

November 8, 2001

To: OPDIV and STAFFDIV Heads

From: Ed Sontag /s/
Assistant Secretary for Administration and Management

Subject: Restructuring Initiatives and Hiring Plans

As you know, the Secretary has embraced the President's Management Agenda and expects HHS to move out boldly and score early successes in implementing management improvements. We are already well on the way, with the Secretary's decisions to move to a unified financial management system, take a common approach to IT needs and purchases, seriously analyze cross-cutting workforce issues and outsourcing options, strengthen accountability through performance contracts, and generally operate as one Department in the administrative management arena.

Restructuring Initiatives

During this summer's budget formulation process, the Secretary made several decisions on restructuring our management operations. These were relayed to you for inclusion in your FY 03 budget submission. It is now important that we develop specific action plans and timelines for achieving restructuring objectives that cut across all OPDIVs. We also need to put in place a plan for monitoring, measuring, and reporting on our progress. In addition to the Secretary's need to be kept informed, the President's Management Council will be taking a government-wide look at progress towards the President's Management Agenda, and we must be prepared to be responsive to their needs.

By November 30, please submit an action plan that describes how you will support the following cross-cutting initiatives:

- *Consolidation of personnel offices.* The Secretary has approved consolidation of Department personnel offices from the baseline number of 40 in 2001 to four in 2004. We have already begun the process with AHRQ and SAMHSA transferring personnel servicing to the PSC this month. During FY 02, NIH will consolidate its personnel operations into one office, as will FDA. In 2003, HRSA will enter into a consolidated arrangement. During 2004, the Department will have personnel offices in four consolidated sites: Baltimore, Bethesda, Rockville, and Atlanta. Simultaneous with the consolidation effort, the personnel processing component of the Enterprise Human Resources and Payroll (EHRP) system will come on-line. We expect that the combination of consolidation and EHRP implementation will allow us to reduce human resource staff by 25-30 percent and redeploy those resources to other mission-

critical areas. OPDIVs not consolidating with other personnel offices must still provide plans for improving service ratios and reducing overall personnel office staffing levels.

- *Consolidation of administrative functions.* The Secretary has also directed a consolidation of administrative support functions at the OPDIV level (budget, IT, procurement, grants management, finance, public and legislative affairs, etc.) and across OPDIVs where feasible, to be implemented in FY 03. We have begun this effort in OS, where nine separate administrative offices formerly housed in the Staff Divisions have been consolidated into one OS executive office to provide support services to the STAFFDIVs. This action has allowed us to reduce by approximately 50 percent the number of staff devoted to those activities, and we expect the OPDIVs to achieve significant savings as they pursue consolidation. The Secretary has also provided the clear direction that OPDIVs will not create or maintain shadow operations that duplicate services performed on a consolidated basis.
- *Organizational delayering.* We are also under a mandate to foster a more citizen-centered approach by delayering our organizations. The Secretary firmly believes that flat, streamlined organizations make for faster decision-making and communication. For HHS, we have determined that OPDIVs will work toward a goal to have no more than four management levels by the end of 2003. Many of you identified elimination of deputy positions and increased supervisory ratios as restructuring objectives; however, this Department-wide goal will require that we all take a more comprehensive and critical look at our organizational structures.

Your plan should describe in detail the specific steps you will take to support each of these cross-cutting initiatives, your timeline for taking them, and the workforce impact of your proposals, including your plans for redeploying and retraining staff and managing attrition. You should clearly describe your current and target structures and resource levels for delivering personnel and other administrative services. Also include organization charts that demonstrate how you will achieve the delayering objective. Please identify the extent to which you believe you will need workforce reshaping tools to meet restructuring objectives. (The Administration's Managerial Flexibility Act, recently transmitted to the Hill, includes provisions for early retirement and buyout authority *if* agencies can link that need directly to workforce restructuring.)

We also expect restructuring objectives to be reflected in your 2003 GPRA plans, and ask that you specifically include one objective on achieving greater administrative efficiency through consolidation and one on achieving a more citizen-centered focus through organizational delayering.

Your progress will be evaluated in part through your performance contract with the Secretary. Additionally, my office will be developing a monitoring and reporting system that will give us a quarterly snapshot of how well we are achieving our objectives. More details on that system will follow shortly. We anticipate asking for your first progress report in January.

FY 2002 Hiring Plans

One of the Secretary's earliest actions in support of his vision for one HHS was to ask each of you to

develop a hiring plan for FY 01. The process of reviewing your plans was very informative and helped us better understand both your needs and many of the cross-cutting workforce issues facing the Department.

It is now time to update hiring plans to reflect ongoing and emerging program priorities and lay the foundation for our restructuring initiatives. With your November 30 submission, please provide your FY 02 hiring plan, including numbers, types, and grades of positions you anticipate filling, and a concise description of how those positions relate to your critical mission needs while supporting restructuring objectives. I recognize that our budget situation is not completely certain at this time, but am confident that you can build a plan that accounts for your staffing priorities.

Thank you for your cooperation. I look forward to receiving your restructuring action plans and hiring plans. If you have any questions, please call Rosemary Taylor on 202-690-8560 or Dave Dunlap on 202-690-7833.