



*U.S. DEPARTMENT OF COMMERCE
Office of Inspector General*



Office of the Secretary

*Department of Commerce Has Made
Significant Progress, but Additional
Opportunities Exist to Improve Reporting
and Utility of Performance Results*

Final Audit Report

No. FSD-17444-0001/March 2006

**PUBLIC
RELEASE**

*Office of Audits, Financial Statements and
Accountability Division*



UNITED STATES DEPARTMENT OF COMMERCE
The Inspector General
Washington, D.C. 20230

MAR 31 2006

MEMORANDUM FOR: Otto J. Wolff
Chief Financial Officer and
Assistant Secretary for Administration

FROM: Johnnie E. Frazier

A handwritten signature in black ink that reads "Johnnie E. Frazier".

SUBJECT: *Department of Commerce Has Made Significant Progress,
but Additional Opportunities Exist to Improve the
Reporting and Utility of Performance Results*
Final Audit Report No. FSD-17444-0001

This is our final report on the Department's efforts to report accurate, clear, and reliable performance information about its programs and activities. Our audit found that the Department and its bureaus have taken significant steps to address previously noted deficiencies in reporting performance results. More specifically, we were pleased to find that performance measures previously identified as being problematic have been discontinued, reworded, or supplemented with additional explanatory language. Equally important, management controls have been strengthened. Departmental officials also have shown that they regard reporting performance information as highly important, as most clearly evidenced by the structured quarterly meetings now held with bureaus to discuss and review performance measures and results.

While we feel that significant progress has been made in this area, we cannot overemphasize that continued management attention is imperative, particularly as the Department moves toward more reporting of outcome-oriented performance. In this report, we note corrective actions taken to address previously identified deficiencies in data utility and integrity and provide examples where appropriate. We also note opportunities to enhance the utility and integrity of performance data.

In responding to the draft report, the Department strongly concurred with all three recommendations and provided additional corrective actions taken and planned. The complete Department response is attached to the report as Appendix D.

Please provide your audit action plan addressing the recommendations for our concurrence within 60 days of the date of this memorandum in accordance with Department Administrative Order (DAO) 213-5. The plan should be in the format of Exhibit 7 of the DAO. Should you have any questions regarding the preparation of the audit action plan, please call me at (202) 482-4661 or Thomas McCaughey, Director, Financial Statements and Accountability Division at (202) 482-0025.

Attachment



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EXECUTIVE SUMMARY

In 1993, Congress passed the Government Performance and Results Act (GPRA) to improve the effectiveness, efficiency, and accountability of federal programs. The act requires agencies to set performance goals and annually assess their success at achieving them. GPRA is the centerpiece of a statutory framework that Congress put in place during the 1990s to achieve greater governmental accountability. When it passed the legislation, Congress emphasized that the usefulness of agencies' performance data depends on the reliability and validity of that data.

GPRA requires agencies to develop strategic plans that describe missions, establish results-oriented goals, and articulate strategies for achieving goals. The act also requires that agencies during each fiscal year prepare both annual performance plans that articulate goals for the upcoming year and program performance reports that measure goal achievement. FY 1999 was the first year that the Department of Commerce set performance targets and measured actual results against them.

Recognizing the inherent difficulty of successful implementation in a Department as diverse as Commerce, the Office of Inspector General has been concerned with the Department's efforts to capture and report reliable performance data since Commerce first began implementing GPRA in 1997. Since then, OIG has provided implementation advice and assistance, made presentations to departmental officials on ensuring the reliability of performance-related information, provided informal comments to the Department on various GPRA-related documents, and audited performance measurement and reporting at several of the largest bureaus within the Department. OIG first identified GPRA implementation as a top management challenge in March 1999, and it has remained on the list since.

From September 2000 to September 2004, we issued eight separate audit reports covering six bureaus' efforts to report accurate and reliable performance information. The bureaus covered by the audits include the:

- Bureau of Industry and Security (BIS)
- U.S. Census Bureau
- National Telecommunications and Information Administration (NTIA)
- National Institute of Standards and Technology (NIST)
- U.S. Patent and Trademark Office (USPTO)
- National Oceanic and Atmospheric Administration (NOAA)

Together these bureaus represented more than 80% of the Department's FY 2004 net cost of operations as reported in the *Department of Commerce's FY 2004 Performance and Accountability Report*. We reviewed 45 performance measures during these audits. Our audits repeatedly found (1) unclear measures (measures that did not establish clear links between the activity being measured and the agency's actions or were stated in terms that did not appropriately represent performance results) and (2) inadequate disclosures (language accompanying performance data was insufficient to place performance results in an appropriate context). Also, we repeatedly found deficiencies in management controls (inadequate procedures to verify performance information and ensure that it can

be relied upon. The following table provides a breakdown by bureau of the most common findings from the eight audits between September 2000 and September 2004, inspections of performance data at five ITA offices, and a recently completed audit of performance measures at MBDA:

Table 1:
Common Issues from OIG Reviews

		PROBLEMS WITH DATA UTILITY		PROBLEMS WITH DATA INTEGRITY
Bureau	Measures Reviewed	Unclear Measures	Inadequate Disclosures	Management Control Deficiencies
BIS	5	0	2	4
CENSUS	6	5	6	3
NIST	4	2	3	3
NOAA	21	16	18	19
NTIA	3	2	3	3
USPTO	6	1	6	6
Audit Totals	45	26	38	38
ITA (Inspections) ¹	1	0	1	1
MBDA ²	4	3	2	4
Review Totals	50	29	41	43

The table above shows the pervasive nature of the issues we have identified in our reviews. For example, in our audits of performance measures at six bureaus (BIS, CENSUS, NIST, NOAA, NTIA, and USPTO) from September 2000 to September 2004, we identified problems with data utility (26 of the 45 measures (58%) were unclear and 38 of the 45 measures (84%) had inadequate disclosures). We also identified concerns with data integrity (management control deficiencies were noted for 38 of the 45 or (84%) of the performance measures). See *Appendix A* for more detail.

