Library of Congress' Office of the Inspector General (OIG) recently issued a report on this specific hearing topic. Therefore the OIG is submitting the attached, Report No. 2018-SP-103, July 2018
Continued Persistent Focus Needed to Strengthen the Library's Strategic Planning and Performance Management, **for the record in lieu of a written statement.**
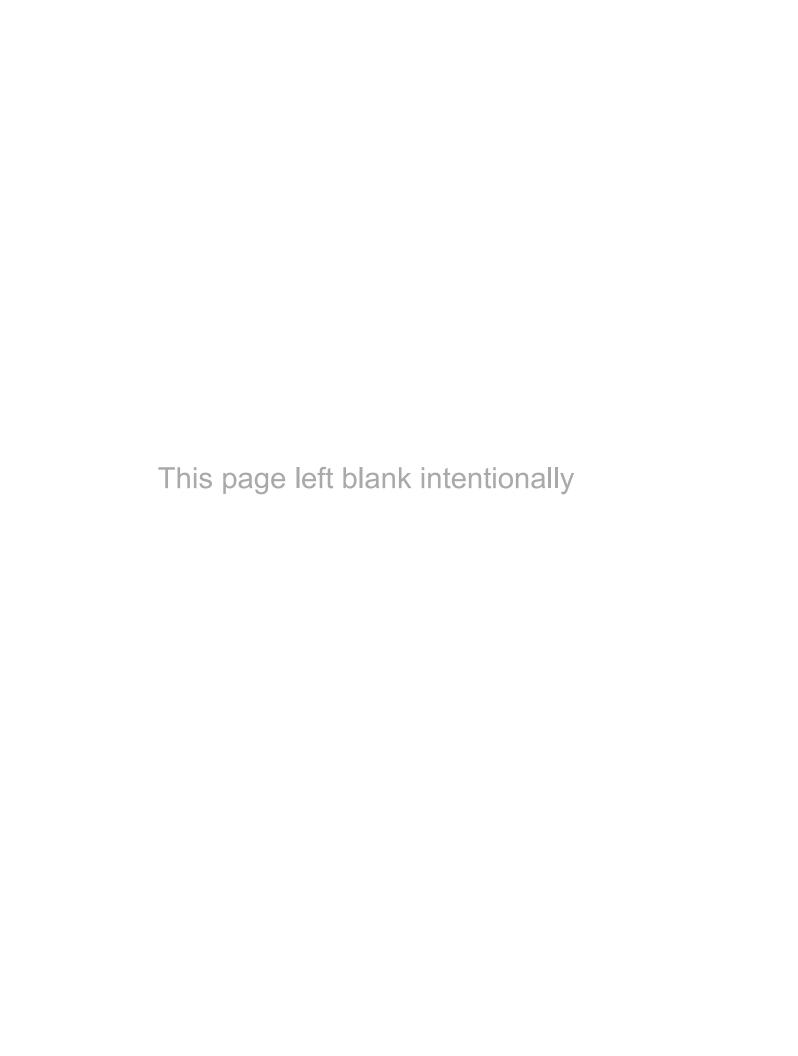

Kurt W. Hyde
Inspector General
Library of Congress

Hearing: Oversight of the Library of Congress' Strategic Plan, Part 2

United States House of Representatives
Committee on House Administration
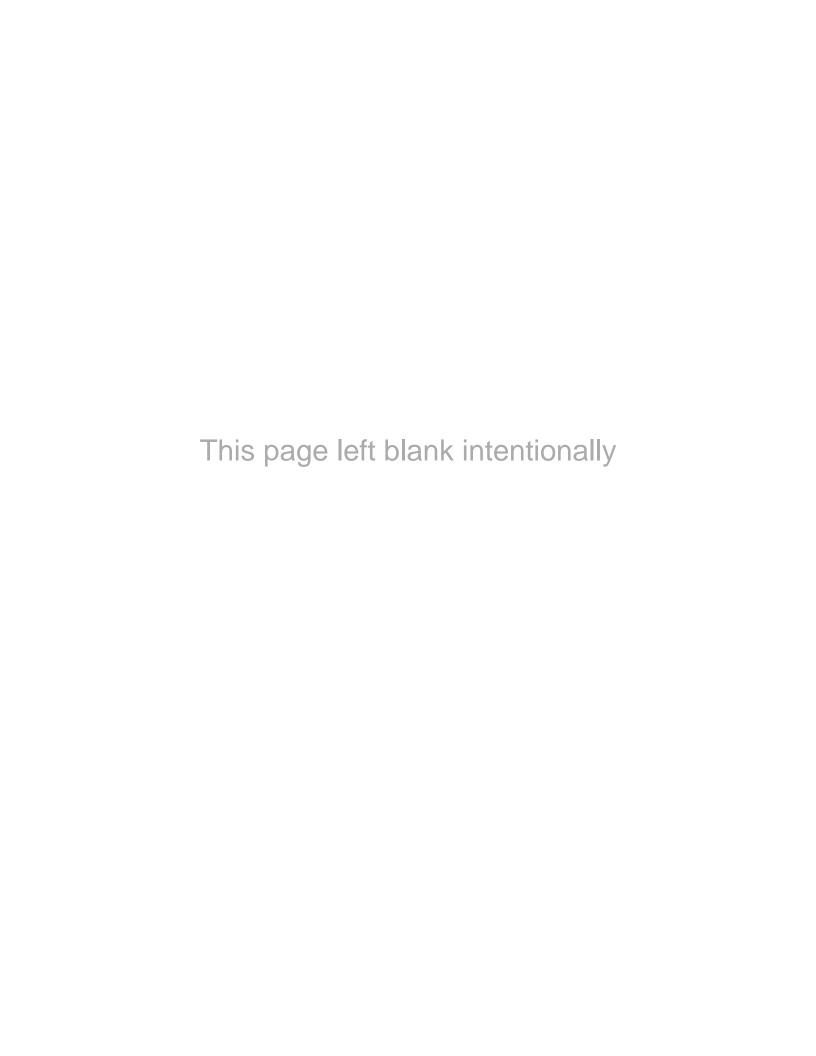

July 25, 2018

Continued, Persistent Focus Needed to Strengthen the Library's Strategic Planning and Performance Management

Library of Congress Office of the Inspector General

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July 16, 2018

MEMORANDUM FOR: Dr. Carla Hayden
                    Librarian of Congress

FROM: Kurt W. Hyde
                    Inspector General

SUBJECT: Report No. 2018-SP-103, *Continued, Persistent Focus Needed to Strengthen the Library's Strategic Planning and Performance Management*

The Chairman of the Committee on House Administration told the Office of the Inspector General (OIG) he wanted the Library of Congress (Library) to address and resolve the top management challenges identified in OIG's Semiannual Reports to Congress. Consequently, for the semiannual reporting period ending March 31, 2018, OIG selected two such challenges – strategic planning and information technology infrastructure – to evaluate the Library's efforts in relation to them and present our findings in our semiannual report. For the evaluation of the Library's strategic planning and performance management efforts, our objective was to analyze the steps taken to develop a more robust Library-wide strategic plan supported by aligned service unit plans and an integrated enterprise-wide risk management framework.

