

# The Business of Government

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dedicated to improving the management of government*

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by Paul R. Lawrence



This issue of *The Business of Government* commemorates the 10th anniversary of the Chief Financial Officers (CFO) Act of 1990. This act was the first in a series of new legislation enacted in the

decade of the 1990s which mandated that government adopt many business practices common in the private sector. In short, the act required that government begin operating more "businesslike."

In preparing their article, Steve Watson and Kent Owens talked to seven of the government's most respected Chief Financial Officers. When asked about the impact of the CFO Act, all noted the importance of performing a financial audit of a government organization. In many ways, the public sector is now repeating the experience of the private sector. The expansion of audit capability in the private sector resulted in a profound change in our national business culture. A similar revolution in the audit capability in the public sector will likely have a dramatic impact on the culture of government.

In the late 1920s and early 1930s, there was growing concern in the private sector about the need for accurate and objective information to ensure that financial markets operated fairly and efficiently. Franklin D. Roosevelt introduced legislation requiring increased financial reporting during his famous "hundred days." Legislation creating the Securities and Exchange Commission (SEC) was passed. The SEC then oversaw the establishment of the Generally Accepted Accounting Principles, commonly called GAAP.

The private sector accounting "movement" required that corporations be audited by disinterested third parties. It is hard to minimize the effect that financial audits have had on the private sector. The creation of accurate information has become an essential tool for business leaders, investors, and entrepreneurs. A good case can be made that the growth of our national economy can be traced to a commitment to information transparency, stemming from financial audits. For the federal government, the requirement for audited financial statements parallels the private sector's early experience. For example, the Federal Accounting Standards Advisory Board (FASAB) was established in 1990 and created accounting principles for government.

The results of an audit are reported succinctly. A clean opinion means an agency has "passed" its audit. A qualified opinion generally means that deficiencies exist. Deficiencies are described with the understanding that an agency will address the problems cited and fix them. An adverse or disclaimed opinion means that more significant problems exist and that serious attention to the organization's financial management is needed.

During the last several years, the term "clean opinion" has entered the federal government's lexicon. In addition to receiving a "passing" grade, a clean opinion also means that agencies have followed prescribed financial processes. In short, it certifies that government agencies have the discipline to adhere to a series of principles. Since adhering to these principles is a necessary condition for strong financial management, a clean opinion provides independent validation of an agency's financial management skills.

The value of a clean opinion becomes clearer when we recall the private sector experience. Without this validation, doubts existed as to the accuracy of the information and the credibility of management. In the federal government, the same doubts and credibility gaps exist. Congress, for example, with too little time and an abundance of information, is drawn to the audit opinion as a quick way to understand who can be entrusted with scarce resources. Thus, absent other information, a clean audit opinion provides credibility to management seeking more funds.

The attempt to adhere to uniform financial management practices debunks the myth that agencies are unique. Auditors, rendering opinions about how the agencies are faring, provide a meter as to how businesslike our government really has become. In this issue of *The Business of Government*, we recognize the importance of Chief Financial Officers as leaders in this movement. In the decade ahead, the "clout" of CFOs is likely to increase as both the executive and legislative branches pay increased attention to the results of agency audits. The private sector clearly has shown us the impact that audits can have on organizations and on the economic well being of our nation. ■

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## [ OUTSTANDING LEADERS ]

# Leading the Department of Health and Human Services

*A Conversation with Secretary Donna Shalala and Deputy Secretary Kevin Thurm*

*During the fall of 1999, The PricewaterhouseCoopers Endowment for The Business of Government sponsored a lunch seminar with Department of Health and Human Services (HHS) Secretary Donna Shalala and Deputy Secretary Kevin Thurm. The event coincided with the release of the Endowment's grant report "Managing Decentralized Departments: The Case of the U.S. Department of Health and Human Services" by Professor Beryl Radin of the State University of New York at Albany. Endowment Executive Director Mark Abramson and Professor Radin moderated the discussion with Secretary Shalala and Deputy Secretary Thurm. Excerpts from the discussion are presented below.*

*Secretary Shalala, it's now been almost seven years since you assumed the position of the Secretary of HHS. As you reflect back on the beginning of your term, what were your initial reactions to the department?*

**Secretary Shalala:** Let me start with my experience with the presidential transition. We all received transition books. I quickly concluded that the transition team didn't have a clue about managing large institutions. In fact, they recommended the exact opposite of the management structure we developed. The transition team recommended that I institute two new undersecretaries, one to manage the health part and one to manage the welfare part, and thus install two new heavy bureaucracies to get control of the department. Of course, we chose to do just the opposite.

So that was my initial introduction to the department. I knew a little bit about the department because I had actually headed the transition when they pulled education out of the department during the Carter administration. I knew how cabinet agencies were organized because not only had I been a student of government, but I had been at the Department of Housing and Urban Development when Secretary Pat Harris first came in and I had seen that transition. So I knew some things.

I also knew what President Clinton's priorities were. My expectations were that we were going to try to do some very

big things very fast and it was extremely important that I totally focus on recruiting the best team of people that I could bring in. I also worked to produce a list of short-term things that we could do to demonstrate our ability to actually produce real outcomes in the department, as well as some long-term initiatives which the President wanted to do, including welfare reform and health care reform.

So my initial reaction was that I had these transition books that made absolutely no sense because they wanted me to add bureaucracy, to add political control, to centralize, and it was just the opposite of what I wanted to do.

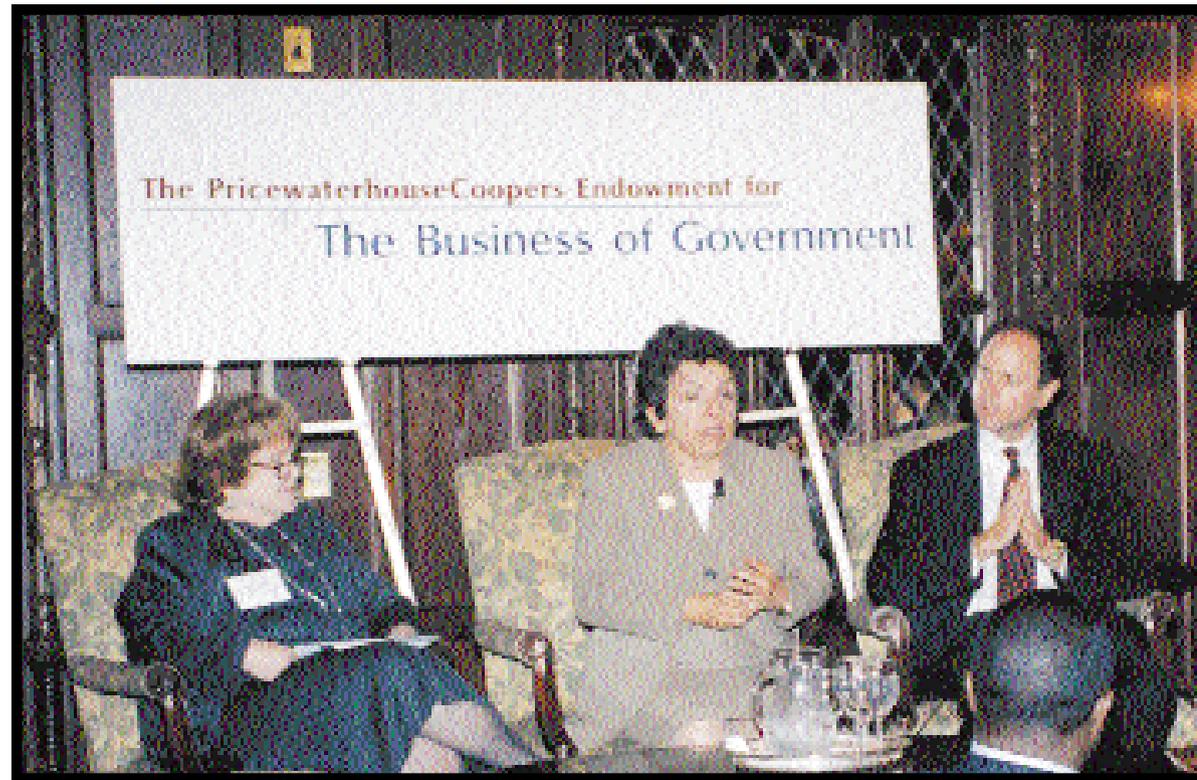
*One of the things that you need in a department is an effective deputy secretary. Deputy Secretary Thurm, can you describe your job?*

**Deputy Secretary Thurm:** In doing the job that I have now, I had the great advantage of having served as the chief of staff of the department. First, the deputy secretary must be in line with what the secretary wants in that role. While there are some standard things that deputy secretaries do, it becomes pretty clear that the position is to fill the role the secretary wants. The two of you must be able to communicate effectively with each other about what that role is.

Second, as I think is the case in most departments, the deputy secretary is the chief operating officer and is essentially in charge of day-to-day decision-making on management issues. The job is also to work closely on policy issues that require the secretary's attention, to guide these issues through the department and to work closely with the chief of staff and executive secretary on these issues. My colleagues and I decide when these policy issues need to come to the secretary's attention.

Third, based on the priorities that have been identified by the President, Vice President, and the secretary, the deputy secretary has to make sure that those priorities are focused on and develop processes for making sure that progress happens.

I also run quarterly meetings on the secretary's initiatives that cross-cut the department.



Beryl Radin (left), Donna Shalala (center), Kevin Thurm (right).

Finally, I want to stress that continuity matters and Secretary Shalala's staying power has mattered a lot in the effective management of the department. The Secretary has recruited excellent people and insisted that we work together and that there would be consequences for people who didn't play by the rules. This is really important, and I think that my colleagues within the department have really stepped up to the tone set by the Secretary's leadership.

*One of the themes and one of the major findings in the Radin report is that the department has really avoided or at least minimized traditional bureaucratic and management processes and structures. What was the reaction of longtime HHS career people to the kind of approach that you put in place?*

**Secretary Shalala:** Well, we made some strategic moves at the beginning that were very important. The White House asked me how many political appointees we wanted to keep as we were going through the transition, and I said basically none except for two individuals. We kept David Kessler at the Food and Drug Administration and we asked Bernadine Healy to stay through the transition at the National Institutes of Health.