The identification of problems with bureau performance measures has not been limited to these eight earlier audits involving six bureaus. Our Office of Inspections and Program Evaluations (OIPE) identified similar concerns with certain ITA performance data during five International Trade Administration (ITA) inspections. See *Appendix B* for more

¹ Five OIPE Inspections conducted between March 2003 and September 2004 identified insufficient supporting evidence for export success measures.

² *Minority Business Administration: Value of MBDA Performance Measures is Undermined by Inappropriate Combining of Program Results and Unreliable Performance Data from MBOC Program.* Final Audit Report No. FSD-17252-5-0001/September 2005.

detail. The same types of issues were also found in the audit of performance measurement and reporting at the Minority Business Development Agency (MBDA), completed in September 2005. See *Appendix C* for more detail. In total, our reviews of performance data for 50 performance measures identified 29 unclear measures, 41 measures lacking inadequate disclosures, and 43 measures with deficiencies in management controls.

Both GPRA and the Reports Consolidation Act of 2000 emphasize the reliability of performance information. We believe the Department should continue to strengthen the utility and integrity of reported performance data. Accordingly, this office initiated this audit to summarize the results of audit reports and other OIG observations and assess the status of the Department's efforts to better report useful and reliable performance results. As the audit report covering MBDA performance measurement and reporting was not issued in final until September 2005, we have not assessed their efforts to implement recommendations nor verified reported actions. This report summarizes our prior audit coverage and highlights the identified problems with the Department's measurement and reporting, what corrective actions have been taken, and additional opportunities to strengthen the collection and reporting of the Department's performance results.

The objectives of this audit were to (1) assess Department and bureau efforts to address identified deficiencies, (2) strengthen performance measurement and reporting, and (3) identify whether additional actions are needed to ensure that reported performance results are reliable and meaningful. We limited our review to the performance measures of the six bureaus we audited and ITA performance measurement data reviewed by our Office of Inspections and Program Evaluations (OIPE).

We were pleased to find that the Department and its bureaus have taken actions to improve both the utility and integrity of the performance information reported to the public. For example:

- Bureaus have eliminated or reworded performance measures that either (1) did not demonstrate a clear link between the activity being measured and the agency's actions or (2) clearly demonstrate what was being measured. For example, of the 26 performance measures identified as unclear during our eight earlier audits, 9 or 35% have been discontinued and 10 or 38% have been revised or reworded.
- Explanations of performance measures and results have been strengthened in *Performance and Accountability Reports* and *Annual Performance Plans* submitted by the Department to satisfy GPRA requirements. For example, details of the composition of results have been provided to place performance results in the proper context.
- As with explanations of performance results, discussions of limitations have been enhanced. For example, it was noted in GPRA required documents if performance results represented an average number and/or it was limited to certain geographical areas.

- In GPRA documents, improvements have been made in the description of efforts to ensure the verification of performance measures. For example, bureaus have clarified the methods that are used to verify performance data in *Annual Performance Plans*.
- Also, efforts were taken by bureaus to improve its management controls to better ensure the reliability of performance data to the public. This included the implementation and documentation of verification procedures and establishing requirements for the maintaining of supporting documentation.

In addition to the aforementioned actions, the Department's more increasingly rigorous quarterly review of performance information with bureau management and the increased oversight of certain performance measures has afforded Commerce with a more reliable process to improve the quality of the performance data it collects and reports. More specifically, in January 2005, the Department of Commerce's Office of Budget instituted quarterly performance reviews between bureau heads and the Deputy Secretary to discuss bureau performance and targets. Subsequently, in the Spring of 2005, the Department's Office of Budget began performing surveys of performance measures with the stated objective of assessing the validation and verification process.

We are encouraged by the actions described above and have determined that Commerce and its bureaus have collectively taken sufficient steps to warrant the removal of the implementation of GPRA from OIG's list of top management challenges facing the Department.

Removal of this issue from our list of top management challenges does not mean that all is well or that we believe no further management attention to the matter is warranted. Rather, while acknowledging significant progress in this area, continued senior management involvement with performance measurement and reporting is imperative, particularly as the Department continues to move to reporting more outcome-oriented performance. And finally, additional opportunities remain for the Department and its bureaus to enhance the quality of its performance information. Consequently, we include several suggestions on page 15 of the report. We will continue to monitor the Department's efforts in this area.

INTRODUCTION

Congress passed the Government Performance and Results Act (GPRA) of 1993 because of concerns that government focused more heavily on program activities and processes than results. GPRA is the centerpiece of a statutory framework that Congress put in place during the 1990s to require greater management accountability for results. GPRA seeks to improve the effectiveness, efficiency, and accountability of federal programs by requiring agencies to set performance goals and to annually assess their success at achieving them.

