

*Council of the*  
**INSPECTORS GENERAL**  
*on INTEGRITY and EFFICIENCY*

# **Top Management and Performance Challenges Facing Multiple Federal Agencies**

April 2018

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## EXECUTIVE SUMMARY

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### Objective

The objective of this report is to consolidate and provide insight into the most frequently reported management and performance challenges identified by Offices of Inspector General (OIGs) based on work conducted in FY 2017.

### Approach

To accomplish this objective, we reviewed the 61 publicly available top management and performance challenges reports that were issued by federal, statutory OIGs in 2017. Once we identified the most frequently reported challenges by category, we reviewed each individual challenge within the broader category to determine whether we could also identify any common themes or key areas of concern.

Each year, federal Inspectors General (IGs) identify and report on the top management and performance challenges (TMPC) facing their individual agencies pursuant to the Reports Consolidation Act of 2000. In addition, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) issues an *Annual Report to the President and Congress* that includes a list of the TMPCs faced by many agencies throughout the federal government, despite vast differences in size and mission, and which often remain unchanged from year to year.

CIGIE is pleased to present this consolidated TMPC report, which for the first time provides information about, analyses of, and links to the 61 publicly available TMPC reports issued by the federal IGs in 2017. This is consistent with one of CIGIE's missions, which is to report on issues that transcend individual government agencies. The report also represents a continuation of CIGIE's effort to make the work of the federal IG community more accessible to the public. As part of that effort, in 2017, CIGIE launched [Oversight.gov](https://www.oversight.gov), which consolidates in one place all publicly issued IG reports. We encourage readers who are interested in the work of the federal IG community to go to that website and follow CIGIE on twitter ([@OversightGov](https://twitter.com/OversightGov)).

Based on our review of the 61 publicly available TMPC reports, IGs reported a wide range of challenges, including those related to national security, public safety, and public health. The challenges most frequently reported by the 61 IGs are:

- Information Technology Security and Management
- Performance Management and Accountability
- Human Capital Management
- Financial Management
- Procurement Management
- Facilities Maintenance
- Grant Management

Although we could not conclusively determine the underlying reasons why these issues were more frequently reported, or whether systemic government-wide issues caused or exacerbated the identified challenges, we noted that many of the challenges were negatively impacted by resource issues, both human and budgetary, and federal agencies' failure to use performance-based metrics to assess the success of their programs and operations. By consolidating these challenges, we hope to assist policymakers to determine how best to address these challenges in the future by highlighting common issues in order to foster improvements across government.

# TABLE OF CONTENTS

<b>INTRODUCTION</b> .....	1
<b>OBSERVATIONS</b> .....	2
<b>CHALLENGES</b> .....	3
Information Technology Security and Management .....	3
Performance Management and Accountability .....	6
Human Capital Management.....	8
Financial Management .....	10
Procurement Management .....	12
Facilities Maintenance.....	15
Grant Management.....	16
<b>CONCLUSION</b> .....	18
<b>APPENDIX 1: OIG Top Management and Performance Challenges Reports Reviewed</b> .....	19
<b>APPENDIX 2: Data Analysis</b> .....	21

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# INTRODUCTION

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Each year, federal Inspectors General (IGs) identify and report on the top management and performance challenges (TMPC) facing their individual agencies pursuant to the Reports Consolidation Act of 2000.<sup>1</sup> In addition, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) issues an *Annual Report to the President and Congress* that includes a list of the top management and performance challenges shared by many federal agencies. Many of the identified challenges remain the same each year and can be found in agencies throughout the federal government, despite vast differences in size and mission.

## Objective

The objective of this report is to consolidate and provide insight into the most frequently reported challenges identified by federal, statutory Offices of Inspector General (OIGs) based on work conducted in fiscal year (FY) 2017. The report also may serve to assist policymakers in determining how best to address these challenges in the future. Even though the broad categories of challenges may remain the same over time, the specific areas of concern may change from year to year, based on the federal government's progress in addressing certain aspects of the challenges, changing priorities, and emerging risks.

## Approach

To accomplish this objective, we reviewed 61 TMPC reports that were issued by federal, statutory OIGs in 2017.<sup>2</sup> Specifically, we reviewed every challenge reported in each TMPC report to ascertain whether it fell within one of the broad categories identified in the *CIGIE Annual Report to the President and Congress* or fell into another broad category. Through this process, we identified the most frequently reported challenges by category, which resulted in seven challenges being identified. (More detailed information about the frequency of the challenges and how they vary by agency size can be found in Appendix 2.) Once we established these categories, we reviewed individual challenges to determine whether we could also identify any common themes or key areas of concern.

We note that this methodology resulted in a number of extremely important challenges that were cited by several OIGs, such as those related to national security, public safety, and public health, not being included in this report because they did not rank among the challenges most frequently reported by the 61 OIGs, primarily because only a limited number of those OIGs have oversight responsibilities in these areas. Their absence in this report does not reflect a qualitative judgment about the impact or importance of these challenges.

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<sup>1</sup> Many federal IGs, such as those for government corporations, legislative branch agencies, and certain other federal entities are not required to issue TMPC reports pursuant to the Reports Consolidation Act of 2000.

<sup>2</sup> There are 73 federal, statutory OIGs, but not all of those OIGs are required to issue such reports and some, such as those in the Intelligence Community, do not issue public TMPC reports. We did not review classified TMPC reports issued by the IGs of the Intelligence Community or TMPC reports that covered work conducted in 2017, but were issued after December 31, 2017.

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## OBSERVATIONS

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During the course of our review, we made certain observations that may be of interest to policy and decision makers that, due to the limited scope and methodology used for this review, are not discussed in other areas of this report.