But everybody else was going to go. That meant that for a relatively short period of time, we had to lead the department with the senior civil servants, pulling them in to both the way in which we wanted to manage the department and making them know that we thought that their contributions were

valuable. We worked hard to make them feel comfortable. It meant that I personally got to know senior civil servants who were three to four levels down in the department. We sent them very clear messages about their value and that we weren't going to separate the political appointees from the senior civil servants in the department.

Our members of the Senior Executive Service knew that I taught in the field and that I had considerable respect for the federal service because I had been Scotty Campbell's student (Scotty was the first director of the Office of Personnel Management in the Carter Administration). That helped initially, but it was really when we pulled them in after the political appointees arrived that made the difference. I was not insecure about very large meetings. We never had a meeting just with political appointees. In fact, during the summer we encouraged people to bring their interns to our decision-making meetings because large meetings mean that everybody has a chance to participate and to interact.

*Can you describe the relationship between the Secretary and the Inspector General (IG)? In many departments, they do not get along, but in HHS the two of you appear to have developed a very productive working relationship.*

**Secretary Shalala:** When I was an Assistant Secretary at the Department of Housing and Urban Development (HUD) and absolutely new to the government, I had a very good experience with the Inspector General. Chuck Dempsy, one of the



*Deputy Secretary Kevin Thurm*

legendary Inspectors General in government at HUD, took me under his wing. The first thing I did when I got the job as Secretary of HHS was to call Chuck and tell him that I had a vacancy in the IG position and I needed the best person in the country. He said, "Well, the best person is out in Hawaii and I don't think you can get her, but you can try." This was how Chuck recommended June Gibbs Brown to me. I called June up and she said, "I'm not sure I want to move, but I've heard good things about you, so why don't I come out and talk to you."

The White House, as you would expect as part of the personnel process, had some ideas about IGs. The department was not only complex, it was a dangerous place from my point of view, with huge issues about fraud and waste in the system. I wanted a pro and the best person I could possibly recruit.

I could offer the HHS Inspector General two things. First, I told June that I wanted an IG that would keep her independence and that I would respect that independence. I actually had once read the act establishing the Inspector General. I was aware of the relationship between the IG and the Congress and the kind of independence needed. But I also wanted someone who would help me to anticipate problems in the department

and who would see herself and her senior team as members of the senior management team of the department. I told June that we would work hard to find that balance.

The second thing I promised was real resources. I was convinced that unless we were prepared to do a full-court press, we would not get what we have now achieved, and that is an actual change in the behavior of the health care industry. And I had some ideas about how to get some serious resources for the IG.

To show you how much confidence I had in the IG, when I did finally recruit June I turned the entire security force that protected me over to her office. I feel that I was able to recruit the person I consider the best Inspector General in or out of government — a real professional. She has coached me as part of the process, and I think we both have kept our word.

She has helped us. It all depends on the way you think about the IG office. As we are developing new polices, I will frequently ask June to help us anticipate what kind of protections we need to build into new legislation. So I try to get June to work on the front end with us. I don't interfere in the

decisions she has to make or in the reports she has to make to Congress, but we do give each other a heads up and she helps me to manage the department.

*In following a decentralization strategy, the question comes up as to why you need the department. Could you both describe whether there is an overriding corporate culture at HHS and how you would define the whole of HHS? Is it more than the sum of its parts?*

**Secretary Shalala:** I would argue that it is more than the sum of the parts and that you have to understand the multiple cultures in the department to be able to manage it. The National Institutes of Health (NIH) have a very different tradition from the Health Care Financing Administration. It's not much different from managing a very large research university in which the law school people are very different from the medical school people, who are different from the liberal arts people. But no one would suggest that there is not a clear identity for the university itself.

None of the parts of the department would get very far without being part of a larger whole. In fact, I have argued from the beginning that it was a mistake to spin off the Social Security Administration. I think it gets buried without being at a cabinet level and having an advocate at the cabinet table.

Every single part of the department is more powerful because of their ability to work with another agency or with multiple agencies in the department. In general, being part of a larger cabinet-level department gets them to the cabinet table, to a congressional committee chairman, in a way that would not happen if they weren't part of a larger whole. So I think it actually elevates some of their critical issues and gives them more power as part of a larger whole.

I am not uncomfortable with the fact that people identify with the agency they are in. But the way this town works, they are better off in a powerful cabinet department if they really want to move issues or get out of trouble in some cases or get a decision at a high enough level.

The secretary has to be very secure to have very powerful agencies under her. But we also have processes to rein them in, when necessary, to reduce the amount of traditional end running to the Hill, and to have appropriate kinds of discipline. From the public's perspective, they don't know one agency from the other. They need services that often require more than one agency working together. So we think about it both at the level of the individual citizen, as well as at the level of power needed to operate in Washington.

**Deputy Secretary Thurm:** I think I would add one further reflection, which is that there are both agency cultures, such as the NIH culture, but there also are institute cultures. The

## Donna Shalala on Managing in a Large University

I think you should know that I come from a nonhierarchical management experience because I come from higher education. I think it is important to know that even within this highly decentralized organization that is very carefully and accurately described as the Department of Health and Human Services, I personally have far more control than I ever had in a major research university. In my mind, HHS is really command-and-control management compared to the kind of power that I had as chancellor of a great research university where power was shared with deans, the alumnae, the football coach, and students. That is really non-hierarchical.



*Secretary Donna Shalala and Deputy Secretary Kevin Thurm*

### **Donna Shalala on the Government Shutdown**

During the government shutdown in 1995, we paid a lot of attention to the morale of our personnel. We communicated with them. I remember that somebody said to me that we don't have anything specific to tell our employees at that moment. I said that doesn't make any difference. I told my staff to just send out a piece of paper from the Secretary that says we care about them.

When our employees were at home during the shutdown, we suggested that our supervisors call their employees at home just to check in with them and to see whether they were all right. Then we made a move that turned out to be symbolic to our whole administration. It was just before Christmas and you might remember that we had only half our payroll money, so it looked like we could give our people only a very small check. We figured out, however, that we didn't have to take all of the deductions out of their check; that meant that every HHS employee got almost a full check before Christmas. They didn't anticipate that. There were stories on television that people in other departments were getting \$7 checks before Christmas. We tried to take care of our people. That made all the difference in the world in terms of morale and the kind of signal that we wanted to send our employees.

National Cancer Institute views itself as different from the National Institute on Drug Abuse and so on. People identify essentially with the level closest to them. You ask people where they work, and it's going to be an institute at NIH or a center at one of our other agencies.

**Secretary Shalala:** For agencies in our departments, you have to convince them that you are value added if you're from the Office of the Secretary. They have to see you as being able to deliver something that they can't deliver on their own. They've got to see this group bringing together something that they can't get on their own. I think that is extremely important.

**Deputy Secretary Thurm:** It all depends on where you are sitting, because people in the agencies are always wondering about the Office of the Director, what value is added there. Everybody is always looking up. What's the value added by the Office of the Secretary? What's the value added by the people down the street at the White House or the Old Executive Office Building? What do they know about what we do? It depends on where you are sitting in the relationship.

*We've talked about the deputy secretary position and we've talked about the Inspector General. There is one other key job — the chief of staff. Can each of you comment on the role of the chief of staff and the role of your own chief of staff?*

**Secretary Shalala:** Well, first of all, I hadn't a clue because we had not had any chiefs of staff when I was in government during the Carter administration. We had had executive assistants in those days. So I didn't have a clue. Kevin is the only person who can answer that question, because he is the person who had to work through both the roles of the deputy secretary and the chief of staff.

**Deputy Secretary Thurm:** First, I benefited during the transition from a briefing that my predecessor gave. She was upfront about the way the department worked and the processes that they had used. She started me thinking about the kinds of issues that we would need to think about. It was very helpful to me. There is no position description you can pull off the shelf for chief of staff.

Second, we asked the Secretary what she wanted. We walked in with few people at the beginning. We tried to do everything we needed to do and do it quickly and identify key priorities. We worked out the role of the chief of staff in those early days. The relationship between the chief of staff and the deputy secretary is crucial to getting people to manage below the level of the secretary, consistent with the secretary's priorities. It is an important relationship to work on and to be clear about.

Our chief of staff — the way we defined it early on — was essentially focused on providing immediate services to the secretary, such as scheduling for the secretary. Scheduling is very important because where the secretary spends her time reflects the issues that she would like to identify with. Other functions include staffing issues, preparing briefings, and providing decision-making support to the secretary.

The chief of staff is also the liaison to other federal departments and agencies on behalf of the department and to the White House, which is a crucial role. The office oversees the political appointment process so that we could ensure that we do this as quickly as possible and consistent with the Secretary's wishes and identify people and move them through.

Working with the deputy secretary, the chief of staff identifies the issues that go to the secretary to resolve conflicts within the department. If we are unable to resolve them, we work to sharpen the conflicts to make them clearer for the secretary to decide. There is also a scanning function that is done with the executive secretary: identifying issues that need to be brought to the secretary's attention and creating processes to resolve them so that you are not reading about them in the next day's paper. ■

## [ CHANGING ORGANIZATIONS ]

# The Chief Financial Officers Act — 10 Years Later

*By Steve Watson and Kent Owens*

Passage of the Chief Financial Officers Act of 1990 (CFO Act) came as a surprise to many in the financial management community. In 1990, improving financial management was thought to be of limited interest to Congress. It was also not perceived to be an issue of importance to voters. Given this context, the legislation's quick movement through the 101st Congress and enactment into law was unexpected.

The CFO Act was a bold move forward in mandating improved financial management across the federal government. Its objectives are to:

- Elevate responsibility for financial management by establishing within each department a politically appointed Chief Financial Officer that reports directly to the department head, with a career Deputy Chief Financial Officer for continuity.
  - Improve financial management in government, including financial systems and performance and cost management.
  - Require preparation of financial statements by pilot agencies and have the statements audited. (The Government Management Reform Act extended the requirement to all CFO Act agencies.)
  - Establish a CFO Council to coordinate financial management issues across government.
- Spawned other legislation focused on improving management;
  - Uncovered problems through financial statement audits; and
  - Improved the financial management of programs.