GPRA requires that agencies develop three different reports: a strategic plan, an annual performance plan and an annual program performance report.

See Figure 1 for a description of the requirements for each report.

Figure 1

GPRA Reports	Description of GPRA Reporting Requirements
Strategic Plan	Describes agency missions, establishes result-oriented goals, and identifies strategies to achieve goals. Agencies were required to develop their first strategic plan in fiscal year 1997, and are required to update the plans every 3 years afterwards.
Annual Performance Plan	Articulate goals for the upcoming fiscal year that align with long-term strategic goals. Agencies developed their first annual performance plan for fiscal year 1999 and are required thereafter to issue plans annually to correspond with budget submissions to Congress.
Annual Program Performance Report	Measures performance in achievement of goals in the annual performance plan. Agencies are required to explain why goals are not met and are required to present actions to meet the goals in the future. Agencies issued their first annual performance reports on FY 1999 performance and are required thereafter to issue annually a report on each annual performance plan.

The Department of Commerce issued its first strategic plan identifying its mission and goals in fiscal year (FY) 1997. A second strategic plan covered FY 2000 – FY 2005. The most recent strategic plan for FY 2004 – FY 2009 articulates the Department of Commerce’s mission to create conditions for economic growth and opportunity by promoting innovation, entrepreneurship, technological competitiveness, and stewardship.

The Department, comprised of the bureaus listed in Figure 2, maintains three strategic goals:

- *Goal 1:* Provide the information and tools to maximize U.S. competitiveness and enable economic growth for American industries, workers, and consumers;

- *Goal 2:* Foster science and technological leadership by protecting intellectual property, enhancing technical standards, and advancing measurement science; and
- *Goal 3:* Observe, protect, and manage the Earth's resources to promote environmental stewardship.

Figure 2

DEPARTMENT OF COMMERCE BUREAUS	
EDA	Economic Development Administration
ESA	Economics and Statistics Administration
BEA	Bureau of Economic Analysis
CENSUS	U.S. Census Bureau
ITA	International Trade Administration
BIS	Bureau of Industry and Security
MBDA	Minority Business Development Agency
PTO	U.S. Patent and Trademark Office
TA	Technology Administration
NIST	National Institute of Standards and Technology
NTIA	National Telecommunications and Information Administration
NOAA	National Oceanic and Atmospheric Administration
<i>Source: Department's FY 2004 PAR</i>	

FY 1999 was the first year the Department produced an Annual Performance Plan (APP) and an Annual Program Performance Report (APPR). Currently, the APP is combined with the Department's budget submission, while the APPR is combined with the financial statements in its performance and accountability reports (PARs). The Reports Consolidation Act of 2000, passed in part to improve the quality of agency financial and performance data, encourages this consolidation of performance reports with other reports such as the audited financial statements. The Act also requires a transmittal letter from the agency head containing an assessment of the completeness and reliability of reported performance data and a description of any material inadequacies in the completeness and reliability of data.

Congress, the Office of Management and Budget (OMB), and other decision makers can use the information describing actual performance against established targets in the PAR to evaluate the federal government's investment in these programs. Agency officials can use it to assess and improve program outcomes. However, performance results enable such assessment and improvement only to the extent that reported data is reliable. When Congress passed GPRA, it emphasized that the usefulness of agencies' performance data

depends, to a large degree, on the reliability and validity of performance data. GPRA required agencies to validate and verify the performance data they report.³

The Office of Inspector General began monitoring Commerce's implementation of GPRA in 1997. Since then, OIG has provided implementation advice and assistance, made presentations to departmental officials on ensuring the reliability of performance-related information, provided informal comments to the Department on various GPRA-related documents, and performed audits of performance measures at seven bureaus within the Department.

Inconsistencies and inaccuracies in the Department's reporting of reliable performance data led the OIG to identify the Department's efforts to implement GPRA as a top management challenge in our March 31, 1999, Semiannual Report to Congress. GPRA has remained a management challenge since that time because audits of performance measurement and reporting at Commerce bureaus have repeatedly identified either (1) performance measures that are inappropriate, inaccurate, and unclear; (2) insufficient explanations of performance information; or (3) inadequate management controls over performance information.

Figure 3

The various audit reports on performance measurement and reporting we have issued are detailed in Figure 3. The eight audit reports issued as of September 30, 2004 had examined performance measurement at bureaus representing more than 80% the Department's FY 2004 Statement of Net Cost.

AUDIT REPORTS ISSUED ON GPRA

- Bureau of Export Administration, Final Audit Report No. FSD-12847, September 2000
- National Telecommunications and Information Administration, Final Audit Report No. FSD-12856, September 2000
- U.S. Patent and Trademark Office, Final Audit Report No. FSD-14429, March 2002
- National Institute of Standards and Technology, Final Audit Report No. FSD-14430, March 2002
- National Oceanic and Atmospheric Administration, Final Audit Report No. FSD-14998, February 2003
- National Oceanic and Atmospheric Administration, Final Audit Report No. FSD-15643, September 2003
- U.S. Census Bureau, Final Audit Report No. FSD-15990, March 2004
- National Oceanic and Atmospheric Administration Audit Report No. FSD-15989, September 2004
- Minority Business Development Agency, Final Audit Report No. 17252, September 2005

We have not limited our reviews of performance measurement data with the Department to audits. The OIG's Office of Inspections and Program Evaluations (OIPE) also identified problems with performance measurement data

during five inspections at the International Trade Administration between March 2003 and September 2004.

