued clear, forceful direction on how it would provide qualified technical support personnel for All-Risk Incidents

DATA CENTER/SERVER STATUS

The Status of Data Center/Server consolidation is a key issue for both the government and the ISO. The original cost proposals submitted by the ISO included an assumption that the data center consolidations contained in the proposal would occur as scheduled. The ISO cost proposal based some key cost saving projections on that assumption. The agreement between the Forest Service and the ISO not to go forward with the data center consolidations as planned has resulted in significant increases in server administration costs to the ISO (estimated at $9,750,000 during the last four years of the contract). Part of these increased costs are attributable to additional staffing that the ISO feels is necessary to deal with the increased server administration workload. Accordingly, not only are there significant additional costs for delaying the data center consolidations, but also certain staff reductions that were forecast in the original ISO proposal will not be met. Because of the importance of this issue, some additional background and discussion of this issue is warranted.

The original ISO proposal to consolidate more than 130 servers into 10 centralized data centers, was changed by the Forest Service Executive Leadership Team in early 2006 to consolidate into three national data centers, as noted earlier. That delay in implementing the server consolidation significantly reduces the cost savings proposed by the ISO in Year 2.

As noted in Chapter 2, the ISO originally forecast that it would be able to reduce ISO positions by 46 in Year 2. Some of those reductions were to come from consolidating the multiple servers located at over 130 locations (primarily at National Forest Supervisors' Offices) into ten data centers, so the staff reductions in Year 2 will be less than originally anticipated. The ISO proposal for ten data centers (nine at the Regional Offices of the Forest Service plus one at the Washington Office) projected cost savings primarily as a result of a reduction in the number of personnel required to administer and manage the consolidated server centers.

Background

At the time of the competitive sourcing initiative, the Forest Service had multiple servers located at every Regional Office, Research Station, Area Office, and the Washington Office, and at each National Forest Headquarters. These servers were part of the client-server architecture that made up the backbone of the Forest Service computing infrastructure.

Most of the Forest Service computerized applications were based on this client-server architecture, where the data for the local unit (e.g., a National Forest) was stored on servers located at that unit. The one significant exception to this was the consolidation of mail server functions into Domino servers located at Region and Research Station offices.

Competitive Bidding Considerations

The A-76 Performance Work Statement (PWS) to which the ISO and competitors responded required proposed solutions to include the capability of maintaining that existing client-server architecture during Year 1, even though it was generally known that the application development

community was moving toward a different paradigm in which the application software would be web-enabled on application servers capable of supporting network access from all across the agency.

Accordingly, when the ISO prepared its proposal, it strove to provide a solution that would support the existing client-server architecture while at the same time achieving the maximum savings possible. The solution that the ISO proposed was to consolidate the existing servers into a more efficient set of ten data centers. According to interviews with members of the ISO proposal team, they analyzed various server consolidation numbers and determined that ten was the optimum number for cost efficiency. Fewer, larger centers were found to require both more staff and higher skilled staff. In addition, the proposed locations for the ten data centers were also driven primarily by facility cost considerations. It was believed that it would be much less costly to place them in existing Regional Headquarters and the Washington Office because doing so would alleviate the need for extensive facility renovation to house the server equipment.

Delays and Changes in Server Consolidations

Shortly after award of the LOO, the ISO and the Forest Service began discussions about data center consolidations. It quickly became apparent to both parties that the proposal by the ISO, while responsive to the Performance Work Statement, did not really address the future computing needs of the agency very well. For one thing, it had become increasingly clear that the Forest Service Application Community was already moving toward a centralized, web-enabled application environment much more rapidly than originally anticipated in the PWS.

In addition, there were some operational issues facing the ISO that were not anticipated by either the Forest Service or the ISO proposal:

- New servers could not be ordered initially because the necessary contract was not available

- New server locations were not selected by IRM and the required Engineering Change Proposals (ECP's) were not complete until Fall 2005

- The required disk storage was not approved until December 2005

- Funding was withdrawn for orders placed in Fiscal Year 2005, so the first round of orders was not placed until October 2005 (the beginning of Fiscal Year 2006)

- The ISO was asked to avoid consolidations during field season (generally April–September for most Forest Service locations)

- The Forest Service requested installation and operation of a significantly higher number of Citrix servers than was anticipated in the Performance Work Statement

- Geospatial Information Requirements have resulted in a new requirement for Site Local Servers (SLS) to meet Geospatial computing requirements at virtually every Ranger District, Station Lab, and Forest Supervisor's Office

In addition, the Forest Service realized that other costs of consolidating their existing client-server architecture (software conversion, data migration, and hardware and facility upgrades) had not been articulated anywhere in the proposal process, and therefore were not included in the ISO proposal. The Forest Service would incur significant costs (estimates were as high as $40 million for software application conversions and $30 million for hardware and facility upgrades) for the migration to the consolidated data centers. The Forest Service is currently exploring how to cover these combined costs of an estimated $70 million.

Data Center Consolidation Strategy

In late 2005, following major problems with the implementation of a web-enabled environment known as I-Web, the Forest Service realized that it had to take a hard look at better integration of the computing infrastructure. The agency chartered a group known as the Integrated Business Environment (IBE) Team to evaluate how the agency could best move forward to achieve the kind of integrated environment that all parties agreed was essential. The IBE Team included representatives from IRM and from all the major user communities in the Forest Service.

As a result of the IBE Team's recommendation and related considerations, the Forest Service is currently planning to establish three data centers, rather than ten, with one center in Kansas City, Missouri, one in Albuquerque, New Mexico, and one in Portland, Oregon.

The Albuquerque center would serve two purposes:

1. As a separate development (configuration), testing, training, and pre-production environment for application developers. The Forest Service does not currently have a location where application developers can do the kind of rigorous testing that is required for modern web-enabled applications.

2. The pre-production environment would double as a continuity of operations (COOP) center for the production environment center in the event of a disaster that made the production environment center unable to operate. The lack of an adequate backup facility for Forest Service applications and data has resulted in application developers making their own system backup arrangements. These multiple arrangements are at various locations, with varied costs, and without common standards. The establishment of an official backup data center would address many of these concerns. Should it be necessary to employ this COOP support, the pre-production efforts would be reduced in priority, or even suspended as needed, until normal operations could be resumed.

The data center at Kansas City would be the primary production environment center for hosting Forest Service applications.

The data center at Portland would serve various functions, including hosting of some Forest Service applications if necessary to relieve the load at the Kansas City data center.

In February 2006, the Executive Leadership Team of the Forest Service formally decided to support the IBE team's recommendations (with some modifications), and the Forest Service is now moving aggressively to develop implementation plans to carry out that recommendation. This effort is critical to the success of future computer application development and use in the Forest Service, and full support of this effort is an absolute must for the agency.

Effect on ISO Cost Savings

The mutual agreement of both the Forest Service and the ISO to delay implementation of the data center consolidation was made with full recognition by both parties that delaying implementation of the data center consolidations would result in additional costs to the ISO that were not consistent with the ISO's original proposal. The ISO had projected that it would be able to reduce an additional 46 positions by the end of Year 1, and most of those staff reductions were tied to the server consolidations. The server consolidation should also have resulted in savings in server maintenance contracts and in more efficient server administration. The total savings tied to the server consolidations was approximately $8 million.

In addition, the ISO is now being asked to support an increased number of Citrix Servers beyond those anticipated in the Performance Work Statement.

Since the ground was not prepared for these savings in Year 1 as anticipated, and since the ISO is being asked to provide even more server support than originally expected, both parties agreed that they would negotiate how to handle the cost ramifications. The substantial reductions in the number of personnel for server administration and maintenance costs, that the ISO had anticipated that would now not be made possible in Year 2 or in an undetermined number of years beyond that. (The additional costs that the ISO calculated for this additional server administration workload are $9,750,000 over a five-year period.) Negotiations to address these additional costs were underway in early 2006.

PANEL COMMENTS AND FINDINGS

The Forest Service now has an IT infrastructure system that can be managed and improved to meet agency-wide needs as they change from time to time, and as those needs change to meet new government-wide and department-wide operating and reporting requirements. This new system is on its way to becoming significantly more capable and efficient than the former disaggregated collections of equipment and services. As stated earlier, the ISO has made possible an inventory of all these elements of the IT infrastructure and provided the capability to track infrastructure condition, the status of upgrades, workloads, and performance levels—including responses to security problems and support for disaster incidents. Tracking data allow targeting of specific problems, as well as planning for efficient replacement of equipment, upgrades of software, standardization of services, and aggregation of agency-wide databases.

The benefits of this standardization and centralized management are most evident at this time in the area of Desktop Support. The Forest Service now has a much improved inventory not only of the desktop hardware but also of the current health of the desktops and laptops that make up that component of the IT Infrastructure.

Radio and voice services are also expected to show similar improvements in the future standardization takes place. However, due to the poorer state of the radio/voice environment at the time the ISO assumed responsibility for those functions, it will take more time for the benefits of standardization and centralization to be realized to the degree already seen for desktops and laptops.

The current Forest Service client-server based computer system architecture that is no longer capable of meeting the needs of the agency, is now beginning to evolve toward a web-enabled architecture where applications run under a Common Application Environment. Some key Forest Service application developers, such as the Forest Service INFRA application, have already moved in that direction.

Accordingly, the Data Center/Server consolidation issue remains the biggest challenge facing the Forest Service in managing its IT Infrastructure. The Forest Service has made key decisions recently that are expected to enable major strides toward resolving this issue. However, the Panel believes that continued management attention to this issue should remain a matter of the highest priority for the Forest Service until it is accomplished.

Sources:

"Enterprise Strategy for the Integrated Business Environment—National Data Center Configuration", USDA Forest Service, November 2005

"Leadership Assessment", Correspondence from Dale N. Bosworth, Chief, U.S. Forest Service, to Regional Foresters, Station Directors, Area Director, IITF Director, and WO Staff, (Announcing appointment of Vaughn Stokes as Data and Resource Information Officer), March 2, 2006

"Section C-1, General Information", Performance Work Statement for Competitive Sourcing of IT Functions, USDA Forest Service (Describes Performance Requirements for supporting the Information Technology Infrastructure of the USDA Forest Service), February 2003

"Request for Change (RFC) 2006-0006", Confidential Draft Document addressing Baseline Readjustment Issues and Solutions Discussed in Contract Administration Meeting January 2006

Persons interviewed or corresponded with for this chapter: Joan Golden, Grant Dekker, John King, Doug Nash, Michael Cummings, Carl Culham (all of whom are USDA Forest Service employees)

CHAPTER 4

ISO PERFORMANCE INDICATORS

INTRODUCTION

Once an MEO wins the competitive sourcing award, attention turns to its performance as a service provider. Measuring the MEO's performance is important to ensure the government is getting the performance that was proposed in the MEO's proposal, and ensuring that performance levels do not fall as a result of cost cutting efforts designed more to win the award than to ensure excellent performance.

This chapter describes the ISO's performance during its first full year of performance, as measured against established performance indicators. It should be read in conjunction with Chapter 5, Customer Satisfaction, as the Panel feels the two areas must be taken together to give the total ISO performance picture.

To support its proposal, the Forest Service ISO developed a detailed Quality Assurance Surveillance Plan (QASP). The QASP is structured into two major phases to accommodate the transition from a largely decentralized IT structure to a central service provider. In Phase 1, the Initial Implementation Period, 10 key outputs were selected from over 400 outputs in the Performance Work Statement (PWS). These outputs were then converted into 10 performance indicators (later expanded to 12), to be tracked on a quarterly basis. The Innovation Period (Years 2-5 of ISO performance) was to be covered by a group of 43 performance indicators (later reduced to 20). Though not one of the Implementation Year measures, Customer Satisfaction has been measured during the first year using a survey executed by the Gartner Group, and additional surveys done by the End User Support Center (EUSC).

The preparatory work done by the ISO to develop the QASP laid a good foundation for tracking performance. Equally important, the ISO created an organization devoted to performance measurement and tracking. The position of Quality Assurance Manager and Evaluator reports to the Deputy Director of the ISO, and is responsible for monitoring and measuring the specific QASP indicators. Actual tracking is done under the Assistant Director for Service Level Attainment who is supported by 10 service level attainment specialists. This group is matched on the IRM side by an Assistant Director for Performance Management who is supported by a Quality Assurance Engineer Team Leader and 6 team members (although these employees track and evaluate more than just ISO performance). This considerable investment in resources, acknowledged by Forest Service officials to be greater than what would have normally been allotted, has produced a system that tracks ISO performance on a regular basis. Monitoring will become even more precise in Year 2, as the number of measures being tracked increases from 12 to 20.

This chapter describes quarterly performance trends and discusses the tracking process. The largest lapses in meeting performance targets have been in radio and voice services, but some

desktop services have also been deficient at times. The performance tracking system has identified these problems and focused attention on addressing them as quickly as possible.

DISCUSSION

The process for ISO performance tracking begins with the collection of measurement data that forms the basis for monthly reports. Quarterly QASP meetings examine this information. These meetings are 2-3 days in length and discuss the previous quarter's performance in detail. Cure plans are developed for areas that do not meet the performance standards, and implementation of the cure plan is tracked and reported on at the next quarterly QASP meeting. Participants in these meetings include staff from both the ISO Service Level Attainment group as well as the IRM Performance Management organization, plus the Contracting Officer (CO). The Director of the ISO and the acting IRM Chief Information Officer also have participated on a regular basis. This degree of high level attention to ISO performance is evidence of the importance attached to it.

Table 9 lists the Implementation Year performance indicators, the acceptable level of performance and weighting factor for each, and the scores for the four quarters. The period covered by these was from Feb. 6, 2005 through Feb. 5, 2006.

DISCUSSION OF YEAR-1 PERFORMANCE

Using the weights assigned to each indicator, a composite score for the Implementation Year was calculated to be 91.25 against a target score of 98. Scores were not counted for several items for the following reasons:

- #3, IT Consulting: tracking for this measure was not implemented until the 3rd quarter
- #5A, Endpoint Health: no further tracking on this measure will be done as it is felt that
- #5B, Tivoli End Point Health will satisfy the intent of this indicator
- #'s 11, Radio, and 12, Voice: these indicators were added in mid-year in recognition of their importance to the organization, but no weights were assigned to them since the weighting system had been established previously.

While the year-end score fell short of the target, the ISO appears to be on a path to improve. However, the scores on the indicators dealing with ticket closures, project management, desktop support, and radio and voice require individual discussion due to their importance and low scores. This discussion follows.

Table 9. Implementation Year Performance Indicators, Acceptable Levels of Performance, and Quarterly Scores

Indicator and Weight	Acceptable Level of Performance	1st Q	2nd Q	3rd Q	4th Q
1. Respond to Customer Complaints and Inquiries, 5%	99% of complaints & inquires responded to within 1 day	100	100	99.3	100
2. Manage Level 2 & 3 Queues, 10%	95%of Level 2&3 problems solved and confirmed w/customer before ticket closed	82.97	78.95	77.46	75.46
3. Perform IT consulting (Technical Approval request development, resource request review), 5%	99% of research results completed in 10 days	Null	Null	98.24	100
4. Make Evaluations & Recommendations on IT Infrastructure, 5%	95% of recommendations and evaluations provided within agreed-to time frames	95	100	100	67
5A. Resolution of Endpoint Health Tickets, 10%	Resolve Tivoli[9] desktop problems within 5 days 99% of the time	98.21	90.08	97.55	Null
5B.Endpoint Health	95%of desktops & laptops remotely managed within 30 day timeframe	93	96.67	96.68	95.57
6. Implement and Monitor Security Plans, SOPs, etc., 10%	95% of security items implemented within agreed-to time frames 99% of the time	99	82	85	91
7. Develop Agency Enterprise Network Tactical, Strategic, & Project Plans, 10%	99% of plans will be submitted within agreed-to time frames each quarter	99	100	100	100
8. Resolve Network Component Problems, 15%	99% of tickets closed within 5 days of opening	97.52	91.76	92.93	96
9. Troubleshoot and Resolve Server Software Problems, 15%	99% of tickets closed within 2 days of opening	90.63	89.34	91.02	93
10. Troubleshoot & Resolve Desktop Software problems,15%	99% of tickets closed within 5 days of opening	91.74	76.03	86.24	96
11. Troubleshoot and Resolve Radio Problems	99% of tickets closed within 5 days of opening	Null	Null	74.13	65
12. Troubleshoot and Resolve Voice Problems	99% of tickets closed within 5 days of opening	Null	Null	81.55	78

Ticket Closure

Performance Indicator #2, Manage Level 2 and 3 Queues. When ISO customers contact the help-desk, their requests for assistance are logged in so that the ISO can maintain a record of calls received and track their disposition. This indicator measures customer confirmation that their particular problem was solved before their ticket was closed. The Acceptable Level of Performance (ALP) is 95 percent, and the fourth quarter score was 75 percent. Customers have been complaining that the ISO was hasty in closing tickets without actually solving the problem. The ISO acknowledges that more time recently was spent in closing out the backlog of old tickets, but points out that in some cases problems are resolved that affect multiple people, such

[9] Tivoli is the system management software program used by Forest Service which allows remote access to computers for purposes of installing, updating, and configuring hardware and software components.

as a server issue, and all customers are not necessarily called, with the tickets being simply closed. Efforts to improve in this area include:

a. Improving communications to customers, including ticket reopening policy and procedures

b. Improving end user self-help options, and resolving more tickets on the first call to the helpdesk

c. Investigating whether the ISO Level 2 call center can provide direct transfers from Level 1 EUSC staff to Level 2 ISO staff

d. Improving communications to Level 2, including training to ensure consistent customer service

The Customer Satisfaction performance measure for Year 2 will incorporate customer complaints and inquiries into the next performance year to ensure this issue keeps getting management attention.

Project Management

Performance Indicator # 4, Make Evaluations & Recommendations on IT Infrastructure; #6, Implement and Monitor Security plans, SOPs, etc; and #7, Develop Agency Enterprise Network Tactical, Strategic, & Project Plans. The purpose of these performance indicators is to measure ISO effectiveness in managing and tracking planned milestones associated with Infrastructure Recommendations, Security Plans, and Enterprise Network Plans. The Acceptable Level of Performance (ALP) is 95 percent, and the fourth quarter score was 67% for the Evaluations indicator, 91 percent for the Security Plans, and 100 percent for Enterprise Network Plans.

The ISO Project Management Office is in the process of maturing, and scores for these indicators reflect that—with two notable exceptions:

1. In the fourth quarter, Infrastructure evaluation deadlines were missed.

2. In the second quarter, Security project plan milestones were missed as project team energy was diverted to security incident strike team work (the two major virus outbreaks) and the incidents' associated mop-up work. The scores rebounded upward as mop-up was completed.

The ISO plans to continue working with IRM to define project requirements and expected outcomes upfront and implement an improved process for negotiating due-dates and scope issues. Efforts to improve IRM/ISO project management include a quicker approval process that will enable projects to be prioritized, resourced, and communicated to assigned staff on a more expeditious basis. Special emphasis will be placed on work requests that come from outside the Forest Service, i.e., USDA, to better manage the deliverables and due dates.

In addition, the ISO will implement an OMB-approved Earned Value Management system to ensure that projects are "on spec, on time and on budget." Several Innovation-Year performance indicators will track each of these elements that make up enterprise project management earned value.

Desktop Support

Performance Indicator #10, Troubleshoot and Resolve Desktop Software Problems. This indicator measures the percent of tickets closed within 5 days of opening, with an ALP of 99 percent. Scores for the four quarters were 91.74, 76.03, 86.24, and 96 percent. Low scores in the second and third quarter are the result of the fact that the Forest Service was hit by two system-wide computer viruses, MYTOB and ZOTOB during those times. The higher third quarter score is evidence of the ISO's having gained experience in handling a virus, and the result of employing an updated anti-virus software program (Sav 9). During the fourth quarter, additional desktop security tools were deployed, as well as improvements in the re-imaging process. Use of re-imaging has resulted in desktop machines with more stable, cleaner, and updated systems.

It is expected that desktop support will continue to improve with these developments. Efforts are now underway to investigate—through a pilot effort—a direct transfer on a help-desk call to the End User Support Center from the Level 1 EUSC staff to the Level 2 ISO staff on a real time basis. If successful, this change will result in tickets being closed on a four hour basis, for example, rather than on a five-day basis, and should go a long way to improving customer support for the ISO.

Radio and Voice

Performance Indicator # 11, Troubleshoot and Resolve Radio Problems; Performance Indicator #12, Troubleshoot and Resolve Voice Problems. Both of these indicators measure the percent of tickets closed within 5 days, with ALP levels of 99 percent in both cases. Fourth-quarter scores were 65 percent and 78 percent, respectively. These two indicators were added in mid-year to reflect customer interests and ISO's desire to overcome customer service problems in this area.

As background, the ISO points out that for both radio and voice the Forest Service operated at the local forest level with the result that a wide diversity existed in capabilities, maintenance support/reliability, and technical skills. In the radio area, the centralization of IRM necessitated efforts to assemble a Radio Program from these diverse systems utilizing the localized radio skill sets. The first full year has been used to establish a radio infrastructure baseline and a common radio technology support plan, and to train personnel to operate within it. These start-up efforts are believed to be building toward improved performance in the future. Training of ISO radio personnel will continue, and a national voice and facility-move contract will be established to free-up radio staff currently providing voice support.

The voice area has a similar background. Prior to the creation of the ISO, Forest Service voice services were comprised of PBX telephone switchboards located funded, managed and maintained in the individual Forests. A typical Forest management approach was to simply repair the individual systems when they failed. Little regular maintenance was performed, and there

was little service and system documentation. This environment was virtually unmanageable from a corporate perspective. With approximately 941 individual PBX systems remaining in use, 25 percent of voice services reside on a mix of hybrid and modern technology platforms. Approximately 30 percent of the Forest Service PBXs are beyond their economically supportable life (by commercial standards) and difficult to maintain or obtain parts for. The first full year has been used to establish common Voice service and technology objectives and to train ISO personnel to operate within the new program parameters. This systems approach is expected to improve operations in future years.

Planned improvements in Voice include continued training of ISO voice personnel, establishment of a voice maintenance and repair contract, development of a modern enterprise voice service, and (hopefully) recognition that the voice area is currently under-funded to meet customer needs.

Customer Satisfaction

Customer satisfaction has been measured using a periodic survey done by Gartner, Incorporated, and supplemented with monthly EUSC surveys. On a five-point scale, customers have graded ISO services as shown in Figure 4.

The Gartner surveys are discussed in more detail in Chapter 5. ISO customer satisfaction will be one of the Innovation Year performance indicators, and will be measured on a regular basis. An invitation to fill out a web-based Closed Ticket Survey will be offered to customers after closure of their tickets.

Exercising the Forest Service Option to Continue the ISO

The Forest Service has concluded that the performance of the ISO in Year 1 has been sufficient for it to exercise its option to continue the ISO for the Year 2 period of performance under the LOO.

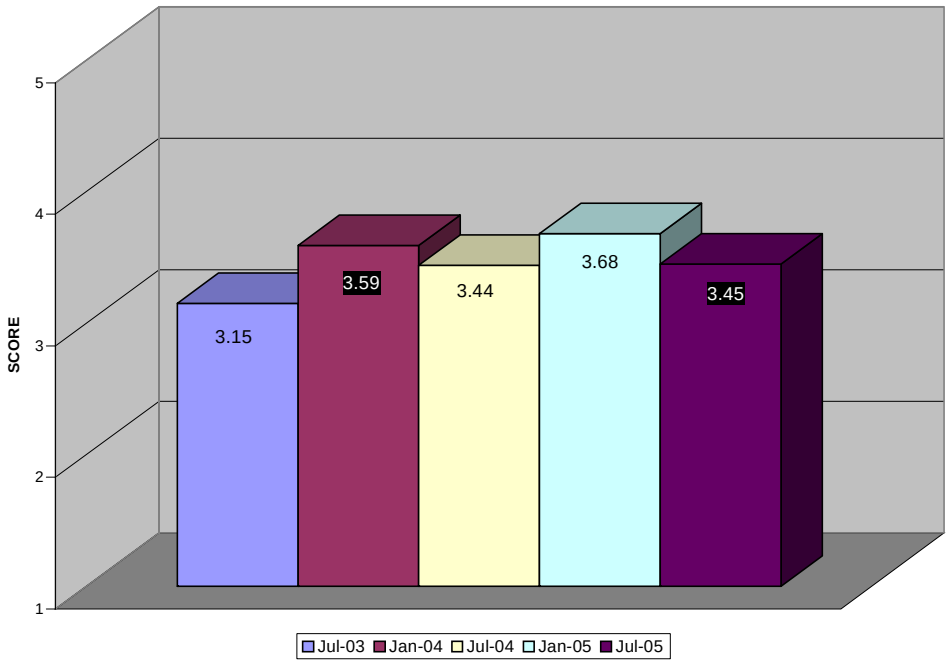
INNOVATION-YEAR PERFORMANCE MEASURES

Performance measures for the ISO innovation years (years 2-5) are divided into two categories, Key Performance Indicators, and Supporting Performance Indicators. The new total, 20 measures, is the result of a process to “scrub” the original list of 43 and eliminate those measures thought to be expendable. Several measures were dropped; examples include #20, Attendance at meetings as directed, #21, Conduct meetings as directed, #22, Timeliness of meeting minutes, and #23, Provide accurate employee list. Others were combined to form the resulting list of 20 measures listed and described in Table 10.

It should be noted that the ISO leadership expressed concern as to whether the right things were being measured. This was asked as a reflection on the issue of whether there was a proper balance between the technical performance measures critical to the operation of the ISO and those critical to the IRM customer. The new grouping of Key Performance Indicators, with

Customer Satisfaction and Problem Resolution occupying the number 1 & 2 slots, shows how the ISO performance area matured during the implementation process. The combination of these key indicators provides a balanced mix of customer and technical perspectives. Since the first innovation year (Year 2) has just started, no quarterly reports on the new measures are available yet.