The benefit most frequently cited by the CFOs was that the act raised visibility within their agency and across government of the importance of financial management. This starts with having a political appointee serve as CFO, reporting directly to the head of the department or agency. Michael Telson, the Department of Energy's Chief Financial Officer, stated, "Having political appointees serve as CFOs has given financial managers a seat at the table." This visibility has enabled CFOs to interject financial management in senior-level decision making and obtain resources to improve financial systems and operations. John Callahan, Chief Financial Officer at the Department of Health and Human Services, noted, "Elevating the CFO position has enabled recruitment of very qualified financial leaders to government, including a number of CFOs with private-sector experience."

Now, 10 years later, we decided to take a look at the act — its accomplishments, shortcomings, and remaining challenges. To do this, we visited Chief Financial Officers (CFOs) and Deputy Chief Financial Officers (DCFOs) from eight federal departments and one independent agency. These organizations represent a cross-section of federal programs and operations and were selected to provide a government-wide perspective on the act.

## Is the Act Achieving Its Goals?

The Chief Financial Officers interviewed were unanimous in their belief that the act had improved financial management in government. Major benefits of the legislation cited:

- Increased the emphasis on good financial management in government;
- Enhanced the credibility of the Chief Financial Officer;

The CFOs interviewed also felt that the CFO Act provided the impetus for other key legislation that followed. Reflecting on the last 10 years, Bert Edwards, Chief Financial Officer at the Department of State, observed, "The CFO Act served as the catalyst for a lot of other helpful legislation, including the Government Performance and Results Act of 1993, the Government Management Reform Act of 1994, and the Federal Financial Management Improvement Act of 1996." Echoing this sentiment, Nelson Toye, Deputy Chief Financial Officer at the Department of Defense, stated, "The most significant management improvements have resulted from the CFO Act working in concert with other legislation."

The CFOs were also unanimous in their belief that preparing financial statements and having those statements audited has been beneficial to improving financial management. Their strongest praise was for the financial statement preparation and audit processes themselves. Sally Thompson, Chief Financial Officer at the Department of Agriculture, noted,

"These processes have helped financial managers identify problems within their organizations and focus Secretarial level attention on financial management issues." In our discussions with the CFOs, it was less clear the extent to which the financial statements themselves were being used in managing government operations. However, the Chief Financial Officers did report some use and felt that as financial reporting standards continue to evolve, the statements would become more useful. The CFOs also noted that the benefits of having audited financial statements extended beyond the agency. Elizabeth Smedley, Deputy Chief Financial Officer at the Department of Energy, said, "Having audited financial statements has improved the department's credibility with Congress and the General Accounting Office."

As to tangible improvements in financial management resulting from the act, the CFOs noted a number of areas in which it has improved financial systems, processes, and operations. They also identified areas where financial managers were working with program managers to save money. For example, George Strader, Deputy Chief Financial Officer at the Department of Health and Human Services, pointed to improvements in debt collection and the collection of child support that resulted from adding financial management expertise to help solve programmatic problems.

### The Chief Financial Officer Council

The act also mandated the creation of a CFO Council to advise and coordinate the activities of agencies on financial management issues and legislation. In addition, the act required that department and agency CFOs serve on the Council and that it be chaired by the Office of Management and Budget's Deputy Director for Management.

While the Council's early years were not generally viewed as productive, a number of changes were made in recent years that have improved its effectiveness. These changes included appointing a CFO to be executive vice chairperson of the Council, establishing committees to address specific problems, and including career Deputy CFOs on the Council to provide stability between administrations.

The CFOs interviewed believe that the Council now provides an excellent forum for the CFOs to discuss problems and develop solutions. As Sallyanne Harper, former Chief Financial Officer at the Environmental Protection Agency, stated, "The Council works as a collaborative group, with the CFOs looking beyond the parochial interests of their own agencies to address financial management issues across government." As an example, Harper discussed the Council's current efforts to address crosscutting issues that have caused a disclaimer of opinion on the government-wide financial statements. The Council's effectiveness was summed up by Thompson, Agriculture's CFO, "We believe that by working



**Linda J. Bilmes, Chief Financial Officer,  
U.S. Department of Commerce**

Linda J. Bilmes serves as Chief Financial Officer and Assistant Secretary for Administration for the Department of Commerce. Prior to joining the Department of Commerce, Ms. Bilmes was a Principal in the Boston Consulting Group's (BCG) London office, where she specialized in corporate strategy, industry restructuring, and employment practices. She spent two years in Russia (1991-1993), assisting the Ministry of Privatization to privatize large enterprises. Earlier in her career, Ms. Bilmes worked as a political consultant in the United States and Latin America for the Garth Group. She holds a B.A. in government and a Masters of Business Administration from Harvard University.



**Kenneth Bresnahan, Chief Financial Officer,  
U.S. Department of Labor**

Kenneth Bresnahan serves as the Chief Financial Officer for the U.S. Department of Labor. Prior to his present position, he served as the Acting Chief Financial Officer for the department from 1996 to 1999. He previously served in a variety of financial management positions at the Food and Nutrition Service in the Department of Agriculture. Mr. Bresnahan holds a B.A. degree from Rutgers University.



**John J. Callahan, Chief Financial Officer,  
U.S. Department of Health and Human Services**

John J. Callahan serves as Chief Financial Officer and the Assistant Secretary for Management and Budget for the Department of Health and Human Services. Prior to his current position, he held several positions on the staff of the U.S. Senate, including Chief of Staff for Senator Jim Sasser, Deputy Staff Director for the U.S. Senate Budget Committee, and Staff Director for the U.S. Senate Governmental Affairs Subcommittee on Intergovernmental Relations. Before that, Mr. Callahan worked with the National Conference of State Legislatures, the Legislators Education Action Project, and the U.S. Advisory Commission on Intergovernmental Relations. He holds a Ph.D. in social science and a master's degree in regional planning from the Maxwell School of Citizenship and Public Affairs at Syracuse University and a B.A. in political science from Fordham University.



**Bert T. Edwards, Chief Financial Officer,  
U.S. Department of State**

Bert T. Edwards serves as the Chief Financial Officer and Assistant Secretary for the Bureau of Finance and Management Policy at the Department of State. Prior to this appointment, Edwards worked as a consultant from 1994 to 1998 after retiring as a Partner from Arthur Andersen LLP, where he had worked since 1961. Mr. Edwards became a partner at Arthur Andersen in 1971 and held this position until 1994. He holds a B.A. degree from the Wesleyan University and an M.B.A. degree from Stanford University.

together, the CFO Council can make a difference in improving financial management across government.”

An issue that does exist with the Council concerns its funding and staffing. The CFOs provide funds from their agency budgets to cover the Council's operating costs — principally a few permanent staff and maintenance of their website (FinanceNet.gov). Funds and staff are also solicited from Council members on an ad hoc basis to cover special projects. Some of the CFOs were concerned about whether their agencies would continue to fund Council operations as they face continuing funding constraints. There was also concern that a number of issues are simply not being addressed, because the Council has insufficient resources. A number of the CFOs favored a dedicated funding source to pay for Council operations.

### **Major Issues Facing the Chief Financial Officer Community**

While there was unanimous consensus that the CFO Act has resulted in substantial benefits for the government, issues with the act do exist. However, most of the CFOs did not recommend legislative modifications to address the issues. They believed that alternative paths could be taken. Their sentiments were reflected in the comments of State Department's CFO Edwards, who said, “leave the law alone, don't fine-tune to fine-tune.”

The most frequent issue raised by the CFOs concerned the act's vesting responsibility for the financial statement audits with the Inspectors General. Their concern with the Inspector General's performing the audits is that the auditors come from a programmatic/compliance audit background and frequently do not have the necessary financial statement audit experience. For example, many did not feel that the auditors appropriately and consistently applied materiality — a basic tenet in financial statement auditing — in conducting CFO Act audits. They felt that this has led to non-material issues influencing opinions on the financial statements and the importance of some internal control weaknesses being blown out of proportion. Some also thought that too much of a “gotcha” mentality existed within the Inspector General's organization. They attributed this to a perception that if the auditors didn't find problems during an audit, they might be perceived by others in the audit community as not doing their job. It was also thought that the “gotchas” on the financial statement audits spilled over from poor relations that existed on non-financial audits within their organizations. As a result of these conditions, it was felt that the auditors were not as effective as they could be in helping the organization improve financial management.

Some CFOs were not as concerned as others in relation to the Inspector General issue. Several CFOs reported good

working relationships with their department's Inspector General and felt that the Inspectors General had been a driving force in improving financial management within their agency.

While there was not a consensus about who should have responsibility for the audits, a number of the CFOs were in favor of contracting out the audits. They also favored a private-sector audit model, where audit committees select the auditors and oversee the audits. The audit committee would include, at a minimum, the agency Inspector General, CFO, and Secretary (or his/her designee).

A second issue with the act involves CFO responsibility for the budget. The act places responsibility with the CFO for budget execution. However, it does not specifically place responsibility for budget formulation with the CFO. About three-quarters of the CFOs have responsibility for budget formulation; the balance do not. The CFOs felt that separating budget formulation from other financial management responsibilities can create discontinuity and weaken the CFO's authority. Budget formulation is considered by many to be the most important aspect of financial management in Washington. Therefore, not having responsibility for budget formulation reduces the CFO's influence and ability to improve financial management in all areas. It was also noted that the Government Performance and Results Act requires the linkage of planning, budgeting, and reporting. Placing budget responsibilities in a separate organization, then, limits the CFO's ability to ensure that these processes are appropriately linked.

Rather than request legislative change to place responsibility for budget formulation with the CFO, the Chief Financial Officers felt that the transfer of budget responsibilities to the CFO could be completed through organizational change within each agency and that modification of the CFO Act was not necessary.

### Major Challenges on the Horizon

While the CFOs were justifiably proud of the many accomplishments that occurred during the first 10 years of the act, they were also quick to note that there was still a way to go to fully achieve its' objectives. Some the major challenges cited by the Chief Financial Officers interviewed included:

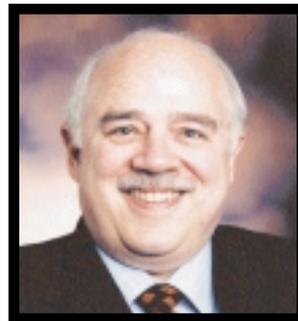
- Increasing financial analysis to improve program effectiveness and control costs;
- Implementing reliable, efficient financial systems;
- Increasing cross-servicing to reduce costs of financial systems and operations; and
- Recruiting competent staff required for the CFO office of the future.