³ The General Accounting Office has defined verification as the "assessment of data completeness, accuracy, and consistency, and related quality control practices." It defines validation as the "assessment of whether the data is appropriate for the performance measure. U.S. General Accounting Office, July 30, 1999. *Performance Plans: Selected Approaches for Verification and Validation of Agency Performance Information*, GAO/GGD-99-139. Washington D.C.: General Accounting Office.

Figure 4

**OIG INSPECTION REPORTS THAT INCLUDED
REVIEW OF ITA PERFORMANCE DATA**

- Commercial Service India: Challenges Remain for Management of a Large and Economically Diverse Post
Final Inspection Report IPE-16808, September 2004
- USEACs Are Meeting Client Needs, but Better Management Oversight Is needed
Final Inspection Report IPE-16728, September 2004
- Pacific Northwest USEAC Network Generally Operates Well, but Export Success Reports Need More Management Scrutiny
Final Inspection Report IPE-16507, March 2004
- Generally Sound Operations at Commercial Service Greece Are Compromised by Key Weaknesses
Final Inspection Report IPE-15804, September 2003
- The Commercial Service Needs to Improve Management of its Operations in Turkey
Final Inspection Report IPE-15370, March 2003

This report summarizes our prior audit coverage and highlights Commerce's the measurement and reporting issues identified by OIG, describes what corrective actions have been taken, and identifies additional opportunities to strengthen the collection and reporting of the Department's performance results.

OBJECTIVES, SCOPE, AND METHODOLOGY

This is a self-initiated audit to summarize OIG reviews of Commerce performance information and assess the status of the Department's efforts to report useful and reliable performance results.

The objectives of our audit were to (1) assess bureau and departmental efforts to address identified deficiencies and strengthen performance measurement and reporting and (2) identify whether additional actions are needed to ensure that reported performance results are reliable and meaningful. The scope of our audit was limited to the performance measures that had been reviewed during the eight audits we conducted at six bureaus and the corrective actions taken by the International Trade Administration to correct its performance measure reports in response to OIG's Office of Inspections and Program Evaluations (OIPE) work.

To answer our audit objectives, we interviewed departmental and bureau officials responsible for generating, maintaining, and reporting performance data and following up on OIG recommendations. We also collected and reviewed documentation associated with the implementation of OIG recommendations; reviewed pertinent federal guidance and legislation⁴; and evaluated the presentations for previously reviewed measures in the FY 2004 PAR, and the FY 2006 APP. In addition, we reviewed earlier APPs, APPRs, and PARs to assess whether our recommendations had been implemented.

We questioned Department managers about the implementation of recommendations to address previously identified deficiencies and strengthen management controls and performed a cursory review of documentation detailing the corrective actions taken by the bureaus. We did not test the reported performance results reported in either the FY 2004 PAR or FY 2005 PAR. We also did not test the reliability of computer-generated data for the performance measures, because that data was not necessary for our audit. We did not identify any instances of the failure to comply with applicable laws and regulations.

We conducted our fieldwork from April 2005 to January 2006 at Commerce headquarters in Washington, D.C. We performed this audit in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States, under authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended.

⁴ GPRA; the Chief Financial Officers Act; Reports Consolidation Act of 2000, OMB Circular A-123, *Management Accountability and Control*; OMB Circular A-11 Part 6, *Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports*; and GAO *Standards for Internal Control in the Federal Government*.

FINDINGS AND RECOMMENDATIONS

Our audits of performance measures at many of Commerce's bureaus and review of performance data at several ITA offices identified a number of deficiencies and made a number of recommendations to improve the accuracy and reliability of performance information reported by the Department. Table 1 summarizes the findings from our eight audit reports issued between September 2000 and September 2004, five inspection reports issued between March 2003 and September 2004, and our most recent audit report on MBDA performance measures that was issued in September 2005.

Table 1:
Common Issues from OIG Reviews

		PROBLEMS WITH DATA UTILITY		PROBLEMS WITH DATA INTEGRITY
Bureau	Measures Reviewed	Unclear Measures	Inadequate Disclosures	Management Control Deficiencies
BIS	5	0	2	4
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USPTO	6	1	6	6
Audit Totals	45	26	38	38
ITA (Inspections) ⁵	1	0	1	1
MBDA ⁶	4	3	2	4
Review Totals	50	29	41	43

For purposes of this report, we have grouped the problems we identified into two main categories: ones that undermine the utility of reported data (i.e., unclear measures and inadequate disclosures) and ones that undercut its integrity (i.e., deficiencies in management controls to ensure the reliability of performance results). Usefulness of reported data is compromised when (1) terms used in performance measures are not clear to the people collecting the data and/or the people using it, (2) the link between the activity being measured and the agency's actions cannot be clearly established, or

⁵ Five OIPE Inspections conducted between March 2003 and September 2004 identified insufficient supporting evidence for export success measures.

⁶ *Minority Business Administration: Value of MBDA Performance Measures is Undermined by Inappropriate Combining of Program Results and Unreliable Performance Data from MBOC Program.* Final Audit Report No. FSD-17252-5-0001/September 2005.