This transmits our final report on the Library's strategic planning and performance management efforts. The report did not make formal recommendations that required management to respond to the draft report, in accordance with LCR 9-160, *Rights and Responsibilities of Employees to the Inspector General*, §6.A. The final report will be made publicly available.
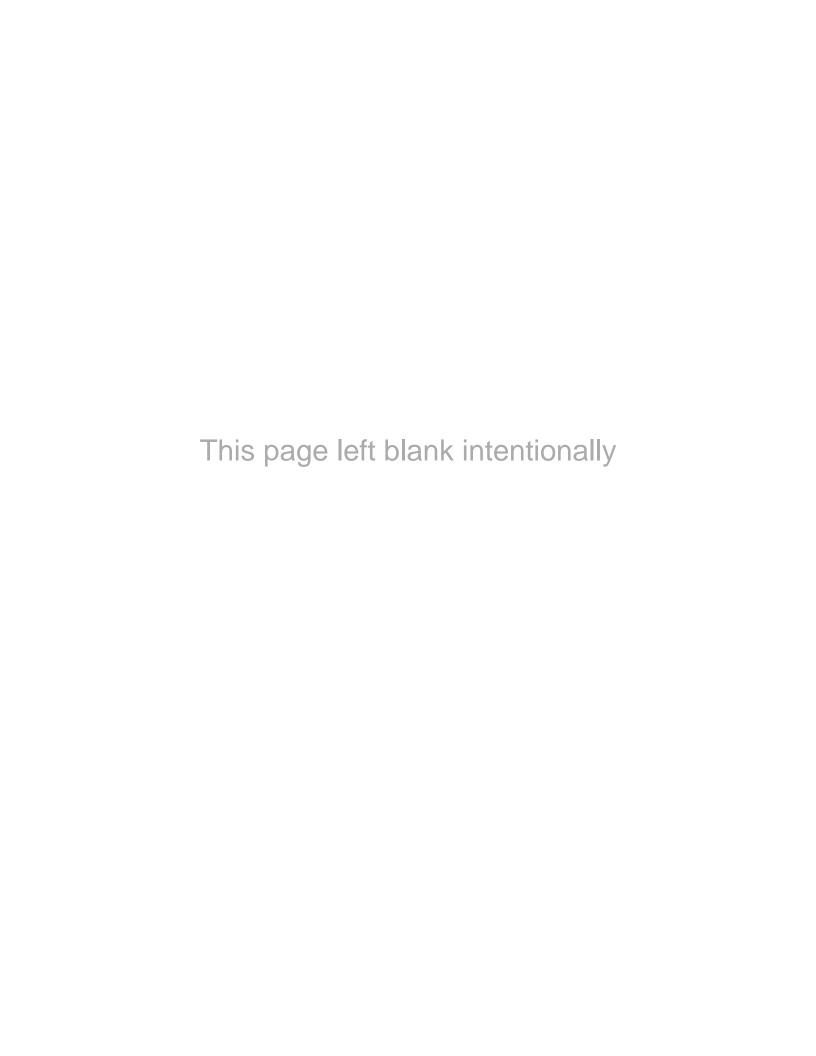
We appreciate the cooperation and courtesies extended by the Office for Strategic Planning and Performance Management during this evaluation.

cc: Principal Deputy Librarian of Congress
      Chief of Staff
      General Counsel
      Director, Strategic Planning and Performance Management

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Summary

The Office of the Inspector General (OIG) initiated this evaluation of the Library of Congress' (Library) strategic planning and performance management efforts to analyze the steps taken to develop a more robust Library-wide strategic plan supported by aligned service unit plans and an integrated enterprise-wide risk management framework. We have identified the strategic planning and performance management area as a top management challenge in our Semiannual Reports to Congress since our September 2011 semiannual report.

We believe that many of the Library's management challenges over the years have flowed from a historic lack of proper strategic planning and performance management. More recently, especially with Dr. Hayden's arrival, this area has improved. For example, under the Librarian's leadership, high-level executives are discussing the status of high priority annual performance goals at monthly Executive Committee meetings, something that had not been happening previously. The Librarian has also directed the Office for Strategic Planning and Performance Management to develop a Library-wide strategic plan supported by aligned service unit plans.

As part of the evaluation, we identified practices that would further strengthen the Library's strategic planning and performance management. We are presenting these practices as guidance and intend to refer to this guidance in future evaluations and semiannual reports that address strategic planning and performance management. OIG identified six practices:

- Improve the Library's focus on customers/users;
- Implement a planning and performance culture at the executive level;
- Create a strategic plan that meets federal government standards;
- Create a better human capital linkage to strategic planning and performance management;
- Link budgetary resources to expected performance results; and
- Manage risk across the Library's service units when planning and conducting performance management.

OIG believes that the Library's strategic planning and performance management processes are thus far being revamped appropriately to conform to the spirit of the Government Performance and Results Act of 1993 (GPRA).[1] As a legislative branch agency, the Library is exempt from GPRA, but has historically held itself to the spirit of GPRA. Congress has expressed its expectation that this would be the case. However, it will take the Library years to successfully develop and implement a more robust strategic planning framework, one that includes goals with specific and aggressive outcomes that can be used to evaluate performance using verifiable performance metrics. An enormous amount of quality data will have to be collected, analyzed, and reported as part of this process. Finally, a clear roadmap for accomplishing this major change will be needed.

Management Comments

Management stated that it agreed with the essence of the report: that it is essential for the Library to build to a mature, data-driven, and impactful planning and performance management system and that it will take years along a carefully planned trajectory to achieve this result. OIG did not make formal recommendations that required a management response.