Most of the CFOs believed that financial management improvements to date have largely focused on improving



**Sallyanne Harper, former Chief Financial Officer,  
U.S. Environmental Protection Agency**

Sallyanne Harper was the Chief Financial Officer at the Environmental Protection Agency until January 2000. She currently serves as Chief Mission Support Officer of the U.S. General Accounting Office. Prior to her confirmation as CFO in 1998, Ms. Harper served as the EPA's Acting CFO. She previously served as Deputy CFO, Director of the EPA's Financial Management Division, and the Associate Director for Superfund and RCRA Procurement Operations. Before joining EPA, Ms. Harper spent 10 years in procurement and contracting positions at the Department of the Navy. Ms. Harper holds her undergraduate degree, magna cum laude, from LaSalle University and an M.B.A. in finance and investments from George Washington University.



**Michael L. Telson, Chief Financial Officer,  
U.S. Department of Energy**

Michael L. Telson serves as Chief Financial Officer for the Department of Energy. He has worked with the Department of Energy since 1995, serving as a Special Assistant to the Secretary of Energy and as a Special Assistant to the Deputy Secretary of Energy. Before joining the Department of Energy, Mr. Telson was as senior analyst on the staff of the Committee on the Budget of the U.S. House of Representatives. He also served as a Congressional Fellow of the American Association for the Advancement of Science with the U.S. Senate Energy Committee. Telson holds Ph.D., E.E., M.S., and B.S. degrees in electrical engineering from the Massachusetts Institute of Technology and an M.S. in management from the Sloan School of Management, Massachusetts Institute of Technology.



**Sally Thompson, Chief Financial Officer,  
U.S. Department of Agriculture**

Sally Thompson serves as Chief Financial Officer and Acting Assistant Secretary for Administration for the Department of Agriculture. Prior to her appointment as CFO in March 1998, she served as the Kansas State Treasurer from 1991 to 1998. She was also the President and Chief Operating Officer of Shawnee Federal Savings in Topeka, Kansas from 1985 to 1990. She served as the Vice President and Manager of Business Planning and Financial Analysis at the United Bank of Denver from 1982 to 1985, and was a certified public accountant, audit manager, and management consultant for Touche Ross from 1975 to 1982. Ms. Thompson holds a B.S. degree in business, accounting, and finance from the University of Colorado at Boulder.

transaction processing. Having financial systems and processes that are capable of producing reliable financial data is a necessary foundation for improved financial management. They felt that there was still only limited financial analysis being performed that is focused on improving program effectiveness and cost containment. They also expressed the opinion that federal managers were not yet managing with the appropriate focus on cost control and performance. As Linda Bilmes, Chief Financial Officer at the Department of Commerce, stated, "The next challenge is for CFOs to provide better financial data to program managers, and for program managers to use this data to improve program effectiveness and control costs." It was noted several times that this shift in attitude has to start at the top. Emphasizing this point, James Taylor, Director of Financial Management at Commerce, said, "When top management starts quoting cost and performance data, all the managers start reading the reports."

According to the CFOs interviewed, implementation of reliable, efficient financial systems continues to be a major problem. Most of the CFOs reported that their agencies were still limping along, reliant upon old systems that only partially met their needs. They also felt that, historically, commercial-off-the-shelf (COTS) software that had been available to the government had only limited capabilities and generally had not met their needs. They attributed part of the problem of limited COTS solutions to a lack of standardization across federal agencies. Sallyanne Harper, EPA's former CFO, noted, "In the past, each agency had perceived that their own financial operations and system requirements were unique. The agencies did not seriously look to utilize COTS packages, and COTS vendors were reluctant to invest money in the federal sector."

It is believed that changes brought about by the CFO Act and subsequent legislation have increased standardization across the government. An example of this was passage of the Federal Financial Management Improvement Act of 1996, which mandates that agencies follow a standard general ledger structure. With this standardization, it was hoped that more software vendors would develop better COTS products for the federal sector and that federal agencies would, in turn, look more seriously at COTS solutions rather than focus on the uniqueness of their own operations.

The CFOs also looked to increase cross servicing to reduce the cost of financial systems and operations. The initial goal was to increase cross-servicing within their departments, with multiple bureaus sharing systems that are developed and operated centrally within the department. Longer term, they looked to further reduce costs through cross-servicing across agencies on a government-wide basis. This was already occurring in certain areas like payroll, but had not reached

into many other financial functions. The belief was that, first, the cross-servicing had to occur at the department level, with centralized financial support being provided for multiple bureaus. Then it could be expanded to cross-agency servicing.

While there were a number of challenges on the horizon, perhaps the most pressing issue discussed by the CFOs concerned their ability to attract and retain qualified financial and information technology professionals. "This problem must be addressed quickly, as many financial managers are eligible to retire in the next five years," noted Kenneth Bresnahan, Chief Financial Officer at the Department of Labor. The problem has been exacerbated by hiring freezes that have been in effect for many years. These freezes have prevented CFOs from recruiting new staff to fill the pipeline as older staff retire.

With full-time positions now opening up, CFOs were concerned about their ability to compete with the private sector in attracting new college graduates to public service and retaining them. Specifically, they voiced concern that with the good economy and higher private-sector salaries they would not be able to compete in attracting and retaining talented staff. They noted that to address these issues, the CFO Council has established a centralized recruiting service for new college recruits with the Defense Finance and Accounting Service. The Council has also established a CFO Fellows Program to identify and move forward promising mid-level financial managers. However, there is still lingering concern about the sufficiency of these steps. As one CFO observed, "Ultimately, the government must address its compensation and reward systems in order to attract and retain the talent needed to perform the more advanced analysis and systems work required of tomorrow's financial managers."

In summary, the Chief Financial Officers that we interviewed felt that the CFO Act has been a tremendous success. During its first 10 years, the Act has resulted in tangible improvements in government financial management and public reporting. It also has equipped financial managers with the authority and responsibility to meet the challenges that lay ahead. ■

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**Nelson E. Toye, Deputy Chief Financial Officer,  
U.S. Department of Defense**

Nelson E. Toye serves as the Deputy Chief Financial Officer for the Department of Defense. Immediately prior to being selected for his current position, Mr. Toye served for over six years as the Director for Accounting Policy, within the Office of the Deputy Chief Financial Officer, and prior to that served as the Director of the Policy and Systems Division within the Directorate for Accounting Policy. Before joining the Office of the Under Secretary of Defense (Comptroller), Mr. Toye served in the Defense Contract Audit Agency. He holds a B.S. degree in accounting from the Baltimore College of Commerce and an M.S. degree in public administration from George Washington University.

# Transforming the District of Columbia Department of Motor Vehicles

By Eric Letsinger and Mark Bayer

*Following the election of a reform-minded mayor, a troubled District of Columbia department found itself caught under an intense spotlight of public scrutiny. Anthony Williams, elected mayor in November 1998, repeatedly pledged during his campaign to improve service at the Department of Motor Vehicles (DC DMV), notorious for its dilapidated facilities, difficult employees, and excruciatingly long lines. In response to a mayoral directive, DC DMV developed several short-term reform projects, but deeply rooted operational problems continued to plague the department. In June 1999, Mayor Williams hired a customer service expert to lead DC DMV, Sherryl Hobbs Newman. With the mayor's office, the media, and the public expecting results in the short term, Newman developed and implemented a large-scale improvement project that involved every aspect of the department, from technology to external communications, business process redesign to employee training. This article describes lessons she learned along the way, which we believe are useful guides to designing and carrying out major changes within high customer-contact public organizations.*

state-of-the-art telecommunications hardware and software operated by well-trained employees using hands-free headsets, an information-rich intranet, and other mechanisms to respond rapidly to customer questions and concerns.

As Newman and Mayor Williams stood before the press, they described new initiatives launched as part of DC DMV's effort to transform itself into a high-performing organization capable of delivering services to customers quickly and efficiently through a variety of channels, including the Internet.

Innovations included:

- An enhanced DC DMV website to allow customers to renew their vehicle registration online;
- Drop boxes across the city to permit residents to deposit license plates in secure repositories within their communities; and
- The call center, designed to serve as a key resource for city residents, 24 hours a day, seven days a week.

In less than seven months, Newman succeeded in setting into motion what she termed "the drive to excellence." Throughout the process of reforming DC DMV, she confronted an array of obstacles: outdated technology, a shortage of necessary funds, poorly trained employees, and a negative public perception of her department, among others. Newman's "recipe" for reconstructing DC DMV can be used to revitalize other high customer-contact

public organizations. Her transformation initiatives all focused around customers and employees.

## Focus on Customers

Creating alternative access opportunities for products and services increases customer convenience and reduces foot traffic at brick-and-mortar facilities. These opportunities can be cre-

NEWMAN'S FOCUS ON CUSTOMERS AND EMPLOYEES WAS AT THE CENTER OF HER INITIATIVES TO CREATE A MORE EFFICIENT, CUSTOMER-FOCUSED ORGANIZATION.

On January 25, 2000, DC DMV Director Sherryl Hobbs Newman and Washington, DC Mayor Anthony Williams convened a press conference at DC DMV's new call center. In many ways, the center represented the culmination of a series of improvements, both large and small, put in place across the organization over the previous 10 months. A one-stop shop for customer questions, the center was equipped with



*Mayor Williams (center) and DC DMV Director Sherryl Hobbs Newman (right) visiting the new DMV call center.*

ated through the use of sophisticated technology or low-cost methods.

### **Providing New Service Delivery Options**

Telephones, fax machines, and Internet connections increasingly deliver products and services previously provided to customers through face-to-face interactions. Often electronic channels are more convenient for customers. DC DMV's new enhanced website ([dmv.washingtondc.gov](http://dmv.washingtondc.gov)) is designed to permit customers to perform transactions online. Because more public and private organizations now offer digital delivery of services, more citizens expect the same service options from government agencies.

Newman recognized that she needed to build new service delivery channels between DC DMV and its customers. The construction and smooth, reliable operation of these channels was a key piece of her overall strategy to satisfy customers and reduce wait times at department facilities. She launched a "Skip the Trip" initiative to allow customers to access many DC DMV services with the click of a mouse or the push of a button, without having to visit one of DC DMV's service centers. The call center and enhanced website offering online vehicle registration became cornerstones of the "Skip the Trip" initiative.