(3) discussions of reported results are insufficient or fail to disclose known data limitations. The integrity of performance data is undermined when management controls designed to protect integrity are ignored, misunderstood, or otherwise compromised.

We are encouraged by improvements in the utility of reported performance information, and progress has been made in strengthening the integrity of performance data for the six bureaus audited earlier and ITA. Nevertheless, we believe the Department and its bureaus should take steps to further enhance the utility and integrity of performance information by building on the positive actions taken in response to prior reports.

I. Data Utility of Reported Performance Information Has Improved, but Opportunities Remain for Further Improvement

In our previous audits of performance data reported by Commerce bureaus, we identified many deficiencies of data utility. In order for performance information to be useful, key terms associated with measures must be understood by those collecting the data and those using it. When appropriate, the data should be supplemented by clear explanations of results and disclosures of data limitations.

A. Positive steps taken towards enhancing the utility of reported performance data

This audit found the Department has eliminated several measures that did not demonstrate a clear link between the activity being measured and the agency's actions or which did not clearly delineate what was being measured. In other cases, the titles of performance measures have been reworded or augmented with enhanced explanations. Strengthened explanations of results, enhanced discussions of data limitations, and improved descriptions of verification procedures are other steps bureaus have taken to improve the utility of reported data. In addition, the Department of Commerce Office of Budget has been holding quarterly performance reviews between bureau heads and the Deputy Secretary since January 2005. These reviews demonstrate an increased emphasis on the importance of useful performance data.

Problematic measures have been discontinued and reworded

The Department has eliminated or reworded measures that either (1) did not demonstrate a clear link between the activity being measured and the agency's actions or (2) clearly demonstrate what was being measured. As noted in Table 1, (See Page 6), our earlier audits had identified 26 measures that were unclear. (See Appendix A)

Of the 26 performance measures identified as unclear during our earlier audits of six bureaus,

- 9 or 35% of these performance measures have been discontinued,
- 10 or 38 % have been revised or reworded, and

- 7 or 27% of the sample measures were reported (active) in the Department's *FY 2005 Performance and Accountability Report*.

The following are some examples of problematic measures that were discontinued or reworded. This is not a complete list of discontinued/reworded performance measures, but merely examples of the types of problems that we previously identified that this report references:

- NTIA subsequently discontinued the unsupported reporting on the performance measures on Internet accessibility and use and increased telephone subscription rates. Our audit of NTIA's FY 1999 performance results found that these two measures had been included in the Department's *FY 1999 APPR* even though it was extremely difficult, if not impossible, to determine the impact of NTIA programs and activities in either of the areas being measured.⁷
- NOAA subsequently discontinued two performance measures relating to reducing the number of threatened and endangered species at risk of extinction by FY 2007. Our September 2004 audit report noted that those performance measures included in the Department's *FY 2002 PAR* incorrectly implied that NOAA was touting its success at improving individual species to the point where they could move out of the threatened and endangered categories.⁸ We found, however, that NOAA was actually reporting on any success at stabilizing (stopping the decline) or improving populations of particular species. The measures "Reducing by 10 (from a FY 2000 baseline of 27) the number of threatened species at risk of extinction" and "Reducing by 11 (from a FY 2000 baseline of 29) by FY 2007, the number of endangered species at risk of extinction" are to be replaced by one—the "number of protected species designated as threatened, endangered, or depleted with stable or increasing population levels"—which more accurately conveys what the agency is measuring.
- Census subsequently discontinued the use of the performance measure "Percentage of household surveys attaining specified reliability measurements." Our March 2004 audit report identified that this Census measure reported in the Department's *FY 2002 PAR* had included two non-household demographic surveys (Teacher Follow-up Survey and School and Staffing Survey).⁹ Lumping these two together under a measure that referred to only "household" surveys skewed the data and misinformed the reader.

⁷ *National Telecommunications and Information Administration: Reporting of Performance Measures Needs Improvement*. Final Audit Report No. FSD-12856/September 2000.

⁸ *National Oceanic and Atmospheric Administration: Improvements Needed in the Reporting for NOAA goals—Build Sustainable Fisheries, Recover Protected Species, and Predict and Assess Decadal to Centennial Climate Change*. Final Audit Report No. FSD-15989-4-0001/September 2004.

⁹ *U.S. Census Bureau: Improvements Needed in the Reporting of Performance Measures by the U.S. Census Bureau*. Final Audit Report No. FSD-15990-4-0001/March 2004.

Problematic Explanations of Results Have Been Clarified and Strengthened

Inaccurate and insufficient explanations undermine the usefulness of the information meant to be conveyed by performance measures. In the following example, the explanation of the results was subsequently clarified and strengthened.

Measure: Increased sales attributed to MEP (Manufacturing Extension Partnership Centers) assistance (NIST).

Our March 2002 audit report identified that the NIST goal “improve the technological capability, productivity, and competition of small firms” had included increased sales of other than small firms in its reported results for this measure. Subsequently, NIST provided the following explanation of results for its measure “increased sales attributed to MEP assistance” in the Department’s *FY 2002 PAR*: “reported data reflect primarily the impact of MEP services on small manufacturing establishments ... based on recently compiled survey data (as of mid-2001. Approximately 95% of clients served by MEP are small establishments with fewer than 500 employees; these clients account for approximately 93% of the attributed sales impacts.”¹⁰ By providing this explanation, NIST clearly disclosed that not all sales increases were attributable to small firms.