Specifically, although we could not make conclusive determinations with respect to the underlying reasons why these issues were so frequently reported or whether there were any systemic government-wide issues that caused or exacerbated the identified challenges, we noted that many IGs reported that their agencies' challenges were impacted by resource issues, both human and budgetary. For example, the inadequate allocation of funding directly impacted the challenges related to Information Technology Security and Management, Human Capital Management, and Facilities Maintenance. Similarly, the inability to hire, recruit, train, and/or retain personnel who have the skills needed to efficiently and effectively execute federal agencies' missions directly impacts the Information Technology Security and Management, Human Capital Management, and Procurement Management challenges. In addition, OIGs reported that federal agencies' failure to use performance-based metrics to assess the success of their programs and operations negatively impacted the Performance Management and Accountability, Procurement Management, and Grant Management challenges. While outside the scope of this particular report, a more detailed, cross-government review of the management and performance challenges from a budgetary, human resource, or performance-based management perspective could provide additional insight into the challenges facing federal agencies.

We also noted that the challenges identified in this report were reported by agencies throughout the federal government, notwithstanding vast differences in the agencies' size and mission. Therefore, policymakers may wish to explore whether there exist any systemic issues that cause or exacerbate the challenges that might be best addressed through government-wide policies.

**CHALLENGE****INFORMATION TECHNOLOGY  
SECURITY AND MANAGEMENT**

The information technology (IT) security and management challenge includes TMPC challenges related to (1) the protection of federal IT systems from intrusion or compromise by external or internal entities and (2) the planning and acquisition for replacing or upgrading IT infrastructure. This is a long-standing, serious, and ubiquitous challenge for federal agencies across the government, because agencies depend on reliable and secure IT systems to perform their mission-critical functions. The security and management of government IT systems remain challenges due to significant impediments faced by federal agencies, including resource constraints and a shortage of cybersecurity professionals.<sup>3</sup>

**Key Areas of Concern**

Key areas of concern are safeguarding sensitive data and information systems, networks, and assets against cyber-attacks and insider threats; modernizing and managing federal IT systems; ensuring continuity of operations; and recruiting and retaining a highly skilled cybersecurity workforce.

**Safeguarding Sensitive Data and Information Systems**

Federal information systems continue to be targets of cyber-attacks and vulnerable to insider threats. In the face of this ever-present and ever-escalating threat, federal agencies across the government face challenges in ensuring information systems are secure and sensitive data is protected. Given the immense responsibilities with which federal agencies are charged, failure to meet this challenge can have significant consequences in any number of ways, including by exposing individuals' personal information and compromising national security. For instance, in 2015, data breaches at the Office of Personnel Management exposed the personal information of over 20 million people.

The Social Security Administration (SSA) OIG reported deficiencies in the agency's ability to protect the confidentiality, integrity, and availability of the SSA's information systems and data. The SSA OIG recommended that the SSA should make protecting its network and information system a top priority and dedicate the resources needed to ensure the appropriate design and operating effectiveness of information security controls and prevent unauthorized access to sensitive information. Compounding this challenge, some agencies, including the Department of Commerce (DOC) and Department of Justice (DOJ), have encountered difficulty sharing information regarding cybersecurity threats with internal and external stakeholders because the information is often either classified or extremely sensitive.

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<sup>3</sup> U.S. Government Accountability Office (GAO), *U.S. Government's 2016 and 2015 Consolidated Financial Statements*, GAO-17-283R (January 12, 2017), p. 5.

Some OIGs expressed a concern with agencies' efforts to detect and mitigate the impact of insider threats. The Department of Defense (DOD) OIG noted that despite the DOD's efforts to limit insider risks, two contractors working for the National Security Agency removed classified information in 2017, and, in at least one instance, disclosed classified information. Across the government, progress in addressing the challenge of safeguarding data and information systems can be impeded by limited resources. The Export-Import Bank of the United States (EXIM) OIG stated that limited budgetary resources have posed a challenge for EXIM in developing, implementing, and maintaining a mature information security program.

## IT Modernization

Outdated or obsolete IT systems can potentially reduce system reliability and affect an agency's ability to fulfill its mission. Many OIGs found that their respective agencies were using legacy IT systems to perform core functions and responsibilities. For instance, the Treasury Inspector General for Tax Administration (TIGTA) stated that the Internal Revenue Service (IRS) has a large and increasing amount of aged hardware, some of which is three to four times older than industry standards. In its FY 2016 President's Budget, the IRS noted that its information technology infrastructure poses significant risk of failures due to its reliance on legacy systems and use of outdated programming languages. However, it is unknown when these failures will occur, how severe they will be, or whether they will have material impacts on tax administration during a filing season.

Outdated IT systems can also impact the security of the agency. The DOJ OIG reported that the DOJ's Justice Security Operations Center, which provides 24/7 monitoring of the DOJ's internet gateways and incident response management, is hampered by its aging infrastructure, some of which is past its end of useful life and is no longer supported.

The cost of maintaining legacy IT systems has also inhibited efforts to develop and implement updated IT systems, as agencies are forced to grapple with limited budgets and competing priorities. In particular, the SSA OIG stated that the SSA spent \$1.8 billion on IT in fiscal year 2017. However, according to the SSA, budget constraints have forced SSA to use much of its IT funding to operate and maintain existing systems.

In addition, the failure to improve and modernize IT systems can threaten national security. The Department of Homeland Security (DHS) OIG found that the slow performance of a critical pre-screening system greatly reduced U.S. Customs and Border Protection (CBP) officers' ability to identify passengers who may be of concern, and frequent network outages hindered air and marine surveillance operations.