### **Improving Communications with the Public**

Newman also recognized that if customers came fully prepared — bringing the correct documents required to process their transaction — it would greatly improve waiting times. The department concluded that customer preparation was a key to cutting cycle times. One of Newman's top priorities was to use multiple channels to communicate to customers the information they needed to bring to DC DMV, before they arrived at one of its service centers. Newman also recognized the need for DC DMV to improve coordination with other city departments involved in the provision of motor vehicle services to DC residents. Within her own department, she established an internal communication process so that DC DMV employees at every level were kept aware of law and policy changes that affected operations.

### **Redesigning Old Service Delivery Channels**

DC DMV historically had difficulty with long cycle times (i.e., the total time it takes a customer to enter the DMV, receive service, complete a transaction, and leave.) It was found that electronic line management systems were becoming a best practice in motor vehicle departments around the country. Such systems allow customers to remain seated until their number is called, so lines of standing customers do not form behind each window. When DC DMV implemented the

SHE [NEWMAN] LAUNCHED A “SKIP THE TRIP” INITIATIVE TO ALLOW CUSTOMERS TO ACCESS MANY DC DMV SERVICES WITH THE CLICK OF A MOUSE OR THE PUSH OF A BUTTON, WITHOUT HAVING TO VISIT ONE OF DC DMV’S SERVICE CENTERS.

Q-matic system, the perception that lines were shorter relieved some pressure on Newman and allowed her to turn her attention to fundamental fissures in the organization that would require more time and energy to fix.

Another inexpensive, common sense technique that DC DMV initiated to cut cycle times was offering validated parking service to customers. Because of the scarcity of public parking at its main service center, customers frequently spent considerable time looking for parking, an experience that left them frustrated and angry. Under the terms of an agreement with owners of nearby private lots, DC DMV customers receive reduced fees for short-term parking and the lot owners retain all revenues generated from the service. DC DMV hopes that making its main service center more easily accessible will contribute to higher overall customer satisfaction.

The low-cost neighborhood drop boxes that DC DMV distributed around the city are a convenient way for customers to surrender their old license plates. A DC DMV courier retrieves license plates deposited in the drop boxes each day, and customers receive confirmation by mail. DC DMV currently is pursuing the procurement of a mobile van, which will allow residents to conduct their DC DMV business in the communities where they live or work.

### Focus on Employees

A second key factor in the transformation of DC DMV was Newman’s focus on employees. The agency was expected to quickly improve its performance. Employees previously responsible for middle-level management within the Department of Public Works (DPW) Bureau of Motor Vehicles were thrust into senior management positions within the newly formed department. Without completely developed skill sets, managers and other employees struggled to perform new duties. Newman knew this situation would need to be addressed for the department’s reform efforts to succeed.

### Communicating with Employees

Newman devised a strategy for keeping employees through-

out DC DMV informed of recent developments within the department. Her strategy included regular meetings with top managers, manager-supervisor meetings, brief pre-shift talks between supervisors and line employees, brown bag lunch discussions with line employees, and an internal DC DMV newsletter. In this way, she formed a complete “communications chain” inside DC DMV.

### Training Employees

In DC DMV’s high-pressure, results-oriented environment, wholesale dismissal of employees was a tempting option. Newman resisted this knee-jerk temptation. Instead, she decided to provide training and hold employees accountable for their performance before making final staffing decisions. Newman developed and implemented a department-wide training program for employees. As part of this program, she designed an orientation for new hires and annual refresher training for all employees. Delaying comprehensive personnel changes until after the implementation of training programs produced several benefits, including a fair opportunity for employees to improve their skills before staff adjustments were made and the postponement of a difficult and disruptive process until after most of the improvement projects were completed. This strategy helped Newman create a culture that emphasized the fair and firm implementation of personnel changes.

### Improving Accountability

In the past, DC DMV and its precursor organization failed to thoroughly evaluate employee performance. Cumbersome personnel rules and the frenetic pace of DC DMV operations discouraged managers from keeping up-to-date personnel files on employees in their unit. As a result, star employees were treated virtually the same as low performers in terms of compensation and promotion decisions.

Newman established a performance measurement system to hold offices within the department accountable for reaching targets. She designed performance contracts for each manager and supervisor that committed senior staff to meeting agreed-



upon goals. Her strategic plan attached specific tasks, aligned with DC DMV's vision, to each senior manager. Newman established deadlines and consequences for failing to meet them. Enlarged project plan charts for progress tracking were attached to the walls of her main conference room so that everyone would be reminded of responsibilities during staff meetings. These meetings started with a review of each manager's chart and an update on performance measures.

In addition, Newman has sent notes and small gifts to employees in recognition of good work. She has directed managers to assess employee performance accurately and consistently. Personnel rules have been streamlined, a development that clarifies the steps to be used for disciplining and terminating employees.

Newman's focus on customers and employees was at the center of her initiatives to create a more efficient, customer-focused organization. City residents and the media have noticed improvements at the department and positive customer feedback has increased sharply. DC DMV's "drive to excellence" is still a work in progress. But by focusing on customers and employees, it has made significant improvements in a short period of time. ■

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### About Sherryl Hobbs Newman

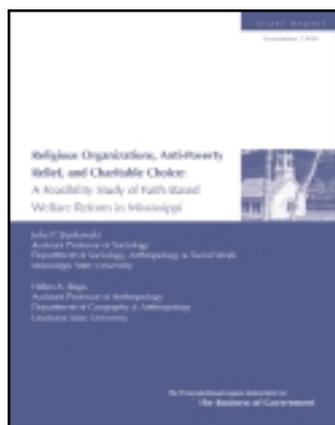
Sherryl Hobbs Newman was appointed director of the District of Columbia Department of Motor Vehicles in June 1999. Prior to assuming this position, Newman served as director of customer service for the District of Columbia, where she oversaw the development of a consistent standard of customer service for the District government.

Newman's tenure with the District government began in 1997 at the Office of Tax and Revenue. While there, she created the Customer Service Administration with its one-stop service center, telephone information center, and Problem Resolution Office. Newman developed new approaches toward the adoption of effective business practices, and worked to build the office's standing in the community by improving the flow of information and services to city residents, businesses, and other customers.

Before joining the District of Columbia government, she served as the City Collector for New York City, where she was directly responsible for the annual collection of billions of dollars of revenue. In that position, she changed the way citizens interacted with her agency. Her efforts in New York City resulted in increased revenue collections, the elimination of operational inefficiencies, and improved outreach to citizens served by the five borough offices under her charge.

# Religious Organizations, Anti-Poverty Relief, and Charitable Choice: A Feasibility Study of Faith-Based Welfare Reform in Mississippi

By John P. Bartkowski and Helen A. Regis



On the heels of recent welfare reform legislation, this study explores the feasibility of implementing “charitable choice” initiatives in Mississippi, a largely rural Southern state marked by a combination of long-standing social disadvantage and a thriving religious economy. The charitable choice portion of the Personal Responsibility and Work Opportunity Reconciliation Act identifies

religious congregations as a prospective provider of social services in states that contract for service delivery through local nonprofit agencies. As a feasibility study, this investigation (1) aims to provide guidance to policy-makers who are currently weighing the merits of routing social services through local religious congregations, (2) seeks to apprise local religious and community leaders of the potential advantages and disadvantages of faith-based welfare reform initiatives, and (3) attempts to anticipate the ways in which the interests of the poor may be effectively addressed or, alternatively, undermined by particular aspects of faith-based welfare reform.

Because an understanding of current faith-based relief efforts is a crucial starting point for gauging the feasibility of future charitable choice implementation, our investigation begins by describing the types of relief that these congregations currently provide, and the aid-provision strategies they utilize to do so. We then proceed to explore religious leaders’ perceptions of the prospects for charitable choice. To undertake this feasibility study, we draw on in-depth interview data collected from a purposive sample of religious leaders representing 30 faith communities in and around Mississippi’s Golden Triangle Region (GTR), a rural area in the northeast portion of the state.

Several noteworthy findings emerge from our study. First, religious communities currently offer many different types of aid to the needy, and pastors conceive of faith-based aid as a holistic form of relief that — unlike public assistance — aims to address both material and non-material needs among the disadvantaged. Among the most common forms of relief currently offered by local religious congregations are assistance with the payment of rent and utility bills, the provision of food and clothing, and various forms of counseling. Consistent with the emphasis on holistic aid-provision among local congregations, these material forms of relief are often intermeshed with aid of a less tangible character (e.g., social support, spiritual encouragement).

Second, taken together, local faith communities currently employ several different aid-provision strategies through which they offer social services to vulnerable populations such as:

- intensive and sustained interpersonal engagement with the poor;
- direct intermittent relief to the needy;
- collaboration with para-church relief organizations; and
- short-term mission trips to disadvantaged populations situated in distant locales.

Several faith communities utilize a combination of these aid-giving strategies simultaneously, and congregations typically develop strong preferences for specific means of relief-provision while eschewing other varieties. Our study highlights the advantages and limitations associated with the relief-provision strategies currently utilized by religious congregations.

Finally, although the preponderance of pastors in our sample are familiar with faith-based welfare reform initiatives, these religious leaders evince wide-ranging evaluations concerning the future possibility of charitable choice implementation

within their home congregations and local faith communities. Consistent with previous survey research on this topic, black pastors in our purposive in-depth interview sample express more positive affect toward charitable choice when compared with their white counterparts. However, regardless of their general orientation toward charitable choice, virtually all pastors in our study express a mix of hope and trepidation when considering the possible implementation of this program in the near future. Pastoral affect toward charitable choice is traced to several factors, including:

- *evaluations of previous relief efforts complemented by specific congregational and denominational dynamics*, such that positive prior experiences with aid-giving lend themselves to more favorable views of charitable choice;
- *perceptions about race-ethnicity, the poor, and social inequality*, such that pastors who believe that current racial and class-based barriers can be overcome through faith-sponsored relief efforts are more favorably disposed toward charitable choice; and
- *beliefs about the government and its responsibility toward the poor*, such that pastors who believe the government must continue to sponsor anti-poverty programs seem generally more willing to support charitable choice.