Problematic Discussion of Data Limitations Have Been Enhanced

An insufficient discussion of data limitations precludes a clear presentation of performance results. Including data limitations gives performance information context that facilitates informed decision-making.

Measures: Lead time (minutes), accuracy (%), and false alarm rate (FAR%) of severe weather warnings for tornadoes (NOAA), and Lead time (minutes) and accuracy (%) for severe weather warnings for flash floods (NOAA).

Our FY 2003 audit identified that lead time for the measures were averaged and consequently did not convey the percentages of times that the NWS issued tornado and flash flood warnings with no lead time or no warnings at all. Subsequently, NOAA provided additional discussion of data limitations for certain performance measures. For example, on the NOAA performance measure related to severe weather warnings of tornadoes, NOAA noted in the Department’s *FY 2006 APP* that (1) the lead times for all tornado occurrences within the continental U.S. are averaged to get this statistic for a given fiscal year; (2) the average includes all warned events with zero lead times and all unwarned events; and (3) that for FY 2003, the percentage of events with a lead time greater than zero was 73 percent. NOAA included a similar discussion for the measure dealing with flash flood warnings. Discussing the limitations of performance data provides individuals who use the data with proper context for assessing performance results and allows informed decisions.

¹⁰ U.S. Department of Commerce *FY 2002 Performance and Accountability Report*.

Problematic Descriptions of Verification Procedures Have Been Improved

The discussion of verification procedures should provide users of performance information with an understanding of how much credibility can be placed in the accuracy of reported performance results.

Measures: **Average pendency to issue/abandonment (patent) (USPTO), and
Average time to disposal or registration (trademark) (USPTO).**

Our March 2002 audit found USPTO had incorrectly identified the Department's annual financial statement audit as the "verification method" for providing assurances over management controls over reported performance measures contained in the Department's combined FY 2000 APPR/ FY 2002 APP. USPTO managers had been unaware that the financial statement audit did not provide assurance of the reliability of performance results. The Department's FY 2000 APPR and FY 2002 APP also noted that for each performance measure reported, USPTO performed a final test of reasonableness, however there was no discussion of the nature of the reasonableness test or who performed it. We recommended the description of the verification procedures for patent and trademark measures be revised to accurately and completely describe the procedures performed.¹¹ USPTO subsequently stopped making reference to the financial statement audit as its verification for its performance measures. USPTO also noted that verification procedures used manual reports and analysis and internal program edits to patent and trademark systems. Clear explanations of verification procedures are important to indicate how reliable reported performance results are.

Departmental Reviews of Performance Results Emphasize the Importance of Reliable and Useful Performance Data

In January 2005, the Department of Commerce's Office of Budget instituted quarterly performance reviews between bureau heads and the Deputy Secretary to discuss bureau performance targets and accomplishments. Also, in spring 2005, the Department's Office of Budget performed surveys of performance measures (one measure for each bureau) with the stated objective of assessing the data validation and verification process. A second round of reviews was done at two other bureaus. Both efforts demonstrate management's commitment to strengthening performance information and putting it to use. Increased management use of performance data increases the likelihood that accurate, timely data is collected and reported.

B. Additional opportunities to improve the utility of performance data exist

As noted, the steps taken by the bureaus and Department in response to our earlier observations and recommendations are encouraging. However, the increasing emphasis and importance of accurate performance data requires continued senior management attention to this area. To further improve the utility of performance data managers should

¹¹ *United States Patent and Trademark Office: Minor Improvements Needed in Reporting Performance Results.* Final Audit Report No. FSD-14429/March 2002.

ensure that key terms used in new measures included in the PAR are clear to both personnel within Commerce and the Department's stakeholders. Also, the letter from the Secretary transmitting the PAR to the OMB and Congress should clearly articulate the completeness and reliability of the reported performance data.

Ensure a Common Understanding of Key Terms in Performance Measures

As new performance measures are introduced, it is critical that documents prepared by the Department such as the PAR and APP clearly articulate what the performance indicators are measuring. Our earlier audits identified many instances where definitions of key terms used in performance measures did not exist. We continue to see this as an area of concern requiring management attention. Our recent audit of performance measurement and reporting at the Minority Business Development Agency, for example, identified unclear definitions of key performance terminology as a critical concern. Given the problems identified in previous audits, it is imperative that key performance measures be understood by both internal and outside stakeholders.

Improve the Assessment of Data Credibility in the PAR

The Reports Consolidation Act of 2000 requires a transmittal letter containing an assessment by the agency head of the completeness and reliability of the performance and financial data used in the report. Commerce's transmittal letters for the FY 2002 through FY 2004 PARs contained only a general statement about data completeness and reliability. For example:

- In the *FY 2004 Performance and Accountability Report*, the transmittal letter from the Secretary of Commerce stated that "I attest under the Reports Consolidation Act of 2000, we have made every effort to ensure that the financial and performance data presented in this report are accurate and complete, and are used on a regular basis to manage our programs."
- In the *FY 2002 and FY 2003 Performance and Accountability Reports*, the Secretary's transmittal letter noted that the Department, "in collaboration with our bureaus and the Inspector General, is working to continuously strengthen its implementation of GPRA and assure that our performance is appropriate, complete, and reliable."