## Continuity of Operations

In the event that an IT system is compromised—whether by cyber-attack, environmental anomaly, or some other incident—it is imperative that vital IT systems are available in a timely fashion to support the continuity of operations of federal agencies. As such, it is critical that

agencies prepare for the worst by having a developed-and-tested contingency plan in place to ensure that an emergency or crisis will not unduly impact agency programs or operations.

Nevertheless, some OIGs have noted deficiencies with agency IT contingency planning. The Department of the Interior (DOI) OIG, for example, has highlighted agency data backup issues, which could potentially leave DOI without access to important data should a computer fail or system be compromised. Similarly, the Department of State (State) OIG found that IT contingency plans for some overseas posts failed to meet departmental guidelines, which could negatively affect a post's ability to recover from an IT incident.

## Building and Maintaining an IT Workforce

Compounding these issues, many federal agencies face challenges in attracting and retaining a highly skilled cybersecurity workforce to help mitigate attacks and protect federal agencies from cyber intrusions.<sup>4</sup> A significant impediment for agencies in expanding the federal cybersecurity workforce is a shortage of available cybersecurity professionals. For example, the Department of Transportation (DOT) OIG stated that federal and private sector demand for cybersecurity professionals is outpacing supply by approximately 40,000 jobs in the United States.

Challenges in recruiting, training, and retaining qualified staff is discussed in further detail in the *Human Capital Management* section.

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<sup>4</sup> The IG community is not alone in identifying the challenges federal agencies face in recruiting and retaining a highly-skilled cybersecurity workforce. For example, in a 2016 report, GAO noted that government-wide efforts are needed to better recruit and retain a qualified cybersecurity workforce. GAO, *Federal Information Security: Actions Needed to Address Challenges*, GAO-16-885T (September 19, 2016), p. 2.



**CHALLENGE****PERFORMANCE MANAGEMENT  
AND ACCOUNTABILITY**

The performance management and accountability challenge includes challenges related to managing agency programs and operations efficiently and effectively to accomplish mission-related goals. Although federal agencies vary greatly in size and mission, they face some common challenges in improving performance in agency programs and operations.

**Key Areas of Concern**

Key areas of concern include collecting and using performance-based metrics; overseeing private-sector corporations' impact on human health, safety, and the economy; and aligning agency component operations to agency-wide goals.

**Collecting and Using Performance-Based Metrics**

Agencies' collection and use of performance-based metrics and information when managing and evaluating programs is essential to improving results. However, in 2017, the U.S. Government Accountability Office (GAO) reported that agencies have not improved in their use of performance information in decision making. Performance-based metrics are crucial both to understanding the impact of agency programs and to proactively identifying areas of risk.

OIGs reported that agencies lack the accurate and reliable program data and metrics needed to ensure agency resources are used effectively and efficiently. For example, DHS OIG reported that DHS did not report drug seizures and drug interdiction resource hours to the Office of National Drug Control Policy or ensure components developed and implemented adequate performance measures to assess drug interdiction activities, which resulted in DHS being unable to ensure its drug interdiction efforts met required national drug control outcomes or to accurately assess the impact of the approximately \$4.2 billion spent annually on drug control activities. DHS OIG also reported that CBP often had unreliable and incomplete data and, as a result, had problems measuring the effectiveness of its programs and operations. Similarly, DOJ OIG reported that DOJ's inability to effectively collect, verify, or analyze performance data negatively impacted a number of DOJ programs, including the Federal Bureau of Prison's healthcare and rehabilitation services, the Drug Enforcement Administration and the Bureau of Alcohol, Tobacco, Firearms and Explosives' confidential informant programs, and DOJ efforts to combat violent crime.

Similarly, OIGs reported that agencies did not effectively implement controls to ensure accurate program evaluation. The U.S. Department of Agriculture (USDA) OIG reported that some USDA agencies do not have adequate reviews or controls in place to supply the metrics necessary to evaluate program performance and that, therefore, some agencies were using inaccurate or unreliable data in program performance reports. The U.S. Agency for International Development OIG reported that missions in Egypt, Jordan, and the West Bank and Gaza did not

adequately develop or use internal controls to ensure quality data, monitoring, or evaluation. When such tools were in place, they were not consistently used or they failed to ensure adequate program management and oversight.

## Conducting Oversight of the Private Sector

Agencies also face challenges related to their responsibilities for conducting oversight of private-sector products or services that could have impacts on human health, safety, and economic viability. Effective oversight not only improves the operations of the agency in question; it also directly affects the experience of citizens, businesses, and organizations that depend on these products and services. For example, the DOT OIG reported that DOT continues to face new and longstanding oversight challenges to ensure safety efforts keep pace with the rapidly evolving airline industry. Among them is DOT's effort to oversee the manufacture and repair of aircraft parts according to federal standards. Similarly, the Department of Health and Human Services (HHS) OIG noted HHS's challenge in overseeing the safety of drugs and medical devices. Specifically, HHS OIG stated that the intricate global supply chains for drugs and medical devices present HHS with many challenges, and the products are at risk of diversion, theft, counterfeiting, and adulteration. The Department of Labor (DOL) OIG reported on DOL's challenge in enforcing laws to protect workers from death, injury, and illness in high-risk industries such as construction, forestry, fishing, agriculture, and mining. The Securities and Exchange Commission (SEC) OIG reported an immediate and pressing need for ensuring sufficient examination coverage of registered investment advisors. The Board of Governors of the Federal Reserve System (FRB) continues to take measures to enhance its oversight framework for banking organizations and will have to be sufficiently nimble to respond to changes that could influence the strategic direction of its supervisory efforts.