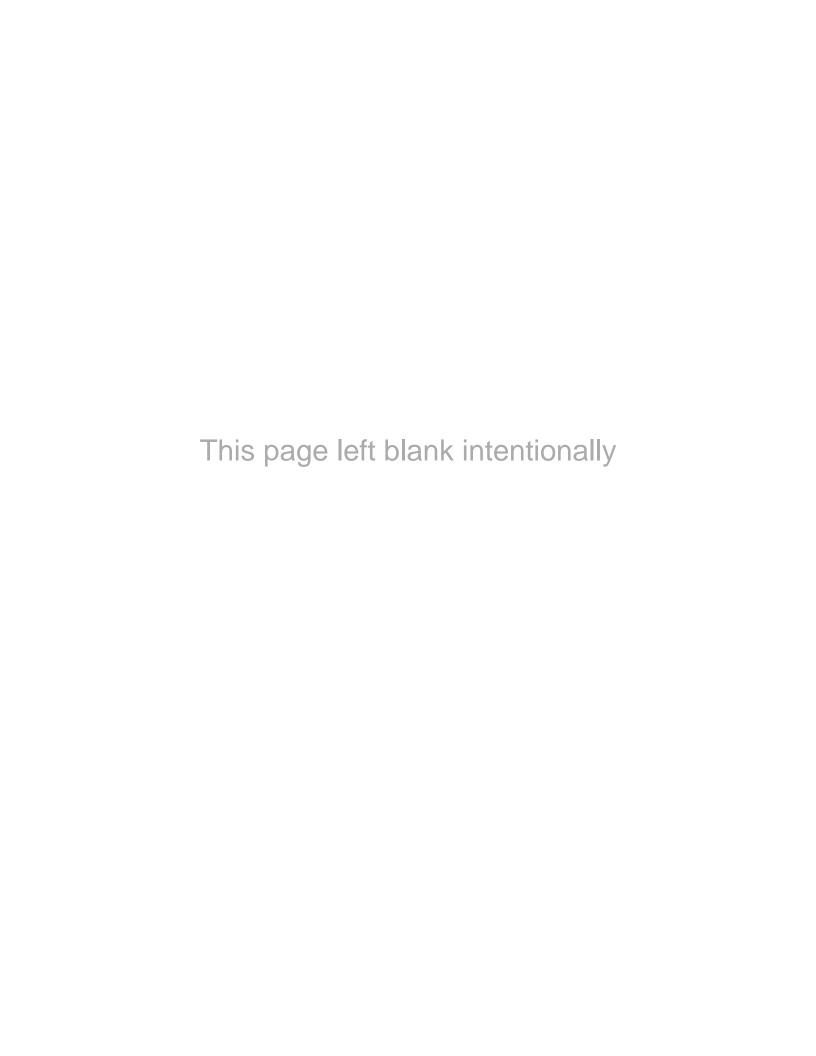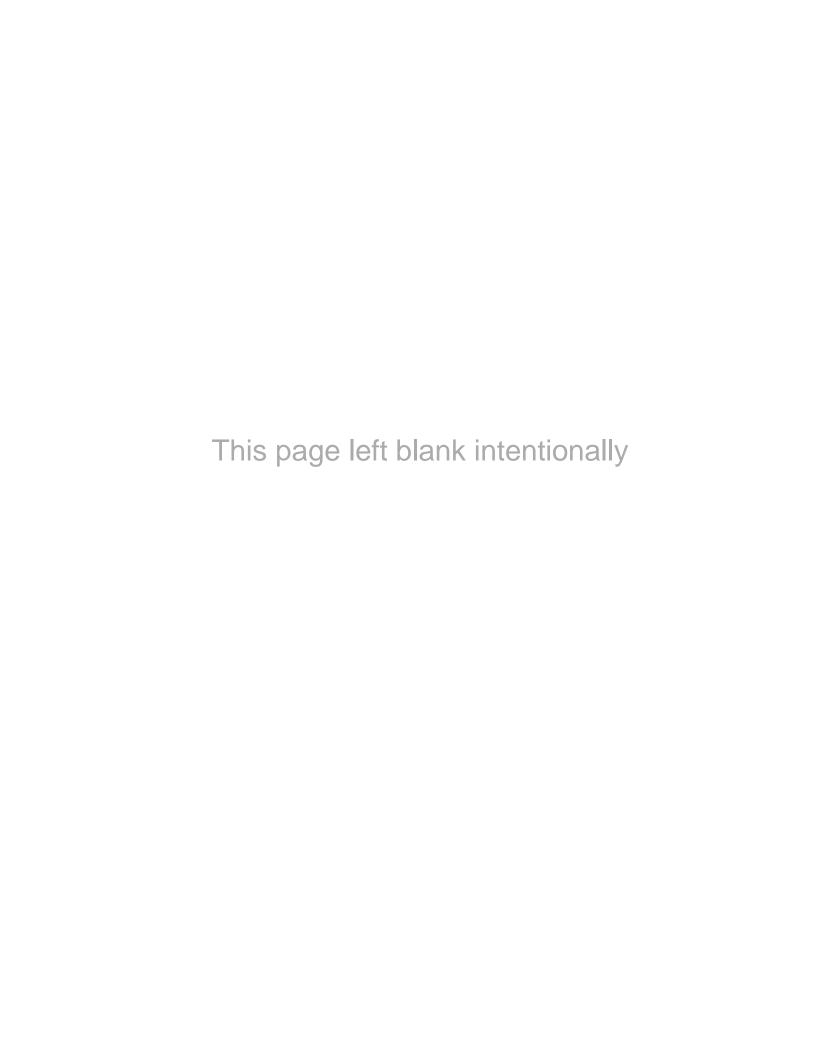[1] Government Performance and Results Act of 1993. Pub. L. 103-62, 107 Stat. 285 (1993).

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Background

The Government Performance and Results Act of 1993 (GPRA) created a thorough and comprehensive framework for federal government strategic planning and performance reporting.[2] GPRA was the centerpiece of a statutory framework Congress put in place to address long-standing weaknesses in federal operations, improve federal management practices, and provide greater accountability for achieving results. GPRA sought to shift the focus of government decision-making and accountability away from a preoccupation with activities undertaken to a focus on the results of those activities—such as real gains in program quality. Since its enactment, GPRA has helped improve the efficiency and effectiveness of federal programs by requiring agencies to set goals for program performance and to measure results.

Under GPRA, strategic plans are the starting point and basic underpinning for results-oriented management. The Government Accountability Office (GAO) explains that strategic plans are intended to be the starting point for each agency's performance measurement efforts. GPRA requires that strategic plans contain certain key elements, such as a comprehensive mission statement, long-term goals and objectives, and strategies to achieve the goals and objectives. GAO notes that the mission statement is expected to bring the agency into focus and explain why the agency exists and tell what it does. The strategic goals that follow are an outgrowth of the stated mission. The strategic goals explain the purposes of the agency's programs and the results they are intended to achieve. Goals are to be expressed in a manner that enables a subsequent assessment of whether the goals were achieved. Agencies are also to develop annual performance plans and annual performance reports. The GPRA Modernization Act of 2010 (Modernization Act) was a significant enhancement of the planning and reporting framework established by GPRA and provided important tools to help agencies resolve major management challenges.[3]

The Library of Congress (Library) is exempt from GPRA and the Modernization Act as a legislative branch agency, but has historically held itself to the spirit of GPRA. Congress has expressed its expectation that this would be the case. In 2005, the Senate Committee on Appropriations stated that it was committed to applying GPRA principles to the legislative branch. According to a Committee report, "While [l]egislative [b]ranch agencies are not required to comply with GPRA, the Committee believes the spirit and intent of [GPRA] should be applied to these agencies. The Committee intends to monitor agencies' progress in developing and implementing meaningful performance measures, describing how such measures will be verified and

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[2] Government Performance and Results Act of 1993. Pub. L. 103-62, 107 Stat. 285 (1993).
[3] GPRA Modernization Act of 2010, Pub. L. 111-352, 124 Stat. 3866 (2011).

validated, linking performance measures to day-to-day activities, and coordinating across "sister" agencies."[4]

The Library unveiled its current strategic plan for fiscal years (FYs) 2016–2020 in October 2015 as a "living plan," intended to guide the Library during a time of leadership transition and be revised once a new Librarian arrived. After her arrival in the spring of 2017, Dr. Hayden launched the Envisioning 2025 initiative to inform the development of a new strategic plan. The Library intends to have a new strategic plan in place by FY 2019; Library service units are expected to have plans that align with the overall strategic plan completed by the end of January 2019. At an all-staff meeting in January 2018, Dr. Hayden stated "The vision is simple: to enhance and expand the use and the reach of the Library."[5] To help with strategic plan-related activities, the Library hired the management consultant Deloitte in December 2017.

The Office of the Inspector General (OIG) has issued several reports on GPRA-related issues, including the implementation of performance-based budgeting,[6,7] development of credible performance data,[8] and implementation of Modernization Act-related principles.[9] Additionally, in conducting this evaluation, OIG leveraged the work conducted by GAO on GPRA and the Modernization Act;[10] the insights of Manning and Bodine's in their book entitled, *Outside In: The Power of Putting Customers at the Center of Your Business*;[11] Bossidy and Charan in *Execution: The Discipline of Getting Things Done*;[12] and guidance indicated in Office of Management and Budget (OMB) circulars. OMB circulars provide sound business practices, although the Library is not required to follow them.

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[4] S. Rep. 109-89, at [3] (2006).

[5] *Staff Updated on Strategic Plan, Envisioning Initiative*, Library of Congress Gazette, January 26, 2018, Volume 29, No. 3.

[6] *Performance-Based Budgeting at the Library: A Good Start, but Much Work Remains*, 2004-FN-502, October 2006.

[7] *Performance-Based Budgeting: Working Toward the Spirit of GPRA - Library Services: Commendable Progress with Room for Improvement*, 2010-PA-107, January 2011.

[8] *Managing in the Spirit of GPRA: Developing Credible Performance Data is the Next Step*, 2009-PA-104, March 2010.

[9] *Working Toward the Spirit of the Government Performance and Results Modernization Act*, 2013-PA-101, March 2013.

[10] In addition to the GAO reports footnoted in this report, see *Building On Agencies' Strategic Plans to Improve Federal Management*, GAO/T-GGD/AIMD-98-29, October 1997; *Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges*, GAO/GGD-98-44, January 1998; *GPRA Has Established a Solid Foundation for Achieving Greater Results*, GAO-04-38, March 2004; *Greater Transparency Needed in Public Reporting on the Quality of Performance Information for Selected Agencies' Priority Goal*s, GAO-15-788, September 2015; *Implementation of GPRA Modernization Act Has Yielded Mixed Progress in Addressing Pressing Governance Challenges*, GAO-15-819, September 2015; *Agencies Need to Fully Identify and Report Major Management Challenges and Actions to Resolve them in their Agency Performance Plans*, GAO-16-510, June 2016.