Prior to issuance of the FY 2005 PAR, we recommended to the Department's Office of Budget that the letter from the Secretary transmitting the FY 2005 PAR should contain a more thorough discussion of the completeness and reliability of performance data within the report. This recommendation was implemented and the FY 2005 PAR transmittal included a clearer discussion of the reliability of performance data reported. Future editions of the PAR also should contain expanded statements on the reliability of reported performance data. We believe an explanation of the steps taken by the bureaus and the Department to ensure increased involvement of senior departmental officials and reliable performance data would be more meaningful in future PAR transmittals.

II. Progress also has been made in strengthening the integrity of performance data, but opportunities for more improvement remain

The bureaus have taken a number of positive steps to address our recommendations from earlier reports, but opportunities for improving the integrity of performance data remain. Our previous reviews of bureau performance data identified instances where poor management controls undermined the reliability of the data. In those earlier audits of performance measurement and reporting, we focused on public performance information in annual program performance reports, annual performance plans, and performance and accountability reports. However, as performance data is integrated with the budget process and into oversight of program activities, steps should be taken to ensure (1) the effectiveness of controls over the collection of performance data and (2) the integrity of data underlying reported performance results.

A. Positive steps taken toward improving data integrity

Commerce bureaus have strengthened a number of management controls to improve the integrity of reported performance data. For example, we found instances in which bureaus clarified what to include or exclude from performance results. We also found that bureaus have strengthened several verification procedures and requirements relating to supporting documentation.

Ensuring Common Understanding in What Performance Measures Represent

To ensure that reported performance results are accurate, complete, and consistently reported, personnel responsible for collecting and reporting must understand what the measure represents and what data should or should not be collected and included in reported performance results.

Measure: Number of New Monitoring or Forecast Products that Become Operational Per Year (cumulative). (NOAA)

NOAA's measure of the number of new monitoring or forecast products that become operational per year exemplifies the need for a consistent definition of a performance measure. We reported in our FY 2003 audit that because the definition used for "new product," the actual number of new products in FY 2001 may have been significantly understated in the APPR/APP.

Our FY 2003 audit found that there was no single, consistent definition for a new product at the Climate Prediction Center (CPC). Depending on the definition used, 50 new products could have been identified as becoming operational in FY 2001, not four, as was reported in the FY 2001 APPR and FY 2003 APP. The National Weather Service has indicated it will improve the definition of "new product" and that this will eliminate the confusion.¹²

¹² *National Oceanic and Atmospheric Administration: Improvements Needed in the Reporting of Performance Measures Related to Advancing Short-Term Warnings and Implementing Seasonal to Interannual Climate Forecasts.* Final Audit Report No. FSD-15643-3-0001/September 2003

Verification Procedures Have Been Strengthened

Verification of reported results, including the reconciliation of reported data with actual results, is important to ensure that performance data is reliable. Both the Department and bureaus have taken steps to enhance the reliability of performance data. As noted earlier, in spring 2005, the Department's Office of Budget initiated a test process to verify and validate performance data for a selected group of measures. The Office of Budget performed surveys of performance measures at nine bureaus (one measure for each bureau). The review revealed several bureaus had adequate data verification and validation processes, but some bureaus' processes still needed improvement.

In several of our earlier audits, we found that verification procedures were either not in place or were unclear. Since these reports were issued, we have found that bureaus we audited have subsequently taken significant steps to ensure that reported performance results were more reliable. For example:

Measure: Increased sales attributable to MEP assistance (NIST).

Since our March 2002 audit report was issued, NIST has improved its verification of performance results claimed for the measure "increased sales attributed to MEP assistance." In that report, we found that the actual dollar amounts claimed could not all be verified and some that were verified were incorrect. In one instance a \$2.5 million claim of increased sales was misreported as \$25 million. In the summer of 2002, NIST headquarters reminded MEP Center Directors that large impacts reported by clients must be scrutinized and validated. In addition, the NIST document *NIST MEP Management Information Reporting Procedures* now clearly identifies criteria based on dollar values of claims and jobs created for verifying the reliability of survey responses from recipients of services. The changed procedures seem to be working. NIST now has examples where identification and correction of inaccurate results reduced sales claims. In one significant instance, new sales were reduced from \$150 million to \$15 million while in another instance retained sales were adjusted from \$250 million to \$2.5 million.

Measure: Export Success (ITA).

In its September 2003 report entitled *Generally Sound Operation at Commercial Service Greece are Comprised by Key Weaknesses*, ITA Final Inspection Report No. IPE-15804, OIG's Office of Inspections and Program Evaluations (OIPE) found that ITA lacked clear guidelines to substantiate claimed results relating to its export success measures and recommended that existing guidelines be revised. In April 2005, ITA revised Commercial Service's (CS') performance measurement guidelines pertaining to its export success measures. The new guidance better defines the measures used to assess export successes, establishes criteria for identifying export successes attributed to ITA, and identifies documentation and reporting guidelines. The guidelines are designed to better ensure the accuracy and reliability of performance results and prevent erroneous reporting of unsupported export successes.

Measure: Number of end use visits (BIS).