Figure 4. Customer Satisfaction Scores



SOURCE: "IRM Customer Satisfaction Survey Results", USDA Round 5 Findings Document Summary, Gartner, Inc. (Revised 15 Sep 05)

Table 10. Performance Measures for Innovation Years

Performance Measure and Weight	Definition	Acceptable Level of Performance
A. KEY PERFORMANCE INDICATORS		
1. Customer Satisfaction, 16.5%	Degree of customer satisfaction through closed ticket surveys	A minimum score of three on a five point scale
2. Problem Resolution, 13.8%	ISO Time to resolve problems referred by EUSC	95% of Level 2 problems are resolved within 4 days
3. IT Infrastructure Availability, 8.3%	Measures availability of core IT services	Core IT components are available 98% of the time
4. Project Budgets, 5.5%	Measures ISO ability to meet planned budget projections	75% of Projects will not deviate by more than 25% from budget each quarter
5. Project Benefits, 5.5%	Measures ability to meet projected benefits	95% of projects will not deviate by more than 10% from projected benefits by quarter
6. Project Efficiencies, 2.8%	Measures authorized technology improvement initiatives for successful implementation	Implement an agreed-to number of technology improvements successfully within the designated time
7. Project Innovation, 2.8%	Measures authorized innovation projects for successful implementation	Implement an agreed-to number of innovation projects successfully within the designated time

Table 10: Performance Measures for Innovation Years (continued)

Performance Measure and Weight	Definition	Acceptable Level of Performance
B. SUPPORTING PERFORMANCE MEASURES		
Performance Measure and Weight	Definition	Acceptable Level of Performance
8. NIFC Incident Command Request Response, 4.5%	Measures response by EUSC to Severity 1 problem tickets called in by National Interagency Fire Center	95% of Severity 1 NIFC tickets responded to within 2 hours of receipt from EUSC Level 1
9. Security Incident Reporting , 2.3%	Measures time to report major security incidents to IRM Assistant Director for Security	99% of major security incidents will be reported within eight hours of when incident was discovered
9. Security Incident Mitigation, 2.3%	Measures time to clear significant and minor deficiencies	100% of significant deficiencies cleared within 30 days; 80% of minor deficiencies by due date; 100% by end of following quarter.
10. Problem Resolution Confirmation, 2.3%	Measures whether a problem was resolved to customer satisfaction	95% YES answers on survey question: Was problem resolved before ticket was closed?
11. Inventory and Configuration Management, 2.3%	Measures percent accuracy of items under inventory and configuration management	95% of items under inventory and configuration management will be accurately calculated through assessed audits using a random number sampling method.
12. Trend Reporting in Key Systems, 2.3%	Quarterly reports will identify trends in utilization, bandwidth, performance, hardware and software failures or process problems	No reports will be late
13. Time to Notify Warrantor, 2.3%	Measures time to notify equipment warrantor	97% of notifications to warrantor will occur within 4 hours during normal FS operating hours
14. Innovation and Technology Refreshment Program, 2.3%	Measures the level of satisfaction with ISO presentations on Technology Innovations and Technology Refreshment	95% of surveys resulting in a final score of at least three on a five-point scale
15. Scheduled Milestones, 2.3%	Measures ISO's ability to meet scheduled milestones, including reporting requirements, monthly program reviews, and implementation activities	98% of milestones will be achieved per quarter; Scheduled milestones are based on the Management Plan developed during proposal submission and as updated during the Forest Service project approval process. In order to meet this PI, ISO must staff projects appropriately to meet due dates.
16. Training: Availability and User Satisfaction, 2.3%	Measures number of hours a training facility is not available due to equipment downtime & FS user satisfaction with training equipment	Equipment availability: 95% uptime attributable to ISO managed infrastructure; User Satisfaction: 95% of survey responses show at least 3 on a 5-point scale
17. Innovation Project Audit Results, 2.3%	Measures audit results on deviations from Enterprise Architecture, Solution Design Life Cycle, and Government Standards for Innovation Projects	95% of innovation projects will have no more than the allowed significant deviations.
18. Timely and Accurate Reports, 2.3%	Measures ISO ability to submit reports on-time as agreed by IRM and ISO	Using accuracy and timeliness guidelines from RFP or ISO Proposal, no reports will be submitted that do not meet these guidelines.
19. QASP Reporting, 2.3%	Measures ISO ability to submit QASP Reports five days prior to quarterly QASP Meeting	No reports will be submitted late
20. Timeliness of Software Testing prior to introduction onto FS IT Infrastructure, 2.3%	Measures ISO ability to conduct software testing on a timely basis	No tests will be submitted late per quarter

Mapping Year-1 Indicators to Year-2

All of the performance indicators for the ISO's first full year of operation have been included in the Year 2 indicators, as shown in Table 11. Tracking these indicators will continue to be done by the ISO; however, they will loose their surface identity as Year 2 indicator scores will be reported as composites. For example, indicator numbers 10, 11, and 12 dealing with desktop, radio, and voice problem resolution, will now be included as elements within Year 2 indicator #3, IT Infrastructure Availability. This new indicator will represent an aggregate or composite score covering these individual areas. If problems develop on any of the individual measures, they will be discussed at the QASP quarterly meetings along with a cure plan for each item requiring such action.

Table 11. Year-1 Indicator Crosswalk to Year-2

Year 1 Performance Indicator	Acceptable Level of Performance	Year 2 Indicator
1. Respond to Customer Complaints and Inquiries	99% of complaints & inquires responded to within 1 day	Both of these indicators will now be part of Year-2 PI #1, Customer Satisfaction and will be measured using the closed ticket survey
2. Manage Level 2 & 3 Queues	95% Level 2&3 problems solved and confirmed w/customer before ticket is closed	
3. Perform IT consulting (Technical Approval request development, resource request review)	99% of research results completed in 10 days	This will be included in Year-2 PI # 15, Achievement of Scheduled Milestones
4. Make Evaluations & Recommendations on IT Infrastructure	95% of recommendations and evaluations provided within agreed-to time frames	This project management-type indicator will be included in Year-2 #15, Achievement of Scheduled Milestones
5A. Resolution Endpoint Health Tickets	Resolve Tivoli[10] desktop problems within 5 days 99% of the time	This has been discontinued.
5B.Endpoint Health	95% of desktops & laptops remotely managed within 30-day timeframe	Endpoint health will be included in Year-2 #15, Achievement of Scheduled Milestones
6. Implement and Monitor Security Plans, SOPs, etc.	95% of security items implemented within agreed-to time frames 99% of the time	Tracking of these projects will be included in Year 2 #15, Achievement of Scheduled Milestones
7. Develop Agency Enterprise Network (Tactical, Strategic, & Project) Plans	99% of plans will be submitted within agreed-to time frames each quarter	Tracking of these projects and dates will be included in Year-2 # 15, Achievement of Scheduled Milestones
8. Resolve Network Component Problems	99% of tickets closed within 5 days of opening	These five measures will be the sub-parts of Year-2 # 3, IT Infrastructure Availability; each area will be tracked separately and a composite score will be calculated covering all five elements.
9. Troubleshoot and Resolve Server Software Problems	99% of tickets closed within 2 days of opening	
10. Troubleshoot and Resolve Desktop Software Problems	99% of tickets closed within 5 days of opening	
11. Troubleshoot and Resolve Radio Problems	99% of tickets closed within 5 days of opening	
12. Troubleshoot and Resolve Voice Problems	99% of tickets closed within 5 days of opening	

[10] Tivoli is the system management software program used by the Forest Service to allow remote access to computers for purposes of installing, updating, and configuring hardware and software components.

Linking ISO Performance to Forest Service Strategic Plans

Top Forest Service managers have been impressed enough by the ISO performance tracking process to ask that it be linked to the agency's strategic plan goals and be applied to other business-process transformation initiatives. A web-based access program is under development to enable an individual to see the ISO performance measures connected in logic-model fashion to the appropriate Forest Service Strategic Plan objectives. This is being viewed as a "best practices" model for the other transformation initiatives (budget and finance, and human resources) to use as well.

PANEL FINDINGS

The Panel notes that ISO performance is being taken seriously, and the Forest Service has dedicated an impressive number of resources to thoroughly tracking and monitoring it. Improvements are sought expeditiously when performance targets are missed.

The Panel finds that the QASP process of detailed performance tracking and quarterly meetings has worked well, and suggests that the Forest Service continue to maintain and improve this process. Certainly the first year has had some rough edges, but it has worked well overall, and much has been learned. Year-2 should yield an improved process that is increasingly efficient and more fully supportive of the Forest Service customers.

In particular, the Panel is impressed with the efforts to service the radio and voice areas on a national basis, and takes note of both the critical nature of these areas and the time that will be required for the ISO to make the transition to a national system. While the performance measures for these items are now included within another, broader measure, the Panel urges that management attention continue to be focused in this area.

Sources:

Internal Forest Service Documents:

- ISO Quality Assurance Surveillance Plan (QASP)
- ISO Performance Work Statement (PWS)
- ISO Innovation Performance Indicators, Measurement Summary, Jan. 24, 2006
- ISO Performance-First Year Results and Next Steps, February 2, 2006
- ISO Performance Measurements for the Innovation Years, February 10, 2006

IRM Customer Satisfaction Survey Results, USDA Round 5 Findings Document Summary, Gartner, Inc. (Revised 15 Sep 05)

CHAPTER 5

CUSTOMER SATISFACTION

INTRODUCTION

The Forest Service has recognized the importance of satisfying its ISO customers as well as those affected by its other Business Operations transformations now underway. In many ways, the true measure of their success will be determined by whether their customers are satisfied with the services they are receiving.

Accordingly, the Forest Service has devoted extensive resources to measuring the level of customer satisfaction for all of the services that the Business Operations Area provides under a new, centralized service provider paradigm (including budget and finance, human resources, acquisition, and information technology).

The Forest Service is an extraordinarily collegial organization in which many employees move around to different duty stations as their careers develop, so they get to know many of their peers. In addition, the Forest Service relies a great deal on meetings and conference calls to get its work done. Many national studies and tasks are performed by teams of experienced personnel pulled together from many parts of the country, rather than by a large permanent national headquarters staff. So, when performance problems appear, many direct channels of communication are available to high-level national leaders. It generally does not take long for the Chief and deputy chiefs to hear about emerging problems.

The Forest Service leaders have taken a number of steps to interact with their field personnel as an important component of satisfying the customers of all the areas where major reforms are underway in Business Operations. Three strong "listening to the field" mechanisms have been established to help monitor this whole group of reforms. They incorporate ISO concerns, but replace the separate ISO customer advisory board that had been pledged as part of the ISO proposal. These three mechanisms are: (1) Field Leadership Focus Group, (2) Field Impact Study, and (3) Albuquerque Service Center Customer Service Board. These mechanisms will be discussed in more detail later in this chapter.

The Forest Service is not entirely new to the challenge of measuring customer satisfaction with computer support services that are provided remotely. In January of 2003, the Forest Service opened a centralized National Helpdesk for desktop computer support under contract with IBM. This Helpdesk, known as the End User Support Center (EUSC), has operated continuously since then. The performance of the EUSC is measured against how well it meets the Service Level Agreements (SLA's) established in the contract for its operation. The EUSC has a well-established track record of measuring and tracking its performance using a variety of automated tools and survey instruments.

When setting up the ISO, the Forest Service built upon the experiences they had gained working with the EUSC. They provided for periodic customer satisfaction surveys of the ISO customers.

In addition, in their Quality Assurance Surveillance Plan, they committed to an expansion of the EUSC semi-annual survey to cover services provided by the IRM organization as well. This expanded survey is conducted with an e-mail notification to surveyed customers and a link to an online questionnaire to be completed by the user.

However, the Forest Service Information Resource Management challenges go far beyond the ISO. There are a number of services that will continue to be provided by the Information Resources Management organization rather than by the ISO. The Forest Service recognized from the beginning, that it would also need a mechanism to track and monitor customer satisfaction in areas beyond those covered by the EUSC and ISO. Accordingly, the Forest Service established a Customer Relations Management Branch reporting to the Director of the IRM organization.

The importance that the Forest Service places on Customer Satisfaction is further reinforced by the fact that the first and most heavily weighted Performance Indicator used to measure ISO performance during Years 2 through 5 is Customer Satisfaction.

Following is a discussion of each of these major customer satisfaction initiatives.

EUSC/GARTNER CORPORATION SURVEYS

The Gartner Corporation was commissioned to conduct formal customer satisfaction surveys twice every year. Its most recent findings, along with some recent historical trends, are summarized in Table 12:

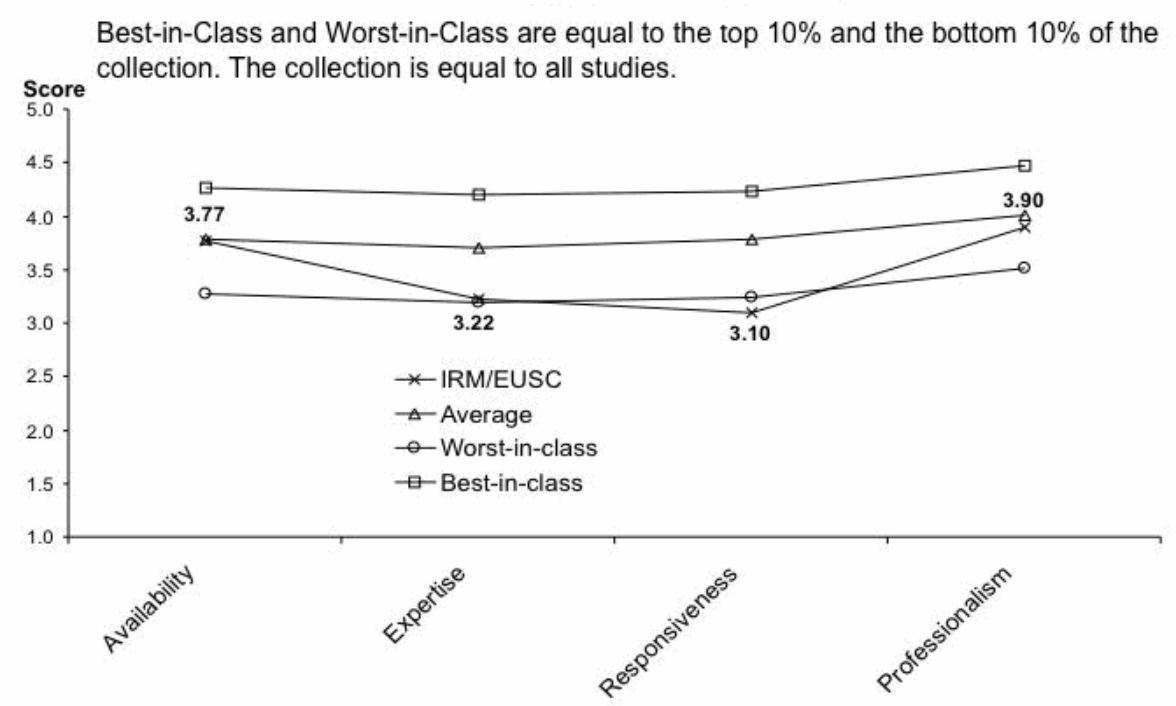
- Cycles 1—4 strictly measured customer satisfaction related to the Help Desk
- Cycle 5 expanded the scope of the semi-annual survey. It measured satisfaction with IRM Services in addition to Help Desk satisfaction.
- The standard, which the ISO and EUSC must meet, is a composite score of 3.0 out of 5.0.
- The composite score exceeds that contractual standard in all of the surveys done by both the EUSC and the Garner Corporation.

Table 12. Customer Satisfaction with EUSC and IRM Services

IRM Survey Timeline	IRM Survey Timeline	IRM Survey Timeline	IRM Survey Timeline	IRM Survey Timeline	IRM Survey Timeline
Cycle	1	2	3	4	5
Date	Jul 03	Jan 04	Jul 04	Jan 05	Jul 05
Participation	1,921	4,989	4,151	4,058	3,257
EUSC Help Desk Score (out of a possible 5.00)	3.15	3.59	3.44	3.68	3.45
IRM Services Score (out of a possible 5.00)	n/a	n/a	n/a	n/a	3.30

However, it is important to remember that even though the ISO/EUSC are in full compliance with the contractual requirements for customer satisfaction surveys, there is still much work to do to address customer satisfaction issues. While sufficient contractually, the composite scores for customer satisfaction are lower than industry averages in almost all cases—as shown in Figure 5. Therefore, considerable room for improvement continues to exist.

Figure 5. Industry Comparison Criteria: Customer Satisfaction Scores



The Gartner survey of July 2005 identified a number of actions that IRM/EUSC could take to improve customer satisfaction. Some of the key items identified are:

- Communicate Service Level Expectations
- Minimize Virus Attacks and Effects
- Make Technical Approvals Efficient
- Get Equipment Replacement Working Well
- Modernize the E-mail Gateway
- Tune and Improve Network Performance
- Meet Research Computing Needs
- Improve Consistency in Radio Operations

- Meet Geospatial Computing Needs

- Incorporate Customer Board Role in IRM Communications

Many of the actions suggested in this list are already underway, which is yet another indicator of the professional manner in which the Forest Service uses the input it receives from various performance measuring mechanisms to try and improve its operations.

CUSTOMER SERVICE BOARD

The ISO proposal originally included establishing a Customer Service Board for itself. This board was to be made up of Line Officers and Senior IRM Managers from across the organization. Almost immediately after the ISO was established, the role of the board was expanded to include not only ISO functions but IRM functions as well. The board's role was to provide:

- Linkage to on-the-ground service delivery

- Oversight of the incentive process and other IRM management issues

- Linkage to the top Forest Service management

However, the Business Operations Area faces similar challenges in its three main Business Operations Transformation Areas (budget and finance, human resources, and information technology.) So it was decided to establish a single Service Board to monitor service delivery improvements in all these areas, rather than to have separate boards for each area. Accordingly, in September 2005, the Deputy Chief for Business Operations announced the establishment of the Albuquerque Service Center Board. The mission of this new Board is to monitor service delivery by the ASC, including Budget and Finance, Human Resources, and IRM activities. The Board consists of a wide spectrum of people from all levels of the Forest Service.

The challenge to the Forest Service IRM community is to ensure that IRM issues do not get subsumed by the issues facing the other Business Operations areas.

The ASC Board held its first face-to-face meeting in January 2006, and took the opportunity to provide valuable input into the formulation of ISO Performance Measurements for the Innovation Years (discussed in Chapter 4). The input from the ASC Board heavily influenced both the definition and priorities of these new performance measures, and was instrumental in placing customer satisfaction in the "Top 7" indicators of success.

FIELD LEADERSHIP FOCUS GROUP

The Field Leadership Focus Group (FLFG) is a group of line officers from the Forest Service (Forest Supervisors, District Rangers, and Research Station Managers) that meets periodically to provide input to the senior management of the Forest Service on issues of concern to field personnel. The Business Operations Transformation Assessment and the Field Leadership Focus Group developed an Operating Plan that would allow the Business Operations Transformation Program team to provide updates and solicit feedback from the FLFG through monthly conference calls as well as at its semi-annual face-to-face meetings with national Forest Service executives.

The FLFG and the Business Operations Transformation Program team held two face-to-face meetings in 2005; a kick-off meeting in February and a working meeting in September of 2005. The meetings provided field representatives with an opportunity to raise a number of important issues that required more management focus and attention.

The feedback received from the Field Leadership Focus Group was very similar to feedback received during the Field Impact Study (discussed below).

FIELD IMPACT STUDY

The Deputy Chief for Business Operations worked with the Business Operations Transformation Program team to initiate a Business Operations Transformation Assessment. This assessment included a number of activities all designed to improve communications between the field units of the Forest Service and the Business Operations Transformation Program team. Phase I of this assessment included a survey and a Field Impact Study. The Field Impact Study consisted of on-site visits to four field locations: the Southern Research Station in Asheville, North Carolina; the Dixie National Forest in central Utah; the Superior National Forest in Duluth, Minnesota; the San Bernadino National Forest in southern California. The purpose of these visits was to evaluate the impacts that changes within the Business Operations area were having on field operations.

These field visits were attended by the Deputy Chief for Business Operations and other senior management officials in the Business Operations Area. The visits were of considerable value to the senior executives because this first-hand exposure helped them understand the challenges and frustrations the field was experiencing.

At the completion of Phase I of the Business Operations Transformation Assessment, a detailed 143-page report was released and shared widely throughout the Forest Service. As a result, priorities were reassessed and several decisions were made. In a letter to the field dated January 6, 2006, Deputy Chief Hank Kashdan shared a number of both short-term recommendations underway and long-term recommendations that were being planned.

As noted earlier, the feedback from the field on IRM issues was very similar to what was heard from the Field Leadership Focus Groups. For example, in the IRM area, Deputy Chief Kashdan

committed to the following short-term actions that were initiated specifically in response to field input about major impacts the field was facing:

1. Service Level Agreements in all Business Operations areas will be consolidated, finalized, and made readily accessible; and a change control process governing SLA's will be implemented.

2. Computer replacement processes, procedures, and vendors were all changed in order to address major service problems identified in this critical area.

3. Ticket management processes were changed to address a major issue with tickets being closed before the customer's problem was really solved, including a process to reopen tickets that had been closed prematurely.

4. The Forest Service's HelpNow tool, an online self-help tool for users needing desktop computer support, is being reassessed to determine how to make it more accessible and useable.

5. In addition, a long-term action item committed the agency to move towards a Single Sign-On (SSO) environment that would enable Forest Service personnel to limit the number of passwords they have to manage while still maintaining the required level of security.

The Academy was impressed by the Forest Service leaders' commitment to act upon the issues raised by field personnel, as confirmed by these quick actions.

CUSTOMER RELATIONS MANAGERS

The new Customer Relations Management Branch of IRM consists of 25 employees on the 100-member IRM national staff. They are organized into four geographic teams for purposes of:

1. Connecting IRM to the line management of the Forest Service

2. Pro-actively carrying customer needs back to IRM

3. Communicating to customers about IRM activities affecting their programs

Roles of the Customer Relations Managers are to:

1. Represent IRM locally for Region/Station/Activity

    a. Meetings
    b. Functional Assistance Trips
    c. Reviews

2. Provide a link between the customer and IRM

3. Recommend changes in customer support requirements to IRM

4. Resolve issues related to the delivery of service (customers are to contact a CR specialist after their third call-back to EUSC)

5. Interact with customers on changing mission requirements

6. Serve as a source of information and advice to field personnel

7. Maintain frequent contacts with customers, managers, and leadership team

8. Provide support to Line Officers at all levels

9. Identify emerging issues and new service requirements

It is important to note that these Customer Relations Managers are not employees of the ISO. Their role is broad enough to cover all ISO and IRM issues.

These new national Customer Relations Manager (CRM) positions were not well understood at first. In trying to explain their role, one CRM stated that "the CRM Team's goal is not to repair a broken PC, but to fix the process that is used to get the PC repaired for the end user." In many cases, the person who took over a CRM position was the same person who previously performed more of a hands-on role in actually fixing broken PC's; this change in roles often needed clarification.

From the beginning, the CRM's have found their new roles challenging. They are often the primary interface with dissatisfied customers, yet they have no hands-on, operational role in addressing the customer's concerns. They have to act as facilitators to link either the IRM staff or the ISO staff to the customer and try to work with all parties to solve the customer's problem.

The Academy staff consulted with several of the CRM managers via a conference call to hear their assessment of how their new roles were working out. Those discussions indicated that this is an area where additional emphasis on protocols and procedures is needed.

The CRMs are frustrated by the lack of an agreed upon protocol for them to use in communicating with either IRM staff or the ISO, resulting in lost time, confusion over roles, and dissatisfaction. Even when IRM or ISO management has initiated action to address the issues raised by CRMs, the CRMs seldom feel that they get enough feedback quickly enough to allow them to get back to their customers with accurate information about the issues raised.

The CRM's also believe they need more timely information on changes in plans and procedures by both the ISO and the IRM staff. The confusion of the first year of implementation no doubt contributed to this problem, but the fact remains that in too many instances the CR's found

themselves imparting information to their customers that had recently been changed without their knowledge. Needless to say, this causes credibility problems for the CRM's.

The CRM's also raised the same issue that every other listening group raised relative to the customers' understanding of what the ISO represents in terms of "here is the service level we bought." CRMs repeatedly found that their customers do not have an accurate understanding of the level of service they should expect from the ISO. This reinforces the need for the Forest Service to do a much better job of communicating and managing user expectations.

Placing the CRM staff within the IRM organization has both good and bad points: by putting it outside of the ISO, it can be argued that the group can be impartial and beyond any pressures from the service provider. However, their separation may also make them less effective in influencing necessary changes in service delivery.

PANEL COMMENTS AND FINDINGS

The Forest Service appropriately places a very high priority on customer satisfaction and is continually striving to improve its performance in this key area. The ISO and its parent organizations can be credited with gathering timely information from their customers, through multiple channels.

The ISO is in full compliance with the contractual requirement that customer satisfaction survey results must meet. The contract calls for a composite score of 3.0 out of 5.0, and the ISO has consistently exceeded that standard. However, the Panel noted that the Forest Service realizes that contractual compliance is not enough in this area. ISO and EUSC—as well as the groups that support them—should continue to strive to provide better customer service; to communicate the levels of service that customers should reasonably expect; and to communicate better with customers on both the progress being made and the actions underway to improve services.

A lack of agreed-upon communications protocols for Customer Relations Managers to use in communicating with the IRM and ISO staffs is a significant problem that needs management attention.

Finally, input from all of the above-mentioned listening mechanisms is consistent about the need for the Forest Service to do a better job of communicating and managing user expectations almost the levels of service that users should expect from the ISO.

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Persons interviewed or corresponded with for this chapter: Hank Kashdan, Jacqueline Myers, Joan Golden, Grant Dekker, Ed Pullam, Ken White, David Dalton, James Mitchell (all of whom are USDA Forest Service employees)

CHAPTER 6

MEO IMPLEMENTATION ISSUES

THE MEO

The Office of Management and Budget (OMB) Circular A-76, Competitive Sourcing, refers to the Most Efficient Organization, or MEO, as the agency's staffing plan for the most efficient and cost-effective organization the government can devise to carry out a commercial-type activity for which the government is competing with the private sector. When the government offers a proposal to continue performing the work that is being competed against the private sector, it proposes its MEO as a separate, identifiable organization. If the government wins the competition, the MEO is then established and held accountable for the levels of performance promised in its proposal and reflected in the terms of a Letter of Obligation (LOO), which serves as a binding, contract-like agreement. The Forest Service won the competition to provide agency-wide information technology infrastructure services and, consequently, established the Information Solutions Organization (ISO).

Under the terms of A-76, the ISO is to be treated the same as if it were a private sector service provider who won the competition. The fact is, however, that the ISO remains a federal agency, and its employees remain federal employees who are indistinguishable from other federal employees in most respects. The ISO, as currently constituted, has no special operational flexibilities. It remains subject to all the normal federal personnel, budgeting, purchasing, and other regulations that applied before it won the A-76 competition. In addition, it is subject to contract-like cost and performance specifications that can be changed only by a contract-like modification of the LOO under which it was established. So, it cannot be agile in responding to changing workload demands—any more than the governmental unit to which it is attached allows it to be.

This chapter explores potential steps that might be taken to improve the agility and effectiveness of the ISO within this fairly traditional organizational setting, and will also explore the potential impact on the careers of employees who are assigned to the ISO. One limited step that has already been recognized to be necessary in the Forest Service is to assign dedicated human resources, procurement, and budgeting staff to support the ISO and help it facilitate organizational changes.