## Aligning Agency Component Operations to Agency-Wide Goals

Many agencies face challenges aligning the programs and operations of agency components to agency-wide strategic goals. For example, the DHS OIG reported DHS's challenge in unifying the efforts of its various components at the strategic level due to the lack of permanent, presidentially-appointed and Senate-confirmed officials. Without leadership stability, implementing or reinforcing needed reform on an enterprise level becomes challenging. In addition, for many agencies, such as the FRB, the complexity of the organizational structure presents challenges to using an enterprise approach to identify and remedy concerns that impact agency-wide administrative functions and activities.

**CHALLENGE****HUMAN CAPITAL MANAGEMENT**

The human capital management challenge includes TMPC challenges related to recruiting, managing, developing, and optimizing agency human resources. Human capital management is a significant challenge that impacts the ability of federal agencies to meet their performance goals and to execute their missions efficiently. Consistent with the findings of the IG community, GAO has identified strategic human capital management within the federal government as a high-risk area since 2001.<sup>5</sup>

**Key Areas of Concern**

Key areas of concern include inadequate funding and staffing; recruiting, training, and retaining qualified staff; agency cultures that negatively impact the agency's mission; and the impact of the lack of succession planning and high employee turnover.

**Funding and Staffing**

The lack of adequate, predictable funding and staffing can negatively affect an agency's ability to meet its mission. Further, the necessity of operating under Continuing Resolutions and complying with hiring freezes result in budget uncertainties, delayed hiring actions, and overworked agency staffs. The National Labor Relations Board (NLRB) OIG reported that reduced or flat appropriations and the loss of key personnel through retirements directly affects the NLRB's ability to maintain a stable and productive workforce. Similarly, the U.S. AbilityOne Commission (AbilityOne) OIG reported that AbilityOne does not have adequate staffing and resources to effectively execute its responsibilities and sustain its mission. AbilityOne OIG further reported that its agency faces challenges as it operates with a staff of less than 31 people responsible for administering a \$3 billion program with locations in all 50 states, Puerto Rico, and Guam.

**Recruiting, Training, and Retaining Qualified Staff**

Several Inspectors General reported on the difficulties their agencies face in recruiting, training, and retaining qualified staff, including challenges in attracting and retaining a highly skilled cybersecurity workforce, as discussed above in the *Information Technology Security and Management* section, and in training acquisition personnel, as is discussed below in the *Procurement Management* section. The DOD OIG reported that DOD, the nation's largest employer with over 2.1 million military and 800,000 civilian employees, faces challenges maintaining a force with the right mix of skills and experience for an ever-changing, globally deployed force. DOD OIG also reported that the lack of funding or time for training presents a

<sup>5</sup> GAO, *High Risk Series: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others*, GAO-17-317 (February 15, 2017), p. 61.

serious concern for the military's ability to remain a ready force. DHS OIG noted challenges in recruiting and hiring law enforcement officers. In its TMPC report, the SEC OIG cited a GAO report<sup>6</sup> that found SEC's hiring specialists may not have the skills necessary to hire and promote the most qualified applicants. The State OIG concluded that inexperienced staff, insufficient training, staffing gaps, and frequent turnover contributed to the Department's other management and performance challenges.

## Agency Cultures that Negatively Impact Mission

For the purposes of this report, we define an agency's culture as the system of shared expectations, values, and beliefs that govern how employees behave. Many OIGs reported that their agencies faced challenges related to their agency's culture, including ethical lapses, lack of accountability, lack of fiscal responsibility, lack of transparency and communication, resistance to change, and low morale. For example, the DOI OIG stated that DOI continues to face challenges in holding its employees, including senior officials, to the highest standards of ethical conduct, ensuring that the consequences of wrongdoing are clearly understood, taking decisive actions to address unacceptable behavior, and providing relevant ethics training to all employees. The SEC OIG TMPC report cited a recent GAO report<sup>7</sup> that found that although employee views of SEC's organizational culture had generally improved, SEC still operates in a compartmentalized way with little communication and collaboration between divisions.

## Succession Planning and Turnover

Agencies without institutionalized succession planning systems in place are at a disadvantage and lack "feeder" systems to identify high-performing employees who may succeed in senior leadership positions. In addition, high turnover rates create sustained financial costs for agencies competing for the best talent in a tight national labor market. The National Science Foundation (NSF) OIG reported that because NSF supplements its staff by using professionals from other organizations in rotational assignments for periods of up to four years, NSF experiences frequent turnover in staff, especially in leadership positions. According to its OIG, the Peace Corps experiences challenges associated with the statutorily-mandated five-year term limit for nearly all Peace Corp staff. As a result of the 5-year limit, the annual turnover is between 25 percent and 38 percent. This high rate of turnover accounted for approximately 60 percent of \$20.7 million in total turnover costs over a 5-year period (2005 to 2009). The Peace Corps OIG noted that the high turnover negatively affects the agency's ability to maintain high quality volunteer support and improve its core business functions. Additionally, high turnover contributes to insufficient institutional memory.

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<sup>6</sup> GAO, *Securities and Exchange Commission: Actions Needed to Address Limited Progress in Resolving Long-Standing Personnel Management Challenges*, GAO-17-65 (December 29, 2016).

<sup>7</sup> GAO, *Securities and Exchange Commission: Actions Needed to Address Limited Progress in Resolving Long-Standing Personnel Management Challenges*, GAO-17-65 (December 29, 2016).

**CHALLENGE****FINANCIAL MANAGEMENT**

The financial management challenge includes challenges related to a broad range of functions, from program planning, budgeting, and execution to accounting, audit, and evaluation. Weaknesses in any of these functional areas limit an agency's ability to ensure that taxpayer funds are being used efficiently and effectively and constitute a significant risk to federal programs and operations.

**Key Areas of Concern**

Key areas of concern include both the need for agencies to improve their financial reporting and systems, and the significant amount of dollars federal agencies lose through improper payments.

