



# President Trump's initiatives to reform the federal government and reduce the civilian workforce

## KPMG Government Institute

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On March 13, 2017, President Trump issued Executive Order (EO) 13781, Comprehensive Plan for Reorganizing the Executive Branch. EO 13781 calls on the Director of the Office of Management and Budget (OMB) to propose a plan to reorganize governmental functions and eliminate unnecessary agencies to improve the efficiency, effectiveness, and accountability of the executive branch. On April 12, the OMB Director released OMB Memorandum M-17-22, *Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce*, which provides guidance on fulfilling the requirements of EO 13781 as well as the January 23, 2017, *Presidential Memorandum Regarding the Hiring Freeze* (Hiring Freeze memorandum). Put simply, M-17-22 provides a playbook for these related initiatives.

As stated in M-17-22, the objectives of these reforms are to:

- “Create a lean, accountable, more efficient government that works for the American people;
- Focus the Federal government on effectively and efficiently delivering those programs that are the highest needs to citizens and where there is a unique Federal role rather than assuming current programs are optimally designed or even needed;
- Align the Federal workforce to meet the needs of today and the future rather than requirements of the past; and
- Strengthen agencies by removing barriers that hinder front-line employees from delivering results.”

This issue brief summarizes EO 13781, the implementing guidance in M-17-22, and the linkage to the President's Hiring Freeze memorandum. It then highlights our thoughts on the way forward. For a more comprehensive discussion of these presidential initiatives and our perspectives, see the related KPMG white paper, “Transforming the business of government: President Trump's initiatives to create a more efficient, effective, and accountable executive branch.”

### In a nutshell

Within 180 days of the issuance of EO 13781, each agency head is to submit a proposed plan to the OMB Director to reorganize the agency, if appropriate, to improve its efficiency, effectiveness, and accountability. Agencies are being asked to take a hard look at what they do and how they do it. Under M-17-22, Agency Reform Plans (agency plans) should be submitted in September 2017 as part of the agency's fiscal year (FY) 2019 budget submission, with an initial high-level draft plan due to OMB by June 30, 2017. As addressed in M-17-22, agency plans are also to include long-term plans to reduce the size of the federal workforce and short-term actions to

maximize employee performance in response to the Hiring Freeze memorandum. Agencies are also required to begin taking immediate action to achieve near-term workforce reductions and cost savings and develop a plan to maximize employee performance by June 30, 2017.

Under EO 13781, the OMB Director has 180 days from the date the agency proposed plans are due to submit to the president a Government-wide Reform Plan (government-wide plan). As specified in M-17-22, this plan will be included in the President's FY 2019 Budget, targeted for February 2018. The government-wide reform plan is to include, as appropriate,

recommendations to eliminate unnecessary agencies, components of agencies, and agency programs, and to merge functions. Also to be included are recommendations for legislation or administrative measures necessary to achieve the proposed reorganization.

EO 13781 provides that in developing the government-wide plan the OMB Director is to consider (and it follows the agency heads as well would benefit from doing so in developing their proposed plans):

- Whether some or all of the functions of an agency, a component, or a program are appropriate for the federal government or would be better left to state or local governments or to the private sector through free enterprise;
- Whether some or all of the functions of an agency, a component, or a program are redundant, including with those of another agency, component, or program;
- Whether certain administrative capabilities necessary for operating an agency, a component, or a program are redundant with those of another agency, component, or program;
- Whether the costs of continuing to operate an agency, a component, or a program are justified by the public benefits it provides; and
- The costs of shutting down or merging agencies, components, or programs, including the expenses of equitably addressing affected agency staff.

## The clock is ticking

Agencies will want to clearly delineate the actions needed to address the president's goal to improve the efficiency, effectiveness, and accountability of the executive branch, while providing enhanced value to the public. It will be important to promptly begin the journey and then sustain the effort far past the agency and OMB plan development as called for in M-17-22. The federal government's long-term fiscal path is unsustainable. It will be a continuing way of life for agencies to feel the pinch of ever-tightening budgets; especially administrative budgets. Agencies are best served if they view the process as an opportunity, and not a compliance exercise for which boxes are simply checked off along the way. Motivation will have to be sustained. Developing a plan represents an important, but incremental step in what promises to be longer-term transformation.