The challenges that face the Forest Service in implementing the ISO are similar to those facing other federal agencies that have undergone competitions of similar size and scope. This chapter begins by exploring the common challenges faced by federal agencies in their ability to effectively manage operations as well as some of the techniques they have implemented to overcome these challenges.

FEDERAL AGENCY EXPERIENCES WITH MEO IMPLEMENTATION

Most civilian federal agencies, like the Forest Service, have not had much experience with developing guidance concerning post-competition implementation of MEOs. These MEOs are expected to operate as a "commercial-type" entity within a largely traditional federal agency. In this regard, they are expected to be responsive to changing conditions while still maintaining the cost saving efficiencies promised in their proposal. However, the extent to which they are given enough latitude to perform in an agile manner has been limited.

When competitive sourcing is used as a tool to achieve savings and greater efficiencies within a traditional public sector environment, the legitimacy of the MEO as an independent entity will be challenged. In *Creating a Market-Based Government by Using Competition, Choice, and Incentives*, author John Kamensky writes that a federal agency's ability to govern becomes particularly problematic with regard to:

- Accountability
- Government capacity to maintain control
- Contracts that are either too specific or not specific enough
- Balancing contractor discretion against equal treatment principles
- Availability of a competitive supplier market
- Transparency in performance
- Recourse for citizens who believe they were not treated appropriately

Governance issues become more apparent in cases where there are large competitions, like the Forest Service, where the ISO took control of a major business line that impacts all employees in the agency.

At a February 6, 2006 Academy symposium to discuss post-award MEO implementation issues, attendees pointed out the challenges in ensuring that the MEO has the means to nimbly and responsively manage its operations within a fixed budget and in light of government-wide human resources, procurement, and budgeting regulations and policies. These attendees included staff from a number of Federal departments and agencies responding to MEO post-award accountability issues, including key Forest Service staff. The MEO is dependent on Congressional funding—specifically, the availability of a sufficient amount of appropriated funds—to meet staffing and resource requirements developed in the agency tender. Attendees discussed the use of a cost center instead of a working capital fund to ensure that money that is appropriated for the MEO will stay within the MEO, as opposed to being intermingled with other funds and pulled away to support other requirements.

Agencies also face the ongoing challenge of requesting additional funding to perform work based on a SOW containing outdated data or data found to be inaccurate by the time the MEO is implemented. The time taken to review the request for additional funding has led to delays and further hindered performance, particularly when the request does not align with the budget cycle. Attendees believed that if a contractor were placed in the same situation, then either the agency would have to respond in a timely manner to provide the funds, or the contractor would have the option of stopping work or reducing its level of effort. In the case of MEOs facing the same situation, however, the agency expects the MEO to keep performing at the established level. It is still seen as a government entity operating in the same shared culture and organization as the rest of the agency. Attendees concluded that the cycle time for processing modifications to the LOO needed to be shortened in many cases so that the MEO could effectively deal with resource, staffing, and related performance issues that arise in the course of the MEO's operation.

Attendees also expressed the view that the overarching challenge for the MEO was to have the ability to shift its allotted funding freely to quickly rebalance its internal mix of staffing and other resources to meet changing demands. Agency staff at the symposium acknowledged the need to "think outside of the box" to meet shifts in workload as, for example, by hiring a subcontractor to perform additional work if staffing levels were inadequate to get the job accomplished or, alternatively, to have flexibility in adjusting staffing numbers and grade levels to ensure work is completed. For example, the Office of Personnel Management (OPM) offers little-known quick-hire practices that can be used to bring qualified candidates on board more rapidly than by following normal OPM hiring methods.

Government furnished property (GFP) has also become an issue in instances where equipment has not been readily available for use by the MEO or its customers. The MEO has to deal with this problem by buying the resources itself, with the expectation that it will have to then charge these costs back to the government and wait for repayment. However, this process requires approval and is slow. One agency recommended that MEOs should be given the flexibility early in the competition to determine how best to manage GFP to avoid these types of setbacks. One way of dealing with the problem, for example, is for the MEO to propose supplying its own facility and equipment in the agency tender, thereby directly assuming responsibility for rent and real estate costs, without depending on GFP.

Enabling the MEO to operate with flexibility and independence should place it on a more similar playing field as a contractor, particularly in terms of adjusting resources and staff without excessive interference from the agency. It is clear from the symposium discussions that a key priority of both the agency and the MEO is the need to establish, very early, a process and timeline for reviewing and modifying Letters of Obligation, including a strategy for utilizing GFP and charge backs.

One approach for expeditiously handling changes to the LOO is what the IRS refers to as the Qualified Adjustment Request (QAR) process. When the MEO prepares its tender, the methodology used requires that staffing costs be computed at an average grade level as opposed to pricing the staff according to the actual budgeted costs for each individual. However, for budgeting purposes, the actual costs of staff resources must be used. Therefore, if staff tend to be at much higher grade and step levels than those required to be used for the competitive

proposal, then the actual costs for supporting these positions will also be greater than those originally estimated. The QAR accounts for this difference and allows for an adjustment in funding for all affected positions. Thus, it provides a good mechanism for both recognizing this need for funding and seeing that it is met in a timely fashion.

The Academy examined four other federal agencies in greater detail to see how they have been coping with these issues and what practices they could share with other agencies to help improve the performance of their MEO. These agencies are:

1. Energy
2. Transportation
3. IRS
4. OPM

Interestingly, three agencies we know of (Energy, Transportation, and the Forest Service) have compiled and made available guidebooks for MEOs to use. The four cases are summarized next, and they illustrate some of the specific problems faced by agencies in implementing their MEOs. Most apparent in these findings is the struggle between the agency's need for control and regularity versus the MEO's need for agility and flexibility.

Department of Energy

Department of Energy (DOE) competitive sourcing efforts are complicated by the Department's extensive dependence on contractor support to accomplish much of the agency's mission. With an agency that is already significantly outsourced, there is a real issue of whether the only things left for review are core agency activities. The Department is currently planning two new studies on its laboratory organizations: the New Brunswick, Chicago, nuclear reference lab and the Albany, Oregon referencing materials research lab. Government personnel currently run both of these operations. However, in addition to the question of what activities are appropriate for future competitions, the Department has also had to address a number of issues associated with how best to manage the five MEOs already in place.

Funding issues in particular are problematic. DOE is frequently dependent on multiple appropriations to fund a single competitive sourcing study. As a result, it is often difficult to track funding to arrive at a consolidated total of the baseline costs of operations. Funding is also an issue with regard to how to treat an MEO when Congress makes across-the-board cuts. For example, Congress in the Energy and Water Appropriations Bill recently cut DOE funding by ten percent. Should MEOs have special status and be exempted from the cuts, or should they be treated as if it were the same as any other government entity? This is the type of issue that should be anticipated in the agency's post-award planning, with an action plan laid out well in advance on how best to deal with the problem.

Once an MEO has been established, enforcing the LOO within the Department has also been challenging. Operating staff have taken a hands-off approach, while procurement staffs want the LOO to be treated as if it were a contract. Which is the better course to follow? This problem became evident three years ago during a financial services study that was expected to reduce the

number of federal and contractor support staff and reduce the number of service centers through consolidation.

DOE recently went through a study for CIO cable licensing services involving 640 full-time equivalents (FTE) and 2,000 contractors. The MEO (with a significant level of contractor support) won the competition in November 2005 to provide this type of information technology service across the department. Staff indicated that the LOO had to be structured specifically to take into account this government/industry collaboration. In addition, both to enforce the LOO and to hold the MEO accountable for results, staff recommended having as a LOO signer a "Super Contracting Officer Representative" (COR) to oversee the combined government and contractor effort.

Another issue associated with the LOO is the potential impact of a "cure notice" on MEO performance. (A cure notice is a letter that a contracting officer sends to a contractor to notify the firm that it is not performing adequately and that its contract is at risk of being terminated unless the problems are corrected.) This notice becomes a permanent file on record, and it would likely have a strongly negative impact on the MEO's prospects during a re-competition when a source selection board must evaluate past performance. Staff mentioned that such a cure notice could thereby be perceived as if it were a Reduction in Force notice for those government staff operating the MEO and noted that, as a result, procurement staff were reluctant to use this device as a tool to address performance shortcomings in the MEO.

DOE staff also raised concerns about the lack of buy-in across the department for the A-76 process, pointing out that some stonewalling has occurred, particularly from budget and program office staff. Whether a contractor or MEO wins the work, both must be funded through various pots of money. The combination of these two factors causes delays in implementing MEOs at DOE. The department's Office of Competitive Sourcing does not have control over support offices, and this has resulted in a lack of support for standing up the MEO. For example, human resources training was competed but not yet implemented due to funding issues and a struggle between program and budget staff. As mentioned above, Congressional budget cuts can also affect staff and service levels. Finally, contracting officers have been slow to accept responsibility for resolving these problems; instead they have pushed the department's Office of Competitive Sourcing to act as a broker for making changes to the LOO.

Like other agencies, DOE also has to make a translation from COMPARE (the system for establishing a baseline figure for the cost comparison process) when calculating estimated savings and when converting from competition-cost estimates to actual costs for performing an activity.

To help staff deal with all of the above issues, the DOE Office of Competitive Sourcing has been very proactive in documenting implementation processes in great detail. DOE provides a guidebook on their website on human resource issues. Staff have also created a post-competition accountability guide. DOE observed that it has been challenging at times to increase staffing as needed, and that there should be easier hiring authority to stand up an organization. They also indicated that guidance, buy-in, and training should not be limited to just A-76 staff, but should also be offered to procurement, human resources, and budgeting staff, top management, and the

reorganizing entity/management offices. The department's Competitive Sourcing Office has been working to achieve these objectives.

Department of Transportation

Staff at the Department of Transportation (DOT) were in the final stages of completing a Post Competition Accountability Guide that OMB is reviewing and editing to provide further guidance to many agencies.

Below is a summary of the good practices DOT staff cited as part of the post-competition MEO implementation process:

- Extensively documenting performance and activities, as also prescribed in OMB Circular A-76.

- Treating MEOs as if they were a contractor. Specifically, DOT suggests that money should be set aside for MEO operations just as would be done for a contractor.

- Using the LOO as a valid agreement with the MEO, and treating it as if it were a contract.

- Conducting a post-award conference with MEO leadership after award is finalized, just as an agency would do with a contractor.

- Conducting assessment meetings, adhering to the deliverable schedule and working collaboratively with the Contracting Officer Technical Representatives (COTRs) and Contracting Officers (COs).

- Ensuring that MEO competency and skill gaps are identified and resolved (with HR to take an active role in this process).

As noted above, for purposes of the competition, OMB Circular A-76 prescribes average rates and overhead figures to be used to level the playing field in the cost comparison between the government and the private sector. DOT noted, however, that when the government wins the competition, the actual costs of MEO staff will need to be determined and budgeted. In addition, both the CO and COTR need to be trained in overseeing MEO performance and be fully integrated into the contract administration process. Budgeting, procurement and human resources personnel also need to be fully integrated into the process.

Internal Revenue Service

The IRS's QAR process for capturing the difference between COMPARE's estimated cost and actual staffing costs has proven to be a good mechanism for supporting changes to the LOO in a timely fashion.

With regard to operational flexibility for the MEO, the IRS expects that if there are budget cuts or circumstances where the MEO has not filled all vacant positions, then the IRS has the ability to change performance standards to align them with the new "as-is" environment. Once the MEO initiates the request, the IRS moves through the process quickly to make the change; approval comes from the relevant IRS program office.

IRS has a dedicated cadre of procurement staff trained in competitive sourcing to provide cradle-to-grave assistance to the MEO. In addition, the IRS has taken a strategic approach to its competitive sourcing efforts and has set up three branches in procurement with built-in firewalls to support A-76 initiatives. These branches include solicitation support, technical Contracting Officer Technical Representative (COTR) support, and contract implementation/administration support.

It is the MEO's responsibility to identify in its agency tender whether there is a need for support contractors to supplement its own staff. IRS believes that the MEO should have conducted a proper assessment of the extent of additional support required prior to submitting its proposal. The MEO team is assigned a human resource advisor throughout the MEO's period of performance. The MEO must still comply with all IRS regulations, but the IRS acknowledges that there are some flexibilities available through use of Schedule A personnel appointments and incentive pay. IRS also emphasized that it is important for an agency to understand what flexibilities already exist and to coordinate with OPM and OMB to make sure these flexibilities are available as a practical matter.

The A-76 competition for campus print operations was a culture shock to the IRS. To address this issue, the IRS established a communications and marketing campaign to sell the new concept of operations to customers. They also created a booklet that dealt specifically with what services the MEO provides, defined its new identity within the IRS, and showed staff how to interact with the MEO. IRS staff stressed how critical effective communications is to the success of the MEO implementation process.

Finally, along the lines suggested above regarding COMPARE costs versus budgeted costs, the IRS also "translates" its COMPARE data into budget terms for MEO implementation. In fact, IRS has developed a spreadsheet that can be used by Congress and OMB to more clearly identify savings.

Office of Personnel Management

Since 2002, the Office of Personnel Management (OPM) has conducted 15 competitions. Of those, 13 were streamlined and, on average, involved fewer than 30 FTE. Only two were larger "standard" competitions. Of the streamlined competitions, the government won 12 out of 13. However, most of these entailed very few staff. The government also won one standard competition. OPM has been able to demonstrate overall process improvements on these competitions and a decrease in the amount of overtime used by staff.

The standard competition won by a contractor included 163 FTEs for performing clerical/technical/administrative services. The standard competition won by the MEO involved

180 FTEs and was for Test Administration Services (examining candidates entering into the armed forces). This competition resulted in changing to a paperless process for conducting the exams for these candidates. Savings resulted from reductions in postage and processing costs. In addition, part-time employees were shifted over to intermittent status.

Prior to realizing these types of savings, the MEO struggled with developing the agency cost estimate. During the start-up phase the automated scheduling process took longer to develop and implement. The private contractor who won the standard competition to provide clerical support also experienced a significant learning curve and did not initially meet all performance measures.

OPM sees the Quality Assurance Surveillance Plan (QASP) and the Performance Requirements Summary (PRS) as key tools in determining whether work is being performed at an acceptable level. OPM follows the practice of establishing a limited number of key indicators to measure performance and strongly advises against trying to measure everything. In their view, using too many measures would result in an administrative nightmare.

The QASP provides detail on how the government will inspect the MEO's work, and by what method, including planned, random, or 100 percent sampling. OPM does not make the QASP part of the LOO, so there is some flexibility to adjust sampling sizes.

OPM also requires its government evaluators to receive training through practical exercises. This training requirement resulted, in part, from an Inspector General (IG) audit that reported evaluators were initially only "eyeballing" data to assess MEO performance. The key documents used for the assessment are the MEO proposal, LOO, QASP, quarterly reports (containing cost of performance), and IG inspections.

The LOO references the MEO proposal and the Performance Requirements Summary, and includes the dollar amount from the MEO proposal, with an understanding that adjustments may need to be made to reflect actual or budgeted costs as opposed to those used for cost comparison purposes.

The OPM IG assesses MEO performance every two years, a process that OMB supports. The IG assessments examine QASP implementation, costs, and agency oversight. OPM noted that these reviews have improved the evaluation process, but that it was difficult initially to accurately capture the cost of performance. Some of the frustration resulted from the fact that work was done at different OPM centers that had differing accounting systems. OPM went to the Office of the Chief Financial Officer to get assistance in identifying people who were performing the MEO work and then coordinated with the General Services Administration (GSA) to run a quarterly report on payroll costs. (GSA is able to run these quarterly reports on salary, benefits, and overtime.) OPM is now able to more accurately capture these costs.

The Agency Tender Official (ATO) is designated to initiate Requests for Change to the Contracting Officer in the same manner as if the request were for a contract modification. The scope of the change is defined as well as the impact on funding and other resources. To date, however, OPM has not needed to amend any of its LOOs.

The OPM A-76 competitions did not identify a need for any special flexibility. Attrition, Voluntary Early Retirement Authority, Voluntary Separation Incentives Payment, and job placement assistance have all been used to address workforce issues. OPM makes a human resources advisor available throughout the entire competition to assist employees.

OPM recommended that employees be properly informed about the A-76 process, including the use of a LOO, to help mitigate the disruption resulting from conducting this effort.

SUMMARY OF MEO IMPLEMENTATION ISSUES AND ISSUE RESOLUTION STRATEGIES

Based on comments from key agencies involved in implementing MEOs as well as discussions resulting from the Academy's symposium, Table 13 summarizes the main factors that have affected the MEO's ability to operate as effectively and efficiently as possible—plus strategies that several agencies are using to address these issues. As described above, these factors are largely related to issues of funding, management support, workforce morale, customer expectations, changing workload requirements, and government responsiveness to LOO modifications. The Forest Service is experiencing all these issues to some degree and benefited from comparing notes with the 16 other agencies represented at the Symposium.

Several agencies, such as the Department of Transportation, the Department of Energy, and the Forest Service have developed guidance on post-award MEO implementation and accountability. These forms of guidance are attempts to establish standard processes and tools, as well as to clarify roles and responsibilities, for the purpose of helping MEO implementers navigate through what has been a largely undocumented and unfamiliar process. Table 14 compares these three guides and their respective offerings. Each is useful in its own right, and those developing MEOs might find these templates of particular value as they initiate the implementation process.

Table 13. Implementation Issues and Resolution Strategies

Factors Affecting MEO Implementation		Strategies and Approaches for Addressing MEO Implementation Issues
1	Dependence on multiple appropriations to fund a single competitive sourcing study	• Determine potential for using cost centers to prevent leakage of funds once they have been acquired.
2	Budget Cuts/changes	• Coordinate early in the planning stages with the procurement, budget, and competitive sourcing offices. • Work with the budget office and contracting officer to explain how workload requirements and performance will be affected. • Request a modification to the LOO to reflect the impact of the budget cuts on the performance of the MEO.
3	Lack of clear funding approval process through the LOO	• Document all steps taken to acquire additional funding. • Refer to agency templates for guidance (e.g., IRS Qualified Adjustment Request) as a mechanism to demonstrate actual costs and to facilitate a more expeditious LOO modification approval process.
4	Dependence on contractor support	• Engage MEO team early in proposal development to assess role of contractors and how to manage expectations. • Consider using a "super-COR"
5	Lack of buy-in across the Department	• Involve and train all the major components in human resources, procurement, budget, and top management on their roles and responsibilities throughout the entire period of MEO performance. • Consider using an Executive Steering Group as a forum for discussing and receiving feedback on issues. • Ensure agency leadership is fully informed about and plays a strong role in the implementation process
6	Lack of good communication to customers in advance about new ways of doing business	• Develop a communications/marketing plan prior to award of the LOO to sell the new concept of operations to customers. • Deliver a communications message consistently and update customers on any changes to services.
7	Employee morale	• Assign a human resources advisor knowledgeable about competitive sourcing throughout the duration of MEO performance to educate and inform employees of their options. • Plan, coordinate and develop communication strategies and use consistently. • Continue to focus on employee morale throughout the MEO implementation process. • Communicate regularly and openly with employees about potential for organizations to be re-competed to provide a realistic assessment—which will generally be less dire than the fears that develop when this issue is left unattended.
8	Competency and skills gaps in the MEO workforce	• Actively engage a human resources advisor and OPM to utilize the resources available to recruit or lay off employees — o Ramping up: quick-hire practices. o Ramping down: Also known as "soft-landing" programs, these include Voluntary Early Retirement Authority, Voluntary Separation Incentives Payments, career transition assistance and toolkits. Under the rules of the Worker Adjustment and Retraining Notification Act, employees may qualify to receive career transition assistance from "Rapid Response Teams" deployed from the Department of Labor.

Table 13. Implementation Issues and Resolution Strategies (continued)

Factors Affecting MEO Implementation		Strategies and Approaches for Addressing MEO Implementation Issues
9	Determining the right set of performance measures	• Coordinate regularly with the contracting officer to ensure that performance standards align with the "as-is" environment (budget cuts, vacancies, inaccurate data all impact MEO performance). • Use a limited number of high-level performance standards that support the mission of the agency.
10	Difficulty in ramping resources and staffing up or down	• Consider the temporary use of a subcontractor to perform additional work. • Use of quick-hire practices available through OPM.
11	Government shortage/lack of timely provision of equipment/supplies	• Discuss use of charge-backs. • For future competitions, consider the feasibility of the MEO providing equipment and supplies itself to reduce uncontrolled dependencies.
12	Few templates and little OMB guidance on post-MEO competition accountability processes	• Several agencies have begun to develop guidance and templates, such as DOE, DOT and IRS. These guides also describe the roles and responsibilities of key stakeholders. • OMB acknowledges the current lack of available guidance on post-MEO implementation. Agencies need to be proactive in communicating with OMB outside of the additional quarterly reporting requirements. • Clarify responsibilities of Competitive Sourcing Office and procurement staff regarding post-award contracting issues. • Consider establishing a dedicated procurement staff to handle post-award acquisition needs.
13	Lack of credible workforce data	• Establish regular reviews of the PWS to ensure that the workforce data aligns with the current "as-is" environment. For future competitions, request that the agency release a draft PWS as early as possible for review and comment. • Prior to award, establish realistic expectations for post-award staff availability.
14	Savings traceability complicated and difficult	• Coordinate regularly with budget and procurement to ensure buy-in on the process for tracking cost-savings. Several agencies use their own templates. • Agencies "translate" data from COMPARE to capture actual costs for the budget office.
15	Lack of clarity of roles and responsibilities	• Plan and identify prior to competition, what the roles and responsibilities are for staff in human resources, procurement, budgeting, and management. • If possible, organize teams who can dedicate their resources and time to supporting the MEO (e.g., IRS has dedicated procurement staff). • Train staff, both internal and external to the MEO, on the impacts of an A-76 competition, organizational changes, and manage expectations on the types of services to be provided.
16	Process for renewing option periods unclear	• Prior to signing the LOO, negotiate a process in writing with the contracting officer on the terms and conditions for exercising option periods. • Ensure that performance data is used as a tool to assess the MEO's ability to meet its obligations and as a basis for exercising option periods.
17	MEO staff not fully integrated into their new position	• Provide training to all staff on the new MEO organization, customer expectations, and individual requirements. • Determine where skill gaps are and develop before, during, and after MEO implementation and, where feasible, provide training and resources to staff. • Meet with staff on a regular basis throughout the implementation period to address concerns and receive feedback. • Determine how best to handle employee performance recognition for those serving in MEO.

Table 14. Comparison of Agency MEO Implementation Guide

Agency	Transportation	Energy	Forest Service
Guidebooks	**Post Competition Accountability Guidebook**	**Transition and Post Competition Accountability Guide**	**Implementing the Agency Service Provider Organization**
Purpose	• Provide general recommendations for implementing post-competition accountability	• Provide an approach to completing transition and post-competition accountability tasks by identifying major milestones, tasks, and required resources • Standardize transition and post accountability processes; provide a library of the templates and tools for use by individuals and organizations assigned with transition and post competition accountability responsibilities	• Describe the actions required to implement a competitive sourcing decision • Address the different stages of Agency Service Provider implementation, from the time a tentative decision is announced until the Agency Service Provider has completed all the performance periods
Content	• Presents post-competition accountability in five phases by providing an overview, description of key tasks, a task checklist, and frequently asked questions • The five phases described correspond with the competitive sourcing process, and include: o Conducting the competition o Implementing the performance decision o Monitoring performance o Post-competition review o Independent verification and validation	• Organized into the following three main sections: o Transition Plan Development o Transition Implementation o Post-Competition Accountability • Each section provides an overview, milestones, timelines, and responsibilities	• Organized into the following sections: o Tentative decision o Contest/protest period o Final decision o Transition period o Management of Agency Service Provider o LOO extensions and closeout o Preparation for a follow-on competition
Supplementary Documents	• Summary of key tasks • Summary of tracking milestones • Competition file documents and data required by OMB • Comparison of proposed/established estimated cost versus actual cost worksheet • Post-competition review data collection checklist	• Transition plan template and checklist • Transition implementation checklist for conversion to a contract • Residual Organization Handbook • Milestone chart for transition activities • Final Residual Organization Report • Chart of specific responsibilities for transition plan development, transition implementation phase, and post award accountability actions • LOO (description and guidance to the signer)	• Flowchart of implementation activities • Sample LOO • Roles and responsibilities • National Federation of Federal Employees Memorandum of Understanding

CONCLUSIONS REGARDING AGENCY ISSUES AND PRACTICES

The concept of infusing flexibility into government operations is not a new one. Performance-based organizations (PBO) were first introduced in the mid-1990s to provide agencies certain flexibilities in procurement, personnel, financing and real property rules in return for their being held accountable for results. PBOs were required to establish clear objectives, specific measurable goals, customer service standards, and targets for improved performance. The Patent and Trademark Office as well as the Department of Education's Office of Financial Assistance were established as PBOs (out of the nine that were originally proposed). In principle, the MEO is supposed to operate much like a PBO, that is, as a business-like entity driven by performance standards designed to yield greater efficiencies and savings. However, the culture of a traditional agency with its tendency toward detailed control has made it more difficult for MEOs to operate in this flexible manner.

As described above, the Letter of Obligation is the official agreement granting the MEO the flexibility it needs to operate. The Forest Service guide, "Implementing the Agency Service Provider Organization," lists the following objectives for the LOO:

- Ensure an appropriate level of accountability
- Promote consistent service-wide accountability
- Maintain the integrity of A-76 objectives
- Provide a defensible basis for implementation
- Retain maximum management flexibility
- Minimize additional burden to the field

A variety of factors may require the Forest Service ISO to submit a proposal for making changes to the LOO or to service level agreements. Examples of such factors are as follows:

- A requirement to expand the amount of current services
- A newly identified need
- Adjustments reflecting new budget realities
- Unanticipated events that can affect service delivery

When there are delays in the LOO modification approval process, a contractor would not hesitate to outline the work elements that then could not be accomplished. An agency MEO is not quite so free in "pushing back" in such a situation. With the need for an adjustment of resources in a LOO, the agency must act expeditiously in deciding to either approve it and ramp up accordingly, or to cut back on workload in the event of disapproval.

The National Institutes of Health has encountered ongoing challenges with moving modifications forward for approval. When its grants-processing MEO began the implementation process, key staff responsible for its stand-up realized that funding was based on outdated workload data and constrained by the annual budget. There was also uncertainty about the process used to submit a modification to a LOO. While a request to modify the LOO was first made in May 2005, it was not approved until early 2006. One of the lessons learned from this experience was to focus more on the planning process prior to a competition to develop credible workforce data and to manage expectations about staff availability after a competition. In addition, NIH is planning to develop an A-76 Handbook to provide guidance on the roles and responsibilities of those involved in the A-76 process and to inform the community.