In the end, our report highlights the prospective advantages and disadvantages associated with the possible implementation of charitable choice initiatives in Mississippi during the near future. This report, then, is designed to shed light on current patterns and future prospects for faith-based relief-provision within rural Mississippi and, more broadly, among congregations situated in rural areas marked by high poverty rates. ■



**John P. Bartkowski** is an Assistant Professor of Sociology at Mississippi State University. Much of his current research examines the relationship between religious involvement, social inequality, and family life. Bartkowski is particularly interested in the social, cultural, and economic resources that religious congregations in rural areas provide to their membership and vulnerable populations within their local communities.

His other research has examined the motivations and community-level impact of grassroots neighborhood activism in Austin, Texas. He is currently completing a research project exploring the impact of Promise Keeper affiliation on evangelical men and their family relationships. His published work has appeared in *Social Forces*, *Social Science Quarterly*, *The Responsive Community*, *The Sociological Quarterly*, *Journal of Family Issues*, *Journal for the Scientific Study of Religion*, *Gender Issues*, *Sociology of Religion*, other scholarly journals, and various edited volumes. Bartkowski has just completed a book manuscript, *Remaking the Godly Marriage: The Discourse and Negotiation of Gender Relations in Evangelical Families*. He is currently co-authoring a monograph based on this research project (with Helen A. Regis).



**Helen A. Regis** is an Assistant Professor of Anthropology at Louisiana State University. Her key interests center on the relationship between the state and local communities, and the processes involved in the construction of civil society within the U.S. and abroad. She has conducted extensive ethnographic research on the interaction of

medical practices, religious beliefs, family life, and public policy in Cameroon, Africa. Her forthcoming book on this topic is titled *The Fulbe of Northern Cameroon: Cultural Pluralism in Everyday Life* (Westview Press). On the domestic scene, Regis has explored the significance of social clubs and mutual aid societies among working-class African-Americans living in New Orleans. Her most recent work on this topic has appeared in *Cultural Anthropology*, and she is currently writing a monograph based on this research. Regis is also co-authoring a monograph (with John P. Bartkowski) based on the research reported here.

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# Profiles in Excellence: Conversations with the Best of America's Career Executive Service

By Mark W. Huddleston



This study reports on a series of recent conversations with 21 members of the Senior Executive Service (SES) who received Presidential Distinguished Executive Rank Awards in 1997. Included in the sample are such key career administrative leaders as the nation's head of food safety and inspection, the key author the START II treaty, the government's lead anti-terrorism attorney, and the Pentagon's director of procurement.

The study has three main purposes. First, it explores the characteristics associated with excellence in administrative leadership. Second, it examines from the perspective of these award winners the strengths and weaknesses of the SES as an executive personnel system. Third, it uses these insights to discuss what needs to be done to improve the SES and prepare the United States higher civil service for the next century.

Six broad themes emerged from these conversations with distinguished executives:

1. Truly outstanding executives have a strategic vision for their agencies, know how to animate employees, work exceedingly hard, and exhibit remarkable integrity.
2. The strong sense of government service as a vocation found in current senior executives will likely be replaced in the next generation by a commitment to profession, a shift with major implications for the career executive service.
3. Excellence is now largely serendipitous: in most agencies, there is no system in place to ensure that outstanding executives are developed.

4. The original promise of the SES has not been fully met. The U.S. Office of Personnel Management (OPM) and other concerned parties need to work to transform the SES into something more than a pay system, a process that has begun with OPM's "Framework Document."
5. Executives remain frustrated with elements of the career-appointee relationship. They are also troubled by a political environment in Washington that has become increasingly corrosive.
6. The pay system needs further reform, with particular attention to the ongoing problem of pay compression. Heightened attention also needs to be paid to work recognition and other non-monetary incentives.

The principal conclusion drawn from this study is that failure to address these issues will impair the federal government's ability to perform key public services. Because the quality of public service is a direct function of the quality of public servants, unless agencies change the way they recruit, select, develop, and compensate senior career executives, Americans will see steady erosion in the quality of both.

To forestall this erosion, a series of proposals are offered, aimed at the White House, Congress, OPM, agencies, and members of the SES themselves. Among these proposals are:

- Re-engagement of the career service by the White House;
- Improvements in the orientation and training of non-career appointees;
- Decoupling executive and congressional pay systems; and
- Greater support for executive development by OPM and agencies. ■



### About Mark W. Huddleston

Mark W. Huddleston is Chairman of the Department of Political Science and International Relations at the University of Delaware, where he has taught since 1980.

He is a graduate of the State University of New York at Buffalo (B.A., 1972) and the University of Wisconsin Madison (M.A., 1973; Ph.D., 1978).

Huddleston is the author of *Comparative Public Administration: An Annotated Bibliography* (1984), *The Government's Managers* (1987) and *The Public Administration Workbook* (2000), and the co-author of *The Higher Civil Service in the United States: Quest for Reform* (1996). He has also written many articles, book chapters and papers on public administration, particularly the Senior Executive Service. On several occasions in the 1980s he served as a consultant on SES issues to the U.S. General Accounting Office.

In addition to teaching courses in public administration at the University of Delaware, in recent years Professor Huddleston has conducted training and served as a consultant in several interesting overseas settings, including Bosnia, Slovenia, Kazakstan, Mexico, Botswana, Zimbabwe, and South Africa. Huddleston described his work in Bosnia in detail in a recent article entitled "Innocents Abroad" published in *Public Administration Review* (59, 2 March/April 1999).

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### Excerpts from Profiles in Excellence: Conversations with the Best of America's Career Executive Service

*"Management theories and fads, which always come with new administrations, are things to live through, not to use."*

*George Grob, Deputy Inspector General,  
Department of Health and Human Services*

*"Everyone has shortcomings. Successful executives just work around them. They're like three-legged dogs — they don't know they have only three legs. They just work extra hard."*

*William Campbell, Director of Finance and Procurement,  
United States Coast Guard*

*"You have to remember that this is a service business. You give 99 percent, you get an 'F'. If you want an 'A,' you give 100 percent. Excellence is more than doing a job. It is doing it, wanting to do it, in a way that the people you are serving are delighted."*

*William Campbell, Director of Finance and Procurement,  
United States Coast Guard*

*"In addition to innate ability and intellectual curiosity, it takes integrity and a desire to do the right thing. Never forget that your role is to be an honest broker."*

*Lawrence Wachs, Associate Budget Director,  
Department of Agriculture*

*"There is a place for continuity and a place for change. We don't need both at all levels of government."*

*Dennis Williams, Deputy Assistant Secretary, Budget,  
Department of Health and Human Services*

*"We are not just an agency, not just a job. Law enforcement attracts people with a life-long commitment."*

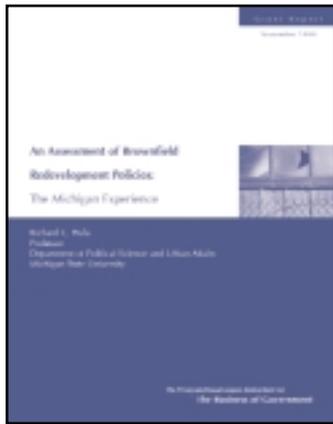
*Bradley Buckles, Director,  
Bureau of Alcohol, Tobacco, and Firearms, Department of the Treasury*

*"If you are going to succeed in this business, you have to be totally apolitical. Your job is to implement, not formulate policy. You have no agenda."*

*Stephen Colgate, Assistant Attorney General for Administration,  
Department of Justice*

# An Assessment of Brownfield Redevelopment Policies: The Michigan Experience

By Richard C. Hula



Brownfield redevelopment has become an important theme in environmental policy as both federal and state governments rush to implement new programs to redevelop land parcels that are abandoned, idled, or underused industrial and commercial facilities where expansion or redevelopment is complicated by a real or perceived environment contamination. Brownfield

programs reflect a shift in the fundamental assumptions driving the design and implementation of American environmental policy since the 1960s. It is a shift not only in substantive policy, but includes a refocusing of authority.

Through brownfield redevelopment, a number of states are successfully challenging long established federal dominance in environmental policy. This report explores efforts by the state of Michigan to craft one such brownfield initiative. Although the primary focus here is the experience of a single state, the lessons learned from this case have national implications. Michigan is a leader in brownfield programs, but it is hardly unique. Many states are designing and implementing aggressive brownfield programs that challenge traditional federal policy. The impact of such programs will almost certainly have a profound impact on overall environmental policy in the coming years.

The brownfield initiative in Michigan has four major legislative components. These include:

- *Limited owner liability:* Purchasers of property that may be contaminated are no longer liable for cleanup costs if they did not contribute to the original pollution on the site.
- *Increased flexibility in cleanup standards:* Property which is to be redeveloped for commercial or industrial use is sub-

ject to less demanding cleanup standards than would be required for residential development.

- *Increased reliance on private/voluntary action:* Developers have the primary responsibility to investigate contamination on their property.
- *Increased public funding for site assessment and remediation:* The state of Michigan has established a number of publicly funded programs to support brownfield redevelopment, including significant state bond funds, and the local capture of property tax increments resulting from successful redevelopment projects. Direct tax incentives are also available to businesses willing to locate on brownfield sites.

A review of a number of local Michigan programs suggests that changes in the legal framework governing brownfield cleanup and redevelopment have had a positive impact on a number of local economies. On the basis of these findings, five specific recommendations are made. These include:

*Recommendation 1:* Restrict liability associated with potentially contaminated land parcels.

*Recommendation 2:* Offer selective incentives to encourage the redevelopment of specific brownfield sites.

*Recommendation 3:* Allow local officials sufficient flexibility to respond to market-driven redevelopment opportunities.

*Recommendation 4:* Allow the use of institutional controls as a means to mitigate health risks from existing contamination.

*Recommendation 5:* Provide local jurisdictions with the flexibility to design and implement redevelopment plans that reflect local conditions and political culture.