**Improving Financial Reporting and Systems**

As government programs and operations continue to grow in complexity, stringent reporting requirements become increasingly necessary to ensure program integrity, efficiency, and transparency. However, agencies' ability to track and report financial data has not kept pace with agency needs. In particular, outdated financial management systems may not have the configurations necessary to track and report financial data reliably as agency needs evolve, making effective financial management difficult. For example, some OIGs reported on agencies' challenges complying with regulatory changes and modernization requirements, such as the Digital Accountability and Transparency Act of 2014 (Public Law No. 113-01) that established new financial reporting requirements for all federal agencies. Multiple OIGs also reported deficiencies in the internal controls over their agencies' financial management reporting and systems, such that the agencies' ability to report reliable financial information was impacted. In some instances, OIGs found that these deficiencies rose to the level of material weaknesses in internal controls over financial reporting, meaning that there was a reasonable possibility that a material misstatement of an agency's financial statement would not be prevented or detected on a timely basis.

For example, the USDA OIG reported material weaknesses in two of USDA's component agencies. The USDA's Commodity Credit Corporation demonstrated material weaknesses in its accounting estimates and the maintenance of its accounting records due to continued deficiencies with internal controls. The USDA's Natural Resources Conservation Service had deficiencies in internal controls in accounting for obligations and expenses, which are also considered material weaknesses. In addition, HHS OIG continues to report inadequacies in internal controls over segregation of duties in employees' job responsibilities, configuration management for approved changes to HHS financial systems, and access to HHS financial systems as a material weakness. The lack of adequate internal controls prevents HHS from substantially complying with requirements for its financial system management.

Further, some agencies' ability to report reliable financial information was hindered by the weaknesses in their financial management systems. For example, the Department of Housing and Urban Development (HUD) OIG reported that since 1991, they have reported on system limitations and deficiencies within HUD's legacy financial management systems and the Department's lack of an integrated financial management system. HUD OIG also reported on weaknesses in the planning and implementation of a new core financial system to be maintained by a shared service provider. The Department of Veterans Affairs (VA) OIG reported that the agency's complex, disjointed, and legacy financial management system architecture continues to deteriorate and no longer meets financial management and reporting requirements.

## Reducing Improper Payments

Many federal agencies face challenges in preventing and reducing improper payments, which are payments that should not have been made or were made in an incorrect amount. Improper payments constitute a significant risk of financial loss to the government. Estimates of improper payments totaled about \$141 billion in FY 2017.<sup>8</sup> In 2017, several OIGs reported preventing and reducing improper payments as one of their agency's TMPCs, and CIGIE identified preventing improper payments as a critical issue affecting multiple federal agencies.<sup>9</sup> That same year, after HHS reported estimated improper payments of nearly \$100 billion for seven of its eight high-risk programs in 2016, the HHS OIG characterized reducing improper payments as a critical element in protecting the financial integrity of HHS programs.<sup>10</sup> Similarly, the SSA OIG noted that given the large dollar value of SSA's payments, even slight errors in the overall process can result in millions of dollars of overpayments or underpayments and reported that SSA estimated it would make about \$7.8 billion in improper payments in FY 2017.

Other OIGs that reported reducing improper payments as a top management challenge include the Department of Treasury, with a total of \$16.8 billion in FY 2016;<sup>11</sup> the Department of Education, with \$6 billion in FY 2016<sup>12</sup>; the VA, with \$5.5 billion in FY 2016; the DOL, with \$4.6 billion in FY 2016; and the USDA with \$2.7 billion in FY 2016.<sup>13</sup>

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<sup>8</sup> GAO, *U.S. Government's 2017 and 2016 Consolidated Financial Statements*, p. 242.

<sup>9</sup> Council of the Inspectors General on Integrity and Efficiency, *Critical Issues Involving Multiple Offices of Inspector General*, p. 24.

<sup>10</sup> In addition, GAO included improper payments in the Medicare and Medicaid programs in its 2017 High Risk list. GAO, [High Risk Series: Progress on Many High-Risk Areas](#), p. 554-66, 586-95.

<sup>11</sup> PaymentAccuracy.gov, Payment Accuracy Dataset 2017, Program Results tab.

<sup>12</sup> PaymentAccuracy.gov, Payment Accuracy Dataset 2017, Program Results tab.

<sup>13</sup> PaymentAccuracy.gov, Payment Accuracy Dataset 2017, Program Results tab.

**CHALLENGE****PROCUREMENT MANAGEMENT**

The procurement management challenge encompasses the entire procurement process, including pre-award planning, contract award, and post-award contract administration.<sup>14</sup> Given that the federal government awarded over \$500 billion in contracts in FY 2017, the fact that many federal agencies face challenges in Procurement Management indicates that billions of taxpayer dollars may be at increased risk for fraud, waste, abuse and mismanagement. Further, many federal agencies rely heavily on contractors to perform their missions and, as a result, the failure of a federal agency to efficiently and effectively manage its procurement function could also impede the agency's ability to execute its mission.

**Key Areas of Concern**

Key areas of concern for this challenge include weaknesses with procurement planning, managing and overseeing contractor performance, and the training of personnel involved in the procurement function.

**Procurement Planning**

Federal regulations require agencies to plan procurements to ensure that the government meets its needs in the most effective, economical, and timely manner possible.<sup>15</sup> However, several OIGs identified challenges related to identifying requirements and overall procurement planning in their agencies. For example, within the Federal Trade Commission (FTC), deficiencies in information technology procurement planning resulted in poorly defined functional requirements. This lack of enterprise-level planning resulted in the procurement of products that did not appropriately interface with existing information technology capabilities. Also, DOD decision makers sometimes lacked information on past and anticipated contracted services and focused more on processing the contract action than evaluating the underlying need for the procurement.