The final section of this chapter addresses one aspect of MEO implementation that—although absolutely critical to success—has received little attention from those analyzing the competitive sourcing process; it is the impact of the MEO on Federal staff.

THE POTENTIAL IMPACT OF MEO IMPLEMENTATION ON FEDERAL EMPLOYEES

MEO implementation poses a major challenge for federal employees whose designated commercial-type activities engage them in the competitive sourcing process. Fear of job loss, whether real or not, affects morale. The uncertainty associated with working in a separate organization with new ways of doing business also leads to natural attrition. And after MEO implementation, employees remain concerned about their job security and how to relate to the agency.

While Federal employees are generally subject to OPM policies and procedures, those serving in an MEO, particularly because of its quasi-contract status, are seemingly subject to different performance requirements. Few of these requirements have been rigorously delineated. Moreover, given the newness of many of these activities, there is considerable uncertainty about the long-term impact on this special class of Federal employees who are also tasked to operate in a more finely tuned performance environment than many other agency colleagues.

Participants who attended the Academy symposium agreed that overall, the implementation of A-76 reduces job security and has complicated the way in which employees are recruited, hired, promoted and treated within the agencies. In fact, tensions between MEO employees and non-MEO employees have led to a visible divide in the agency, even though these staff are working next to each other. Attendees argued that this tension is founded in the treatment of MEO employees who are considered to be “second class citizens” of the agency. In addition, training funds dedicated to MEO staff breed resentment among non-MEO staff. In some instances, MEO employees have reported that they feel unfairly targeted.

There is also a perception among MEO employees that they are held more accountable than their non-MEO counterparts, thus placing greater pressure on them to perform. Though this pressure may add anxiety to their performance on the job, symposium participants viewed this high level

of accountability as a potential means of marketing their experience in the MEO as experience in an elite performance-based organization to which non-MEO employees might aspire. Promoting the MEO as a performance-driven office could also dispel the stigmas attached to being a part of the MEO, reduce the two-class concept within the agency, and improve the recruitment and retention of talent at the agency.

Attendees agreed that the quasi-contract status—both governmental and commercial elements of job security, and expendability and term appointments, respectively—of MEO employees is confusing and has contributed to stress and attrition at agencies undergoing studies. The confusing state of the MEO also affects the recruitment of a second generation of MEO employees, potential applicants and existing MEO employees alike, as individuals are turned off by the uncertainty inherently associated with being a MEO employee. In the case of retaining existing MEO staff, attendees suggested that, if the MEO were performing well and within the proposed costs at the end of its period of performance, the MEO should be allowed to continue its work without new competition.

Successful marketing of the MEO to employees will require leadership to present the MEO as an entity that creates promotion opportunities. Leadership will need to institute a cultural shift—that of instilling MEO discipline and accountability principles across the organization and of developing other means of attracting well qualified people to the MEO. The MEO also needs to:

- Receive special flexibilities from OMB, OPM and other governing authorities
- Have less constraints on their resources
- Grow like a company, with the ability to take on new business
- Reward high performers
- Not re-compete if the MEO is performing well
- Not hire poor performers

As in the many other areas of MEO implementation discussed above, the need for agency leaders to recognize the differences inherent in this new type of organization and to communicate the need for (and assist in) this cultural shift appears to be critical to agency acceptance and MEO success.

PANEL COMMENTS AND FINDINGS

Both agency staff and symposium participants were able to offer a host of lessons learned and good practices that could apply to the Forest Service as it goes through its implementation process, as well as to any agency engaged in the same type of effort. It was clear from the discussions that the Forest Service was by no means alone in encountering the various issues that will arise when trying to put in place a whole new type of Federal operation. It was also clear,

though, that the Forest Service was in many ways at the vanguard of making this process work effectively. If there is one clear message emerging from this debate, it is that allowing MEOs more flexibility in how they operate is a key ingredient in whether or not they will succeed. The following describes this finding in more detail.

Some ISO Implementation Issues Remain Unresolved.

- In theory, the ISO is to be treated the same as if it were a private sector bidder who won the competition. In practice however, it remains a federal agency, and its employees remain federal employees who are indistinguishable from other federal employees in most respects. In addition, the ISO has been given no special operational flexibilities. It remains subject to all the normal federal personnel, budgeting, purchasing, and other regulations that applied before it won the A-76 competition. So, it cannot be as agile in responding to changing workload demands as was originally anticipated.

- The ISO—because it represents a major organizational transformation, and because employees perceive that they are at greater personal risk—is placing unique stresses on its employees, and these stresses tend to create morale and attrition problems that need special attention.

- Several of the necessary modifications to the LOO in the first full performance year were made to correct or update the PWS; these modifications were time consuming and costly to process.

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CHAPTER 7

PANEL FINDINGS AND RECOMMENDATIONS

This chapter summarizes the main findings from the previous chapters, and then presents five recommendations for improving the operations and performance of the Forest Service Information Solutions Organization (ISO).

PANEL FINDINGS

Finding 1. ISO costs for the first full year of performance were slightly less than expected, and the promised savings resulting from consolidation were realized. These savings are expected to recur every year. However, additional future savings depend on the achievement of server consolidations, which are beyond the control of the ISO, and which have not yet occurred. Therefore, the additional savings projected in the ISO proposal will be delayed.

- The substantial savings delivered by the ISO resulted from consolidating Forest Service IT infrastructure services and significantly reducing the amount of staff assigned to the work.

- This finding is clearly documented by careful tracking of both FTEs and other costs associated with the ISO—consistent with OMB cost-tracking specifications.

- A significant number of employees who had been doing the type of work now being done by the ISO—generally as a part-time collateral duty—remain in Forest Service jobs assigned to other duties. Tracking their activities will be necessary to ensure that they do not duplicate ISO activities.

- It is now apparent that achieving the additional savings promised by ISO in future years depends on substantial unanticipated investments in, and decisions about, server consolidation and the creation of a limited number of national data centers. These decisions need to be made outside the ISO. The schedule for these improvements is uncertain at this time.

Finding 2. The Forest Service IT infrastructure is becoming more unified and manageable.

- The Forest Service IT infrastructure consists of desktops, laptops, servers, computer software, network connections, security, voice/video telecommunications, and radios. These facilities and services are provided to all Forest Service locations, as well as to the incident command teams operating at field locations during emergencies (such as fighting wildfires). At present, this service does not include webmasters, G/S experts, support for cell phone and other handheld electronic devices, and development of many specialized software applications.

- For the first time, ISO has made possible an inventory of all these elements of the IT infrastructure and provided the capability to track infrastructure condition, the status of upgrades, workloads, and performance levels—including responses to security problems and support for disaster incidents. Tracking data allow targeting of specific problems, as well as planning for efficient replacement of equipment, upgrades of software, standardization of services, and aggregation of agency-wide databases.

- The Forest Service now has an IT infrastructure system that can be managed and improved to meet agency-wide needs as they change from time to time. This new system is becoming more capable and efficient than the former disaggregated collections of equipment and services, but it still needs improvements that are being planned and scheduled.

- It is too early to answer definitively the question of how much the ISO has strengthened the Forest Service IT infrastructure relative to reductions in personalized services to individual customers. A number of system improvements have not yet been completed, and improvements in customer services are still being sought.

Finding 3. ISO performance has met the agreed-to service levels in half the areas measured and the ISO is working hard to meet the established goals in the rest of the areas.

- The ISO and Forest Service are tracking ISO performance regularly and well, as specified in the OMB-required Quality Assurance Surveillance Plan (QASP). And this tracking will become even more precise in the future—increasing from 12 quarterly indicators in performance Year 1 to 20 in Year 2.

- Performance tracking is being used to manage and improve the ISO's service to its customers. Many of the performance measures include Service Level Agreements (SLAs).

- Actual performance has had some ups and downs, generally traced to severe computer virus attacks and hurricanes. A few persistent performance problems have been identified—such as premature ticket closures—and are being worked on diligently. The largest lapses in meeting performance targets have been in radio and voice services, but some desktop services have also been deficient at times. The performance tracking system has allowed these problems to be pinpointed and addressed as quickly as possible.

- Missed performance targets are taken very seriously, and improvements are sought expeditiously.

- Top Forest Service managers have been impressed enough by the ISO performance tracking process to ask that it be linked to the agency's strategic plan goals and be applied to other business-process transformation initiatives.

- Overall, performance of the ISO has been sufficient for the Forest Service to exercise its option to continue the ISO for the Year-2 period of performance under the LOO.

- The composite performance score for the first year was 91.25 compared to the target of 98. The ISO actual performance score was dampened by documented extenuating circumstances beyond the ISO's control. Although the year-end score fell short of the target, the ISO appears to be on a path to improve.

Finding 4. Customer satisfaction is a high priority, and feedback mechanisms are in place to measure it. The scores received on the customer satisfaction survey exceed the established standard, but fall short of customer expectations.

- As part of setting up the ISO, the Forest Service provided for regular customer satisfaction surveys of ISO customers. The results of these surveys are tracked faithfully along side the performance tracking data. Outside experts—the Gartner Corporation—is used to design and conduct these surveys and to benchmark the Forest Service results against industry practice.

- While customer satisfaction as measured by the Gartner surveys exceeded the required level, it is still below industry norms. Senior management told us that this may be due, in part, to a disconnect between service levels that are specified in the LOO and what customers think they should be.

- The Forest Service is an extraordinarily collegial organization in which many employees move around to different duty stations as their careers develop, so they get to know many of their peers. In addition, the Forest Service relies a great deal on meetings and conference calls to get its work done. Many national studies and tasks are performed by teams of experienced personnel pulled together from many parts of the country, rather than by a large permanent national headquarters staff. So, when performance problems appear, many direct channels of communication are available to high level national leaders. It generally does not take long for the Chief and deputy chiefs to hear about emerging problems.

- The ISO is under the Business Operations Area where several other major reforms are also taking place, including budget and finance, acquisition, and human resources. As a result, three strong "listening to the field" mechanisms have been established to help monitor this whole group of reforms. They incorporate ISO concerns, but replace the separate ISO customer advisory board that had been pledged as part of the ISO proposal. These three mechanisms are: (1) Field Leaders Focus Group, (2) Field Impact Study, and (3) Albuquerque Service Center Customer Service Board.

- When setting up the ISO, the Forest Service also established a customer relations office in the Information Resources Management (IRM) Office—where the ISO is also housed. With 25 customer relations employees organized into four geographic teams, this group is assigned to maintaining communications channels between Forest Service line officers (prime customers) and IRM.

- These "listening" and customer relations mechanisms produced significant findings related to ISO services, and the Forest Service has already been using these findings to draw attention to needed improvements in ISO services. These mechanisms also reinforced the findings of the customer surveys and SLA data.

- The predominant message heard is that better communication is needed about how the ISO works, the levels of service that have been established for it in the SLAs, and the progress it is making.

- A high degree of consistency exists within the information coming from all these "listening" mechanisms.

Finding 5. Some ISO implementation issues remain unresolved.

- In A-76 parlance, the ISO is an "MEO." MEO stands for Most Efficient Organization. When the government makes an offer to continue the work that is being competed against the private sector, it proposes to establish a separate, identifiable MEO if it wins the competition. The Forest Service won the competition to provide agency-wide IT infrastructure services and, consequently, established the ISO.

- Under the terms of A-76, the ISO is to be treated the same as if it were a private sector service provider who won the competition.

- The fact is, however, that the ISO remains a federal agency, and its employees remain federal employees who are indistinguishable from other federal employees in most respects. The ISO, as currently constituted, has been given no special operational flexibilities. It remains subject to all the normal federal personnel, budgeting, purchasing, and other regulations that applied before it won the A-76 competition. In addition, it is subject to contract-like cost and performance specifications that can be changed only by a contract-like modification of the Letter of Obligation (LOO) under which it was established. So, it cannot be agile in responding to changing workload demands—unless the governmental unit to which it is attached is also agile. Several of the modifications to the LOO in the first full performance year were made to correct or update the PWS; these modifications were time consuming and costly to process.

- The Academy explored potential steps that might be taken to improve the agility and effectiveness of the ISO within this fairly traditional organizational setting. One limited step that has already been recognized to be necessary in the Forest Service is to assign dedicated HR and acquisition staff to serve the special needs of the ISO. Special attention by the budget staff may also be necessary.

- The Academy also explored the potential impact on the careers of employees who are assigned to the ISO. This new form of organization and management—because it represents a major organizational transformation and because some of its employees

perceive that they are at greater personal risk[11]—places unique stresses on its employees, and these stresses tend to create morale and attrition problems that need special attention.

Finding 6. The Forest Service is committed to making sure that the ISO will succeed, and has been implementing significant improvements in the ISO situation as the need for them has been demonstrated through its own "listening" mechanisms as well as through Academy reports. Early in this study, the Academy was asked to make an Interim Report (November 30, 2005). In that report, the Academy staff made a number of preliminary observations and suggestions about corrective actions that could be taken before March 2006 to improve the first-year assessment of the ISO. In addition, the Academy delivered a separate report assessing the decision to deploy a new Forest Service Grants and Agreements software module via a new web-based hosting portal known as I-Web. The January 2006 I-Web Report included five Panel Recommendations.

The Forest Service immediately began to implement both reports in ways noted below. Recent actions to help improve the ISO's situation include:

- A new newsletter entitled "Change is Coming" was established to alert all employees to issues such as Service Level Agreements, and to provide web links where more information can be found.

- Top leaders are addressing the issues of change raised by customer feedback when they meet with employee groups.

- ISO employee morale was elevated to a high priority concern.

- The ISO cost-reporting process was refined.

- Administrative support services are being adjusted to the special needs of the ISO.

- The time required to process changes to the Letter of Obligation is being reduced.

- The IRM and ISO work programs have been integrated.

Finding 7. Overall, the Forest Service has implemented the ISO in a manner that complies with OMB Circular A-76. The results are not perfect, of course, but the Forest Service has demonstrated a desire and capability to improve ISO results.

[11] The Panel does not necessarily agree that ISO employees are at greater risk. Indeed, one could argue that, because they have participated in and won a competitive sourcing opportunity, they are less at risk than others engaged in commercial-type activities whose work has not yet been competed. Even for those employees, the risk is not as great as one might imagine. In Fiscal Year 2005, the government MEO won more than 80 percent of such competitions. Nonetheless, the turbulence and uncertainties created by a change on the scale of the Forest Service's ISO invariably create morale concerns to which the Forest Service needs to and has paid heed.

PANEL RECOMMENDATIONS

As a result of these findings, the Academy Panel makes the following five recommendations.

Recommendation 1. Forest Service officials responsible for the ISO and related matters should continue on the path they have established. As noted in the Panel's findings, the established practices for tracking costs and performance have been largely successful, and they clearly comply with the requirements of Circular A-76 in all material respects. In particular, the QASP process should be continued and improved. Despite some rough edges in its first year, it worked well overall and has proven to be an effective learning process for all concerned. In future years, it should be expected to become more efficient and take less time of the many people involved.

The Panel agrees with the Forest Service determination to continue the ISO for Year-2.

That's not to say, of course, that there should not be future improvements—several of which are noted in Chapter 2. So, additional steps should be taken.

- **The Panel recommends that costs and savings related to, but outside the IT infrastructure function, should also be tracked agency-wide to make sure that the ISO savings are full understood.** In this case, a substantial number of employees in IT-related job series remain outside the ISO and IRM organizations. This may be justified by the fact that they are doing work that was not studied within the scope of the ISO competition, but that should be confirmed periodically.

- **The Panel also recommends that the Forest Service examine the IT functions "not studied" in the competition that created the ISO to see if it makes sense to add them—or some of them—to the ISO portfolio (GIS, webmasters, and wireless communications other than radios).** This could be done, perhaps, without triggering a full additional A-76 study if the magnitude of the added tasks is kept within the 30 percent ceiling that could trip a formal re-compete requirement under Forest Service guidelines. The ISO might also compete for this additional work under a separate new competitive sourcing study.

Recommendation 2. Forest Service officials should take action to ensure future savings.

- **Foremost among these actions should be resolving the server-consolidation/data-center issue.** Progress has been made recently in deciding the best course of action to accomplish the hardware and infrastructure configurations that would be most cost-efficient, but the money to implement this new structure is still unidentified. Decisions have been made to help minimize new construction and physical facilities costs, but the money needed for both new computer hardware and for reprogramming large amounts of software to work in this consolidated environment will be very substantial. Until the money is found and a firm schedule can be established, the future savings predicated on this strategy will remain unrealized.

- **The Forest Service should also broaden the scope and authority of the IRB (as recommended in the Panel's I-Web report) and link its IT strategic planning to the overall Forest Service strategic planning process.** The IRB needs to become a more strategic decision-making forum that can deal with policy issues designed to help reduce costs and improve performance over the long-term—to avoid the current situation whereby costs continue to be generated as a result of individual, uncoordinated actions by many different user groups. The current IRB deals only with individual spending proposals and budget allocation requests, without the benefit of strategic analysis to support more cost-effective decision-making. This strategic body would also be well placed to forge stronger links between IRM and ISO planning and activities, to help tie IT investments more closely to the agency's mission accomplishments, and to provide a more reliable basis upon which to tackle issues such as server consolidations, I-Web roll outs, and server back-up/continuity of business arrangements.

  It is important to link the IRB's planning and decisions solidly to the agency's overall strategy, because that is where Forest Service mission goals, outcome-oriented performance measures, and efficiency improvement targets are foremost. This stronger link could help to tie IT investments more closely to the agency's mission accomplishments.

- **The Forest Service should bring the ISO's CO in earlier on issues that are likely to result in needs for LOO modifications and other actions for which the CO is responsible and should develop a closer relationship to the budget office to make sure that office understands and supports the unique nature of the ISO's relationship to IRM under OMB Circular A-76.** These two actions may be the best ways to help speed the LOO modification process and reduce its cost—to make the ISO more nimble. Budget and other types of flexibilities are needed by the ISO to maintain its ability to keep up with rapidly changing conditions and customer needs.

Recommendation 3. The Forest Service leadership should take additional action to institutionalize the MEO support system. This will help the ISO, but may be of even greater help to future MEOs in the Forest Service. The actions should include:

- **Providing everyone in the Forest Service who has anything to do with the ISO (and future MEOs) a much fuller understanding of the theory and realities of MEOs.** The ISO is a unique organization that is not yet fully defined and is still evolving; it is neither another federal organizational unit, nor a contractor. It is somewhere in between—as yet not well defined. Top executives need to understand this basic reality, and the ISO's need for flexibility to make internal decisions within its own organization consistent with the intent of the Circular. Only the top executives can set this tone. Then, all those who provide services and support to the ISO need to understand what this means to them in their everyday dealings with the ISO—whether it's for human resources, budget, acquisition, or other support services.

- **Establishing change-management support services for MEOs and for other major Business Operations transformation initiatives.** This should include special services in HR, budget and finance, and acquisition. These specialized change-management services will be needed to support and facilitate the many interrelated reforms that are occurring in, and are likely to continue occurring within, Business Operations over the next several years and to help the agency adjust to the cumulative impact of these changes. These services might also include specialized communications, transformational workforce planning, stepped-up recruitment and placement services to support large-scale consolidations and reorganizations, employee counseling, training, just-in-time acquisitions, and A-76 savvy budget assistance.

- **Strengthening and rationalizing the capacity of the Forest Service Competitive Sourcing Office and contracting office to: (1) be more helpful to individual MEOs in developing consistent monitoring and reporting processes, and in sharing good practices across the agency, (2) share good practices among MEOs in developing consistent monitoring and reporting processes, and (3) better manage the agency's overall competitive sourcing program.** The ISO established many good practices worthy of emulation by additional Forest Service MEOs, and they should be considered by new MEOs before they strike off on their own. If the current A-76 circular and FAIR Act remain in effect, the Forest Service should expect to have many more MEOs within the agency in the future, so it will be important to help them all to be established and operated as effectively and efficiently as possible. Congress has previously reported on this issue, and has recently requested another study of it—this one time by GAO. The IRS model of assisting and providing flexibility to its MEOs (cited in Chapter 6) should be considered by the Forest Service as it strengthens it's A-76 office.

- **Circulating drafts of future PWSs earlier and with higher priority for executive scrutiny.** The Academy's special day-long Symposium on MEO Implementation suggested that one step in the right direction would be to develop the Performance Work Statements issued as the basis for A-76 competitions more carefully in the future, and to give them much greater scrutiny by the top-most executives who will be responsible for any MEO that might result. It is easier to build in needed flexibilities before the PWS is issued rather than later in the process when its provisions are embodied in either a contract with the private sector or a contract-like LOO with an MEO. Top executives should support this activity to ensure that underlying business improvements are undertaken and needed flexibilities are built-in as early as possible. Each PWS, and the overall competitive sourcing strategy, should be reviewed for consistency with the Forest Service Strategic Plan.

Recommendation 4. The Forest Service should continue to give high priority attention to the ISO's customers. The Forest Service has made a good start on monitoring and improving customer satisfaction—as already indicated in the Panel's findings—but it needs to do more. The Panel's three primary recommendations for improvement are to: (1) better manage customer expectations about the levels of service they will receive, (2) involve customers more fully in setting service-level standards, and (3) prepare IRM's Customer Relations Management teams to serve more fully as a bridge between the ISO, IRM, and Forest Service customers.

Recommendation 5. Forest Service officials should continue to pay special attention to ISO staff morale. This issue is now on the management's agenda, but it needs continuing close attention. The ISO depends on a solid and stable employee base. However, its employees are subject to new and stressful performance requirements and to major transformations in their job responsibilities, organizational relationships, and workloads. They need special consideration, supported by additional study of their specific needs. Experience and research elsewhere has shown that transformations of these magnitudes can be expected to be disruptive, especially if they are left unattended. This should be considered a broad, agency-wide issue, because it applies to everyone in the Forest Service whose jobs are classified as commercial activities under the FAIR Act.

The Panel did not have time to study this issue enough to prescribe what these special provisions might be, but believes it is of great importance and recommends that the Forest Service give careful study to ISO staff morale as early as possible. The ISO responsibilities are absolutely essential and mission critical. Breakdowns in service can be very serious, and need to be avoided. Maintaining high morale in this organization should be given top priority. One means of doing this might be to take steps to protect the career-development potentials of ISO employees—despite their unusual status within an MEO. Another might be to schedule additional "all hands" meetings to review ISO successes and take the group's pulse on ISO employee problems and concerns.

APPENDICES

APPENDIX A
PANEL AND STAFF

PANEL

Franklin S. Reeder,* ***Chair*** —President, The Reeder Group. Former Director, Office of Administration, The White House. Former positions with the U.S. Office of Management and Budget: Deputy Associate Director for Veterans Affairs and Personnel; Assistant Director for General Management and Deputy Assistant Director; Chief, Information Policy Branch and Deputy Chief; Policy Analyst; Chief, Systems Development Branch. Former Deputy Director, House Information Systems, and Committee Staff, Committee on House Administration, U.S. House of Representatives. Former positions with the U.S. Department of the Treasury and the U.S. Department of Defense focusing on information technology and systems.

Sharon S. Dawes*—Positions with the University at Albany, State University of New York: Director, Center for Technology in Government; Associate Professor, Department of Public Administration and Policy; Adjunct Professor, Information Science Doctoral Program. Former positions with the Rockefeller Institute of Government: Executive Director, Forum for Information Resource Management, State of New York; Executive Fellow and Study Director, New York in the Year 2000. Former positions with the New York State Department of Social Services: Associate Commissioner, Division of Income Maintenance; Assistant Director of Management Planning; Project Management Specialist; Data Manager.

Patrick J. Kelly—President, PJ Kelly Consulting; Former U.S. Forest Service positions including Assistant Director, National Fire and Aviation Program; Regional Aviation Officer, Pacific Northwest Region; Air Center Manager, Redmond, Oregon.

Nancy A. Potok*—Managing Associate, McManis & Monsalve Associates; Acting Director, Economics, Labor and Population Department, National Opinion Research Center; Acting Vice President and Director, New Immigrant Survey, National Opinion Research Center. Former Principal Associate Director and Chief Financial Officer, Associate Director for Administration/Controller, Bureau of the Census; Deputy Assistant Director for Finance and Budget, Administrative Office of the U.S. Courts; Budget Examiner, Office of Management and Budget; Presidential Management Intern, U.S. Department of Transportation; Staff, Senate Transportation Appropriation Subcommittee.

* *Academy Fellow*

STAFF

J. William Gadsby,[*] *Vice President for Academy Affairs.* Fellow of the Academy and Vice President of Academy Studies. Former Senior Executive Service; Director, Government Business Operations Issues, Federal Management Issues, and Intergovernmental Issues, U.S. General Accounting Office; Assistant Director, Financial Management Branch, U.S. Office of Management and Budget.

Bruce D. McDowell,* *Project Director*. Fellow of the Academy and President, Intergovernmental Management Associates. Has directed ten Academy studies and participated in several others over the past nine years. Former positions with U.S. Advisory Commission on Intergovernmental Relations: Director of Government Policy Research; Executive Assistant to the Executive Director. Former Director, Governmental Studies, National Council on Public Works Improvement. Former positions with the Metropolitan Washington Council of Governments: Director, Regional Management Information Service; Assistant Director, Regional Planning; Director, Program Coordination.

William E. Damon, *Project Advisor*. Private Consultant. Former Deputy Incident Commander/Database Design and Implementation Specialist/Plans Section Chief, 2005 North Carolina Storm Recovery Incident Command Team. Formerly with the U.S. Forest Service from 1977 to 2005 in a variety of Managerial and Technical Positions including Acting Director of Information Systems for the Forest Service, 1989, Deputy Forest Supervisor, Idaho Panhandle National Forest and Forest Supervisor for the George Washington and Jefferson National Forests.

Charles V. Hulick, *Project Advisor*. Private consultant. Has participated in several Academy studies over the past ten years; project lead for *Containing Wildland Fire Costs: Improving Equipment and Services Acquisition.* Former positions at Federal Supply Service, U.S. General Services Administration: Assistant Commissioner for Quality and Contract Management, Assistant Commissioner for Procurement, Director of Acquisition Planning.

Al Burman,* *President, Jefferson Solutions*. Fellow of the Academy. Has held various policy positions in the Office of Management and Budget (OMB) and the Office of the Secretary of Defense. Former Administrator for Federal Procurement Policy, and Chief of the Air Force Branch in OMB's National Security Division. Various positions in OMB's National Security Division and Special Assistant to the Director of Defense Education in the Office of the Secretary of Defense. Fellow and Member of the Board of Advisors of the National Contract Management Association, Principal of the Council for Excellence in Government, Director of the Procurement Round Table, and an Honorary Member of the National Defense Industrial Association.