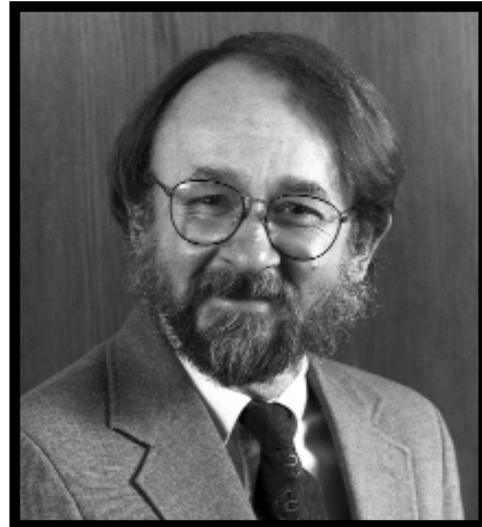
The report concludes with a brief discussion of unresolved issues raised by the Michigan brownfield initiative. One set of these issues primarily focuses on the long-term impact of the program and can be best answered with further evaluation research. A second set of issues explores a number of broad policy choices presented by the initiative. These cannot be answered directly by further empirical work, but rather

depend on the preference and vision of local political leaders. Specific questions of long-term impact include:

- Are current cleanup standards sufficient to protect public health?
- How stable are institutional property controls?
- Does brownfield development promote spontaneous economic expansion?

Broad policy questions include:

- What is the appropriate role of community preferences in selecting the use of a redevelopment site?
- How should policy-makers deal with demands for increased environmental justice?
- What is to be done with unsuccessful programs? ■



### About Richard C. Hula

**Richard C. Hula** is professor of political science and urban affairs at Michigan State University. He is currently a co-director of MSU's Program in Urban Politics and Policy. He served as the director of Michigan State's Program in Public Policy and Administration from 1991 to 1996, and as an associate director in the Institute of Public Policy and Social Research from 1991 to 1998. Prior to joining the faculty at Michigan State, Hula held faculty appointments at the University of Maryland and the University of Texas-Dallas.

Dr. Hula received his B.A. from Michigan State University, and his Ph.D. from Northwestern University. While at Northwestern, Hula was a National Science Foundation Trainee (1969-72) and a Woodrow Wilson Dissertation Fellow (1972-73). He was named a distinguished scholar-teacher at the University of Maryland for 1986-1987.

Dr. Hula has been involved in a number of university programs to link university scholarship to the work of practice. These include a biannual policy institute for new Michigan legislators, a training program for citizens interested in political office, and numerous special workshops and symposia.

Dr. Hula is the author of *The Politics of Crime and Conflict* with Ted Robert Gurr and Peter N. Grabosky (1977), *Market-Based Public Policy* (1988), *The Reconstruction of Family Policy* with Elaine A. Anderson (1991), and *The Color of School Reform* with Jeffrey Henig, Marion Orr and Desiree Pediscleaux (1999). Hula has published numerous articles on issues of housing policy, school reform, home credit, and environmental policy.

Dr. Hula teaches courses on urban politics and public policy.

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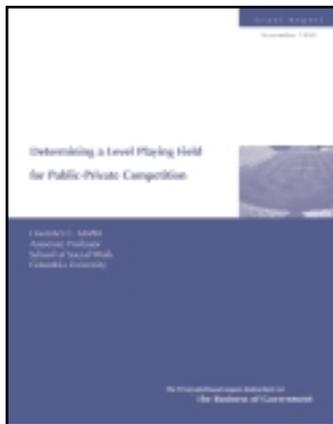
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# Determining a Level Playing Field for Public-Private Competition

By Lawrence L. Martin



The purpose of this study is the development of an assessment instrument, the "Level Playing Field Checklist," that can be used to evaluate the extent to which public-private competition is conducted on a level playing field. The underlining premise of a level playing field is that public-private competition should be conducted in a transparent (open) and fair manner so that the process does not provide an inherent

competitive advantage to either the public sector or the private sector. The checklist represents the first time that a comprehensive set of assessment criteria has been proposed for the specific purpose of evaluating a level playing field. The checklist can be used by governments, public employees, public-employee unions, private sector businesses, firms and others to evaluate the extent to which an individual public-private competition or a government's overall public-private competition policy achieves a level playing field.

In conducting the study, the theoretical and empirical literature on public-private competition and level playing field issues was consulted; the actual public-private competition policies of some 30 national and sub-governments in the Commonwealth of Australia, the United Kingdom, and the United States were reviewed; and telephone and e-mail interviews were conducted with a number of state and local government officials in the United States. The study identifies 13 major level playing field issues that confront governments when implementing public-private competition. The 13 major level playing field issues are grouped into three categories: process issues, costing issues and contract administration issues (see Figure 1).

A detailed discussion of the Level Playing Field Checklist including the 13 major issues, the various government responses or positions to each of these 13 major issues, and

the level playing field implications are presented in the body of the study.

The majority of the 13 major level playing field issues concern the treatment of the public sector. The reasons are twofold. First, long-standing government procurement and contracting policies and procedures govern private sector competitors in public-private competition. Second, public-private competition is still in what might be called the "research and development stage," with many issues relating to the participation of the public sector still unresolved.

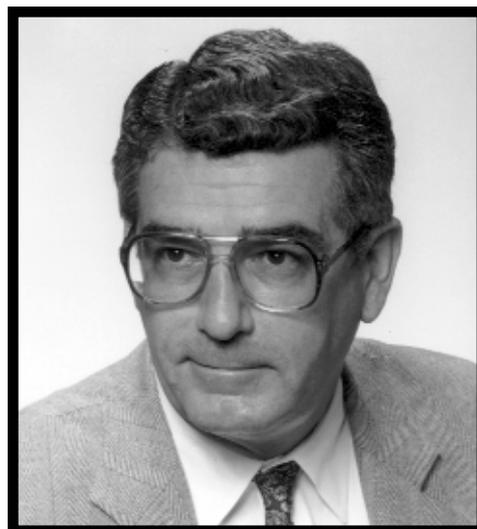
A conclusion of the study, and a caution suggested when utilizing the Level Playing Field Checklist, is that no single government response or position on any one of the 13 major issues should be considered sufficient by itself to create a

Figure 1

<b>Major Level Playing Field Issues</b>	
<b>Process Issues</b>	
1.	Type of Competition
2.	Public Sector Access to Outside Consultants
3.	Independent Review of Public Sector Benchmarks, Bids & Proposals
4.	Separation of the Purchaser & Provider Functions
<b>Costing Issues</b>	
5.	Mandated Private Sector Wage Scales
6.	Mandated Private Sector Employee Benefits
7.	Minimum Cost Savings Thresholds
8.	Cost Comparison Approach
9.	Transition Costs
10.	Contract Administration & Monitoring Costs
<b>Contract Administration Issues</b>	
11.	Public Sector Memorandum of Understanding
12.	Penalties for Public Sector Failure to Perform
13.	Provisions for Monitoring

level playing field or to tip the playing field in favor of either the public sector or the private sector. Rather, it is the cumulative effect of a government's responses or positions to all 13 major level playing field issues that should be considered.

A copy of the Level Playing Field Checklist, which can be duplicated and used in conducting level playing field evaluations, is included at the end of the report. ■



### About Lawrence L. Martin

Lawrence L. (Larry) Martin is an Associate Professor at the Columbia University School of Social Work, where he also serves as Director of the Social Administration Program. From 1988 to 1994, he was on the faculty of Florida Atlantic University's School of Public Administration.

He is a graduate of Carl Hayden High School in Phoenix, Arizona, and earned his B.S., M.S.W. and Ph.D. from Arizona State University. He received his M.I.M. from the the American Graduate School of International Management.

Dr. Martin has served in a variety of state and local government administrative positions including Director of Aging Programs for the Arizona Department of Economic Security (1976-1978), Assistant Director & Deputy Director of the Maricopa County (Phoenix, Arizona) Human Resources Department (1980-1982) and Director of the Maricopa County (Phoenix, Arizona) Office of Management Analysis (1984-1988).

Dr. Martin is the author of *Contracting for Service Delivery: Local Government Choices* (1999) and *Total Quality Management in Human Service Organizations* (1993); the co-author of *Designing & Managing Programs: An Effectiveness Based Approach* (1999), *Measuring the Performance of Human Service Programs* (1996) and *Purchase of Service Contracting* (1987); and the co-editor of *Handbook of Comparative Public Budgeting & Financial Management* (1993). In addition, he has published over 60 articles and book chapters dealing with public-private competition, privatization, contracting, financial management, performance measurement, and human service administration.

Dr. Martin has taught courses in social administration, financial management, program evaluation and performance measurement, public management, and state and local government. He has served as a consultant to numerous state and local governments and non-profit organizations and has conducted professional training seminars on public-private competition, service contracting, performance contracting, and contract administration and performance measurement.

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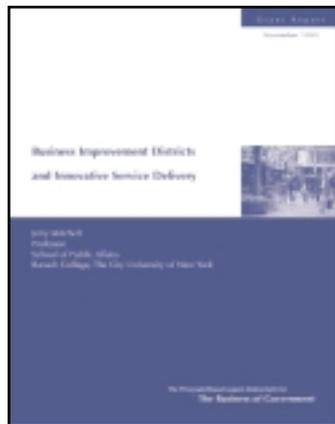
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# Business Improvement Districts and Innovative Service Delivery

By Jerry Mitchell



A new form of public administration is refashioning the concept of service delivery in commercial centers — the business improvement district (BID). The approach is one in which a geographically defined majority of property owners and/or merchants agree to provide an extra level of public service in a specific area by imposing an added tax or fee on all of the properties and/or

businesses in the area. Examples of services include supplementary security, additional street cleaning, and the unique marketing of events.

The impetus for creating a BID may come from real estate developers, property owners, merchants, downtown associations, or from within local government itself. In most jurisdictions, local government legally establishes the district pursuant to state law, collects the special tax assessments or fees, and then transfers the revenues over to the BID to use as it sees fit. In communities across the country, BIDs have used their funds to transform downtown areas into exciting, interesting places where businesses want to relocate and people want to work, shop, live, and have fun.

