Clear strategic focus and sound management are essential to the effective stewardship of taxpayer dollars, enabling federal agency decision makers to make tough choices on day-to-day and long-term management challenges.

The U.S. Department of the Treasury seeks to improve performance and operations while managing its resources more effectively and efficiently. In an era of fiscal austerity, this is even more pressing. What is Treasury’s management performance agenda? What is Treasury doing to consolidate its office space and right-size its operational footprint? How is Treasury working to transform the way it does business? Nani Coloretti, Assistant Secretary of the Treasury for Management, shares her insights on these topics and more. The following is an edited excerpt of our discussion on The Business of Government Hour.

Would you tell us about the mission of your office and share insights on your duties and areas under your purview?

Nani Coloretti: I am principal policy advisor to the secretary and deputy secretary on development and execution of the [department’s] budget, [its] internal management, and its bureaus. My area is responsible for budget, planning, human resources, information and technology management, financial management and accounting, procurement, privacy, records, and administrative services to departmental (headquarters) offices.

Given your responsibilities and duties, what are the top challenges you’re facing and how have you sought to address those challenges?

Nani Coloretti: The top challenge right now across the government is managing with reduced or constrained resources. It is a time of uncertainty. We have sort of a tagline in my office called “delivering more mission for the money.” We merged a couple of bureaus, which has reduced our footprint while maintaining a constant level of service.

We’ve pursued a paperless Treasury initiative projected to save about $500 million over five years. This is truly changing the way we interact with people. We also are pursuing shared services strategies to achieve our mission in the most cost-effective manner.

Another challenge is employee turnover and retirement. At Treasury, about 70% of the senior executives are eligible to retire in the next five years; that’s a pretty significant reality. The department is focusing on succession planning and creating leadership networks as a way to prepare for this over time.

When you come to work in government there are many rules to follow that you didn’t issue. The third challenge involves paying attention to these rules and being keyed in to the various government-wide initiatives. To that end, it is very important to pay attention to what the Office of Management and Budget and the Office of Personnel Management are doing. There are communities of practice moving to the next thing and the next thing and you really need to keep up with government-wide efforts.

The Treasury Department’s mission is focused on promoting economic prosperity and ensuring financial security. I want to explore some of Treasury’s key strategic priorities as well as its current agency performance goals.

Nani Coloretti: As you know, the GPRA Modernization Act governs how we do strategic planning at the executive agency level. It calls for a new plan every four years. [Since this interview, Treasury has released its 2014-2017 Strategic Plan, which will provide more updated information.] Generally, we remain focused on our core mission.
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We are set to repair and reform the financial system. We are supporting the recovery of the housing market.

Another goal is to enhance U.S. competitiveness and promote international financial stability. We are protecting national security through targeted financial actions by the Office of Terrorism and Financial Intelligence. We’re pursuing comprehensive tax and fiscal reform. We are also focusing on managing government finances [responsibly].

We had two agency priority goals. Increasing electronic transactions is [one]. Another goal focuses on increasing voluntary tax compliance. [Today these goals are increasing self-service options for the taxpayers and focus enforcement on high-priority threats using pro-active analysis]

In response to the need for financial reform, Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) in July 2010. Dodd-Frank established new responsibilities for Treasury and created new offices tasked to fulfill those responsibilities. What are some of the challenges associated with setting up new offices?

Nani Coloretti: I’ll start with the office I helped set up, the Consumer Financial Protection Bureau, which has as its mission helping consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. I left Treasury for about nine months to help establish the bureau, which is no longer part of Treasury. We were doing everything from scratch. We were merging staff from six bureaus into one.

I used to joke that I went from one of the oldest agencies in the federal government to the newest with just 10 employees. We did a lot of the initial work by detailing folks to the new bureau. It was a massive management project with only a year to complete. I actually didn’t stay the first year, but I learned much from the ground up. Similar efforts were done to set up Treasury’s Office of Financial Stability, which manages the Troubled Assets Relief Program (TARP). It was a massive management project with only a year to complete. I actually didn’t stay the full first year, but I learned much from the ground up.

There are several other entities we’ve stood up as a result of Dodd-Frank—the Office of Financial Research, which serves the Financial Stability Oversight Council, its member agencies, and the public by improving the quality, transparency, and accessibility of financial data and information; by conducting and sponsoring research related to financial stability; and by promoting best practices in risk management.