Jennifer Palazzolo, *Manager, Jefferson Consulting Group*. Expertise in the areas of organizational change management, acquisition reform, and competitive sourcing. Has conducted research and analysis on projects for the Departments of Defense, Navy, Veterans Affairs, and Commerce, as well as the U.S. Agency for International Development, Federal

[*] *Academy Fellow*

Aviation Administration, General Services Administration, the Department of Energy and Small Business Administration. Ms. Palazzolo has a Master of Public Policy degree from the University of Michigan, and a BA in history and journalism from Purdue University.

Peta-Gaye Bookall, *Research Associate*. Former Intern, Jamaica Social Investment Fund, Jamaica. Fellow, StartingBloc® Institute for Social Innovation. B.A. in Economics, minor in International Relations, Mount Holyoke College.

Alison C. Brown. *Senior Analyst*, Project staff on past Academy studies: Corporation for National and Community Service, National Institute of Standards and Technology, United States Agency for International Development.

José N. Uribe, *Research Associate*. Former Graduate Research Intern for Georgetown University's President, John J. DeGioia. Former Information Officer at the Baha'i World Center's Office of Social and Economic Development. Master of Public Policy, Georgetown University; B.A. in Economics from McGill University in Montreal, Canada.

APPENDIX B
INDIVIDUALS INTERVIEWED OR CONTACTED

USDA FOREST SERVICE

Jack Arthur, Assistant Director for Performance Management
Carl Culham, Contract Specialist, Acquisition Management
Michael Cummings, Software Portfolio Manager, National Forest System
David Dalton, IRM Customer Relations Manager, Interior West
Grant Dekker, Director, Information Solutions Organization
Thomas Fitzpatrick, Program Manager, Competitive Sourcing Office
Joan Golden, Acting Chief Information Officer, and acting IRM director
Jane Hanson, Quality Assurance Evaluation Team Lead, IRM
William Helin, Deputy Area Budget Coordinator, Business Operations
Kristi Jacobsen, Lead COR, WO-IRM Performance Management Branch
Teresa Jones, Grants and Agreements Specialist, Washington Office
Hank Kashdan, Deputy Chief, Business Operations
Jesse King, Associate Dpty. Chief of Business Ops/CFO, and Chair, INFRA Steering Committee
John King, Assistant Director of IRM for System Architecture
Dana Lawrence, Service Level Attainment Branch Chief, Information Solutions Organization
Martha D. Legg, Information Solutions Organization Contracts Manager
Liga Lidums, Deputy Director, Information Solutions Organization
Janet Lockhart, Branch Director of Acquisition Management for Grants and Agreements
Pat McCarthy, Management & Program Analyst ISO, Business and Investment Branch
Jim Minogue, QASP Manager, Information Solutions Organization
James Mitchell, IRM Customer Relations Manager, East
Chuck Myers, Regional Forester, Region 8, Former Member, INFRA Steering Committee
Doug Nash, Assistant Director, Information Solutions Organization
Ed Pullam, IRM Customer Relations Manager, Pacific Southwest West (PSW)
Chris Pyron,* Deputy Chief, Business Operations
Vaughn Stokes, Dir. of Engineering, INFRA Ste. Com. member, and Data & Resource Info. Officer
Kenneth White, IRM Customer Relations Manager, Northwest
Tah Yang, INFRA Program Manager
Anne Zimmermann, Director, Wildlife, Fish, and Rare Plants

* Retired December 2005

OTHER FEDERAL AGENCIES

Department of Defense

Annie Andrews, Assistant Director of Housing and Competitive Sourcing, Office of the Secretary of Defense

Department of Energy

Dennis O'Brien, Director; Office of Competitive Sourcing
Mark Hively, Office of Competitive Sourcing
Steve Apicella, Office of Competitive Sourcing

Internal Revenue Service

Raymona Stickell, Director; Office of Competitive Sourcing
Joseph Lynem, Program Analyst, Office of Competitive Sourcing

Office of Personnel Management

Fred Chatterton, Chief, Contracting Branch, Office of Competitive Sourcing

Department of Transportation

Thomas Kaplan, Director, Office of the Senior Procurement Executive
Robert Knauer, Office of Competitive Sourcing

Contractors

John Forsythe, BearingPoint

James H. Haskell, METI, Inc.

Tom Martin, Warden Associates

Universities

Jacques Gansler, Vice President for Research, Director and Robert C. Lipitz Chair, Center for Public Policy and Private Enterprise, School of Public Policy, University of Maryland

APPENDIX C
IMPLEMENTATION OF NIH BUSINESS SYSTEM: KEY LESSONS LEARNED

EXECUTIVE SUMMARY

The new NIH Business System (NBS) seeks to combine the latest technology with proven best business practices and, as such, represents a fundamental change to NIH's administrative support functions. The Academy has not been involved in NBS implementation and has not reviewed that project. Accordingly, the information presented in this appendix focuses primarily on NBS as it relates to ARAC, especially in terms of lessons about communication and change management.

NBS Goals and Accomplishments

NIH chose the commercial-off-the-shelf Oracle software package to replace its 20-year-old outmoded Administrative Data Base. The expectation was that the Oracle system would be brought online with minimal revisions. However, because the system did not support government functions as well as originally expected, the timeline for implementation was significantly extended, and the NBS project team put considerable effort into identifying and making necessary modifications to the system.

Largely due to the decision to postpone deployment until the system could be modified and fully tested, the first two of six modules were deployed in September and October 2003, respectively, in accordance with the revised deployment schedule. The NBS Project Office was on track to deploy most of the remaining modules in 2006, but reduced appropriations have delayed scheduled deployment until at least 2007.

Lessons Demonstrated by the NBS Experience

NBS officials point to two key lessons: (1) do not proceed until you are ready, and (2) an organization cannot have too much communication. An important factor in NBS's progress was the attention paid to communication and change management. The change-management team worked in concert with the technical teams to ensure that change management and "people issues" were considered along with technical ones.

Although deployment of the first two modules was a major accomplishment for the agency, it was not without some problems. The NBS project team has benefited from a formal, self-assessment of its experience with the first two modules. Some of the key lessons learned, and areas where improvements were being made, include:

- Users of the system must understand that they own the system and must be given—and must accept—a role in system design and development.
- Change agents can be used throughout the organization to support transition and ensure information is communicated throughout the agency.

- Training needs to be mandatory and needs to make clear the relationship between the new systems and the old and new business processes.
- System deployment is only the beginning of implementation.

INTRODUCTION

NBS is one of the three major restructuring initiatives ongoing in NIH, along with competitive sourcing activities under the Office of Management and Budget Circular A-76 and ARAC. The purpose of NBS is to enhance NIH's administrative support to its biomedical research mission and to replace aging legacy computer support systems. It seeks to combine the latest technology with proven best business practices and, as such, represents a fundamental change to NIH's administrative support functions.

NIH's experience with ARAC has been tied closely to its experience with NBS. NBS directly relates to four of the eight ARAC functional areas: its new automated systems support (or will support) Acquisition, Facilities, and Finance, as well as the travel administration function of the Grants most efficient organization. More broadly, the concurrent implementation of the three major initiatives has implications for the success of each of them. Finally, the lessons the NBS project team identified in many ways mirror, and confirm, those learned directly from the ARAC experience.

The Academy has not been involved in NBS implementation and has not reviewed that project. So, the information presented in this appendix focuses primarily on NBS as it relates to ARAC, especially in terms of lessons about communication and change management. It is based largely on information obtained anecdotally as the Academy worked with the ARAC initiatives, but also from review of briefing materials and interviews with the Director of the NBS Project Office and the officials responsible for NBS's communication and change-management programs.

NBS PROGRESS AND STATUS

The NBS Project Office was officially established in May of 2001, after almost two years of preparation. During that time, NIH conducted requirements studies and chose the commercial-off-the-shelf Oracle software package to replace the 20-year-old outmoded Administrative Data Base. The expectation was that the Oracle system would be brought online with minimal revisions. NBS has six primary modules: finance/budget, travel, real and personal property, acquisition, supply management, and service and supply fund. The key advantage of the Oracle system is that it integrates these modules and provides superior report-generating capabilities. In addition, technically proficient staff and consultants are more readily available to maintain and operate the new system than the outdated legacy system.

The systems integration contractor was brought on board in early 2001 shortly before the NBS Project Office was established. Under the original deployment schedule, the first modules were to be deployed in late 2002, and all six modules were to be deployed by the middle of 2004. However, the Oracle system did not support government functions as well as originally

expected—a lesson many government agencies were learning at the same time. Consequently the timeline for implementation was significantly extended, and the NBS project team put considerable effort into identifying and making the necessary modifications to the system. New timelines were established, with the first two modules—travel and finance/budget—to be deployed in the fall of 2003, and the others pushed back until 2006 or later. Simultaneously with development of NBS, the NBS Project Office was cooperating with the NIH team working to create a new integrated database—nVision—to replace NIH's old "data warehouse" (the Automated Data Base). nVision will contain data to support NBS and to provide the basis for periodic and ad hoc reports in support of performance assessment and internal management controls.

Do not proceed until you are ready.

Largely due to the decision to postpone deployment until the system could be modified and fully tested, the first two modules were deployed in September and October 2003, respectively, in accordance with the revised deployment schedule. NBS officials pointed to this as their most important overall lesson or best practice, one they found to be echoed over and over again at organizations they looked to as benchmarks: do not proceed until you are ready. And being ready means not only having the software ready, but having the organization ready to accept and use it effectively.

The NBS Project Office was on track toward a goal of deploying three of the remaining modules in 2006, but, because of unexpected reductions in appropriations for fiscal year 2006, they have postponed deployment until at least 2007.

COMMUNICATION AND CHANGE-MANAGEMENT EFFORTS

…an explicit change-management effort, with a dedicated core staff, is essential to the success of major systems deployment.

An important factor in NBS's progress was the extensive attention paid to communication and change management; an explicit change-management effort, with a dedicated core staff, is essential to the success of major systems deployment. A staff of ten (four NIH employees and six contract employees) has supported development and implementation of communication and change-management plans, along with many related analyses and activities. This change-management team worked in concert with the technical teams to ensure that "people issues" were considered along with technical ones, such as data conversion, in designing and deploying the system modules. Their work was consistent with activities and approaches widely recognized as necessary for successfully implementing change, especially in large organizations.

This change-management team worked in concert with the technical teams to ensure that "people issues" were considered along with technical ones…

The NBS project team defines change management as an integrated approach to transitioning employees into a new way of accomplishing work. They prepared an extensive change-management plan that involves five inter-related activities:

- **Communications:** The communication plan is directed to all types of stakeholders—keeping them informed, ensuring two-way communication, and modifying the message and approach to the needs of different audiences.
- **Workforce transition:** Key activities include a Critical Implementation Issues Summary and "role-mapping"—to identify the "as is" and "will be" roles of specific positions with regard to system execution.
- **Training:** Training is provided to ensure that staff have the skills necessary to use the system.
- **Evaluation:** Data, customer surveys, and other ongoing assessment tools are used to help determine the success of communications, change management, and workforce preparation.
- **Lessons learned:** A one-time, formal assessment is conducted after the transition to identify improvements needed in the change-management process before the next module is installed.

Some of the key change-management activities performed by the NBS project team were:

- Preparing a stakeholder analysis to identify which employees would be affected and how, and to identify which communication strategies would work best with each group
- Conducting role-mapping to identify how staff functions would change once the new systems were deployed
- Providing extensive training to staff responsible for using the new systems

The NBS project team benefited from a formal self-assessment of its experience with the first two modules.

Deployment of the first two modules was a major accomplishment for the agency. But it was not without some problems. The NBS project team benefited from a formal self-assessment of its experience with the first two modules. The following sections describe some of the key changes the team has made in response to lessons identified from that experience. One major lesson underlies all of these efforts: an organization cannot have too much communication, and leadership needs to play a role in directing that communication.

…an organization cannot have too much communication...

Preparing the Agency for Change

The commercial-off-the-shelf software is designed to encompass best business practices from the business sector. As a result, agency processes must be changed to effectively use the software. This, in turn, often results in significant changes to individuals' responsibilities. NBS officials believe that the agency as a whole (many in management, as well as staff) did not fully comprehend the process changes that would need to occur. The NBS project team has improved its approach to focus on ensuring that the new system supports process changes that enhance completion of the functional tasks, and on communicating those changes better so they will enjoy greater acceptance.

Stakeholder ownership and input

The NBS project team was seeking to more effectively use stakeholder input to foster ownership by those who will use the system. The team used a wide variety of groups, for example, teams of technical experts, teams focused on processes, and advisory committees of high level Office of the Director (OD) and Institute and Center (IC) officials, to obtain advice from, and to communicate to, the community about NBS decisions. But officials believe more should be done to ensure that the organizations responsible for the functions supported by NBS "take ownership" of the process and system. They have learned that users of the system need to understand that they own the system, and they must be given—and must accept—a role in system design and approval. For future modules, the NBS project team has worked to define better the roles and responsibilities of the "owners" of the system and to obtain and use their input more effectively.

…users of the system need to understand that they own the system, and they must be given—and must accept—a role in system design and approval.

One important step to getting offices to take ownership is the creation of an Acceptance Board and Acceptance Team for each functional module, with members representing the OD and IC offices that are responsible for operating and using the system. These groups have been given a role beyond "advising." The Acceptance Board, among other things, verifies that process designs meet business requirements, approves acceptance criteria, and formally accepts the specific NBS module. The Acceptance Team is comprised of end users who are actively involved in system design, including participating in development and validation of the detailed system design and of test scenarios, and then running acceptance tests. The expectation is twofold that: (1) these, and other steps, will better ensure that the systems and processes work together to support the administrative functions, and (2) these groups will become active change agents supporting, rather than merely acquiescing to, the new systems.

A formal "acceptance" process is needed to get things right before implementation begins.

A formal "acceptance" process is needed to get things right before implementation begins. The NBS project team is also working with the owners of the processes and systems to understand existing problems better. Not only will problems in the existing processes (such as bad data and slow input) not be fixed by implementing new automated systems, but those problems will cause difficulties that may appear to be caused by the new systems. The NBS project team is working with the functional owners of the new modules to identify and correct these problems before new systems are deployed.

Use of change agents

NBS officials believe change agents can be more effectively used to support transitions and ensure that information will be communicated throughout the agency. The responsibilities of the many players involved in the change-management process always included communicating with affected stakeholders and

…change agents can be more effectively used to support transitions and ensure that information will be communicated throughout the agency.

the community as a whole. For the future modules, however, Implementation Teams and "IC/OD Advocates," appointed by IC/OD leaders, will perform system advocacy and serve as points of contact to interface with the NBS project team on activities such as "role mapping" and data conversion. Among other responsibilities, these advocates will be responsible for communicating about NBS through the entire IC/OD. During earlier efforts, the NBS project team learned that internal communications were weak in many ICs, and information did not always get passed down from those involved in NBS to the rest of the organization. As discussed later, the advocates also have a key role in coordinating training.

Preparing the Staff for Change

Training is a crucial component of change management, ensuring that end users clearly understand what changes are coming and what the changes will mean for them personally. Changes have been made to better ensure that all staff receive needed training. The NBS officials believe staff and IC/OD leadership did not take training seriously enough for the first two modules. One possible factor they cited was, again, the lack of understanding of how much processes would be changed by the new software systems. They also noted that the NBS Project Office did not have the authority to require training or to hold staff accountable for having the necessary training and skills to effectively use the system. This was a problem in the early modules, since many staff were initially unable to run the systems by themselves.

Training in the new system will be mandatory for anyone who will use it.

As a result, new requirements have been established for future training efforts. Training in the new system will be mandatory for anyone who will use it. Users will have one opportunity to receive free NBS-provided training, after which their organizations will have to pay for it on a fee-for-service basis. Also, the IC/OD advocates will be responsible for certifying that their organizations meet minimum conditions for training and implementation, including that the entire organization is properly informed about systems coming online and required training has been received. Any individual not certified as having completed the required training will be barred from using the new system.

Also, the NBS project team's approach to training was being revised to improve staff members' understanding of how the new systems relate to changed business processes. Training will put the new systems into a context of the old and the new processes so staff can clearly understand exactly how what they did in the past will change and how the system supports the new approach.

…training was being revised to improve staff members' understanding of how the new systems relate to changed business processes.

Providing Post-Deployment Support

System deployment is only the beginning of implementation. NBS officials emphasized that their role does not end once the systems are deployed. Among other things, they sponsored post-deployment user meetings and provided post-deployment hands-on help. For example, the NBS project team was expanding the role of Help-Points-of-Contact (HPOCs)—end users who can help as on-site mentors to assist

System deployment is only the beginning of implementation.

staff to use the new systems effectively. HPOCs also may be important in identifying modifications necessary to keep or get systems running effectively. These HPOCs will be brought on board earlier and will be more thoroughly trained in their support functions than for the first two modules.

Other Changes

The above sections only briefly highlight the lessons learned and changes being made. The NBS project team was continuing to improve and refine its approach in other ways. Some of the other ongoing efforts include:

- Developing clear role-mapping instructions and starting role-mapping earlier
- Fitting communication methods to the audience, telling each only what it needs to know, when it needs to know it—to avoid information overload and confusion
- Ensuring communication is in "plain language" and as brief as possible, while still getting needed information across
- Considering different training venues, such as on-site in an IC

APPENDIX D
THE NIH A-76 COMPETITIVE SOURCING EXPERIENCE
Key Lessons Demonstrated

EXECUTIVE SUMMARY

NIH's first two competitive sourcing competitions under Office of Management and Budget (OMB) Circular A-76, conducted in fiscal year (FY) 2003, directly impacted two ARAC groups: Grants and Facilities. While the Academy was not involved in NIH's competitive sourcing efforts, the close association and the similarities in some of the experiences with ARAC merit a brief description of the A-76 process and lessons learned.

Competitive sourcing opens commercial functions performed by the federal government to competition with the private sector to achieve cost savings. It was formalized in federal policy when the OMB released its first Circular A-76 in 1966, but was practiced by few agencies beyond the Department of Defense through the 1990s. Its inclusion in the President's Management Agenda (PMA) in 2001 and the revision to the Circular in 2003 renewed interest in—and guidance for—competitive sourcing across the federal government.

NIH faced challenges in complying with A-76. The NIH in-house teams won both of NIH's first two competitions; each involved more than 700 full time equivalent (FTE) staff and was completed in just over nine months. The new NIH organization that won the competition to provide administrative support for NIH's $20-billion extramural grants program, eliminated 296 FTEs and was expected to produce an estimated $15 million in annual savings. It began operations in October 2004. The new NIH organization that won the real property management (RPM) competition called for a 100-FTE reduction, but implementation was stalled by a bid protest and union dispute, which together were not expected to be resolved until 2006.

A-76 Lessons Learned and NIH Actions

In May 2004, NIH convened a Lessons Learned Workshop with staff involved in the two 2003 competitions. The Workshop, as well as NIH's post-award experience, highlighted several lessons. NIH should:

- Dedicate additional resources (staff, funding, and facilities) to perform A-76 competitions
- Focus more on advance planning for competitions, including developing credible, standardized workforce data and realistic expectations for post-award staff availability
- Identify additional contract support providers with more A-76 expertise
- Clearly define and communicate roles, responsibilities, and points of contact

NIH has taken these lessons to heart and has begun implementing changes, including:

- Hiring more NIH staff and using contractors with greater A-76 experience
- Providing clearer guidance for advance planning and analysis, including workload calculations
- Stressing the primacy of the NIH mission over simply winning the competition
- Developing an A-76 Handbook to clarify roles and responsibilities

- Facilitating better communication and engaging stakeholders at all levels, including labor unions

INTRODUCTION

At about the same time NIH embarked on the ARAC restructuring process, the agency began conducting competitive sourcing competitions. The first two such competitions, the largest at NIH to date, directly impacted two of the ARAC areas, Grants and Facilities. The Academy was not actively involved in NIH's A-76 efforts and did not formally study them. However, their close association with the ARAC initiative, and the similarity in some of the experiences, merits a description of the A-76 process and of NIH's experience.

This appendix presents a brief background on the A-76 process government-wide, a description of NIH's early experience, and a discussion of the lessons NIH has learned from that early experience and how it was responding. Much of the information about NIH in this appendix was obtained anecdotally as the Academy staff met with NIH officials and staff actively working on ARAC initiatives. However, Academy staff also reviewed documentation of an A-76 Lessons Learned Workshop and met with officials responsible for A-76 implementation. The scope and methodology is described further at the end of this appendix.

BACKGROUND

Competitive sourcing opens commercial functions performed by the federal government to competition with the private sector to achieve cost savings. Contracting out for goods and services, when cost effective, has been formalized in federal policy since the OMB released its first Circular A-76 in 1966. Through the 1990s, however, few civilian agencies practiced competitive sourcing. The 1998 Federal Activities Inventory Reform (FAIR) Act required agencies to classify all functions as commercial or inherently governmental and submit an inventory of their staff positions to OMB each year for both categories.

PMA Puts New Government-wide Emphasis on Competitive Sourcing

In 2001, competitive sourcing received renewed attention across the federal government, particularly in civilian agencies. The Administration made it a top-five priority in the PMA and directed agencies to compete 15 percent of commercial functions by FY 2003.[12] The ultimate goal is to compete 100 percent of commercial functions—more than 416,000 FTEs—by 2013. In an effort to improve the competitive sourcing process, OMB revised *Circular A-76* in May 2003 with new guidelines that:

- Emphasize "maximum value" for tax dollars and improving performance, not just reducing cost
- Eliminate direct conversions, which allowed agencies to shift work to the private sector without competition
- Require standard competitions (described below) if more than 65 FTEs are involved (agencies may select either a standard or streamlined competition for 65 or fewer FTEs)

[12] Responding to criticisms that the government-wide target of 15 percent was arbitrary, OMB subsequently developed a scorecard approach to tracking progress that is more tailored to each agency's mission and workforce.

- Limit the standard competition to 12 months, by which time a decision must be made to award the work to a new "most efficient organization" (MEO)[13] within the government or a contractor outside the government
- Allow in-house employees to appeal the competition decision—in addition to appeals by losing bidders and unions

Although civilian agencies had little experience with competitive sourcing under Circular A-76 prior to 2003, they are already adjusting their approaches. For example, between FY 2003 and 2004, the average size of competitions by federal agencies doubled as these agencies found that larger competitions are often needed to achieve significant cost savings and attract private-sector bidders. During this period, agencies conducted fewer competitions, but the average FTEs studied doubled from 27 to 58.[14] Expected net savings over three to five years grew from $1.1 billion to $1.4 billion. Taking into account costs of conducting competitions, average savings per FTE increased from $12,000 to $22,000, indicating economies of scale.[15]

DHHS is one of six departments to achieve "green light" status on the PMA scorecard, indicating that the agency has developed and implemented an OMB-approved competition plan, completed at least 10 competitions since January 2001, completed at least 90 percent within a 12-month time frame, and cancelled fewer than 10 percent of announced competitions.

The A-76 Process

The standard competitive sourcing process has several steps:

- Preliminary planning—Agency selects the activities and FTEs to compete; determines baseline costs; develops competition schedule; and appoints competition officials, including the agency tender official, contracting officer (CO), and performance work statement (PWS) team leader.
- Public announcement—Agency formally announces the start date of the competition.
- Performance work statement[16]—In-house team prepares the PWS to specify the work needed and clarify how bids will be graded.
- MEO—In-house team establishes the staffing plan and cost proposal for its in-house bid.

[13] An MEO is a federal agency's in-house staffing plan for an A-76 competition, representing the most efficient and cost-effective organization. The MEO proposal is compared to the bids submitted by private-sector companies.

[14] In 2004, federal agencies held 217 competitions, including 12,573 FTEs, collectively estimated to generate $1.4 billion in savings over three to five years. In 2003, agencies held 662 competitions including 17,595 FTEs, saving $1.1 billion over three to five years. (Safavian, 2005)

[15] Net savings = total gross savings less incremental costs. Does not include fixed costs for either year ($36 million in FY 2004, data were not collected in FY 2003). (Safavian, 2005)

[16] A Performance work statement is a statement of the technical, functional and performance characteristics of the work to be performed. It identifies essential functions to be performed, determines performance factors, including the location of the work, the units of work, the quantity of work units, and the quality and timeliness of the work units.

- Competition—Private bidder(s) and MEO submit bids to the source selection authority, who is an appointed agency official operating independently from the agency tender official, human resources adviser, or MEO team for the A-76 competition.
- Source selection—The source selection authority evaluates the in-house proposal against private sector bid(s) using COMPARE software. The agency then publicly announces the competition winner.
- Post-competition accountability—Circular A-76 requires agencies to track competitions in a database, monitor performance (e.g., actual costs and performance metrics for chosen service provider), and post best practices and lessons learned on the SHARE A-76 web site. The function must be re-competed every five years.

A streamlined competition differs from the process described above in three key ways. The competition (1) must be completed in less than 90 days, (2) involves 65 or fewer FTEs, and (3) does not require private contractors to submit a bid; the agency can perform market research to determine the cost of performing the activity in the private sector. Agencies conducting streamlined competitions are encouraged, but not required, to form MEOs.

Agencies' Challenges in Implementing A-76 Competitive Sourcing

Many agencies continue to struggle to meet the requirements of Circular A-76. The Government Accountability Office (GAO) gleaned several lessons from Department of Defense (DOD) A-76 competitions in the 1990s: (1) studies took longer than initially projected, (2) costs and resources required to prepare the studies were underestimated, (3) selecting and grouping functions to compete was difficult, and (4) determining and maintaining reliable estimates of savings was difficult.

Subsequent GAO studies have shown similar challenges for civilian agencies. A 2004 GAO report identified several key challenges in a review of the competitive sourcing activities at seven agencies, including DHHS: (1) developing workforce inventories and classifying positions as inherently governmental and commercial, (2) ensuring adequate personnel with the skills needed to run a competitive sourcing program, and (3) securing funding to conduct studies.

GAO cautioned that OMB guidance has emphasized process over results. In response, agencies have not assessed broader issues, such as weighing potential improvements against the costs and risks associated with the competitions. GAO recommended that OMB help agencies to (1) ensure greater consistency in classifying positions, (2) make more strategic and transparent sourcing decisions by identifying broader functional areas for competition, and (3) focus on efficiency and performance outcomes.

NIH'S EXPERIENCE WITH A-76 ACTIVITIES

To handle this new work, NIH established a new A-76 office and transferred positions to it from other offices. In its most recent FAIR Act inventory, more than half of NIH's nearly 18,000 FTEs were classified as commercial. Like other civilian agencies, NIH had little experience with competitive sourcing prior to its inclusion in the PMA in 2001. NIH began its first two A-76 competitions on October 1, 2002: Grants and RPM.