It will be important to clearly communicate to staff and stakeholders why the status quo is no longer acceptable. Everyone will not only have to understand "what is" required and "how to do it," but "why." Communications should be two-way, requiring open channels, whereby staff is comfortable sharing perspectives without fear of retaliation or blame. Early victories will be important to show the agency is serious about transformation and willing to move forward on new ways of doing business. The end-game of EO 13781 and the Hiring Freeze memorandum is not the proposed plan from either the agency head or the OMB Director, but effective and efficient business transformation.

## Areas of consideration

We have identified five areas of consideration in developing agency plans.

- 1. Leverage available information:** Agencies are not starting from scratch. Appendix 6: *Data Sources* of M-17-22 highlights various existing sources of information agencies should consider in developing their plans. Past presidential management initiatives provide a guidepost and valuable lessons learned. The private sector as well can provide valuable insights. Also, agencies are not new to these issues and are armed with reports containing thousands of open recommendations from their inspectors general, the Government Accountability Office, congressional committees, and advisory committees and task forces as well as internal studies.
- 2. Assess the service delivery strategy and back office functions:** M-17-22 addresses the elimination, restructuring, and merger of activities. Consider whether the agency's business strategy is aligned with its organization and services model. If not, define desired outcomes and consider alternative organizational models. Look for excessive manual processes, antiquated automated systems, too few built-in preventive controls, and requirements for which the return on investment is unknown or non-existent. Does the agency assess, manage, and monitor risks through a risk appetite that stipulates its tolerance for loss or reasonably quantifiable negative results? Not clearly defining and monitoring the level of risk to accept can result in spending too many resources on relatively unimportant matters to the detriment of those areas representing higher risks. Achieving the right balance results in greater efficiency and effectiveness.
- 3. Move more back office functions to standard systems and shared services:** M-17-22 speaks to rethinking service delivery models. Focus on redundancies, outdated practices, lack of standardization, and known implementation problems. The total cost of ownership assessments and benchmark studies are important tools. Expect that shared services will become the norm, missions will be recalibrated, and new partnerships will be formed. Ask yourself whether continuing to carry out certain programs and back office functions in the current manner represent the best use of resources if less expensive and/or higher quality services are available from others.
- 4. Adopt intelligent automation:** M-17-22 calls on agencies to better leverage technology to improve efficiency and effectiveness. Consider the art of the possible, with intelligent automation an integral part of transforming what government does and how it does it. Automate certain mission delivery and business processes by leveraging digital technologies to support tasks undertaken by knowledge workers. Intelligent automation spans core technologies, such as rules engines and workflow to artificial intelligence and machine learning cognitive technology. The most advanced class – reasoning cognitive automation – mimics human activities, such as perceiving, inferring, gathering evidence, hypothesizing and reasoning. Think of IBM's Watson, which combines sophisticated ontologies, natural language processing, machine learning, pattern recognition and highly-sophisticated reasoning. These are game changers, empowering decision-makers as never before and allowing service-driven employees to focus on higher-value activities, with fewer resources. They support program execution, such as the ability to deliver healthcare services, and the citizen experience through dramatic improvement in channels of communications that today challenge government and private sector organizations.
- 5. Explore public-private partnerships and enhanced use leasing:** EO 13781 requires consideration of "whether some or all of the functions of an agency, a component, or a program are appropriate for the federal government or would be better left to state or local governments or to the private sector through free enterprise." There is growing global recognition of the value of public-private partnerships (PPPs) in providing vital services. PPPs are not just financing mechanisms, but a means of managing risk and expanding innovation, with a goal of cost control and enhanced mission achievement. This is similar in concept to shared services. While generally associated with transportation projects, PPPs can be used across a range of government functions, such as the Department of Defense's use of PPPs for military family housing and data center consolidation and modernization.

## How KPMG can help

For more than 100 years, KPMG LLP has assisted federal civilian, defense, and intelligence agencies. Today, we help these organizations adapt to new environments by working with them to transform their business models, leverage data, protect information assets, increase operational efficiencies, implement intelligent automation, move to and support shared services, and ensure greater transparency, while focusing on their mission.

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