[11] *Outside In: The Power of Putting Customers at the Center of Your Business* by Harley Manning and Kerry Bodine with Forrester Research (New York: New Harvest Books, a division of Houghton Mifflin Harcourt Publishing Company, 2012).

[12] *Execution: The Discipline of Getting Things Done* by Larry Bossidy and Ram Charan with Charles Burck (New York: Crown Business, a division of Random House, Inc., 2002).

The Librarian Has Initiated Improvements to the Library's Strategic Planning and Performance Management

OIG has reported on gaps in the Library's strategic planning and performance management activities and considers it one of the Library's top management challenges. OIG identified performance-based budgeting, a GPRA-related activity, as a top management challenge in our September 2011 Semiannual Report to Congress.[13] Since that time, strategic planning and performance management-related activities have remained on OIG's list of Library top management challenges. OIG believes that many of the Library's management challenges over the years have flowed from a historic lack of proper strategic planning and performance management.

More recently, especially with Dr. Hayden's arrival, the Library has taken a stronger approach to strategic planning and performance management. OIG commended the Library in our September 2015 Semiannual Report to Congress for engaging a special consultant to address its strategic planning and performance management issues. The Librarian tasked the Office for Strategic Planning and Performance Management (SPPM) with strengthening strategic, directional, and operational planning and elevated the SPPM Director to report directly to her. Further, as noted in testimony by the Inspector General before the Committee on House Administration, the Library has taken steps to improve the delivery of information technology (IT) services.[14] The Library hired its first professional Chief Information Officer (CIO) and the Librarian elevated the CIO position to report directly to her. This gave the CIO position recognition as a Library-wide strategic and operational partner.

Under the Librarian's leadership, high-level executives are also discussing the status of high priority cross-Library annual performance goals (APGs) at monthly Executive Committee (EC) meetings, something that had not been happening previously. SPPM told OIG that the practice facilitates communication among executives responsible for APGs that cut across their service units. Other notable accomplishments include the launching of a new electronic system for tracking and reporting on APGs and SPPM's effort to design an enterprise-wide risk management framework, which according to SPPM will be in keeping with the spirit of OMB Circular No. A-123.[15] With the launch of Envisioning 2025, the Librarian has also directed SPPM to

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[13] Federal government OIGs are statutorily required to submit semiannual reports to Congress. See OIG's semiannual reports at https://www.loc.gov/about/office-of-the-inspector-general/annual-reports/.

[14] *Oversight of the Library of Congress' Information Technology Management*, testimony of Inspector General Kurt W. Hyde, June 8, 2017.

[15] OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 2016.

develop a Library-wide strategic plan supported by aligned service unit plans. OIG considers this a critical step to success.

OIG believes that the Library's strategic planning and performance management processes are thus far being revamped appropriately to conform to the spirit of GPRA. However, it will take the Library years to successfully develop and implement a more robust strategic planning framework, one that includes goals with specific and aggressive outcomes that can be used to evaluate performance using verifiable performance metrics. An enormous amount of quality data will have to be collected, analyzed, and reported as part of this process. Finally, a clear roadmap for accomplishing this major change will be needed.

Continued, Persistent Focus is Needed to Strengthen the Library's Strategic Planning and Performance Management Activities

Our evaluation identified practices that can be utilized by the Library to further develop and implement effective strategic planning and performance management. These were derived from OIG reports and testimony, GAO reports, business literature, and from interviews. OIG is not making formal recommendations at this time; we are presenting these practices as guidance. OIG intends to refer to this guidance in our future evaluations and semiannual reports that address this area. Because the Library has not successfully implemented effective strategic planning and performance management practices since GPRA was passed, we emphasize those practices identified by GAO as being among the best for executive branch agencies' implementation of GPRA, as opposed to those associated with the implementation of the Modernization Act. The Library needs to address the fundamental questions posed by GPRA, such as:

- What is our mission?
- What are our goals and how will we achieve them?
- How can we measure our performance?
- How will we use that information to make improvements and achieve results?

The Modernization Act will have greater relevance when the Library has developed answers to these questions. During the drafting of this report, in April 2018, OIG noted that the Library announced a reorganization that reportedly will, among other things, help the Library better focus on user experience and engagement. We did not analyze this development, but will do so in our future evaluations of the Library's strategic planning and performance management activities.

Improve the Library's Focus on Customers/Users –According to Bossidy and Charan's *Execution,* people tend to look at their organizations from the inside out—that is, they get so focused on what they are producing that they lose awareness of customer needs.[16] However, as Manning and Bodine state in *Outside In*, market research shows that we are now in the "*age of the customer—*a time when focus on the customer matters more than any other strategic imperative."[17] Accordingly, the New York Public Library (NYPL) has committed to putting the needs of customers/users first, based on an interview OIG conducted with NYPL's Director of Customer Experience. NYPL is the nation's largest public library system, serving more than 17 million patrons a year, millions more online, and holding 55 million items.[18]

Table 1: Guidance Summary

- Develop a user data collection capability as part of fulfilling a user-centered strategic planning direction.

  - ❖ Hire contractor services to develop a user data strategy for the collection of data on user satisfaction and needs, starting with determining the satisfaction level and needs of Congress.

  - ❖ Invest in developing in-house capability to collect, assess, and respond to user data.

In 2014, as part of its strategic planning process, NYPL decided to adopt a focus on customers. Since that time, NYPL has established a centralized Customer Experience Office with ten full-time staff working to support a mission of creating and maintaining a foundation of services, training, and technology that supports a seamless user experience. The Customer Experience office relies on a data-driven approach to determine user needs, such as through surveys sent electronically to Library patrons.

The Library recognizes the importance of the user experience as part of its current strategic planning activities. For example, as part of Envisioning 2025, a group of Library employees reviewed the topic of Library users. The group concluded that the Library needed to obtain better information on users through surveys and other data, to continually strive to provide better services, such as through technology, to develop the Library's brand, and to establish metrics to judge success. As evidenced by NYPL's efforts, creating this kind of customer service foundation requires a deliberative and ongoing commitment. The Library needs to develop its capability to collect user data as part of fulfilling a user-centered strategic planning direction.

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[16] *Execution: The Discipline of Getting Things Done* by Larry Bossidy and Ram Charan (New York: Crown Business, a division of Random House, Inc., 2002).

[17] *Outside In: The Power of Putting Customers at the Center of Your Business* by Harley Manning and Kerry Bodine (New York: New Harvest Books, a division of Houghton Mifflin Harcourt Publishing Company, 2012), page 15.

[18] https://www.nypl.org/help/about-nypl.

OIG has stated previously that the Library needs to prioritize identifying and addressing the needs of customers as part of strengthening its strategic planning and performance management.[19] The Library has no current, comprehensive data on customers' needs, feedback, and experience and has no effort to collect such data on an on-going basis; some data has been collected in the past, but the data need to be updated. Identifying the needs of customers is necessary for the Library to structure its current and future strategic plans and, ultimately, define and achieve its intended user experience. The Library needs to know how its services look and feel from its customers' perspectives, whether they are Members of Congress, customers of the Copyright Office, or academic researchers delving into the Library's collection materials.

To develop a strategy for the collection of user data, the Library may need, in the short term, to utilize contractor services and then, over the longer term, to grow its in-house capability to collect, assess, and respond to user data. An effective strategy would identify the Library's needs for collecting, assessing, and responding to user data, such as the personnel, IT, and other needs. Further, the strategy would lay out the critical path of how and when the Library intends to operationalize its data collection. The Library would also integrate these activities into its strategic planning and performance management framework; this would help the Library measure performance and identify adjustments needed to improve customer services and related service unit performance.