Each involved more than 700 FTEs and was completed in just over nine months—a short time period, given that DOD studies took an average 25 months prior to the revised Circular. The Grants MEO, the newly formed Division of Extramural Administrative Support (DEAS), provides administrative support for NIH's $20-billion grants program.[17] Its creation was expected to eliminate 296 FTEs and was expected to produce an estimated $15 million in annual savings. While about 30 potential bidders attended the offering conference, only one submitted a proposal. That bidder failed to meet agency requirements, and the in-house team won. The in-house team also won the RPM competition, but the award was stalled by a bid protest and a union dispute, which were not expected to be resolved until 2006.

While other agencies are moving toward larger competitions, NIH is taking a different tack. The 11 competitions completed in FY 2004 were significantly smaller than those in 2003, ranging from 2 to 61 FTEs, and most were streamlined competitions. The in-house team won in all but one of the 2004 competitions.

Status of FY 2003 MEOs

Grants: The Grants MEO, DEAS, began operations in October 2004, one year after winning the A-76 competition. An interim director of DEAS was appointed in February 2004 and a permanent director was appointed in April 2004. However, in February 2005, the director left the position, and it remained open as of June 2005.

DEAS represented both a major downsizing and a significant cultural shift—away from independent grants operations in the Institutes and Centers (ICs) toward centralized operations. The MEO's bid relied on automated systems and a matrix management approach to support a 296-FTE reduction—about one third of the staff that had been performing the covered tasks—and included a significant reduction in grade levels. The PWS included administrative grants support functions, such as grants file management, typing and answering phones, preparing travel and training documents, maintaining data systems, and supporting meetings. Previously, this work was carried out by staff in NIH's Center for Scientific Review and in the Grants Management Offices and Program Offices in 24 of the agency's 27 ICs.

NIH struggled as it "learned by-doing" in setting up this first new A-76 organization. The transition was very stressful for the grants management community. In the year leading up to implementation, IC grant offices had to continue performing the duties slated for DEAS as they grappled with substantial staff transfers and departures. After the "stand up," the ICs had to remain flexible as the new—and largely inexperienced—DEAS staff came up to speed on the duties being transferred to them. In addition, NIH had to establish another new A-76 office—the Transition Center—in the Office of Strategic Management and Planning, to handle the employees no longer utilized in the grants function. The Office of Human Resources also experienced significant new work associated with the MEO transition.

By the summer of 2005, the MEO was still having difficulties assuming all of the functions included in the PWS, in part because many knowledgeable staff left during the transition. DEAS

[17] FY 2004 NIH Awards (competing and non-competing).

has had to devote substantial resources to train new hires, an effort complicated by continuing high turnover. The Academy's study of workload shifts (see Appendix H) identified DEAS as a primary source of additional work falling on administrative officers (AOs), executive officers (EOs), and Science Directors working in extramural research, and found that the grants managers in the ICs were developing "workarounds," using grants management staff, that diluted the efficiency goals of consolidation.

Facilities: The NIH MEO bid was selected in the 2003 RPM A-76 competition. However, the sole commercial bidder filed a protest with GAO and no final selection was expected until 2006.

The PWS for the competition established a single performance-based contract to cover grounds and facilities management, operations, and maintenance; operation and distribution of utilities; and design and construction of interior alterations, renovations, repairs, and new construction at the Bethesda Campus and three major off-campus installations. These functions were already carried out centrally by the Office of Research Facilities Development and Operations, which will retain responsibility for certain core functions, such as master and facilities planning; management of large or high-risk construction projects, and environmental stewardship, when the competitive organization (MEO or private contractor) is created.

The commercial bidder claimed that NIH unfairly underbid the contract and the proposed MEO was not equipped to fully meet the PWS requirements. Both parties and GAO agreed to have an independent consultant review the NIH proposal and recommend adjustments in the staffing level-of-effort proposed to accomplish the stated scope. NIH would then consider the recommendation, make adjustments to the cost proposal, and the procurement office would re-evaluate the proposals for selection. The outside competitor's proposal would remain unchanged. The independent study was targeted for completion by the end of October 2005.

At the same time, the major labor union representing many of the staff affected by the MEO objected to the proposed staffing process. The MEO wanted to select staff on merit, while the union insisted that they be selected by seniority. The agency and union are in a formal dispute process which will not be further addressed until the final service provider is chosen.

Unlike DEAS, this MEO does not represent a significant change in culture; facilities management was already largely centralized. However, the MEO bid called for a reduction in staff of about 25 percent, as well as a significantly lowered grade structure. The uncertainty surrounding the status of the MEO was taking its toll on staff morale. Staff were leaving, confronting NIH with what officials saw as growing burnout for remaining staff.

Status of related FY 2004 MEOs: One of the FY 2004 competitions also directly relates to the ARAC initiatives. Prior to the ARAC initiative, NIH decided to compete the already-centralized Office of Research Services conference room management program in the Washington, DC area. The PWS visual and medical arts included management of all conference rooms accommodating more than 50 people, as well as related video conferencing, medical and visual arts, and some information technology functions. Completing the conference room consolidation was included in the ARAC Facilities goals. The NIH MEO bid for visual and medical arts was selected and the new organization will go on line in FY 2006.

LESSONS LEARNED AT NIH

In May 2004, NIH convened a Lessons Learned Workshop with staff involved in the two 2003 competitions. The Workshop participants affirmed the importance of decisive leadership and advance planning. A general consensus emerged from the group that NIH should (1) dedicate additional resources (staff, funding, and facilities) to perform A-76 competitions; (2) focus more on advance planning for competitions, including developing credible, standardized workforce data; (3) identify additional consultant support with more A-76 expertise; and (4) more clearly define roles, responsibilities, and points of contact. As MEO implementation proceeded, other lessons emerged, especially the need to anticipate the impact of unexpected attrition and workload increases.

…self-assessment provided valuable insights and NIH has taken these lessons to heart.

This self-assessment provided valuable insights and NIH has taken these lessons to heart. Many of the lessons mirror those learned during the ARAC process, including those related broadly to resources, sound data, integration of initiatives, outside assistance, communication, and change-management. NIH was implementing changes to address the major problems encountered. The major lessons learned are summarized below, followed by a brief description of NIH's key efforts to improve ongoing and future competitive sourcing actions.

Resources

Implementing Circular A-76 required a significant level of resources.

Implementing Circular A-76 required a significant level of resources. NIH spent $3.5 million in 2003 on contract support for its two large studies. The two competitions also diverted more than 114,000 hours of staff time. The funds for both came out of the operating budget. At the same time, ARAC consolidation and other cuts in staff and resources further strained the agency. Lessons Learned Workshop participants recommended securing a commitment from management at NIH and DHHS to provide special staff, money, and facilities to run the A-76 program.

Other federal agencies also spent large sums on A-76. OMB estimates the average government-wide costs of administering competitions to be $2,000 to $5,000 per FTE studied. In one case, the U.S. Department of Agriculture (USDA) spent more administering competitions in FY 2003 than it achieved in savings. Its Forest Service reported spending $18.7 million on competitive sourcing in FY 2002-03, more than half of USDA's total A-76 expenditures. The Forest Service acknowledges that cost savings were lackluster because more than half of its 160 competitions involved three or fewer FTEs and generated little public sector interest.

Data Collection

In a 2004 report, the GAO cited NIH's decision support software as a promising approach to identify activities to compete. The software captures and uses managers' judgments to assess the mission effectiveness, human capital impact, demand, and risk of each commercial activity.

Following this exercise, NIH's Commercial Activities Steering Committee (CASC)[18] considers additional factors, such as the impact on mission, costs, socioeconomic impacts, and potential advantages to competing the activity. NIH used this approach to identify grants management support and real property management as good candidates for competition.

…the lack of accurate, credible data made preparation of the MEO bid difficult and contributed to staff resistance to the change.

Despite this attention to data-driven decision making, the lack of accurate, credible data made preparation of the MEO bid difficult and contributed to staff resistance to the change. There was a perception that the FAIR Act inventory data were not consistent across the ICs and that some ICs had not reported all FTEs for the competed functions. Workshop participants stressed that leadership must ensure that teams don't "game" the system. The Workshop group recommended improving data collection and suggested reviewing current NIH business systems that could be used or modified to support this effort (e.g., timekeeping, projects module).

Integration with Related Change Efforts

A critical issue for NIH was the integration of A-76 activities with two contemporaneous initiatives: the NIH Business System (NBS) and ARAC restructuring. ARAC and A-76 have a similar focus on centralization and streamlining, and their anticipated efficiencies were in part predicated on anticipated software improvements.

A critical issue for NIH was the integration of A-76 activities with two contemporaneous initiatives: NIH Business Systems and ARAC restructuring.

At first, NIH had difficulty determining the order of priority between A-76 and ARAC consolidations. For example, the Lessons Learned Workshop participants from the grants competition suggested that A-76 should have been postponed until after ARAC consolidation was complete. Ultimately, the specific ARAC goal to establish service centers for several grants functions was transferred to the MEO, effectively separating the two initiatives. Even so, early uncertainty was problematic. The Workshop participants recommended creating a subcommittee made up of representatives from the ARAC and A-76 efforts to share information.

Outside Assistance

Because in-house time and expertise to implement A-76 was limited, outside assistance was instrumental. NIH recognized this, and secured contract support for the teams developing the PWSs and MEO proposals. However, while the contractor was familiar with A-76, it lacked experience with a decentralized organization like NIH and did not always provide the best advice, urging a reduction of FTEs and costs beyond what many believe in retrospect was necessary or prudent. Its recommendations were not based on a workload analysis. The Lessons Learned Workshop participants recommended using more

Because in-house time and expertise to implement A-76 was limited, outside assistance was instrumental.

[18] CASC is chaired by the DDM and comprised of EOs and senior NIH officials in the areas of competitive sourcing, acquisition, strategic planning, HR, EEO, General Counsel, and IT.

than one contractor, improved data collection tools, and training that is focused, ongoing, and up-to-date with A-76 rules.

Other agencies have successfully relied on contract support. One Navy official who had participated in a competitive sourcing study noted that it is important that contract support be on-site and on call. He also cautioned that agencies should use contractors as a supplement, rather than a substitute, for government involvement in the process.

Communications

Initially, A-76 competitive sourcing was regarded with suspicion and resistance at NIH, making effective communication a high priority. Communicating across the 27 ICs at NIH was a significant challenge, which the agency took several steps to meet. In October 2003, the Commercial Activities Review Team (CART)[19] developed a communications plan to coordinate between DHHS and NIH leadership, staff, and other stakeholders; and to delineate roles and responsibilities. Among other things, the plan called for:

- Weekly meetings with CART and CASC
- Monthly meetings with stakeholders (e.g., EOs)
- Internal A-76 web site with FAQs and information on the process
- Town hall meetings on the A-76 process (held in November 2002 and March 2003)

Despite these efforts, Lessons Learned Workshop participants pointed to weaknesses in communication both within the NIH community as a whole and among the staff carrying out the competitions. For example, they noted that staff throughout NIH were not convinced that change would occur, and reported that ICs weren't kept fully informed during the competition process. Participants also reported that there was uncertainty about roles and responsibilities of the various players and slow responses to inquiries. Anecdotal information also indicates that promised IC-level briefings were postponed or cancelled, further frustrating staff hoping for information, and that information distributed to different groups of people sometimes seemed contradictory.

…there was uncertainty about roles and responsibilities of the various players and slow responses to inquiries.

Change Management

NIH's experience demonstrated the potential for unanticipated consequences and the need to be able to make mid-course corrections. The grants MEO was bid on the expectations that the downsized operation would (1) include mostly existing staff with institutional knowledge, (2) be staffed with mostly federal workers, and (3) benefit from electronic grants processing tools. Instead, for a variety of reasons—job uncertainty or dissatisfaction, buyouts, or transfer—people left and the MEO faced a staffing shortage.[20] New staff were hired; more than half of the staff

[19] CART, made up of staff from OMA and contract support, provides overall project leadership of the A-76 process.

[20] NIH's experience has mirrored other agencies' experiences with A-76. An October 2004 report by the IBM Center for the Business of Government found that only 13 percent of positions reduced through competition were involuntarily separated; the majority left the agency though retirement or transfer to another government job.

were not familiar with grants operations or NIH. More than 60 contractors were also brought on to fill the gap temporarily. Finally, DEAS is three to four years away from having a fully electronic grants process.

A significant increase is grants workload compounded the impact of the staffing problems. From 2002 to 2004, the number of applications increased by 30 percent and the number of customers by 40 percent. As of July 2005, DEAS only had enough FTEs to cover the 2002 workload. Because the organization operates under a contract with NIH to provide grants administrative services, it was required to submit contract modifications before increasing staffing levels. The FY 2006 modification requested an additional $4.9 million in funding and 94 FTEs. As of June 2005, DHHS and NIH had not provided clear guidance or established processes to submit modifications for A-76 contracts, making this a difficult task.

NIH's experience demonstrated the potential for unanticipated consequences and the need to be able to make mid-course corrections.

Policies intended to ease the transition for workers affected by A-76 also had unintended consequences, leaving NIH understaffed in vital areas. In setting policy for A-76 operations, DHHS promised that no staff would lose their jobs. One step to help ensure this was a Transition Center for employees displaced as a result of A-76 or other consolidation actions. The center offers job search/placement resources, including a course on creating resumes, and one-on-one assistance from career specialists. But NIH also established some broad hiring and promotion freezes, in part to help ensure that positions would be available for staff not included in the MEOs. As the competitions and implementation dragged out, many parts of the agency, not just those directly affected by A-76, experienced attrition. Several functional areas, chief among them Facilities and Finance, became significantly understaffed, putting stress on existing staff and negatively impacting morale. For example, as it waited for the bid protest to be decided, the facilities function faced significant attrition and NIH officials reported that the function was very thinly staffed: the professional facilities workforce was down by about one-third, and staff in trade skills was down by about half.

Policies intended to ease the transition for workers affected by A-76 had the unintended consequence of leaving NIH understaffed in vital areas.

NIH ACTIONS

Resources and Planning

Following the 2003 competitions, the Office of Management Assessment, the division that oversees competitive sourcing at NIH, increased its staff and requested additional on-site staff with A-76 expertise. The agency began using two contractors to support competitions, instead of just one. The contractor that was helping DEAS in its implementation had A-76 experience from DOD and was helping with training, contract modifications, and validating workload data.

NIH has provided clearer guidance for the planning and analysis that underlies the A-76 process. In stressing early planning and more standardized data collection, the agency is mirroring other

agencies' experience. Many agencies moved through the competition process quickly at first, but now recognize the need for planning ahead. The Office of Personnel Management recommends building in at least 60 to 120 days for strategic planning.

NIH has provided clearer guidance for the planning and analysis that underlies the A-76 process.

In the beginning, OMB and DHHS established quotas for the yearly percentage of staff to be studied for competition. In addition, NIH's contractor pushed the in-house teams to reduce FTEs and costs beyond what was apparently necessary to win the competition. NIH's competitive sourcing official now stresses that ensuring adequate performance of the agency's mission—rather than just winning the competition—is top the priority. NIH also has given staff more guidance on FAIR Act inventories and calculating FTEs. One important change is that in determining what positions to include, organizations can "split" FTEs, recognizing that many positions include functions that are both in and out of the scope of the PWS. Human resources staff are also being made more active partners in the process in order to better assess what the probable staffing pool will look like when an MEO is created.

Communications

Early communication efforts were hampered, at least in part, by the newness and speed of the process, as well as by limited staff capacity. Following the first two competitions, NIH leaders recognized that clear communication and active stakeholder involvement are important elements of success.

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NIH was working with one of its contractors to develop an A-76 Handbook. Officials pointed to this effort as key to providing detailed guidance for teams involved with competitions, particularly to clarify roles and responsibilities, as well as to inform the community as a whole about the process.

In addition to the handbook, the competitive sourcing official or his staff was sitting in on all of the competition teams' meetings to facilitate communication among those responsible for the process, to clarify issues, and to resolve problems or ensure they are addressed by senior management.

NIH also was making efforts to engage stakeholders at all levels. All of the key people involved in the process were receiving training on A-76. An interactive web site was established to allow users to e-mail OMA directly; leadership reported that queries were answered promptly. NIH began issuing a monthly status report to all EOs letting them know what is going on with all of the competitions. In an effort to avoid the problems of the 2003 facilities competition, NIH was now making an increased effort to include union representatives in meetings during the preliminary planning process.

Other agencies have taken similar measures to facilitate communications. The Social Security Administration created a competitive sourcing newsletter and held town hall meetings to educate staff about the process. The Department of Commerce established a web training module to perform the dual functions of training employees on conducting competitive sourcing studies and opening lines of communications to address staff concerns. The materials on the site were available to all federal employees as a way to share information and promising practices.

CONCLUDING COMMENTS

The Grants and Facilities competitions in 2003, as well as the successful competitions conducted in FY 2004, provide NIH with a base of experience with which to move forward in conducting A-76 competitive sourcing activities. As 2013—the year when all commercial functions must be competed and several functions will have been re-competed (as required every five years)—draws near, it will be critical to ensure constant and clear communications, solid data collection, and involvement from NIH leadership.

SCOPE AND METHODOLOGY

The Academy did not formally study or evaluate NIH's A-76 processes and has limited this discussion to areas that most directly relate to the ARAC efforts that are the focus of this report. The information presented here was gleaned from the Academy's work with those implementing ARAC restructurings as well as from interviews with NIH staff involved in conducting A-76 competitions, including the NIH competitive sourcing official. Academy staff also reviewed notes and an executive summary of recommendations from NIH's May 2004 A-76 Lessons Learned Workshop. Additional information was collected through a literature review including newspaper articles on competitive sourcing from the Lexis-Nexis database and the web site of *Government Executive*, which has archived several in-depth articles in a section of its site devoted to A-76. In addition, the Academy reviewed reports relating to competitive sourcing published by OMB and GAO from January 1, 2000, to May 2005.

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APPENDIX E
UNANTICIPATED SHIFTS IN NIH ADMINISTRATIVE WORKLOADS

Technical Paper by the Staff of the

NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

For the Deputy Director for Management, National Institutes of Health

September 2005

UNANTICIPATED SHIFTS IN NIH ADMINISTRATIVE WORKLOADS

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SUMMARY:
UNANTICIPATED SHIFTS IN NIH ADMINISTRATIVE WORKLOADS

ADMINISTRATIVE CHANGES ARE SHIFTING WORK TO ADMINISTRATIVE OFFICERS

Over the last four years, change has been the order of the day for administrative services at the National Institutes of Health (NIH). It has been precipitated by many factors. Some change is the direct result of NIH initiatives, such as the Director's Roadmap and the NIH Business System (NBS) initiative. Other change is driven by the President's Management Agenda (including the A-76 competitive sourcing program), and more is driven by various initiatives under the "One HHS" initiative that included consolidation of many administrative services. The varied purposes of these changes included the desire to shift resources from administration to science, improve efficiency and effectiveness, and, in some cases, establish greater oversight in functions with perceived problems.

These changes are touching everyone working at NIH. However, one group was thought to be affected more than others—the Administrative Officers (AOs). So, it was not surprising when a group of AOs suggested to the NIH Deputy Director for Management (DDM) that there had been a dramatic, cumulative impact on the AOs as a result of all of the administrative changes that were occurring. The demands being placed on them had increased significantly.

The DDM realized there had not been any systematic examination of these impacts, and asked the National Academy of Public Administration (the Academy) to examine the impact of the administrative changes on the AOs, including:

- An inventory of the changes that have increased AO workloads
- A listing of specific tasks for each of these change areas
- An indication of how these new tasks have changed the qualifications for the AO positions
- An indication of how the AOs were coping with the added duties

PURPOSE OF THIS REPORT

This report describes a survey conducted in response to the AOs' request to find out more about the cumulative effects of administrative changes on their workloads. It also describes a supplemental survey of executive officers (EOs) and science directors (SDs) in the 27 individual Institutes and Centers (ICs) that constitute NIH. The EOs and SDs do some similar tasks to the AOs, who report to them. So, EOs and SDs are exposed to many of the same workload shifts that affect AOs.

ADMINISTRATIVE OFFICERS LINK SCIENTISTS TO ADMINISTRATIVE SERVICES

At the NIH, AOs (GS 341 job series) are the primary interface between the scientific staff of the Institutes and Centers (ICs) and NIH administrative specialists—human resources, Equal Employment Opportunity (EEO), facilities management, budget, grants, contracts, and others—who have authority for each of the areas of administration.

To understand this essential nexus between science and administration, it is important to understand the basic role of the AO at NIH. The agency attracts high quality medical and scientific staff to carry out its mission through world-class intramural and extramural research programs. To meet these goals, 28,000 people earn their living at NIH on any given day. Approximately 65 percent are regular federal employees and 35 percent are contract employees and numerous other categories of non-FTE employment, including visiting fellows. These people carry out their missions in millions of square feet of laboratory and office space, and they require various support services to successfully contribute their expertise to NIH research goals.

Support for NIH workers is provided by administrative specialists who are experts in their field. In this environment, expert medical and scientific staff must work with experts in administrative disciplines to purchase supplies, promote employees, renovate space, complete travel expense reimbursement vouchers, and perform other administrative tasks.

The AO position evolved to support mission-critical scientific tasks and connect scientific experts to administrative experts. The fundamental responsibility of an AO is to bridge the needs of their organizations with the legal and procedural administrative requirements of laws and regulations, and to help scientists navigate the bureaucracy to implement their mission in a timely manner.

The AO's role varies depending on whether the AO is serving an intramural or an extramural program, a large or small IC, or some other constituency. AO roles also change depending on the "on-site" availability of the administrative specialists who have authority to provide various administrative services. When the HR functions were decentralized to the ICs, and the ICs could staff that function to meet their own needs, the central HR responsibilities and those of the AOs were diminished. The AO's HR role ebbed and flowed, depending on a variety of factors mentioned above. The one constant, however, is that when something non-scientific needs to be accomplished and no one knows where to turn, they call an AO. Most AOs have earned a reputation for their ability to make things happen. The AO community has become the essential lynchpin in moving the NIH mission forward, regardless of whatever administrative changes have occurred.

ADMINISTRATIVE AREAS WHERE WORKLOADS ARE SHIFTING

The Academy worked with the Co-Chairs of the Intramural AO (IAO) group and the Extramural AO (EAO) group (the Co-Chairs) to plan and implement this effort. The group identified 18 administrative areas in which AO workloads had changed or are anticipated to change. Brief summaries of the 18 areas are presented in alphabetical order in Box 1.

Box 1: Administrative Areas in Which Workloads Are Shifting

- **A-76 MEO (DEAS):** implementing the most efficient organization (MEO) that was established to handle the receipt and processing of research grant applications following an OMB Circular A-76 competition.
- **A-76 Studies:** the identification of all functions and individuals associated with the functions considered to be subject to the A-76 competition, development and pursuit of competitive proposals, and the implementation and maintenance of the Commercial Activities Tracking System (CATS) inventory.
- **Acquisitions:** all activities related to the purchase of supplies, equipment, and services, e.g., procurement, use of purchase cards, etc.
- **Budget—administration:** all of the administrative work typical of a budget office.
- **Budget—new systems:** learning and using the new automated systems supporting the budget function.
- **Director's Roadmap:** a variety of new budget formulation and execution responsibilities associated with the crosscutting research mission areas identified by the NIH Director's strategy.
- **EEO:** the functions left behind in the ICs after EEO staff and functions were consolidated into a central office.
- **Ethics:** the increased oversight on ethics-related issues at NIH to tighten up compliance and reduce abuses of the rules.
- **Finance:** most of the transactional processing of, and accounting for, disbursements of funds using new software systems.

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- **HR new and frequently changing administrative processes and procedures** related to the review and approval of GS 14 and 15 positions, advertising vacancies, changing Title 42 pay settings, and other matters.
- **HR new software:** the six new HR related systems introduced NIH-wide over the past few years.
- **HR work returned without resources:** the work, both HR related and non-HR related that the HR specialists used to handle in the ICs but no longer perform in the consolidated organization.
- **Visiting Program:** the HR support services for foreign scientists with five years or fewer of post-doctoral research experience.
- **Information Technology:** a cross-cutting area that includes all of the IT consolidation efforts implemented across NIH, such as help desks, e-mail systems, and network monitoring.
- **Management Controls:** a cross-cutting area covering new controls that NIH and the Department are imposing to increase oversight of administrative functions and reduce losses and risks.
- **Space Management:** the work associated with leasing, managing, and renovating space.
- **Travel—administrative clearances:** the work surrounding additional clearance requirements imposed as a result of terrorism and other concerns.
- **Travel new systems (GELCO):** learning and using the automated GELCO system for the preparation and approval of travel orders and vouchers.

DESIGN OF THE TWO SURVEYS

Because so many of the AOs were potentially affected by these administrative changes, the Co-Chairs and the Academy agreed to survey everyone at NIH (other than executive officers) classified in the GS 341 series. In addition, the Academy added others from the NIH community who were doing AO work, but who were not classified in the GS 341 series. The total population surveyed was 440 employees. This is believed to account for all NIH staff engaged in administrative officer work at that time. Since this survey covered the whole universe, no statistical analysis of sampling error was needed.

The survey instrument, designed specifically for this task, was made available to this group online to get their perspectives on the areas increasing their workload, the coping techniques they used to deal with the increased work, the specific tasks they are responsible for, and the impact these changes have had on the qualifications needed to perform their jobs. The survey also asked for demographic information regarding the work environment of the responding AO—including the IC they work in, mission of the areas they service, size of population served, and years of experience—to determine if these demographics affected the responses to the survey questions.

The respondents were also given three open-ended questions:

- Please describe how the qualifications for your job have changed.
- Please explain the effect each of these areas (the top five) has had on your workload.
- Do you have any suggestions for how to reduce your workload?

A similar, but somewhat shorter, survey was designed in consultation with representatives of EOs and SDs, and was administered to all 27 of both types of these officers in the ICs shortly after the AO survey was completed. Results of the EO/SD survey are presented following results of the AO survey.

AO SURVEY RESPONSE RATES WERE HIGH AND REPRESENTATIVE

The 70-percent response rate to the AO survey was outstanding. A brief summary of the major demographic findings follows:

- The scope of AO responsibilities varies, depending on the ICs in which the AO works.
- The areas of work that respondents most frequently identified as one of their responsibilities are: HR work returned, new HR administrative procedures, new HR software, new travel system, budget administration, budget systems, acquisitions, and new travel administrative clearances.
- The areas of work that respondents *most* frequently identified as "not one of their responsibilities" are: Director's Roadmap (possibly impacting only higher level staff), A-

76 MEO (clearly focused on the extramural staff), A-76 studies (just getting started in certain areas), and EEO (traditionally not an administrative officer function, although this may change as a result of the recent consolidation of the EEO staffs being implemented at the time of the survey).