**Managing and Overseeing Contractor Performance**

Federal agencies also face challenges in managing and overseeing contractor performance. OIGs identified challenges related to quality assurance programs and metrics to monitor and assess

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<sup>14</sup> Although some federal agencies define the term "procurement" narrowly as the act of buying goods and services for the government and use the term "acquisitions" to refer to the broader concept of the initiation, design, development, test, contracting, production, deployment, of systems, supplies, or services to satisfy government needs, we use the terms interchangeably for the purposes of this report. See, e.g., the *Glossary of Defense Acquisition Acronyms and Terms*. Defense Acquisitions University.

<sup>15</sup> GAO, *Acquisition Planning: Opportunities to Build Strong Foundations for Better Services Contracts*, GAO-11-672 (August 9, 2011), p. 1.

contractor performance, reporting poor contractor performance, and ensuring invoices and payments are adequately reviewed.

### Quality Assurance and Metrics

Multiple OIGs identified the failure of federal agencies to create metrics for assessing contract performance as an impediment to the agencies' ability to manage and oversee government contracts. For example, the Department of Energy (DOE) OIG reported weaknesses with contractor quality assurance programs and specifically reported that a contractor did not adequately communicate quality assurance requirements to its subcontractors, as required. The FTC OIG reported that FTC contracts did not include the requirements and metrics necessary to identify poor performance or the tools needed to correct poor performance. The SEC OIG also found ineffective utilization of established contract performance metrics to measure contractor performance.

### Failure to Assess and Report on Contractor Performance

Federal regulations prescribe that federal contracting officers can only award contracts to contractors that have a satisfactory performance record.<sup>16</sup> Therefore, contractor past performance information is critical to ensuring that contractors meet the eligibility requirements for doing business with the federal government. However, many federal agencies face challenges with assessing and documenting contractor performance. As a result, federal agencies may continue to do business with contractors with a demonstrated history of poor performance. For example, as of March 2017, the DOD OIG made and tracked 131 open recommendations related to issues such as assessment of contractor performance through performance assessment reports, management of energy savings performance contracts, cost-reimbursement contract issuance, and management and identification of defective spare parts.

### Invoice and Payment Review

Across the federal government, OIGs have reported instances where agencies fail to review invoices and payments to ensure that the government received the goods and services for which it was paying. For example, although State OIG acknowledged areas of improvement, it also identified certain deficiencies in proper invoice review and approval. DOD OIG reports highlighted improper payments related to service fees for on-time delivery for deliveries that were late. These reports focused on specific areas of concern related to improper payments, such as unidentified improper billings by vendors and lack of adequate controls to pay for eligible services or supplies received by the DOD.

## Training

Another challenge that federal agencies face, as mentioned in the *Human Capital Management* section above, is the lack of a well-trained procurement personnel. The quality and effectiveness

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<sup>16</sup> Federal Acquisition Regulation Parts 9.103 and 9.104.



of the federal procurement process depends on the development of a capable and competent workforce.<sup>17</sup> However, throughout the federal government, OIGs have found that federal contracting officers lacked sufficient training in procurement regulations and in identifying, documenting, and resolving poor contractor performance. For example, AbilityOne experienced problems with contracting officers being able to navigate acquisition regulations. Contracting officers experienced confusion as to how rules should be interpreted and implemented. In addition, Contracting Officer's Representatives within the FTC did not have the training and resources necessary to identify and properly document and resolve poor performance issues. The Pension Benefit Guaranty Corporation also experienced problems with having a sufficient number of federal employees with the technical ability to oversee contract deliverables effectively. Absent well-trained, highly-skilled procurement personnel, the federal government will continue to face difficulties in effective procurement planning, oversight, and administration of government contracts sufficient to ensure compliance with the terms and conditions of its contracts and all applicable laws and regulations.

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<sup>17</sup> OFPP Policy Letter 05-01, Developing and Managing the Acquisition Workforce (April 15, 2005).

**CHALLENGE****FACILITIES MAINTENANCE**

Federal agencies face challenges ensuring that their facilities stay in proper condition and remain capable of fulfilling the government's needs. Throughout the federal government, OIGs have identified insufficient funding as the primary reason why agencies fail to maintain and improve their equipment and infrastructure.<sup>18</sup> Without additional funding for required maintenance and modernization, it is unclear how agencies will manage the challenges of equipment and infrastructure that are simultaneously becoming more costly and less effective.

**Key Areas of Concern**

Key areas of concern related to facilities maintenance are the increased likelihood of mission failure and the higher overall cost of deferred maintenance.

**Mission Failure**

Promptly addressing maintenance needs reduces the chance of structural failures that may impact whether an agency can accomplish its mission. In some cases, agencies are dealing with deteriorating infrastructure that may cause substandard working conditions for staff, create inconveniences in using equipment, fail to incorporate newer technologies and standards, or cause other issues. In other, more significant cases, agencies may be hampered in performing their missions effectively because of breakdowns in essential equipment or hazards posed by unmaintained infrastructure. For example, the DOE OIG noted its Department had reported that only 50 percent of its structures and facilities were considered functionally adequate to meet the mission. Additionally, a DOD report stated that in order to remain safe, secure, and effective, the U.S. nuclear stockpile must be supported by a modern physical infrastructure, but the DOE OIG noted that the average age of its Department's facilities, which support the nuclear stockpile, is 36 years.

**Increased Cost**

The failure to address facilities maintenance exacerbates the problems discussed above and results in greater costs in the future. The Architect of the Capitol's OIG found that if required projects continue to be unaddressed, this backlog will worsen – increasing the effort, time, and cost ultimately required to resolve the agency's deferred maintenance.