Implement a Planning and Performance Culture at the Executive Level –
Effective strategic planning and performance management requires committed leadership at the topmost executive levels. In *Execution*,[20] Bossidy and Charan state that no organization can deliver on its commitments or adapt well to change unless all leaders practice the discipline of execution at all levels. They further state that execution is a systemic process of rigorously asking questions, tenaciously following through, and ensuring accountability. It includes making assumptions about the organization's environment, assessing the organization's

Table 2: Guidance Summary
• Create and implement expectations for executives that incorporate responsibilities for achieving strategic goals.
• Institute an oversight process that incorporates planning, performance management, and reporting processes into significant decision-making; that continually monitors and holds executives accountable for performance variances; and that analyzes and corrects performance shortfalls on a real-time basis.

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[19] *OIG Semiannual Report to Congress*, March 2017.

[20] *Execution: The Discipline of Getting Things Done* by Larry Bossidy and Ram Charan (New York: Crown Business, a division of Random House, Inc., 2002).

capabilities, linking strategy and people to operations, and linking rewards to outcomes. It also includes mechanisms for changing assumptions as the environment changes and upgrading the organization's capabilities to meet the challenges of an ambitious strategy. OIG believes that leaders who execute put in place a culture and processes that reward people who get things done— in a timely manner and in line with quality expectations.

As stated earlier, the Librarian has already demonstrated a commitment to planning, performance, and accountability, such as by implementing the practice of discussing high priority cross-Library goals at EC meetings, something OIG identified as being needed. In April 2015, OIG issued a report on the eDeposit program (eDeposit), a digital collections initiative implemented in 2010 that involved five service units. The audit highlighted the importance of leaders staying involved and focusing on accountability for the collection of electronic works. OIG reviewed more than nine years of EC meeting agendas and minutes regarding eDeposit, and other related projects, and found only one occasion in which the EC performed monitoring activities. OIG could not determine whether progress had met management's expectations after five years of progress because Library leadership had not established quantifiable expectations related to cost, performance, and project completion. This demonstrated the need for a stronger planning and performance culture at the executive level. OIG recommended that the then-Librarian implement better governance and accountability in order to ensure timely implementation of activities related to acquiring electronic works.[21]

OIG has also identified an absence of accountability at the executive level related to IT investments.[22] In 2015, we found little interaction between the EC and the Information Technology Steering Committee (ITSC), a group at the Library responsible for overseeing IT investment management processes and making recommendations to the EC on IT investments. This was the case despite Library policy documenting a reporting chain from the ITSC to the EC. The situation created confusion and lack of understanding among ITSC members regarding important areas. There were unanswered questions regarding the timing of funding for approved investments, how to ensure that all investments were subject to ITSC review, and the tie between strategic planning and the ITSC.

The Modernization Act offers useful guidance to help ensure that topmost executives are committed to strategic planning and performance management–

- *The Modernization Act assigns responsibility for performance improvement.*

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[21] *The Library Needs to Determine an eDeposit and eCollections Strategy*, 2014-PA-101, April 2015.

[22] *Report for Design of Library-wide Internal Controls for Tracking Information Technology Investments*, 2014-IT-101, March 2015.

❖   The deputy agency head, or equivalent, is assigned overall responsibility for improving agency management and performance.

❖   Agencies are to designate a senior executive to assist with performance management activities.

❖   Agencies are required to designate goal leaders for cross-agency priority goals and APGs.

- *The Modernization Act requires regular performance reviews of progress in achieving goals.*

  ❖   OMB guidance implementing the Modernization Act established a strategic review process in which agencies are to conduct leadership-driven, annual reviews of their progress toward achieving each strategic goal.

  ❖   Data-driven performance reviews are also scheduled to occur at least quarterly. These meetings are to be used by management to review and analyze data on progress toward key performance goals and other management-improvement priorities.

Regardless of whether the Library adopts Modernization Act requirements, the Library needs to determine how to make top executives more accountable for planning and performance, such as by setting expectations that make executives responsible for achieving strategic goals. To help ensure effective implementation of a new culture, the Library should also consider taking steps, such as instituting an oversight process that incorporates planning, performance management, and reporting processes into significant decision-making; holding executives accountable for performance variances; and analyzing and correcting performance shortfalls on a real-time basis.

***Create a Strategic Plan that Meets Federal Government Standards*–** The Library's current strategic plan for FYs 2016–2020 needs to be updated; among other issues, it lacks specificity and is not sufficiently outcome-oriented. After the previous Librarian retired, the Library's then-Acting Librarian issued the current strategic plan. It was known as a "living" strategic plan because the plan was intended to guide the Library during a time of leadership transition and be revised once a new Librarian arrived. With Dr. Hayden now in place, the Library has the opportunity to use the strategic planning effort to implement results-oriented management at the Library. We consider the current strategic planning effort a starting point for defining what the agency seeks to accomplish; it is also an opportunity to establish a foundation of strategies for achieving goals and mechanisms for evaluating progress made on those goals. Developing a strategic plan can help clarify organizational priorities and unify the agency's workforce in the pursuit of shared goals.

Based on OIG's evaluation, Dr. Hayden is grappling with a situation reminiscent to what Comptroller General David Walker faced when he was newly appointed to lead GAO in 1999. GAO needed a new strategic plan and the Comptroller General used the strategic planning process as an opportunity to transform GAO, which was considered too hierarchical, process-oriented, and internally focused. The Comptroller General concerned himself with all major aspects of the plan, including the development of the mission, vision, themes, and goals; he also prioritized broad participation in the planning effort and meeting GPRA requirements. The Comptroller General saw the

Table 3: Guidance Summary
• The strategic plan should link to elements in the plan.
• Strategic goals should be results-oriented to the extent feasible.
❖ Focus on developing more *outcome*-oriented performance strategies and targets.
• Strategies explaining how long-term strategic goals will be achieved should be fully developed.
• The capacity to gather performance information to identify appropriate goals and assess performance should be developed.
❖ Establish a system of internal control to ensure that performance assessment data are valid and verifiable; controls to consider include requiring senior executives to certify the validity of data being used for their units' performance assessments and/or requiring SPPM to evaluate the adequacy of data used to measure progress toward performance targets.
❖ Outline requirements for the validation and verification of performance data in performance management directives.
• Evaluations should be utilized.

strategic plan as a blueprint for how GAO would support Congress and the American people; he also saw it as "a vision for strengthening the performance and accountability of the federal government."[23]

As noted earlier, the Librarian has made initial progress in making the Library more results-oriented. To ensure continued progress, the Library should look to practices considered to be standards for results-oriented management in the federal government, as identified by GAO in its analysis of federal government strategic plans[24] and OIG in our previous analyses of the Library's strategic planning and performance management activities:

- *Planning elements should be linked.* GAO found that strategic plans did not consistently describe the alignment of strategic goals and objectives and the strategies created to achieve those goals and objectives. The linkages are important if strategic plans are to drive an agency's daily activities and if an agency is to be held accountable for achieving intended results. GAO reported that this linkage is critical for determining whether an agency has a clear sense of how it will

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[23] *GAO Strategic Plan*, 2000-2005, page 1.

[24] *Critical Issues for Improving Federal Agencies' Strategic Plans*, GAO/GGD-97-180, September 1997.

assess progress toward achieving its intended results. OIG has shown previously that the Library's IT strategic planning process was not strongly linked to its IT investment process.[25] We identified service units engaged in planning activities that were not aligned with the Library's IT investment process. This prevented the selection of optimal IT investments to support the Library's mission.