- All ICs except one are definitely represented in the response pool, but 11 respondents failed to identify their IC so it is possible all are included.

- The response rate for ICs closely parallels their representation in the NIH AO population.

- The majority of respondents identified themselves as AOs (58 percent), followed by Supervisory AOs (19 percent), and Principal AOs (12 percent). The remaining 11 percent identified themselves as "other," reporting a variety of different organizational titles: e.g., management analyst, deputy ARC manager, deputy executive officer, etc.

- Fifty-nine percent of the respondents worked in an intramural environment, 43 percent in an extramural environment, and 13 percent in the Office of the Director (OD). (Forty percent of the respondents worked in more than one environment, which accounts for the total equaling more than 100 percent.)

- AOs reported serving anywhere from 25 or fewer people (4.6 percent) to more than 500 (3.5 percent). The majority of respondents (51.4 percent) with the title of administrative officer served from 26 to 100 people.

- On average, IAOs serve more people (76-100) than the EAOs (51-75). The median response for IAOs also was higher (101-125) than EAOs (76-100).

- The AO community is a very experienced workforce. Eighty-six percent of the AO community has a minimum of 6 years of administrative experience, and 27 percent have more than 16 years of experience.

- As a group, the Principal AOs appear to be the most experienced in the AO community (89.1 percent have more than 11 years of administrative experience compared with 75 percent of the Supervisory AOs and 68.8 percent of the AOs).

Taken together, this information suggests that the survey response rate is not only representative of the IC population of AOs, it is also representative of all of the major factors that together distinguish the various AO working environments. The data suggest that the AOs reside in a variety of work environments, so care must be taken not to over-generalize from the information presented in this report. Therefore, most of the data collected are examined against these demographic variables to determine how, if at all, the variables influence AO responses to the survey.

AO SURVEY FINDINGS

The survey responses provided ample information to answer the DDM's questions concerning: areas causing increasing workload, coping techniques being used, specific tasks involved, and impact on qualifications. The open-ended question responses provided a wealth of additional information about impacts on programs and people, and suggestions for improvements. A summary of survey results follows.

Administrative Areas Causing Most Additional Work for AOs

- **The survey confirmed a significant shift in workload burden to the AO community at NIH as a direct result of the major administrative changes that have occurred in the past few years. AO workloads have increased and the nature of the work, as well as the qualifications to perform it successfully, have changed.**

- All 18 of the administrative areas have caused increases in workload to some positions in the AO community.

- The number of AOs reporting workload increases varies by administrative area, from 45 (Director's Roadmap) to 221 (HR work returned to the IC).

- The mode (most frequently occurring) responses revealed workloads were increasing in nine administrative areas:

    1. A-76 MEO
    2. A-76 studies
    3. Ethics
    4. HR returned to IC without resources
    5. HR new software
    6. HR new administrative processes
    7. Management controls
    8. Travel new systems
    9. Travel administrative clearance

- With the exception of the moderate effects described below, the demographic characteristics had little effect on how the respondents answered the "increased workload" question.

    - The institute that the respondents serve had a moderate effect on their assessment of workload across all nine areas.

    - The mission a respondent serves (intramural, extramural, Office of the Director, or mixed) had a moderate effect on their assessment of A-76 MEO workload.

    - Size of the population served and years of administrative experience at NIH both had a moderate effect on respondents' assessment of ethics workload.

  - Organizational role (level of job responsibility) had a moderate effect on HR work returned to the IC and new travel systems.

- When identifying the areas most responsible for causing an increase in workload, the AOs, the Principal AOs, and the Supervisory AOs all agreed on the top four sources: HR work returned to the ICs; new HR systems, new HR procedures and processes, and new travel systems.

- Ethics was the next highest area identified by the Principal AOs and the Supervisory AOs, while "travel administrative clearances" was the next highest for the AOs.

- Sixty-one percent of EAOs reported the A-76 MEO as contributing to their increased workload, compared to only 5.2 percent of the IAOs.

- The mode response of "workload stayed the same" was found in eight areas:

  1. Acquisition
  2. Budget administration
  3. Budget new systems
  4. EEO
  5. Finance
  6. Visiting program
  7. Information Technology
  8. Space management

- Differences in demographics had some "moderate" or less significant effects on responses in these eight areas, as presented in Appendix D.

The timing of this survey likely contributed to the survey responses in several areas. The fact that several of the administrative change areas were only recently accomplished (EEO and IT) and several more are scheduled to be implemented in the near future (acquisitions, budget—new systems (UFMS), space management (MEO implementation)), suggest that the full impact of these changes on the AO community has yet to occur.

Coping Techniques Being Used

Respondents who indicated there had been increases in workload were asked to indicate how they were coping with this added burden, selecting one or more from the following: compensated overtime, uncompensated overtime, postponing other work, lowering the quality of other work, reassigning work to others, absorbing the additional work by improving their own efficiency, and "other" (the respondent was then asked to specify what these were). Responses indicate that:

- **The two top mechanisms reported for dealing with additional work are "postponing other work" and "uncompensated overtime."**

- All of the other coping mechanisms are reported being used throughout the ICs, but to a lesser extent.

- The least-reported coping mechanism is "compensated overtime."

When examining the responses across all 18 of the change areas, similar patterns emerge:

- The most prevalent coping mechanisms reported by AOs for all 18 administrative areas were "postponing other work" and "uncompensated overtime."

- The proportion of respondents identifying "eliminate/delay other work" ranged from 38 percent (Director's Roadmap) to 61 percent (for new automated systems in both HR and Travel.)

- The proportion of respondents identifying "uncompensated overtime" ranged from 35 percent (IT) to 86 percent (HR work returned to the ICs).

- Compensated overtime is the least often used technique, with the range among administrative areas from zero for IT to 7.4 percent for acquisitions.

Impact of New Work on AO Qualifications

The majority of respondents (55.6 percent) said that the additional workload had an impact on the qualifications for their job; 29.6 percent said it did not, and 14.8 percent did not answer. Of those who responded to the question, 65 percent believed the changes have impacted job qualifications; 35 percent believed they had not.

Responses to Open-ended Questions Expand on Survey Findings

The open-ended questions allowed survey respondents to provide comments and details to identify the specific added tasks for each of the administrative areas reported to have the most impact on increasing workload. These areas include: HR work returned to the ICs; HR new automated systems; HR new administrative procedures; travel new systems; travel administrative clearances; ethics; and A-76 MEO (DEAS). The detailed reports provided in Appendix C [of the *Administrative Workloads* report] include brief summaries of the voluminous comments received from the survey respondents—including those which identified the new specific tasks involved, some of the perceived effects of this added burden, and some suggestions for dealing with the added workloads.

Four Main Patterns Provide Insight into Impact of Change on AOs

The Academy study team observed four main patterns with some possible cause-and-effect relationships between types of changes and the types of potential impacts on the AO community. These four patterns, which are discussed below, provide insights concerning the nature of administrative changes and how they have or may affect the AO community.

Consolidations: The NIH consolidations (HR work returned, IT, EEO, DEAS, and space management) have or may in the future take administrative specialists out of the ICs, making them less accessible to the AOs or other IC staff (due in some cases to their new location), and may result in reduced numbers of specialists. AOs report that these consolidations have:

- Blurred the division of responsibilities between the ICs and central offices.
- Caused AOs to take on administrative tasks left behind when administrative specialists were relocated.
- Left unclear, in many cases, how and by whom the work should be handled.
- Added to confusion by seldom communicating a systematic and clear message about division of responsibilities in the consolidated organizations and the ICs.

These reported effects appear to have occurred with the HR and DEAS consolidation efforts. The EEO consolidation was just beginning at the time of this study and there had been serious attempts to ensure that some of the difficulties of the HR and DEAS consolidations were avoided. (Note: At the time of this review the Acquisitions consolidation was still in the planning stages and the management involved was also attempting to avoid these aspects of the prior consolidations.)

New Administrative Systems: In a short period of time, numerous new automated systems—such as Travel, HR, Grant Processing, and Budget—were implemented throughout NIH. The AOs report that many of the new systems increased their workload as well as that of the scientific and program staff. From their perspective, implementation would proceed more smoothly if AOs and/or their supervisors were more involved in the design of the systems and if more rigorous testing were performed prior to deployment. In the AOs' opinion, this would minimize the amount of time needed to master the use of the new programs.

Increased Oversight and Control, and New Top-Down Initiatives: The new initiatives and requirements introduced over the last few years are reported by AOs to reflect a top-down management philosophy that stresses efficiency, accountability, and quick results. Eight of the 18 administrative areas covered in this report fell into this category, including: management controls, travel clearances, ethics, HR visiting program, HR new procedures, finance, A-76 studies, and the Director's Roadmap. To the AOs, these areas represent new, additional work that differs from the added work of consolidations and new administrative systems—which simply represented different ways of doing prior work. In these new areas, the work itself is new. For example, the nature of the clearance requirements for the visiting program was changed significantly as a result of the 9/11/01 terrorist attacks. The requirements for DHHS clearances of both domestic and international travel have added more reviews throughout NIH and at the DHHS level, as part of the "One HHS" initiative.

With many of these changes, the AO community has been called on to:

- Research and learn new rules, regulations, and policies that have been implemented
- Get involved in NIH mission/program work in the areas of ethics, the Director's Roadmap, and A-76 studies
- Become knowledgeable about the legal and policy requirements and the programmatic implications of approval and disapproval decisions, so they can advise program officials
- Provide management analysis, including collecting data, analyzing it, and reporting their findings to higher authorities

Crosscutting Impacts on Managerial Responsibilities and Qualifications: The AOs also report assuming additional managerial and leadership tasks along with new managerial skills needed to "make things happen," such as:

- Negotiating for administrative services for their IC with staff in other organizations not reporting to their IC
- Multi-tasking and often juggling competing program priorities
- Trying to do more with less
- Helping to manage conflicts that arise in their work environment
- Handling aspects of the contracting process, including assuming project officer responsibilities for contract services to assist the ICs

To cope with these new tasks, the AOs identified additional qualifications that they believe are now necessary to successfully accomplish AO work. These were described by AO comments such as:

- To be an AO you must have many traits to succeed: Patience; versatility; knowledge of everything, or at least know where you can go to get the information; and the ability to create a network of resources, analyze information and interpret policy, and be detail-oriented and a forward positive thinker.
- We must continually use analytical, organizational, and managerial skills to handle situations that are much more complex.
- We have to have greater expertise in connecting the dots to make things happen, and there is an increased need for communication skills and flexibility.

- Due to increased responsibilities and the need to multi-task at a faster pace, the position of AO requires someone who can quickly grasp new policies and procedures and integrate them into his or her daily work schedule.

- If you are not hugely persistent or intuitive, it is easy to accept an incorrect response and proceed in the wrong way.

The Academy study team recognizes that a much more detailed analysis would be necessary to make conclusive findings in this area. It is instructive however, to recognize and attempt to incorporate this kind of information as feedback on past changes as well as for future decisions based on the widespread input received in this survey.

A SUPPLEMENTAL SURVEY VALIDATES THE AO SURVEY

The responses from the supplemental EO/SD survey strongly support and expand on those from the AO survey. The EOs/SDs provided an IC-wide perspective on which IC staff have had to assume increased work and how the administrative changes have otherwise affected the ICs. They also confirmed AO responses concerning coping techniques.

- The EOs/SDs reported that the AO workload has increased more than any other positions in the ICs. In addition, out of the four top administrative areas that EOs/SDs reported as having increased workload the most in ICs, they identified AOs as being the most affected in three of the areas—HR work returned, HR new software, and A-76 MEO—and as the third most impacted job series in the fourth area—ethics.

- The EOs/SDs also reported that the administrative changes have slowed down and lowered the quality of services, damaged staff morale, worsened customer service, and made management more difficult.

- The administrative areas that EOs/SDs most frequently identified as having negative effects on the ICs are HR work returned, HR new software, ethics, A-76 MEO, and A-76 studies. Not surprisingly, these are the areas that EOs/SDs also ranked highest in increasing workload in their ICs.

- Few respondents reported positive effects of any of the administrative changes.

- The EOs/SDs also reported information about other groups of employees who are taking on added workloads in these administrative areas. The respondents most frequently identified the following groups of employees as having their workload increased: EOs, supervisors (non-scientific), supervisors (scientific), support staff, extramural scientists, and SDs. Due to the broad impact of all ten administrative areas on these groups and the frequency of being identified, these are likely the types of employees, after the AOs, who have assumed the most work in these administrative areas.

SUGGESTIONS FOR EASING THE IMPACTS OF NEW WORK

Responses from both surveys suggest that the AOs are the NIH employees who have been most impacted by the increased workload in the ICs. The Academy team found a doubling of the rate of turnover of AOs leaving NIH through retirements or otherwise during the height of all these administrative changes.

The AOs also offered positive suggestions for change, including the following general suggestions about planning for administrative changes:

- There should be a deliberate and thorough review of the current division of administrative responsibilities and the new division of responsibilities. This review should produce clear instructions and guidance on how things will be different, including processes, procedures, and staff responsibilities. Representatives of all affected staff should contribute to this review. When staff receive additional duties, it should be clear which duties they are no longer expected to do or can give lower priority.

- When technically feasible, new administrative programs, processes, and systems should be pilot-tested at least once prior to full implementation, and more times if kinks need to be worked out. This will provide an opportunity to work out problems and make revisions to ensure the end goal of the change is achieved.

- All staff affected by the changes should receive appropriate and timely training. In addition, it is important that they have the necessary tools to implement the change, including instructions, guidance, regulations, and forms.

- A complete assessment of the qualifications needed to assume new responsibilities should be carried out prior to making changes.

- Management should ensure that the administrative changes are clearly communicated to all affected staff.

The respondents recognized that the level of advanced planning that they recommend will require additional resources. While this report is not intended to quantify the impacts of these changes, such quantifications clearly will be needed in the future. The Academy study team suggests the following two examples of potential starting points for future resource analysis.

1. **The new consolidated HR environment.** According to data collected for a separate Academy study, NIH employed approximately 450 FTEs in the ICs and in the OD to provide HR services before the consolidation. Since consolidation, most of those same functions and services are being performed in the Office of Human Resources (OHR) under a DHHS-imposed FTE ceiling of 256 FTEs. This significant reduction in HR personnel may be related to the fact that the survey respondents identified three HR change areas among the top five areas that have increased their workloads.

2. **Relationship of the growing service area for AOs.** The second area is the growth in the overall NIH employee population. It is important to recognize that the AO community provides services and support to everyone in its work area, including FTE employees as well as non-FTE employees and contractors. The NIH census indicates that the growth in the number of contract employees grew from 3,348 to 5,978 (a 79 percent increase), a far greater growth in service population that that of the general NIH workforce.

This rate of growth for population served, coupled with the added workloads from the administrative changes, has had a significant impact on AO resources. The degree of impact, however, may vary by IC and is something to consider.

ACADEMY OBSERVATIONS

As a result of this study, the Academy staff study team offers the following observations.

- Due to the nature of the AO position in ICs, it is reasonable to predict that whenever there is a significant change in administrative practice, policy, or procedure, the AO community resources will be impacted.

- Change designed to improve efficiency and reduce cost often increases costs during the transition process.

- It would appear that the volume of change that has occurred in administrative areas at NIH in such a short period of time may have exceeded the NIH and AO community's capacity to absorb the changes effectively. The impact may be adversely affecting the NIH Mission.

- Better planning and preparation could improve the implementation and acceptance of future administrative changes.

- For future changes in NIH administrative programs, transitions would be smoother and more likely to meet the transition goals if there is a systematic pre-transition review.

APPENDIX F
PANEL FINDINGS AND RECOMMENDATIONS: I-WEB REPORT

Review of the Decision to Deploy the New USDA Forest Service
Grants and Agreements Software Module through the USDA I-Web
(January 2006)

PANEL FINDINGS

Based on the foregoing interview results, the Panel found that the following major factors led to the decision to deploy the new Grants and Agreements process through I-Web before all of the necessary system components were ready to support it:

1. The initial decision-making process to stand-up Grants and Agreements was primarily driven by a desire to take every measure possible to address potential material weaknesses in the agency's financial audit. Financial accountability has been a major challenge for the Forest Service for several years. Only through extraordinary labor-intensive efforts, typically at the end of the Fiscal Year, has the agency been able to obtain clean financial audits. The desire to do everything possible to get a clean financial audit led to decisions that had a clear bias toward implementing further system automation and process improvements, even when there were substantial known risks with going forward.

2. The importance of completing the telecommunications network improvements (that were underway) before implement the web-based system was not adequately considered, nor was the need to more fully prepare field units to operate the new system. Although software tests were performed on the new process, tests of real-life network and human-factors data input capabilities were not performed. The Forest Service does not currently possess the capability to perform these more comprehensive system tests.

3. Once the Deputy Chief for Business Operations assigned the responsibility for the deployment of Grants and Agreements on I-Web to the INFRA staff, the progress of that undertaking was not monitored in sufficient detail for the Deputy Chief to be fully apprised of the costs and the risks of the overall undertaking. As a result, the Deputy Chief was surprised in April of 2005 to find that the agency had no real alternative to rolling out a system which their own technical advisors in the IRM Staff indicated was likely to encounter very significant problems, especially from a network standpoint.

4. There was not adequate discussion of the impacts of the proposed business process changes early enough in the decision process. For example, there was insufficient discussion of the radical change in the number of employees who would now have to access the computer system to carry out their responsibilities in the Grants and Agreements process. Had the senior management officials involved been more fully aware in the beginning of the total costs of the investments necessary to stand-up I-Web and Grants and Agreements in May of 2005, and especially of the risks associated with this decision, it is possible that they might well have insisted on conducting a more

rigorous search for alternative ways to get through 2005 with a clean financial audit in the Grants and Agreements area. In particular, alternatives might have been explored in the business process redesign to reduce the number of people needing computer access.

5. The transitional challenges resulting from the implementation of the competitive sourcing outcomes contributed significantly to the inability of the IRM Staff to implement the planned data center consolidation and get more deeply involved in the broader enterprise architecture issues being raised in a timely manner.

6. The current decision-making process centered in the Information Resources Board (IRB) does not adequately raise broad system architecture issues unless new investments would be required. In the (G&A) case, adequate funds were already available, so budget issues and broader operational issues were not raised. The Board's composition seems appropriate for considering broader issues but the Panel found that its charter is not broad enough and the materials prepared for its consideration come from a variety of primary sources that do not always provide adequate scope and context to support objective decision-making on broad, strategic issues. The primary role of the Forest Service's existing IRB focuses almost exclusively on investment decisions regarding individual technology projects. The Board consists of senior managers in the Forest Service and is made up as follows:

    a. Primary Members:

    - Deputy Chief of Business Operations (OPS), Chair.
    - One Associate Deputy Chief from each of the other Deputy Areas—Budget and Finance (B&F), National Forest System (NFS), Research and Development (R&D), State and Private Forestry (S&PF)—to be appointed by the respective Deputy Chief.
    - One Station Director, to be appointed by the Deputy Chief for Research and Development.
    - One Regional Forester, to be appointed by the Deputy Chief for National Forest Systems.
    - Chief Information Officer (CIO), Executive Secretary. As such, the CIO serves as a primary member of the Board as well as the Executive Secretary and provides general support for the Board's information, deliberation, and communications needs.

    b. Alternate Members:

    - Associate Deputy Chief for Business Operations, Alternate Chair.
    - One named WO Staff Director to be appointed by each of the Associate Deputy Chief Board Members (for B&F, NFS, R&D, S&PF).
    - One Assistant Station Director (AD) representing a different Research Station to be appointed by the Station Director Board Member.
    - One Deputy Regional Forester (DRF) representing a different Region to be appointed by the Regional Forester Board Member.

- Deputy Director for Information Resources Management, Alternate Executive Secretary.

c. Ex Officio members: The Board at its discretion may name non-voting Ex Officio Members to represent information issues that cross Agency or Deputy Area lines of responsibility and might not otherwise be represented sufficiently by the voting Board members. Current Ex Officio Members include:

- Chair, FS Geospatial Executive Board (GEB).
  The composition of this board appears to adequately represent all the Forest Service business lines, IT infrastructure units, and software/database providers.

The IRB evaluates new proposals, ongoing projects, and operational systems to create a FS information resources portfolio that best supports the agency mission and program delivery process. The Board provides guidance and management direction on those projects considered critical to agency business needs. The IRB provides overall agency leadership toward implementing the capital planning and investment control process for information resources, as described in OMB Circulars A-11 and A-130, USDA's CPIC Guide, and FS Information Resources Investment Management policy, FSM 6608 (pending revision). Specific IRB responsibilities are to:

a. Guide the development and management of the FS portfolio of information resources investments such that it maximizes benefits to the agency while mitigating the risk. The FS IR portfolio comprises all investments reported through the Information Technology Investment Portfolio System (I-TIPS), including major information acquisition and manipulation projects.

b. Provide guidance for the development of proposals and for the management of IR projects, systems, and portfolios.

c. Evaluate how well IR investments are meeting cost, schedule, performance, and other objectives based on information provided by the CIO from in-progress reviews of selected projects within the portfolio, and recommends adjustments, as appropriate.

d. Prioritize investment proposals and recommends national IR investments for funding from the WO budget to the Executive Team as part of the agency's program planning and budgeting process.

e. Evaluate progress of the agency's CPIC process and IRB oversight annually, and adjusts as necessary to improve effectiveness and efficiency.

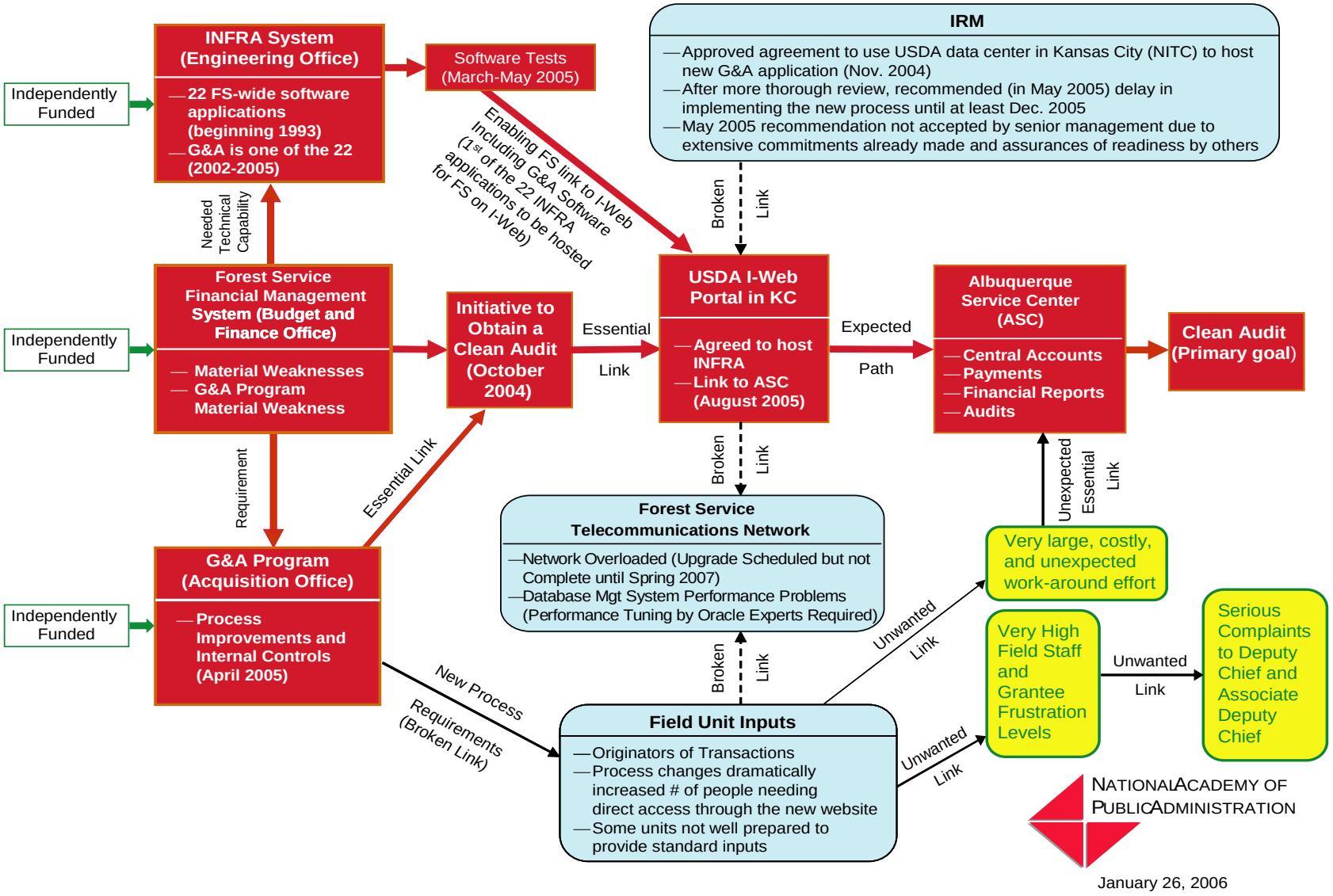
The Board does not play a major role in the management of on-going software development projects, nor does it play a key role in developing an agency-wide Information Technology Strategic Planning Process. This limitation has prevented the IRB from performing the fuller role that the Forest Service needs it to play.

7. The Forest Service does not currently have a clearly recognized IT strategic plan and vision designed to coordinate the activities of the many disparate players in this highly dispersed area of activity. Instead of having an obvious place to go to get the IT upgrades he needed to overcome a material weakness in the accounting system, the CFO had to shop around to pull together the particular capabilities and resources he needed. The CIO and the IRB were not central players in meeting this need. Part of the reason was that the CIO's organization was in transition because of an A-76 Competitive Sourcing decision to consolidate and completely reorganize, reinvent, and re-staff the overall IT Infrastructure function.

8. Although the Forest Service achieved its goal of a clean audit, it paid a high price in negative business impacts, especially in the field units. Organizational and business process risk factors associated with dramatic changes in Grants and Agreements operations were inadequately identified, assessed, and communicated. As one result, implementation required extensive work-arounds and generated high levels of employee and grantee frustration.

Figure 2 provides a flow chart showing the many different parties involved in this decision, how and when the events unfolded, and the results. The "bold" elements flowing through the center of the chart were the main drivers of the decision. The "broken" links with IRM, the telecommunications network, and the line organizations in the field show the main deficiencies in the decision-making process. The shaded boxes in the lower right corner show the undesirable results that occurred.