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<sup>18</sup> For example, the National Aeronautics and Space Administration (NASA) OIG notes that more than 80 percent of the Agency's facilities are 40 or more years old and are beyond their design life, and NASA has not been able to fully fund required maintenance for many years.

**CHALLENGE****GRANT MANAGEMENT**

The grant management challenge includes challenges related to the process used by federal agencies to award, monitor, and assess the success of grants. Deficiencies in any of these areas can lead to misspent funds and ineffective programs. As proposed in the President's budget for FY 2018, federal agencies will spend more than \$700 billion through grants to state and local governments, non-profits, and community organizations to accomplish mission-related goals. However, the increasing number and size of grants has created complexity for grantees and made it difficult for federal agencies to assess program performance and conduct oversight.

Even though the key areas of concern relating to the grant management challenge overlap with issues discussed in other challenges, such as the *Performance Management and Accountability* and the *Financial Management* sections, OIGs reported grant management as a TMPC with sufficient frequency that it ranked as a separate, freestanding challenge.

**Key Areas of Concern**

Key areas of concern are ensuring grant investments achieve intended results, overseeing the use of grant funds, and obtaining timely and accurate financial and performance information from grantees.

**Ensuring Grant Investments Achieve Intended Results**

Congress and agency heads need to know which grant programs are achieving their goals and objectives in order to make informed decisions about where to spend limited resources. Agencies must establish outcome-focused measures for their grant programs and ensure performance measurement requirements are incorporated into grant agreements. As discussed in the *Performance Management and Accountability* section, when measures are not included or not clearly defined, the government is at increased risk that money may be wasted or projects may not achieve intended results.

For example, the DOL OIG identified challenges the agency faced in ensuring its approximately \$3 billion investment in job training grant programs is successful in developing participants' skills and placing them in suitable employment. Critical to this task is the Department's ability to obtain accurate and reliable data by which to measure, assess, and make decisions regarding the performance of grantees in meeting the programs' goals. Similarly, the Department of Education OIG has consistently identified instances in which the agency was unable to ensure adequate performance by grantees and sub-grantees. Specifically, the audits found failures to demonstrate progress toward achieving the awards' stated goals and objectives, and non-compliance with essential award conditions related to performance reports.

## Overseeing the Use of Grant Funds

Recipients of federal grants must use grant funds for the specific purpose identified in the grant award and within certain parameters and guidelines. However, federal agencies that have a large number of grants may not be able to provide the oversight needed to ensure grantees use funds solely for authorized purposes and maintain adequate source documentation to support their spending.<sup>19</sup> For example, HHS OIG identified protecting the integrity of public health and human services grants as a top management challenge. In FY 2016, HHS awarded more grants than any other federal entity (more than \$100 billion in grants, excluding Medicaid), but faces challenges ensuring effective grants management within HHS and ensuring program integrity and financial capability at the grantee level. Moreover, legislation continues to expand HHS's reach and increase expenditures through new grant programs, including funding programs for cancer prevention, diagnosis, and treatment; neurological research; and grants to States for opioid prevention and treatment.<sup>20</sup> At HUD, the OIG found that HUD faces a significant management challenge in ensuring that funds disbursed for disaster recovery programs are used for eligible and supported items.

## Obtaining Timely and Accurate Financial and Performance Information

The timely receipt of accurate financial records and performance reports from grantees is necessary for agencies to ensure grant funds are properly spent and intended results are achieved. As discussed in the *Financial Management* section, the lack of timely and accurate reports increases the risk of improper payments and the waste of funds. The DOJ OIG, for example, noted in its top management challenges that its audits have identified findings and deficiencies related to non-compliance with essential award conditions related to performance reports, use of funds, and program performance and accomplishments.

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<sup>19</sup> See generally <https://www.grants.gov/web/grants/learn-grants/grant-policies.html>.

<sup>20</sup> See, e.g., the 21<sup>st</sup> Century Cures Act, Public Law No. 114-255 (December 13, 2016).

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## CONCLUSION

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For the past 40 years, since the passage of the Inspector General Act in 1978, the federal IG community has sought to keep the public informed about the operations of the federal government and strived to promote effective and efficient government by conducting rigorous independent oversight of their individual agencies. Identifying the top management and performance challenges facing individual agencies has been part of that effort. We hope that this CIGIE report, which identifies and provides insight into the most frequently reported management and performance challenges identified by IGs in 2017, will assist policymakers in determining how best to address these challenges in the future by highlighting common issues in order to foster improvements across government. In addition, consistent with the mission of IGs, the report helps inform the public by providing them with information about the important challenges facing the government that they are funding. Finally, within the IG community, and consistent with CIGIE's mission, we believe that this report will help inform future IG community work, including reviews relating to issues that impact multiple OIGs and the TMPC reports that are issued annually by individual OIGs.

**APPENDIX 1****OIG TOP MANAGEMENT AND PERFORMANCE CHALLENGES REPORTS REVIEWED**

To conduct our analysis, we reviewed the top management and performance challenge (TMPC) reports issued by Offices of the Inspector General (OIGs) of the agencies listed below. Clicking on the agency name below will bring you to that OIG's TMPC report.