- *Strategic goals should be results-oriented to the extent feasible.* GAO identified goals that were not as results-oriented as they could have been and not expressed in a manner that would allow future assessments of whether they were being achieved. One of OIG's prior analyses demonstrated this issue at the Library.[26] We identified a high ratio of output- as opposed to outcome-oriented performance strategies and targets; we recommended that the Library focus on developing more outcome-oriented performance strategies and targets.[27]

- *Strategies explaining how long-term strategic goals will be achieved should be fully developed.* GAO found that plans could be strengthened if strategies included, among other things, specific actions, planned accomplishments, and implementation schedules. Also, the strategies did not address key management challenges that could affect the agencies' ability to achieve strategic goals. OIG has previously identified that the Library needed a better strategy for developing performance-based budgeting.[28] We identified the need for a formal, documented plan of action and milestones. We also identified in our eDeposit report the need for the then-Librarian and his immediate leadership team to create a mechanism to receive regularly scheduled program and project management reports on critical activities and milestones involving the acquisition of electronic works.[29]

- *The capacity to gather performance information to identify appropriate goals and assess performance should be developed.* According to GAO, the lack of reliable data to measure the costs and results of agency operations has been a long-standing problem. OIG has addressed this issue at the Library in several prior reviews. In 2010, 2011, and 2013, OIG reported on problems with the quality of

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[25] *Report for Design of Library-wide Internal Controls for Tracking Information Technology Investments*, 2014-IT-101, March 2015.

[26] *Performance-Based Budgeting: Working Toward the Spirit of GPRA - Library Services: Commendable Progress with Room for Improvement*, 2010-PA-107, January 2011.

[27] Output measures assess how many things were produced or services provided and outcome measures demonstrate whether or not intended results are being achieved.

[28] *Performance-Based Budgeting at the Library: A Good Start, but Much Work Remains*, 2004-FN-502, October 2006.

[29] *The Library Needs to Determine an eDeposit and eCollections Strategy, 2014-PA-101, April 2015.*

the Library's performance data.[30] Most recently, in the 2013 report, OIG identified significant variations in the quality of performance data and consequently concluded that the performance assessments sampled were not reliable. We recommended in our reports that the Library establish a system of internal control to ensure that performance assessment data are valid and verifiable. Controls to consider in developing the system include requiring senior executives to certify the validity of data being used for their units' performance assessments and/or requiring SPPM to evaluate the adequacy of data used to measure progress toward performance targets. We also recommended that the Library outline requirements for the validation and verification of performance data in performance management directives.

- *Evaluations should be utilized.* GAO found that many plans lacked critical information about how evaluations were used. Evaluations are important because they can potentially be critical sources of information for ensuring that goals are reasonable, strategies for achieving goals are effective, and that corrective actions are taken. OIG's work has previously identified the need for the Library to develop a plan for periodically evaluating its activities for strategic planning and performance management purposes.[31]

The Library hired management consultant Deloitte in December 2017 and Deloitte initiated the first phase of its work to assist the Library with creating a new strategic plan. In the second phase, the Library will need help to develop an implementation plan to guide, for example, the Library's service units in effecting the changes required to enact the central strategic plan and meet its goals. Using the implementation plan's guidance, service units are to develop directional plans. SPPM told OIG that requiring service units to complete directional plans was new; although some service units have created similar plans in the past, all service units have not been required to do so. The directional plans are expected to cover various issues, such as resource needs, risk assessments, change management initiatives, performance metrics, etc. that will facilitate the execution of the Library's central strategic plan. Based on OIG's evaluation, the Library's intention to develop an implementation plan and directional plans is in line with federal government standards for strategic plans; for example, see above – planning elements should be linked. OIG also believes that obtaining contracted expertise to develop the strategic plan and the implementation plan was needed, but that the Library should

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[30] See *Managing in the Spirit of GPRA: Developing Credible Performance Data is the Next Step*, 2009-PA-104, March 2010; *Performance-Based Budgeting: Working Toward the Spirit of GPRA - Library Services: Commendable Progress with Room for Improvement*, 2010-PA-107, January 2011; and *Working Toward the Spirit of the Government Performance and Results Modernization Act*, 2013-PA-101, March 2013.

[31] *Managing in the Spirit of GPRA: Developing Credible Performance Data is the Next Step*, 2009-PA-104, March 2010.

develop its human capital capacity to execute a quality strategic planning and performance management system, as described in the next section.

Create a Better Human Capital Linkage to Strategic Planning and Performance Management*–*According to GAO, good managers understand that many forces—both inside and outside their organizations—can influence their ability to achieve goals and that successful organizations monitor their internal and external environments continuously and systematically. Organizations that do this have shown an ability to anticipate future challenges, make adjustments to potential problems, and prevent them from becoming crises.[32] GAO has also stated that to attain the highest level of performance and accountability, federal agencies depend on three enablers: people, process, and technology.[33] All three are important, but the people dimension is the most critical internal resource. Accordingly, we believe that the successful implementation of stronger strategic planning and performance management at the Library will principally depend on an efficient and effective workforce, especially since payroll costs are approximately 65% of the Library's costs overall.[34] Our eDeposit report highlighted the shift needed in the Library's workforce. We stated that senior leadership must improve its ability to oversee the Library's acquisition of electronic works, such as by using standard best practices of performance management. The Library needed organizational oversight and controls established throughout the Library's strategic and annual planning process, the budget process, ITSC, and other areas to provide a comprehensive oversight framework that prevents ineffective and inefficient project development efforts.[35]

Table 4: Guidance Summary

- Determine what skills are needed to help the Library execute a quality strategic planning and performance management system, such as by having the Human Resources Services Office perform an organization-wide human capital analysis, assessing where the Library currently has human capital skill gaps, and developing a plan to hire and train personnel to address the gaps.

- Monitor progress being made, such as by creating *outcome*-oriented APGs for the successful development of the needed skillsets, including APGs for the Human Resources Services Office.

- Leverage the expertise of the Library's contractors supporting the strategic planning work and capitalize on the knowledge transfer requirement included in the contract to build the Library's own capabilities.

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[32] *Effectively Implementing the Government Performance and Results Act*, GAO/GGD-96-118, June 1996.

[33] *Human Capital: Managing Human Capital in the 21st Century*, GAO/T-GGD-00-77, March 2000 and *Human Capital: A Self-Assessment Checklist for Agency Leaders*, GAO/OCG-00-14G, September 2000.

[34] According to the Library's Fiscal 2019 Budget Justification, payroll-related costs are approximately 65% of total costs under the Library's FY 2018 operating plan.

[35] *The Library Needs to Determine an eDeposit and eCollections Strategy*, 2014-PA-101, April 2015.

Bossidy and Charan in *Execution* underscore the importance of the human resources function in helping to develop the workforce, build an execution culture, and advance the organization; to be effective, this function has to be linked to strategy and operations, focused on key business issues and problems, and be recruitment-oriented.[36] Accordingly, the Library's Human Resources Services Office (HRS) can help to strengthen strategic planning and performance management, such as by conducting a human capital analysis to identify what skills are needed organization-wide among the Library's executives, in its services units, etc. This would enable HRS to assess where the Library has human capital skill gaps, and develop a plan to hire and train personnel to address the gaps. Also, having outcome-oriented APGs for the successful development of the needed skillsets would help the Library monitor the progress being made, including APGs for HRS.

OIG has always supported the use of contractors to augment Library personnel until such time as a knowledge transfer can take place from the contractors to Library employees, such as in the case of the Library's development of a new strategic plan. Given the Library's strategic planning and performance management needs, the Library has an opportunity to build its planning capabilities by leveraging the expertise of its contractors supporting the implementation efforts of the service units and capitalizing on the knowledge transfer requirement included in the contract.

