

The Changing Role Of Federal Oversight

Part Deux

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A Historical Context

Do you remember reading the quote or hearing it referred to at a past National Education Seminar? The italicized statement noted on the right was highlighted in an article I wrote titled “The Changing Role of Federal Oversight.” The article was published in *The Property Professional* in April 1996 and at the time of its publication, it professed to be the latest word on the topic. Vice President Gore’s National Performance Review (NPR) was criticizing federal managers for relying on rigid rules and procedures, extensive paperwork, detailed specifications, multiple inspections and audits. In the NPR’s complex agenda was an effort to reshape the world of federal oversight to seek best value and that change be reflected in a shift from rigid rules to guiding principle and from compliance audits to the evaluation of management controls.

In my earlier article I described at length the many obstacles to oversight reform but optimistically looked to a future where all such oversight was predicated on baseline measurement and trend assessment. A movement in that direction seemed to be the only rational response to the contempt of traditional performance assessments that were seen as too subjective, reactive or arbitrary. Again the criticism of the historical oversight models was that they were based on compliance with, and conformity to, strict regulations and procedures that, in many situations, were seen as leading to inefficient practices resulting in higher operating costs. In many cases, it appeared that compliance with quantitative rules and checklists became more important than the goals that the management controls sought to achieve. A consequence of compliance-based oversight is that as the government looks to industry for creative and cost-effective solutions to some of the most complex problems of our time, the processes of oversight deny those same managers the flexibility to adjust to changing circumstances.

The “New” Oversight Model

DOE recognized this dilemma in the mid-1990’s and established a “new” oversight model. The model was designed to accommodate varied and dynamic operations. It was implemented to encourage and reward excellence, continuous improvement and to foster improved and timely communications. It was a model based primarily on self-



“New oversight systems need to be developed which are consistent with the...goals of empowerment, trust and accountability.”

assessments performed by the individuals and teams that performed the work. The self-assessments were evaluated against specific performance objectives that “trickled-down” from DOE headquarters to its field offices and its large management and operating (M&O) contractors.

In each case, the field offices and M&O contractors designed their own management systems to meet the Department’s performance expectations. Inherent in each design was the creation of an internal, ongoing assessment process to periodically advise DOE and the contractor’s management team of how well the functional units were performing in meeting the predetermined goals. The model relied on the integrity; candor and ethical behavior of the organizations vested with the responsibility to assess their processes and performance out comes.

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Theory Into Practice

The model self-assessment system which DOE initiated in 1996 was named the Balanced Scorecard (BSC) and was adopted from the theories in a book of the same title. The BSC represented a new way of thinking about “oversight” and it offered relief to the DOE field office and M&O contractor community. It offered relief in that it eliminated the constant intrusion of audit teams and, as a result, DOE field offices and M&O contractors didn’t suffer the “down-time” associated with pre-audit preparation, document production, staff interviews, briefings, audit response reports and corrective actions. In exchange, DOE expected each of its field offices and M&O contractors would conduct an objective appraisal of the organization’s performance against the pre-negotiated BSC goals and objectives.

The DOE experience has been generally positive. In the six years that the BSC has been used to trend performance in the property management area, not a single DOE site or M&O contractor activity has reported a significant deficiency. Accordingly, DOE has approved all of the field office and M&O contractor property management systems that were submitted for approval during that period of time. However, in spite of this success, DOE and its M&O contractors have from time to time been the subject of negative Inspector General reports and have had to

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deal with the associated negative publicity. Typically these reports are specific to an anomalous practice or incident and they don't represent systemic problems. However, while there is comfort in the nature of such findings, the frequency of these reports has increased in the recent past.

What I think we are seeing is that major shifts to less constrained oversight models is easier said than done...effectively. Senior managers can espouse behaviors, values and performance expectations; however, they don't always live up to what they say. Circumstances can conspire to temper the vigor with which the BSC model is conducted and the nature of reporting to higher authorities. Financial constraints, competing priorities, fee losses, competitive standing relative to other contractors and loss of prestige, all conspire to temper the nature of reporting BSC results. In addition, even now, six years later, these managers and their organizations are in a transitional stage. They are somewhere between the old audit-findings-lead-to-penalties world and the new continuous improvement world. Certainly the communication of the original messages to mid-level managers can be a problem in that they are hopelessly mired in the past and fear the consequences of reporting problems.

The Scorecard

Fortunately, most DOE organizations and contractors seem to have learned new ways to think about how to measure success in evaluating property management activities. They have moved ahead and adopted the BSC model and have learned for themselves what aspects of the model work and which are less effective. Unfortunately, there has been some concern that the BSC model did not go far enough and that it isn't evolving fast enough to convince the skeptics that yet exist. In addition, I feel personally that the BSC may not be able to keep up with changes in the business operating environment that DOE and its contractors are facing now and in the future.

My concern about the operating environment is as follows: under the BSC managers have detected "glitches" (something less than a deficiency) in their property management systems and seen them as incidents to be addressed. Somehow they continue to focus on the "glitches" and lose sight of the important systems issues. This approach to the BSC may have resulted in quick fixes to symptoms arising from problems in functional elements rather than curing the larger systems problems. It could be that the constant maximization of the performance of functional elements of a property management system without an understanding of the fundamental underlying problems would result in the sub-optimization of the larger organization.

We have all been taught that the remedy for fixing the problems that surface as symptoms is to solve the root problems. In the past year, certain program elements with-

in DOE have struggled with how to go beyond the BSC and focus on a more strategic approach to identifying vulnerabilities in the property management function and how to use that information to identify root causes. The search for a new model has led to the "Assessment Model."