The department also had to set up the Financial Stability Oversight Council (FSOC). The council provides, for the first time, comprehensive monitoring of the stability of our nation’s financial system. The council, headed by the Secretary of the Treasury, is charged with identifying risks to the financial stability of the country, promoting market discipline, and responding to emerging risks to the stability of the United States’ financial system.

The council consists of 10 voting members and five nonvoting members and brings together the expertise of federal financial regulators, state regulators, and an independent insurance expert appointed by the president. A fairly small staff supports the council. As part of Dodd-Frank, the department also established a couple of other offices: the Federal Insurance Office (FIO) vested with the authority to monitor all aspects of the insurance sector, and the Office of Minority and Women Inclusion (OMWI). Each has its own creation story facing similar challenges to starting anew in the federal government.

Treasury conducts quarterly performance reviews of each bureau. What can you tell us more about the quarterly performance reviews?

Nani Coloretti: The department started the quarterly performance reviews in March 2010. These reviews are now required as part of the GPRA Modernization Act of 2010. We have used the sessions to gain visibility into the activities and performance of the bureaus and policy offices within Treasury. It’s described as a meeting with a framework and an agenda that allows for a data-driven discussion. We review how we are doing. Are we meeting milestones and metrics on certain strategic priorities?

We use these sessions to identify what we need to do better to achieve results. For example, we had a set of
goals from the Small Business Administration that we were not achieving. We have a federated procurement model. Procurement policy is under me at headquarters, but actual procurement activity is delegated to the bureaus. During these reviews, we assessed whether goals were being met using a dashboard. Every quarter the deputy secretary would speak with the bureaus about their performance.

The very first year, we not only achieved our SBA goals, we exceeded them. It becomes clear that what gets measured and talked about gets done. The success involved the leadership of former Deputy Secretary Wolin, who took a keen interest in the operational and managerial aspects of Treasury. His leadership helped drive bureaus and policy offices to engage in the process and achieve their goals.

Would you tell us more about the green initiatives to reduce Treasury’s environmental footprint and save taxpayer dollars?

**Nani Coloretti:** We’re pursuing green and environmentally sound initiatives across Treasury. Integral to our efforts is reducing the department’s physical footprint. The IRS, our largest bureau, has done a fantastic job using office space more productively. IRS is basically pulling down walls, turning offices into shared spaces or bullpens, or hoteling space. From these changes, IRS saved $40 million, which is significant in a time of budget constraint.

Treasury is the third oldest department, but it has the oldest office building, which received the Leadership in Energy and Environmental Design (LEED) Gold certification from the U.S. Green Building Council (USGBC). LEED is a leading international standard for the design, construction, and operation of high-performance green buildings. The Treasury Building received its LEED Gold certification based on a number of green construction and operation features, from developing and implementing advanced control and management of the heating, ventilation, and air conditioning systems to simply changing light bulbs. Doing these things enables us to reduce the environmental impact of this centuries-old building.

Addressing improper payments is a central component of the administration’s efforts to eliminate waste, fraud, and abuse. Would you define an improper payment and tell us more about Treasury’s Do Not Pay Business Center?

**Nani Coloretti:** An improper payment is when funds go to the wrong recipient, the right recipient in the wrong amount, or lacking the proper documentation to support payment. It can be an overpayment or underpayment. Error rates of agencies are generally low, but the estimate for FY 2012 is about $108 billion of improper payments. The president has focused on this issue since 2009 and has issued a series of executive orders and memos to guide agencies in reducing improper payments.

One effort has been the Do Not Pay Business Center, which Treasury runs. Do Not Pay is a one-stop shop that allows agencies to check various databases before making payments or awards in order to identify ineligible recipients and prevent fraud or errors from being made.

All our bureaus are active participants in Do Not Pay. We were first movers. As we’re asking everybody else to do it, we’re setting the example. We’re focusing on the front end, catching payments before they go out. We also have efforts to reduce improper payments in the tax refund area. There’s a whole host of efforts in that arena, including identity theft, fraud, and data analysis, that helps us understand how [to] get out in front of these risks.

Given your experience, what makes an effective leader?

**Nani Coloretti:** An effective leader knows him or herself really well. What I’ve noticed over time as I’ve come up through the ranks is that people who have a high degree of emotional intelligence make effective leaders. These leaders are actually able to navigate uncertainty better. These leaders are also authentic in their dealings; they can inspire and motivate people to be their very best. People want to work for them [and] be as productive as possible when they’re working for them. Effective leaders are also knowledgeable, incredibly smart, and quick on their feet. Finally, I would say an effective leader is a great coach, encouraging staff to probe and ask questions.