Link Budgetary Resources to Expected Performance Results–The Library needs to adopt performance budgeting by linking its budget needs to the performance planning process and to achieving results. OIG recognizes that this effort will take years to refine, although the Office of the Chief Information Officer (OCIO) has already started down this path and the Library can leverage OCIO's lessons learned to initiate performance budgeting for select strategic initiatives. Ultimately, this approach will provide great insight to programmatic-like areas that may warrant further cost-benefit analysis. The SPPM Director told OIG that the Library intends to synchronize the planning and budget processes by 2021, which we consider a reasonable target date. As outlined by GAO, Congress enacted GPRA to improve the effectiveness, efficiency, and accountability of federal programs by having agencies focus their management practices on results. With regard to spending decisions, GPRA aims for a closer and clearer linkage between resources and results. GPRA requires agencies to use activities as the basis for planning, performance measurement, and for developing the agency's budget request. This critical design element aims at assuring a simple, straightforward link among plans, budgets, and performance information and the related congressional oversight and resource allocation processes. Clearer and closer association between expected performance and budgetary requests

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[36] *Execution: The Discipline of Getting Things Done* by Larry Bossidy and Ram Charan (New York: Crown Business, a division of Random House, Inc., 2002).

can more explicitly inform budget discussions and shift the focus to achieving results.[37] As the Library becomes more results-oriented, it may become necessary to fundamentally alter activities so that they more effectively and efficiently produce services needed by users.

OIG believes that sustaining a focus on performance budgeting is predicated on also aligning Library-wide strategic performance goals with all key activities—budgeting, financial management, human capital management, capital acquisition, and IT management—and all associated activity costs (e.g., payroll, materials, capital investments, external support, overhead, etc.). Service units should define all direct and indirect activities and associated costs required by key

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Table 5: Guidance Summary

- Adopt performance budgeting by linking budgetary needs to the performance planning process and to results.

- Align performance goals with all key activities and all associated costs.
    - ❖ Create APGs for the Office of the Chief Financial Officer to develop the ability to associate costs with the Library's strategic goals.

- Develop annual performance plans for all activities that:
    - ❖ Define objective, quantifiable, and measurable goals;
    - ❖ Target performance levels;
    - ❖ Describe the operating processes, skills, technologies, human capital, and other resources required;
    - ❖ Establish performance indicators for measuring and assessing relevant outputs, service levels, and outcomes for each activity;
    - ❖ Describe the basis for comparing results with performance goals; and
    - ❖ Define the basis for verifying and validating performance measures.

- Implement a method of assessing performance that evaluates program design and purpose and annual and longer-term goals, management, and results.
    - ❖ To help identify connections between program performance assessment activities and budgeting processes, the Library should require the documentation of budget-related decisions as part of performance assessment activities.

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activities and indicate that a goal will be achieved at a given level of spending. As variances between plans and actual results occur, managers should analyze the resource inputs and their relationship to outcomes. Such analysis allows an agency to determine where resources are needed, and where they are available.[38] OIG's eDeposit report highlighted the Library's inability to monitor cross-cutting IT programs across its planning, budgeting, program/project management, and financial accounting systems.[39] To facilitate its effort, the Library should create APGs for the Office of the Chief Financial Officer (OCFO) to develop the ability to associate costs with the Library's strategic goals.

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[37] *Performance Budgeting: Past Initiatives Offer Insights for GPRA Implementation*, GAO/AIMD-97-46, March 1997 and *Performance Budgeting: Current Developments and Future Prospects*, GAO-03-595T, April 2003.

[38] *Performance-Based Budgeting at the Library: A Good Start, but Much Work Remains*, 2004-FN-502, October 2006.

[39] *The Library Needs to Determine an eDeposit and eCollections Strategy*, 2014-PA-101, April 2015.

OIG has also stated previously that annual performance plans are the pathway to accomplishing an agency's strategic goals. Annual performance plans should include objective, quantifiable, and measurable goals for key activities; target performance levels; describe the operating process, skills, technologies, human capital, and other resources required; establish performance indicators for measuring and assessing relevant outputs, service levels, and outcomes for each activity; describe the basis for comparing results with performance goals; and define the basis for verifying and validating performance measures.

The Library should also implement a method of assessing performance that evaluates program design and purpose and annual and longer-term goals, management, and results.[40] To help identify connections between program performance assessment activities and budgeting processes, the Library should require the documentation of budget-related decisions as part of performance assessment activities, such as any shifts in base budgets that are the result of performance-related assessments and instances when performance assessments provided support for reprogramming requests.[41]

The Library has started down the path of associating costs with its strategic efforts. OCIO has taken a vital step towards developing an effective IT cost accounting methodology called Technology Business Management (TBM). When fully implemented, TBM will provide Library management with the capability to improve financial analysis for IT investment planning, system development performance, system period performance, operating performance by functional area, and system rationalization. However, integrating TBM throughout the Library will not be easy. Successful implementation will require a major commitment from OCFO and HRS to ensure that the effort is appropriately inculcated into the Library's culture. The Library can use the implementation of TBM as a spring board to launch more performance budgeting efforts involving other strategic business goals.

Manage Risks Across the Library's Service Units When Planning and Conducting Performance Management–OMB Circular No. A-123 requires executive branch agencies to implement enterprise risk management (ERM). ERM is a way to assist agencies with managing risks across the organization, such as across service units; it helps to ensure that federal managers effectively manage risks that could affect the achievement of strategic goals.[42] OMB Circular No. A-11 additionally states that agencies should assess and manage risk as part of strategic and data-driven reviews.[43]

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[40] *Performance-Based Budgeting at the Library: A Good Start, but Much Work Remains*, 2004-FN-502, October 2006.

[41] *Managing in the Spirit of GPRA: Developing Credible Performance Data is the Next Step*, 2009-PA-104, March 2010.

[42] OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 2016.

[43] OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget,* Section 270, *Performance and Strategic Reviews*, July 2016.

In a December 2016 report, GAO highlighted the importance of applying an effective ERM framework.[44] It identified six essential elements (shown in italics) and practices (underlined) to use when implementing ERM:

- *Align ERM process to goals and objectives*–<u>Leaders guide and sustain the ERM strategy</u>. Implementing ERM requires the full engagement and commitment of senior leaders, supports the role of leadership in the agency goal setting process, and demonstrates to agency staff the importance of ERM.

- *Identify risks*–<u>Develop a risk-informed culture to ensure all employees can effectively raise risks</u>. Developing an organization culture to encourage employees to identify and discuss risks openly is critical to ERM success.

- *Assess risks*–<u>Integrate ERM capability to support strategic planning and organizational performance management</u>. Integrating the prioritized risk assessment into strategic planning and organizational performance management processes helps improve budgeting, operational, or resource allocation planning.

- *Select risk response*–<u>Establish a customized ERM program integrated into existing agency processes</u>. Customizing ERM helps agency leaders regularly consider risk and select the most appropriate risk response that fits the particular structure and culture of an agency.

- *Monitor risks*–<u>Continuously manage risks</u>. Conducting the ERM review cycle on a regular basis and monitoring the selected risk response with performance indicators allows the agency to track results and impact on the mission, and whether the risk response is successful or requires additional actions.

- *Communicate and Report on Risks*–<u>Share information with internal and external stakeholders to identify and communicate risks</u>. Sharing risk information and incorporating feedback from internal and external stakeholders can help organizations identify and better manage risks, as well as increase transparency and accountability to Congress and taxpayers.

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[44] *Enterprise Risk Management: Selected Agencies' Experiences Illustrate Good Practices in Managing Risk*, GAO-17-63, December 2016.