The "Newest" Oversight Model

The federal approach to oversight has evolved 1) scheduled on-site inspections, 2) periodic instance-based inspections, and 3) customer reported self-assessments. In evaluating other options, DOE concluded that the use of third party certifications could have benefits for all concerned. Such actions can be accomplished with reduced costs and, if the appropriate third party resources are enlisted, can result in a highly reliable form of quality assurance. While the conclusion was that third party certification was an acceptable substitute for self-assessments, there was significant concern about how the process could be applied in the DOE complex. DOE has increasingly moved into acquiring services rather than products and it has required contract and property administrators to assume radically different roles than in the past. The role changes have had to be accomplished in the context of their existing organizational cultures.

The "Assessment Model" was developed as a systematic and well-grounded approach to dealing with the reality that it is not easy to assess unique property management systems that in many ways reflect an organization's culture rather than strict adherence to policies and procedures proscribed by the federal government. Nevertheless, DOE felt it was important to determine if 1) appropriate property management systems were in place; 2) if the practitioners understood and followed those systems and 3) if the systems had credible checks and balances. To ensure that these assessments were accomplished in a consistent manner across the DOE-complex, a review protocol was established and incorporated into the Department's Property Management Guide.

The Assessment Model Review Protocol

The assessment review is to provide an objective and systematic analysis of the reviewed property management systems and practices for the purpose of providing an independent assessment of the performance of the reviewed activities property management program. The process of the review is to use a "systems review" approach. In each instance such assessment reviews include an evaluation of the written property management program and the operating procedures and applied practices relating to identified "topics of interest." These topics may change from time to time based on periodic risk analyses but recently they have included: subcontractor held property; lost, damaged and destroyed property reporting; standards of conduct/ethics;

high risk property; precious metals; motor vehicle utilization; foreign and domestic loans; excess property and reutilization programs; property sales, computer sanitization and inventory techniques and reporting. It is the consideration of these topics as well as the other factors already mentioned that the review team relies on as it reaches conclusions regarding the property management systems sufficiency to ensure effective and economical acquisition, receipt, storage, issue, use control, physical protection, maintenance, and disposal of personal property.

The assessment review consists of three phases: pre-review, on-site review and post-review activities. The pre-review phase involves all of the notice and logistical activities associated with a more traditional review. The on-site phase consist primarily of an extensive schedule of staff interviews and uses the critical question techniques described in the following paragraphs. Finally, the post-review phase involves the preparation of an assessment report where the assessment team leader describes areas of potential vulnerability. For the purposes of applying the Assessment Model “vulnerability” is defined as those areas of the property management activity which present the greatest risks to the sponsoring program activity and DOE. “Risks” can be financial, operational, safety and health, and national security.

The Human Factor

Critical to the success of the Assessment Model has been finding the right people to conduct the analysis. Because analyzing an organizational systems solution to a complicated technical task is extremely difficult, DOE felt that only a joint effort between individuals from within the organization whose property management systems are being assessed, property experts from elsewhere in DOE and an outside, independent consultant could be expected to objectively evaluate the effectiveness of the system and its practitioners. In addition, DOE felt that it was important to make the assessment task the responsibility of the consultant, who with the assistance of the DOE participants, organized the assessments, conducted the interviews and prepared the final report.

DOE feels strongly that the joint efforts of the outsiders, including the consultant and the insiders tends to avoid the errors of subjectivity that are known to accompany any one individual’s opinions. In reality both the insider and the outsider impose their own categories of meaning onto their observations. Essentially, the consultant comes to the team as a technical expert but is unfamiliar with the cultural, fiscal and human resource limitations inherent with the organizations property systems solution. In the same way, without help, that individual cannot quickly understand how systems requirements are translated into performance and how performance success is defined within the organization.

It is the exchange of information between the consultant and the DOE team that can fill in the gaps and put

the assessment observations into context. Since the team gathers information from individuals rather than file records, it is the mutual probing of those being interviewed that often reveals the basic vulnerabilities which result from the property management system or how it is executed. The value of the assessment process is that the informality of the interviews and the varied experiences of the assessment team can surface issues which, while not deliberately concealed, were not obvious to the practitioners or their management team.

Critical Questioning

The collaborative inquiry process uses “critical questioning” as its primary approach to gathering information. It focuses not so much on drawing out specific responses as it does on “reflective analysis. The “critical questioning” tool puts individuals at ease because it isn’t a test of knowledge but an invitation to explain their role within the property management system, to consider their actions and the assumptions that led to those actions as well as the organizations values that are reflected in the system. As DOE has gained experience with this model the teams are leaning to explore the means-ends relationship that sometimes has been found to subvert the effectiveness of well-designed property management systems.

During the period of the assessment the team interviews property and procurement specialists, accounts payable staff, cyber-security personnel, export-control specialists, security and local law enforcement officers, vehicle fleet management specialists and internal audit personnel. In each case, the “critical questioning” tool is used and the responses are recorded. In addition, visits are made to lay-down yards, reutilization facilities, stock warehouses and areas where property assets are being held for future use. The process of recording the interview notes discussing the observations made in the facility visits allows for a pattern of data to emerge. Some of these patterns are ultimately considered by the team to represent potential vulnerabilities that the reviewed organization should consider and respond to, if appropriate.

Summary

The DOE Assessment Model is the latest iteration of a long line of internal audit techniques. It is a relatively sophisticated and cost-effective attempt to establish an independent, objective assurance activity designed to add value and improve DOE and contractor operations. Early indications are that the recent applications of the model have helped reviewed organizations accomplish their objectives by bringing a systematic, disciplined approach to assessing and improving the effectiveness of risk management, control and governance processes. The best news – the consensus feedback is that these assessments were done in an environment without the negative values associated with traditional reviews...distrust, risk avoidance and excessive documentation of “findings” and corrective actions. ◆