[Amtrak](#)  
[Appalachian Regional Commission](#)  
[Architect of the Capitol](#)  
[Board of Governors of the Federal Reserve System](#)  
[Broadcasting Board of Governors](#)  
[Chemical Safety and Hazard Investigation Board](#)  
[Committee for Purchase From People Who Are Blind or Severely Disabled \(AbilityOne Program\)](#)  
[Consumer Financial Protection Bureau](#)  
[Consumer Product Safety Commission](#)  
[Corporation for National and Community Service](#)  
[Defense Nuclear Facilities Safety Board](#)  
[Denali Commission](#)  
[Department of Agriculture](#)  
[Department of Commerce](#)  
[Department of Defense](#)  
[Department of Education](#)  
[Department of Energy](#)  
[Department of Health and Human Services](#)  
[Department of Homeland Security](#)  
[Department of Housing and Urban Development](#)  
[Department of Justice](#)  
[Department of Labor](#)  
[Department of State](#)  
[Department of the Interior](#)  
[Department of the Treasury](#)  
[Department of Transportation](#)  
[Department of Veterans Affairs](#)  
[Election Assistance Commission](#)  
[Environmental Protection Agency](#)  
[Equal Employment Opportunity Commission](#)  
[Export-Import Bank of the United States](#)  
[Farm Credit Administration](#)  
[Federal Election Commission](#)  
[Federal Housing Finance Agency](#)  
[Federal Labor Relations Authority](#)  
[Federal Maritime Commission](#)

Federal Trade Commission  
General Services Administration  
Government Publishing Office  
Gulf Coast Ecosystem Restoration Council  
Internal Revenue Service (Treasury Inspector General for Tax Administration)  
Library of Congress  
National Aeronautics and Space Administration  
National Archives and Records Administration  
National Endowment for the Arts  
National Endowment for the Humanities  
National Labor Relations Board  
National Science Foundation  
Nuclear Regulatory Commission  
Office of Personnel Management  
Peace Corps  
Pension Benefit Guaranty Corporation  
Railroad Retirement Board  
Securities and Exchange Commission  
Small Business Administration  
Social Security Administration  
Special Inspector General for Troubled Asset Relief Program  
U.S. Agency for International Development  
U.S. Commodity Futures Trading Commission  
U.S. International Trade Commission  
U.S. Postal Service

# APPENDIX 2

# DATA ANALYSIS

We obtained 61 publicly available management challenges reports issued by Offices of Inspector General prior to December 31, 2017. We reviewed each reported challenge to ascertain whether it fell within one of the broad categories identified in the *CIGIE Annual Report to the President and Congress* or fell into another broad category. This process yielded the top seven categories shown in the charts below and discussed in this report.

Figure 1 shows the seven management challenges most frequently reported by the Inspectors General. The blue bars represent the number of agencies about which the challenge was reported. The red line represents the total number of agencies reviewed.

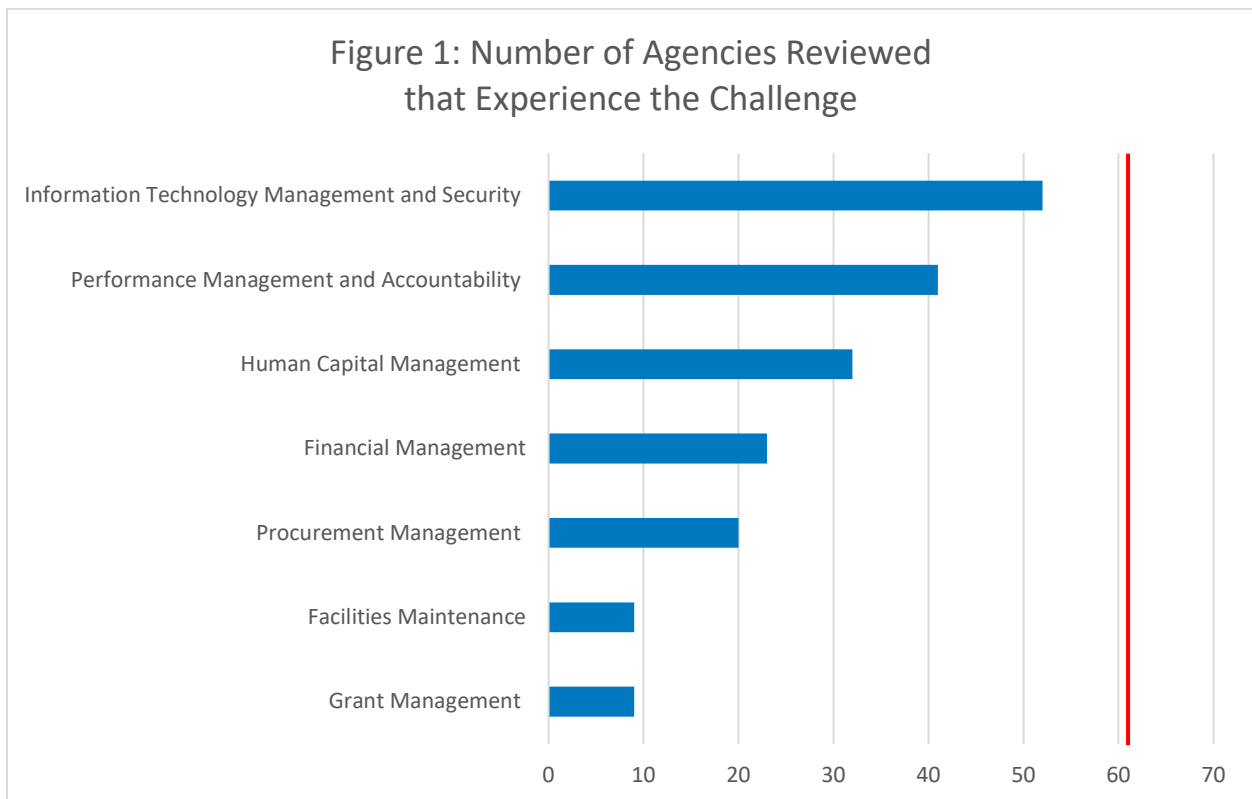




Figure 2 shows the percentage of agencies by size for which the challenge was reported.