This report presents research on the structure, function, and management of BIDs in the United States. To examine these issues, secondary sources were collected and a survey was mailed to an original population of 404 BID managers. The following findings were made:

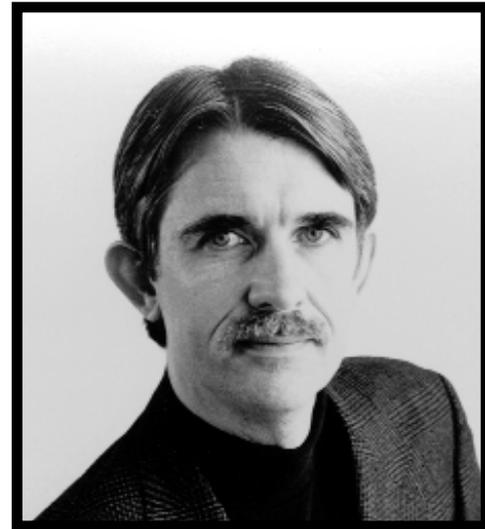
- **BIDs are everywhere** — They are operating in each region of the country, in 42 states, and the District of Columbia. BIDs are present in large, medium, and small communities. They can cover as many as 300 blocks or as few as one.
- **The delivery of services is broad-based** — BIDs have some level of involvement with nine different services: capital improvement, consumer marketing, economic development, maintenance, parking and transportation, policy advocacy, public space regulation, security, and social services. The leading service provided by over three-fourths of the BIDs in the survey was consumer marketing, such as promoting events and producing maps and newsletters.
- **Organizational design is relevant** — There are three types of organizations that may carry out BID functions: non-profit organizations, quasi-public authorities, and mixed public-private enterprises. The survey found the nonprofit form is the most common, followed by the mixed model and then public authorities.
- **Managers are central** — The BID manager is pivotal because this individual is typically one of a few full-time employees. The median number of full-time workers was two and the average was eight. BID managers may have significant responsibilities.
- **Management is not uniform** — The way BID managers approach their jobs was related to service delivery and performance measurement. However, there was no consensus on how to manage a BID. Entrepreneurial activities, such as finding alternative ways of delivering services, were ranked first by nearly half of the BID directors.
- **Education is meaningful** — A majority of the BID managers had a college degree. They considered a wide range of knowledge areas and skills important to the administration of a BID. When asked to assess various skills, the highest score was given to speaking effectively to audiences.
- **Performance measurement is limited** — Only half of the BIDs in the survey had established performance benchmarks. Furthermore, a mismatch existed between the services provided by BIDs and the way performance was measured. While over three-quarters of the BIDs were very involved with consumer marketing, slightly less than half measured performance with customer surveys and only a third conducted pedestrian/visitor counts.

Drawing on the survey results, four recommendations are relevant for the improvement of BIDs:

- **Evaluate organizational design** — The relationship between organizational design, service delivery, and management indicates that it is important for local governments, citizens, and BIDs to assess whether a public, nonprofit, or a mixed public-nonprofit organizational arrangement is most applicable for the particular circumstances of a business district.
- **Recognize the service delivery potential** — Since BIDs are already broad-based tools for delivering services, their functions may be expanded even further to advance the revitalization of commercial districts.
- **Enhance BID management** — Substantive educational materials and training programs for new and continuing BID managers should be developed because of the central role played by the top executive of the typical BID organization.
- **Measure performance** — The potential significance of performance standards and frequent performance measurement for discovering what is and is not successful should provide a rationale for the managers of self-assessment districts to instigate and continue a system of self-evaluation.

In the future, the larger challenge for BIDs will be to change the very culture that has created the need for BIDs. Once everything is clean, safe, and well-maintained, how can BIDs entice people away from suburban shopping malls and back to central business districts? Toward this end, BIDs may have to lobby for policies that limit sprawl; take the marketing of downtown to the suburbs; and work to promote commercial projects that target segments of the population, such as teenagers, young families, or senior citizens.

No matter the approach that is taken, there are many exciting opportunities for BIDs to continue the revitalization of America's cities and towns. The outlook should remain positive in the years to come if local officials sustain the idea that their purpose is not to tell BIDs how to provide services but to make sure services are provided; BID managers stay active by looking for ways to improve what they do; and the theme of the BID movement is to foster a positive American attitude toward downtown life. ■



### About Jerry Mitchell

Jerry Mitchell is a Professor in the School of Public Affairs at Baruch College, The City University of New York. He joined the CUNY faculty after receiving his Ph.D. in political science from the University of Kansas in 1987. He teaches courses in American government, research methods, policy analysis, and urban economic development policy. For several years, he also taught management courses for New York State's Public Service Training Program.

Professor Mitchell's research focuses on innovative forms of public administration, including business improvement districts, government corporations, and public boards. Seeking to explain the structure of these alternative arrangements and to describe how they can best be managed, his work has appeared in over 50 reports, papers, book chapters, essays, and journal articles. His most recent book is *The American Experiment with Government Corporations* (M.E. Sharpe, 1999). It evaluates the development and performance of semi-independent public agencies in the delivery of such services as economic development and transportation. His other books include *American Government in the Nation and New York* (McGraw-Hill, 1998) and *Public Authorities and Public Policy: The Business of Government* (Greenwood Press, 1992).

Elected to the governing council of the Policy Studies Organization in 1998, he is also a member of the American Political Science Association, American Society for Public Administration, and Urban Affairs Association.

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## Recent Grant Award Winners

The PricewaterhouseCoopers Endowment for The Business of Government is pleased to announce its latest grant award winners. All research grant award winners will produce a report on their topic that will be published by the Endowment.

**Steven A. Cohen****William B. Eimicke**

*School of International and Public Affairs  
Columbia University*

**Project Title:** "Analysis of the Use of the World Wide Web and Internet in Government Service Delivery"

**Description:** This project will examine the use of e-commerce and the Internet in government service delivery and communications. A national study will be conducted that will include a content analysis of the best federal, state, and local websites. The analysis will describe and compare the ways in which government agencies are using the Web to improve the delivery of services.

**Peter Frumkin**

*Hauser Center for Nonprofit Organizations  
John F. Kennedy School of Government  
Harvard University*

**Project Title:** "Milestone Contracting: Achieving Public Accountability While Protecting Nonprofit Autonomy"

**Description:** This project will document examples of milestone contracting between public agencies and social service nonprofit agencies, with a particular focus on a recent innovation in Oklahoma's way of managing its contracts with nonprofit organizations. Oklahoma's milestone contracting specifies a series of distinct and critical achievements and confers payment for a set of collaboratively defined programmatic results.

**Janine Hiller****France Belanger**

*Pamplin College of Business  
Virginia Polytechnic Institute and State University*

**Project Title:** "Privacy and Security Issues for Electronic Government"

**Description:** This project will provide a framework for understanding the implications of privacy and security in the public domain, the challenges of increasing the use of the Internet to deliver government services and information, and the connections and lessons that can be learned from the experience of the private sector in dealing with privacy and security issues.

**Kathryn E. Newcomer**

*School of Business and Public Administration  
George Washington University*

**Mary Ann Scheirer**

**Project Title:** "The Role of Program Evaluation in Supporting Performance Measurement: A Survey of Federal Agencies"

**Description:** This project will document the ways in which program evaluation is currently being used to support performance management in federal agencies. The authors will draw from current practices to develop recommendations for improving the links between program evaluation and performance measurement in the federal government.

**Beryl A. Radin**

*Rockefeller College School of Public Affairs  
State University of New York at Albany*

**Project Title:** "Working Across Boundaries: Coordinating and Cross-cutting Mechanisms within the U.S. Department of Health and Human Services"

**Description:** This study is a follow-up study to the author's previous study "Managing Decentralized Departments: The Case of the U.S. Department of Health and Human Services." The new study will examine the methods that have been used at HHS to create a corporate identity. The study will examine programs, policy processes, and procedures that have been put in place at HHS to create a corporate identity, including an emphasis on how the department has created mechanisms to deal with issues that cut across its component agencies.

**Dianne Rahm**

*Department of Urban Studies  
Cleveland State University*

**Project Title:** "Cleaning the Nuclear Weapons Complex: A Case Study of the Fernald Environmental Management Program"

**Description:** This project will provide an in-depth study of the Fernald, Ohio, environmental cleanup. The Fernald site appears to be achieving a level of environmental cleanup success that far exceeds that of other nuclear weapons sites. Lessons learned from the Fernald site will provide information for managers at other sites that could reduce the overall costs of environmental cleanup while at the same time speeding the nationwide environmental remediation progress.

**Allen Schick**

*Maryland School of Public Affairs  
The University of Maryland*

**Project Title:** "Getting Performance Budgeting to Perform"

**Description:** This study seeks to provide practical guidance to governments and organizations that seek to use performance budgeting. The study will identify the conditions — managerial culture, changes in the way Congress appropriates money and oversees federal agencies, and new financial reporting and accountability mechanisms — required to overcome the impediments to performance-based budgeting and management.

**Genie N. L. Stowers**

*Public Administration Program  
San Francisco State University*

**Project Title:** "Leveraging World Wide Web Service Delivery and Electronic Commerce Applications from the Private to Public Sector"

**Description:** This project will examine electronic commerce and other World Wide Web technologies currently available in the private and public sector. The results of this research will be insights into how government can enhance its delivery of services online. The aim of this project is to spark creativity and innovation in the use of technology in the public sector, and to leverage private sector uses of technology in the public sector.

**Barry Sugarman**

*School of Management  
Lesley College*

**Project Title:** "Organizational Learning in the U.S. Federal Government"

**Description:** This project will examine the experiences of five federal agencies that are currently running focused initiatives to apply the tools, principles, and perspectives of organizational learning. As a program assessment, this report will address the successes and failures of organizational learning based on these five case studies, and present these findings to the community at large.

**John H. Trattner**

*The Council for Excellence in Government*

**Project Title:** "The Government C-Suite: The Job of the Chief Operating Officer, Chief Financial Officer, and the Chief Information Officer"

**Description:** This study will develop descriptions of key senior management positions, such as the Chief Operating Officer, that are common among federal departments and critical to their effective operation. In addition to profiling these key positions, the report will examine important facets such as their history and operating context, their impact as change agents, and their place in the transformation that technology is bringing to government.

**David C. Wylde**

*Department of Management  
Southeastern Louisiana University*

**Project Title:** "The Auction Model: How the Public Sector Can Leverage the Power of E-Commerce through Dynamic Pricing"

**Description:** This project will explore the vast potential that online auctions present for policy-makers and executives at all levels of government. This research will focus on how the auction model and dynamic pricing can reinvent the way in which government units execute purchasing; disposal of surplus, obsolete, or seized property; and internal allocation of resources. The research will examine both the theoretical concepts that will drive government's involvement in online auctions, as well as practical application methods for implementing the auction model.

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