FIGURE 2
DECISION PROCESS: HOSTING THE NEW G&A PROCESS ON I-WEB IN 2005



PANEL RECOMMENDATIONS

The findings from this case clearly show, once again, that major IT decisions can be risky. Increasingly, organizations and individuals are becoming dependent on computers, the networks to which they are attached, and the software systems that provide the means to perform the vital functions for which they are responsible. Grants and Agreements is a very big function in the Forest Service. It involves not only the achievement of national goals, but also the desires and goals of thousands of individual state, local, and private cooperators. But this function depends, in turn, on the existence of an adequately sized IT infrastructure within the Forest Service that is available with flawless reliability every hour of every day throughout the year.

That adds up to a lot of disparate capabilities that need to come together seamlessly in order to meet the needs of many different people and organizations. The very multiplicity of elements in this case made it inherently risky—and deserving of extraordinary care and attention to ensure that the IT system is able to operate as what Professor Karl Weick calls a High Reliability Organization (HRO).[21]

The history of federal IT systems—large and small—is strewn with disappointment and worse, so there has been plenty of advice to go slow, consult the users and service providers, carefully integrate the many separate parts of new systems, and then test them thoroughly before implementing them. What Prof. Weick has found in his extensive studies of highly risky enterprises—ranging from aircraft carriers, to nuclear reactors, to wildfires—is that successful organizations that live with high risks day-in-and-day-out become extremely sensitive to the environment within which they are operating. And they do not dwell on their success. Instead, they pay special attention to what can go wrong and how they can keep it from going wrong. They rely a lot on the people who are closest to their critical problem areas to take immediate corrective actions, but top management remains ready to step in and assist rapid responses to keep small problems from becoming big. They also stress learning from every serious incident that occurs how to avoid it in the future. Weick calls this being "mindful" of their risks.

This I-Web case is not the first major IT system upgrade to run into significant problems in the Forest Service and USDA. Other recent system installations that have not gone smoothly include new acquisition and travel systems. So, I-Web looked to many employees like another new system out of the same mold—at least as it affected the users. And more are in the wings—a new, drastically different e-mail system and a new human resources system are next in line, and many more are waiting behind them. One could not fault the average Forest Service employee or cooperator for beginning to believe that they have been chosen as the guinea pigs for testing these new systems live in the field.

The Panel believes that this I-Web case illustrates a general process problem—not just a problem with a specific decision. Responsibilities for developing and deploying new IT systems are divided among so many different players that a continuation of this pattern of problem-plagued automation projects can be expected if the decision process is not fixed to bring these divided

[21] Karl E, Weick and Kathleen M. Sutcliffe, *Managing the Unexpected: Assuring High Performance in an Age of Complexity*. San Francisco: Jossey Bass, 2001.

responsibilities together much more effectively. Some of the players are responsible for program missions, some for administrative processes, some for software development, and some for the IT infrastructure on which the other parts of the system run. But, no one is really empowered to bring these pieces together so they can work together smoothly and provide IT system innovations and operations with increasingly higher degrees of efficiency, effectiveness, and reliability. The current charters of the Forest Service CIO and the IRB are not adequate to this task.

To address this situation, the Panel believes that the following four recommendations should be implemented. They are designed to transform the Forest Service IT operations into the equivalent of an HRO.

RECOMMENDATION 1: The Forest Service should establish clear responsibility for designing and integrating a comprehensive agency-wide IT strategic plan, supported by updated and enforceable policy and procedures manuals.

As stated earlier, the CIO's organization was in transition because of an A-76 Competitive Sourcing decision to consolidate and completely reorganize, reinvent, and re-staff the overall IT Infrastructure function. One might argue that the I-Web decision might have been made differently if it weren't for this awkward timing. However, the Panel's findings indicate that the IT "infrastructure" issues (essentially the network and hardware parts of the system) addressed by the A-76 decision are only part of the overall system, and that it is still not clear how the mission-driven software development efforts and operational training needs of the field personnel who will use the new systems are to be coordinated. These three major sectors of responsibility were not well coordinated in the I-Web case the Academy examined.

Responsibility needs to be firmly fixed within the Forest Service so that everyone will know where to go to initiate a new system requirement and have it satisfied in a manner that coordinates all three sectors of responsibility. In addition, needed authority should be provided to ensure that IT infrastructure, software, and human factors are designed to work together seamlessly, are tested realistically as a unified system, and are deployed only after the organizational units and personnel affected have been properly prepared to operate the new system.

The current acting CIO (who is also the Director of IRM) and the Director of Engineering in the National Forest System (where INFRA is housed) have agreed that the Forest Service needs an Integrated Business Environment (IBE), which would address issues like this. And they have chartered an IBE Team to begin working on it. The Panel believes that this initiative is a step in the right direction, and should be supported. All alternatives developed by the IBE Team should address governance, performance, and service requirements.

This IBE will establish the Forest Service system architecture that will provide the foundation upon which the agency's IT strategic plan will be based. New IT infrastructure and mission driven software systems would be required to be consistent with the strategic plan, and future IT funding, design, and/or deployment decisions would also have to be consistent with the plan.

Revised and updated policy and procedures manuals, with enforcement mechanisms, should underpin the IBE.

RECOMMENDATION 2: The Forest Service should expand the scope of responsibilities of the Information Resource Board to include developing the IT strategic plan, setting priorities, and taking the specific steps needed to effectively implement the approved plan. IRB should be provided a small dedicated staff to prepare its agenda and to ensure follow-up on its decisions.

Recognizing the wide diversity of responsibilities and needs for IT services that are dispersed throughout the Forest Service, IT systems developers and implementers will need widespread advice, support, and customer acceptance to be successful. The IRB should be better positioned to serve this purpose. The IRB's composition appears appropriate for considering these broader issues, but the Panel found that its charter is not broad enough and the materials prepared for its consideration are not broadly enough conceived to provide adequate scope and context to support objective decision-making that takes into account system-wide risks, benefits, and interdependencies.

RECOMMENDATION 3: The Forest Service should ensure that a comprehensive business process analysis and design process is used for system redesign and reengineering efforts. In addition, the Forest Service should establish a robust system-testing capability that can simulate and validate the workability of new automated systems before they are deployed into the field.

Systems testing should encompass much more than software testing. As this I-Web case showed, network capabilities, and human factors in the field offices are equally important elements of a smoothly functioning system. This broader type of testing is obviously more challenging, and the Forest Service does not currently posses the capability to accomplish it. However, it is vital to ensuring improved performance, less mission disruption, and greater field acceptance of new systems. The ability to simulate field conditions should be considered as part of this new testing protocol. The IBE Team has begun considering such a capability, and one of the follow-on projects it is considering is a "corporate application lifecycle methodology." This initiative should be encouraged.

Both the analysis of the business processes and the testing and evaluation of new systems should include the assessment of risks and benefits provided by knowledgeable subject-matter experts and a first-rate technical staff. This information must be available to advise senior managers of the risks and benefits of the actions they are promoting in an environment that encourages free and open exchange of objective information and competing views on a timely basis. Only then will senior managers be assured that they are making decisions with all the relevant facts in front of them. The long-term strategic planning framework promoted in developing the IT strategic plan will encourage this thoughtful approach and reduce the tendency to surface major issues late in the decision process when they are clouded by urgent mission demands.

RECOMMENDATION 4: The Forest Service should adopt and require the use of a project management process for software development projects. Many models exist for such a process. The process adopted should include formal project reviews with clearly defined go/no-go decision points that incorporate appropriate criteria and clear identification of the level of the organization responsible for required go/no-go decisions.

The Forest Service currently does not have a formal project management process for application development projects that is used consistently across all projects and, when project management procedures or techniques are used, they often are not used at the highest levels of the agency. The decisions at those levels are too often made in a less formal and less structured environment than is necessary for projects of this magnitude. Potential check-offs on the go/no-go list might include consistency with the strategic plan and IT investment program, business owner concurrences, software system tests completed, server capability certification, telecommunications network capacity certification, assessment of risks, contingency plans, change-management program planned and implemented, and other relevant factors essential for a successful new-system deployment. Such a formal process should be used at various stages of system planning, design, development, and deployment to make sure that all essential factors are being considered throughout the lifecycle of the initiative.

RECOMMENDATION 5: The Forest Service should make change-management resources available to the whole agency, and mandate their use where appropriate, to help smooth transitions from old ways of doing business to new ways.

The IT changes involved in this I-Web case were tied to internal mission needs and government-wide initiatives that can be expected to continue to buffet Forest Service management for many years. Each such change has the potential to cause significant disruption within the agency if it is not given careful attention. Employees' careers are at stake, training is needed to qualify employees for new assignments, new organizational units need to find space and equipment, not all the work being done by the people in jobs that are consolidated follows those people to their new jobs, and so on. The communications and services provided to help bridge these disruptions—while maintaining mission performance—have been found to be vital in other agencies. And, the Forest Service has begun to recognize this need as well.

What is not yet commonly recognized is that the federal government is now in a long-term era of very considerable change in the way it does business, and that many agencies probably need a permanent change-management unit specially trained and resourced to plan for and smooth the process. Each change, now, tends to be treated on its own terms. Some training is provided here to take care of a particular change while no training is provided over there for an equally great change because no one thought of it. And, some special HR or acquisition services are provided over there for one change, but are not available to accommodate another change. And, the work "left behind" from a consolidation is labeled as a disallowed "shadow government," while the people left behind go nuts trying to cope with it.

These are serious issues that need well considered attention. Some agencies have responded to such needs, and have some experience to share. The Academy's current work at the National Institutes of Health (NIH) illustrates the types of lessons that are being learned about change-

management. Appendix C summarizes the change-management process used by NIH to smooth the multi-year migration from a decades-old financial management system to a new commercial system, and Appendix D summarizes the work left behind by a long series of administrative restructurings. In the financial management case, the change-management services were made available only for that particular change, so when changes were occasioned by A-76, NIH had to set up a separate "transition office." Now NIH is considering joining these units into a single one available to serve any changes that come along within the entire agency. The NIH "work left behind" study reinforced this broadened approach to change-management by showing that it was not so much the changes from any single administrative restructuring that was the problem, but the cumulative effect of multiple consolidations in similar timeframes. Much of the workload shift to remaining personnel was legitimate and burdensome, so efforts are being made to accommodate it.

The Panel believes that the Forest Service will find it increasingly important to institutionalize its knowledge and experience with change management to deal with a continuing flow of work on these matters. This institutionalization process should be considered part of the Forest Service's commitment to continuous improvement.

APPENDIX G
EARLY ACTION BY THE USDA FOREST SERVICE TO IMPLEMENT THE ACADEMY'S ISO INTERIM AND I-WEB REPORTS

Early in this study, the Academy was asked to make an Interim Report (November 30, 2005). In that report, the Academy staff made a number of preliminary observations and suggestions about corrective actions that could be taken before March 2006 to improve the first-year assessment of the ISO. In addition, the Academy delivered a separate report assessing the decision to deploy a new Forest Service Grants and Agreements software module via a new web-based hosting portal known as I-Web. The January 2006 I-Web Report included five Panel Recommendations. The Forest Service immediately began to implement both reports in ways noted below.

I-Web Report Follow-Up

The Academy made five recommendations to help the Forest Service avoid repeats of the serious network capacity and customer interface problems encountered during the rollout of the mission-critical Grants and Agreements software module through the nationwide I-Web platform.

One of the recommendations in the I-Web report was that the Forest Service establish clear responsibility for designing and integrating a comprehensive agency-wide IT strategic plan. The Forest Service took two major actions immediately that begin implementing this Panel recommendation:

(1) The Forest Service Executive Leadership Team approved the implementation of an Integrated Business Environment that will include the establishment of three national data centers. These data centers will be the backbone of the agency's new Information Technology Infrastructure, and future software applications will be required to be developed so they will be capable of operating from these data centers.

(2) The Forest Service recently filled a SES-level Data and Resources Information Officer position whose primary responsibility will be to provide strategic planning and oversight of many of the key business software systems of the agency. This individual will work closely with the Agency CIO to ensure that application development efforts are focused on the need to be compatible with the agency's future Information Technology Infrastructure.

The Academy also recommended that the Forest Service establish a robust system-testing capability that can simulate and validate the workability of new automated systems before they are deployed in the field. One of the three data centers mentioned above will serve as a pre-production and testing environment to address that need.

In addition, the Academy recommended that the Forest Service adopt and require the use of a project management process for software development projects, and that the process adopted should incorporate clearly defined go/no-go decision points that include appropriate criteria and clear identification of the level of the organization responsible for required go/no-go decisions. While the full implementation of this recommendation is being studied by the Forest Service, the Forest Service did not hesitate to immediately begin applying the lessons learned from the I-Web experience as they evaluated decisions about whether or not to release new software applications.

These lessons played a key role in the following two go/no-go decisions by the Deputy Chief of Business Operations.

In one case, the Deputy Chief decided to delay implementation of an Emergency Equipment Rental Software application, because a review of the status of that application indicated that many of the problems encountered in the deployment of the Grants and Agreements software module through I-Web were present in the Emergency Equipment Rental application. Therefore the Deputy Chief decided that additional time was needed for thorough testing, training, and implementation planning.

In a second case, the Deputy Chief decided to delay the stand-up of a centralized Human Resources Service Center at the Forest Service's Albuquerque Service Center for at least ninety days. The go/no-go analysis showed that the new EmPower software, which was a key component of the new centralized Human Resources Service Center, was not likely to be ready for deployment and use in the time frame originally planned.

ISO Interim Report Follow-Up

Similarly, the Forest Service is already taking steps to address some of the preliminary suggestions made by the Academy staff in its Interim Report on the ISO.

1. The Academy recommended that the Forest Service place more emphasis on managing customer expectations about the levels of service the ISO is capable of delivering. The Deputy Chief for Business Operations immediately recognized the need to move forward with more education and information activities in this area. As part of that effort, he recently sent out to all employees a newsletter entitled "Change is Coming." Among other things, the first issue discussed Service Level Agreements and provided web links to more information about them. In addition, the Deputy Chief has personally addressed the issue of Service Level Agreements in a variety of meetings with agency employees since he assumed his current position in January 2006.

2. The Academy suggested additional emphasis be placed on measuring, monitoring, and working to improve or maintain a high level of ISO morale. Any major business transformation such as the ISO stand-up is going to have major impacts on employee morale until employees have had time to adjust to the new realities of their workplace. The Deputy Chief's personal involvement in issues affecting the ISO is a critical first step toward addressing this suggestion. However, much work remains to be done in this area.

3. The Academy suggested that the Forest Service ensure that sound information on ISO costs and savings be developed. The Forest Service had been compiling that information on a regular basis, but had not yet produced any of the required quarterly reports. The information reviewed by the Academy in the development of this report reflects the detailed work done by the Forest Service in this area in recent months. The required financial tracking reports are now available.

4. The Academy suggested that the Forest Service take steps to empower the ISO to manage its own internal affairs with minimal need for external approvals. This is a challenge that all MEO organizations face throughout the federal government, and one that will require close coordination with both the Agency's budget and human resources managers as well as with the Office of Personnel Management. The Forest Service has begun to think about ways to do some of this, but this area needs much more work.

5. The Academy suggested that the Forest Service speed up the process for acting on requests for LOO modifications. The Forest Service has been very active in this area and has approved several LOO modifications recently. In addition, the Forest Service and the ISO are currently negotiating some critical LOO modifications dealing with server consolidation issues—and a resolution of that issue is expected soon.

6. The Academy suggested that the Forest Service pull the government side of the relationship together to provide long-range planning and performance measures that are consistent with those required of the ISO. The Forest Service is actively working on this suggestion on a number of fronts, including (1) working to consolidate many of the government-supplied facility and service contracts, (2) recompeting the computer desktop and laptop replacement contract with much more emphasis on the levels of service that the vendor is to provide, and (3) implementation of a new Performance Accountability System (PAS) that will bring much more rigorous performance accountability and measurement to the rest of the Forest Service organization. In November 2005, IRM issued the first integrated work plan (for Fiscal Year 2006) covering the activities of both IRM and ISO.

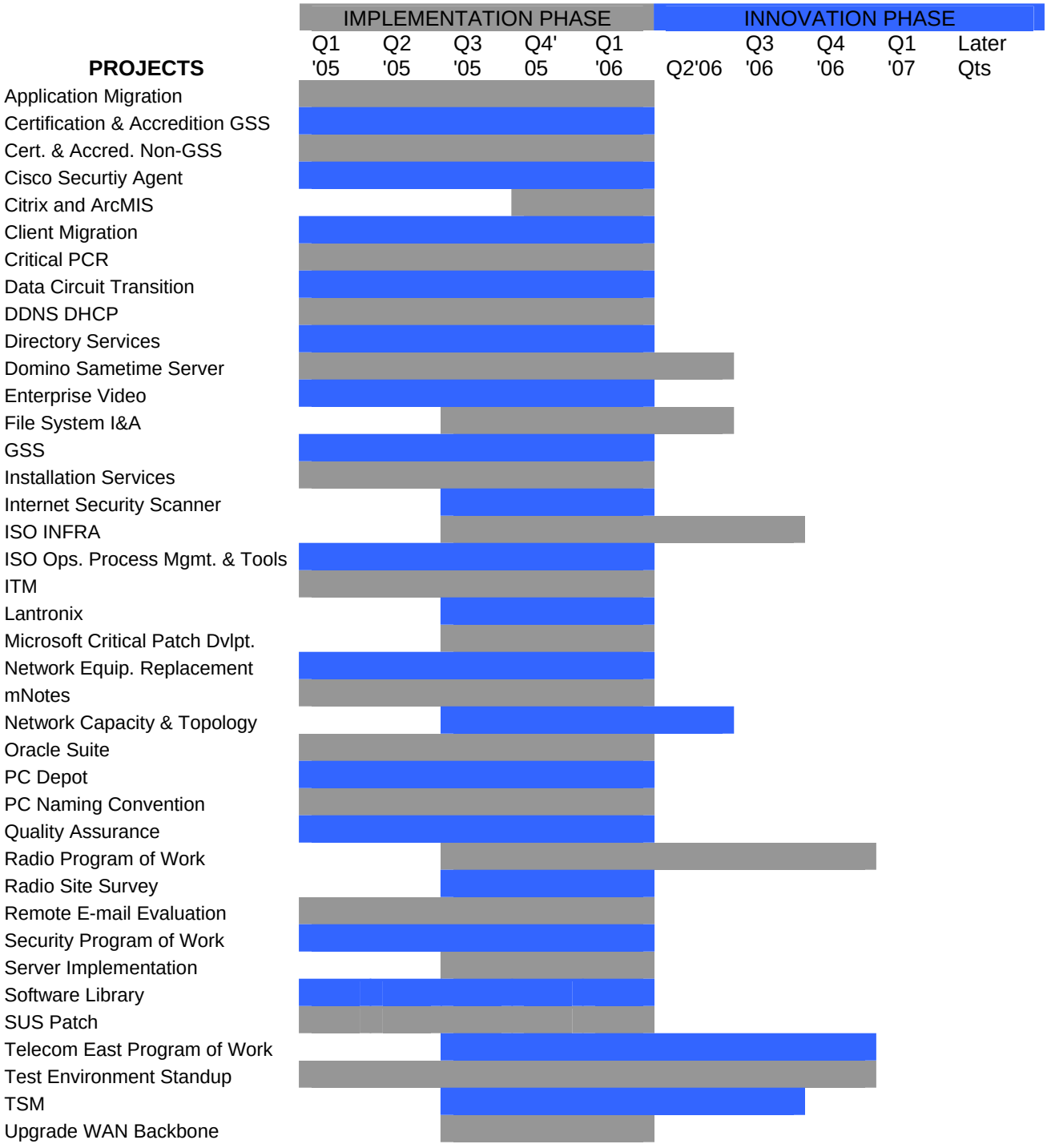
7. The Academy recommended that the Forest Service clarify the relationship with the EUSC (contracting with the EUSC is the responsibility of the IRM organization, but management oversight of the EUSC is an ISO function.) The Forest Service agrees that this issue needs to be addressed, and plans to address it at the proper time in the contracting cycle for the EUSC.

APPENDIX H
ISO PROGRAM OF WORK: IMPLEMENTATION AND INNOVATION PHASES

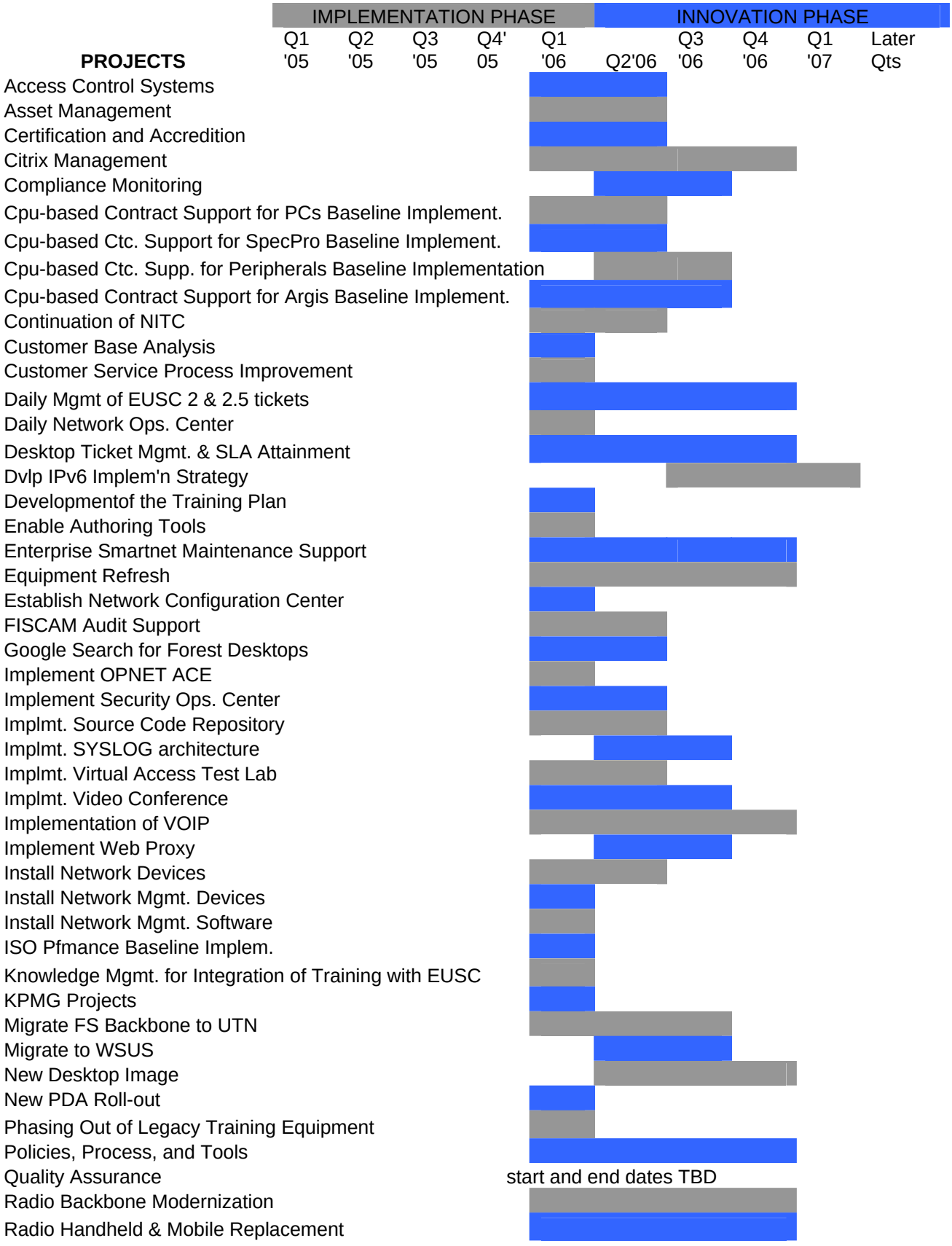
IMPLEMENTATION PHASE COMPLETED PROJECTS (as of 10/18/2005)

AAA Authentication
Admin - Handoff Responsibilities from CIO to ISO
Argis Planning and Design
ASC Transition
ASC Support for FSMIP
Domain Name Evaluation
Enhanced Network Security b/w FS and Job Corps
Review/Planning
EUSC Transition
FS Enterprise Portal Planning
FSMIS
Implementation of All Risk Support
INFRA Mobile Application Review
Install Community Strings
ISO Phase-in Security Plan
Last Known Good State
Microsoft Project Support Evaluation
NRIS
OPS Network Operations Centers
Operations Servers
Oracle 8.1.7.1 on AIX 5.1
Radio Short and Long Term Strategy Approach
SET Team
SIMS (IDS)
Single Image User Re-imaging
SLA External
SLA General
SLA Internal
SLA Knowledge Management
SLA Training
Technical Approvals Phase I
Tivoli ESM Framework
Tivoli Enterprise TRM Splits
Transition/ Phase In Budget and Finance
Transition Operations Network
Transition Risk Management
Update Router IOS
Upgrade WAN Backbone

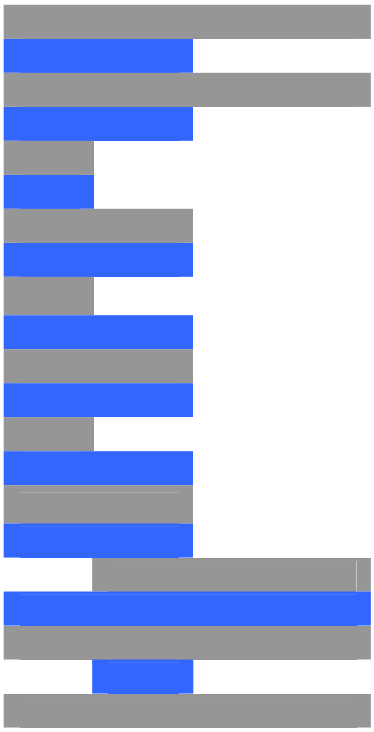
IMPLEMENTATION PHASE—CARRYOVER PROJECTS 10/18/2005



INNOVATION PHASE NEW PROGRAM OF WORK 10/18/2005



Radio Maintenance Support
Radio Modernization
Radio Operational Support
Re-architect FS WAN
Remote Access
Remote Training Kits
Self-Installation
Setup NITC Data Center
SLA Branch QASP and Reporting Requirements
SMTP Gateway
Support Mgmt-Active Directory
Software Library
Technical Approval
Tivoli Server Replacement
Update and Replace Domino Sametime Servers
Update to Sav10 Client
User-enabled Re-image
Voice Operational Support
Voice Modernization
Vulnerability Assesment
Windows Server Management
Workforce Planning Survey



start and end dates TBD

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