OIG learned from SPPM that the Library determined in 2016 to redesign its internal control program into an ERM program to align with OMB Circular No. A-123. Since then, SPPM has developed, piloted, and launched a new Library-wide risk and internal controls approach. Although the Library is years away from having a fully mature ERM, the approach aligns with APGs and key business processes; includes the identification and assessment of risks and the development of responses to the risks, which are incorporated into risk management plans; incorporates the monitoring of risks and risk responses on an ongoing basis; and involves ongoing reporting of risks, risk responses, and corrective actions. OIG noted that the risks will need to be reexamined after the Library completes its new strategic plan, directional plans, and APGs. OIG believes that the Library should incorporate GAO's elements and practices as appropriate into its ERM development efforts.

Table 6: Guidance Summary
- Align ERM process to goals and objectives.   ❖ Leaders guide and sustain the ERM strategy.   - Identify risks.   ❖ Develop a risk-informed culture to ensure all employees can effectively raise risks.   - Assess risks.   ❖ Integrate ERM capability to support strategic planning and organizational performance management.   - Select risk response.   ❖ Establish a customized ERM program integrated into existing agency processes.   - Monitor risks.   ❖ Continuously manage risks.   - Communicate and report on risks.   ❖ Share information with internal and external stakeholders to identify and communicate risks.

Appendix A: Objectives, Scope, and Methodologies

The evaluation's objective was to analyze the steps taken to develop a more robust Library-wide strategic plan supported by aligned service unit plans and an integrated enterprise-wide risk management framework. As outlined in the report, the Office of the Inspector General (OIG) used Government Performance and Results Act of 1993 (GPRA) and, to a lesser degree, the GPRA Modernization Act of 2010 (Modernization Act) as guidance for the Library's strategic planning and performance management activities. The Library is exempt from GPRA and the Modernization Act, but has historically held itself to the spirt of GPRA. OIG also utilized its past reports on GPRA-related issues and leveraged the work conducted by the Government Accountability Office (GAO); the relevant OIG and GAO reports are referenced in the background section and in footnotes throughout the report. Additionally, OIG leveraged the work of authors Manning and Bodine in *Outside In*[45] and Bossidy and Charan in *Execution*[46] and the guidance provided in Office of Management and Budget (OMB) circulars, including Circulars Nos. A-123 and A-11. OMB circulars provide sound business practices, although the Library is not required to follow them. Further, every OIG Semiannual Report to Congress has identified strategic planning and performance management-related activities as a top management challenge for the Library since September 2011. OIG initiated this evaluation in December 2017 and fieldwork activities were completed in May 2018.

In performing the evaluation, OIG performed multiple interviews with staff in the Library's Office of Strategic Planning and Performance Management and one interview with a representative of the New York Public Library; the interview with the New York Public Library representative is described in this report. OIG also utilized documentary and analytical evidence, but did not utilize computer-processed data. All of our activities took place in the Library's Madison Building in Washington, District of Columbia.

OIG is not making formal recommendations at this time; we are presenting these practices as guidance. OIG intends to refer to this guidance in our future evaluations and semiannual reports that address strategic planning and performance management.

We conducted this evaluation in accordance with *Quality Standards for Inspection and Evaluation* published by the Council of the Inspectors General on Integrity and Efficiency and Library of Congress Regulation 1-140, *Inspector General*. These standards require that we plan and perform our evaluation to obtain sufficient, appropriate evidence to provide a reasonable

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[45] *Outside In: The Power of Putting Customers at the Center of Your Business* by Harley Manning and Kerry Bodine (New York: New Harvest Books, a division of Houghton Mifflin Harcourt Publishing Company, 2012).

[46] *Execution: The Discipline of Getting Things Done* by Larry Bossidy and Ram Charan (New York: Crown Business, a division of Random House, Inc., 2002).

basis for determining compliance. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objective.

Appendix B: Management Response

LIBRARY OF CONGRESS

Office of the Librarian

MEMORANDUM

DATE   June 25, 2018

TO   Kurt Hyde, Inspector General

FROM   Mark Sweeney, Principal Deputy Librarian of Congress

SUBJECT   Management Response to Draft Audit Report 2018-SP-103

Thank you for sharing your Draft Report 2018-SP-103: "Continued, Persistent Focus Needed to Strengthen Library's Strategic Planning and Performance Management." We appreciate the opportunity to review the draft report's findings and guidance.

Thank you also for acknowledging the significant progress that the Library has made over the past two years in our approach to planning and performance management. We agree with the essence of the report: that it is essential for the Library to build to a mature, data-driven and impactful planning and performance management system and that it will take years along a carefully planned trajectory to achieve this result.

Under the Librarian's leadership we have already made the determination to "make performance matter," and have invested significantly in moving this work forward across the organization. We began by focusing on developing and tracking key, impact-driven performance metrics; developing a new reporting system to support setting and tracking goals across and within the Library's service units; piloting and launching an enterprise risk and control management process; and incorporating progress to goals as a standing agenda item at monthly Executive Committee (EC) meetings and quarterly performance reviews.

The Library has also implemented Government Performance and Results Act (GPRA) Modernization Act best practices to ensure executive commitment through a Performance Review Board, chaired by the Director of Human Resources Services (HRS), which reviews annual senior level performance appraisals and ratings and is directly accountable to the Principal Deputy and Librarian. In addition, the Library is piloting an automated workforce performance management system that redefines rating descriptions and point scales, maintains meaningful distinctions between performance levels, and keys executive performance goals and targets to agency and unit-level goals.

Consistent with best practices, the Library's new strategic plan for FY2019-2023 is being developed as a participative initiative with input and feedback from hundreds of Library employees, managers, and leaders from all Library units as well as external stakeholders and users. Our new strategic plan is taking shape around unifying concepts that have

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emerged as relevant to every part of the organization – the most critical of which is a clear and persistent focus on our users. Under the new plan we will enrich the Library experience for Congress, creators, and connectors, and more actively engage learners of all ages with our unique and trusted resources. The final strategic plan will be accompanied by an implementation roadmap, which we will use to set and track progress to the strategic plan's goals and objectives and prioritize budgeting and investment in the spirit of GPRA. We look forward to sharing the plan and roadmap with you.

Our new planning framework also requires Library units to develop individual plans to align with the overall Library strategic plan and to prioritize initiatives and investments – including New and Expanded Program Requests (NEPRs) and information technology (IT) investments – to best support the established Library strategic goals and objectives. Along with their work in developing the Library plan, this unit-level planning will strengthen managers' awareness and understanding of critical planning and performance concepts and will develop skill in the activities that drive a strong planning and performance culture.

Execution of the Library's plans will rely significantly on human capital. HRS has already undertaken skills assessments of the occupational areas for IT and contracting. This has informed organizational changes and strengthened HRS' knowledge of how to conduct future assessments. The Library intends to update its learning management system to capture data on individual competencies and skill sets, analyze aggregated data, and identify competency and skill gaps at the organizational level.

We maintain the position expressed in response to prior OIG audits that performance-based budgeting is not itself an end state that guarantees success. The Library's approach is to refine Library and unit-level goals, performance metrics, and accountability practices, and to use that framework to drive priorities and inform budget decisions. To achieve this, we are exploring ways to code financial transactions in Library systems to provide linkages between approved funding and points of the strategic framework, as appropriate and practical. The Library has begun in the area of IT by using "tower codes" in both the Library of Congress Budget System and Momentum, thereby connecting planning and funding data for IT investments with adopted IT taxonomies. With the creation of the Project Management Office and weekly reporting on IT project status in relation to project milestones, the Library has a mechanism to track real-time information during the IT project lifecycle.

As the Library's strategic planning matures, the Library will explore avenues to connect established goals with available resources and link disparate programmatic elements and data. For example, the Library has issued a Request for Information to research alternatives for an enterprise business planning and management solution. As described in the RFI, the Library seeks a solution that will capture planning data gathered in seven major business segments and integrate the data to enable sharing, comparison, and evaluation.

The Library's approach is to develop a culture that views planning as a never-ending, iterative process, where operations and services are reviewed and analyzed continuously, so that we may regularly improve our efficiency and our value to users.

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