In our September 2000 audit, we were unable to determine the correct number of end-use visits because of items that had been inappropriately included in the total reported by the Bureau of Industry and Security (BIS). BIS has since developed policies and procedures on data validation and verification of key performance measures. A new checklist identifies steps required to: (1) verify dates of all data to ensure current fiscal year, (2) review and validate supporting documentation, (3) review data processing methodology to ensure accuracy of computations, (4) review results to ensure accuracy by office and data set, note data discrepancies and make corrections, and (5) coordinate any corrective action required with responsible program office. BIS also advises that it regularly reviews performance results submitted by line offices prior to reporting them.

Other bureaus also have made progress in this area. For example, USPTO has developed policy and verification procedures including an activity schedule for independently verifying and validating performance data on patent and trademarks measures and technical assistance activities.

Requirements for Supporting Documentation have been Strengthened

The *GAO Standards for Internal Control in the Federal Government* states that all transactions and other significant events need to be clearly documented and the documentation should be readily available for examination. Our follow-up review found that bureaus have taken steps to improve documentation supporting reported performance results.

Measures: Lead time (minutes), accuracy (%), and false alarm rate (FAR%) of severe weather warnings for tornadoes (NOAA), and Lead time (minutes) and accuracy (%) for severe weather warnings for flash floods. (NOAA)

During our FY 2003 audit, we had found some NWS offices that were uncertain about how long they should maintain records supporting these measures, largely because of conflicting earlier guidance.¹³ NWS has subsequently updated its *National Weather Instruction 10-1605*, dated August 26, 2004, and now requires retention of supporting data for 2 years. Instruction 10-1605 also states that a sufficient amount of time should be allowed to ensure that documentation and verification of significant weather phenomena is as accurate and complete as possible.

¹³*National Oceanic and Atmospheric Administration: Improvements Needed in the Reporting of Performance Measures Related to Advancing Short-Term Warnings and Implementing Seasonal to Interannual Climate Forecasts.* Final Audit Report No. FSD-15643-3-0001/September 2003

B. Opportunities to improve the integrity of performance data remain

Management controls over the collection of performance data should continue to be assessed and, as appropriate, strengthened, and the various systems used to capture performance data should be evaluated. In addition, the Office of Budget should build upon its reviews of performance measures.

Management Controls Over the Collection of Performance Data Should be Assessed

Our previous audits focused on the reliability of performance results reported in the PAR, and we concentrated on assessing the controls in place to ensure the reporting of reliable performance data in that document. We did not perform comprehensive assessments of the management controls in place over the collection of data at the unit or field office level. However, it is imperative that procedures are in place to ensure that personnel responsible for the collection of the data are sufficiently trained and that only appropriate data are collected. Such controls must also be regularly reviewed to determine if they are operating as intended.

Management controls over the various systems used to collect performance data should be closely monitored. Our previous audits have not included reviews of the information technology systems used in the collection of performance data, and we cannot judge the effectiveness of these systems at producing reliable performance data. The Department and its bureaus should assess the systems used to capture and report performance data.

RECOMMENDATIONS

We recommend that the CFO require:

- (1) The Department and its bureaus to ensure key terms used in measures are easily understood. The introduction of new measures should be accompanied by informative explanations in the PARs and APPs issued by the Department.
- (2) Management controls over data collection and systems used in the collection and reporting of performance data are in place to ensure the integrity of underlying performance data.
- (3) Quarterly performance reviews be used to discuss the effectiveness of controls in place to ensure the reliability of performance information, including the results of Office of Budget reviews of validation and verification.

Department Response

In responding to the draft report, the Department strongly concurred with all three recommendations to better ensure the clarity of terminology used within performance measures, to further ensure the integrity of performance data, and to incorporate discussion on internal controls for performance data into the quarterly performance reviews held by the Deputy Secretary and bureau heads.

OIG Comments

The corrective actions taken and planned are responsive to our recommendations. The Department should be commended for the prompt corrective actions that are being taken to enhance performance data and strengthen internal controls.

BUREAU OF EXPORT ADMINISTRATION

Reporting of Performance Measures Needs Improvement
 Final Audit Report FSD-12847, September 2000

	OIG ISSUES			
	Utility		Integrity	
MEASURES	Measures do not clearly articulate what is being measured	Inadequate explanations and disclosures of results	Management controls do not adequately ensure that reported data is accurate	Bureaus Response to OIG Concerns
Number of high-risk transactions deterred		X	X	Discontinued
Number of enforcement outreach visits				
Number of nonproliferation and export international cooperative exchanges			X	Discontinued
Number of investigations completed			X	Discontinued
Number of end-use visits			X	Discontinued

APPENDIX A

U. S. CENSUS BUREAU

*Improvements Needed in the Reporting of Performance Measures
by the U. S. Census Bureau*

Final Audit Report FSD-15990-4-0001, March 2004

	OIG ISSUES			
	Utility		Integrity	
MEASURES	Measures do not clearly articulate what is being measured	Inadequate explanations and disclosures of results	Management controls do not adequately ensure that reported data is accurate	Bureaus Response to OIG Concerns
Percentage of household surveys attaining specified reliability measurements	X	X		Discontinued
Household response rates for CPS, NCVS, AHS, and SIPP. Response rate for NHIS. Household Response Rate for SIPP		X	X	Unchanged
Release data products from Survey of Income and Program Participation and Survey of Program Dynamics	X	X		Unchanged
Release Decennial Census, Census of Governments, and Economic Census products	X	X	X	Reworded
Implement Master Address File /Topologically Integrated Geographic Encoding and Referencing Modernization	X	X		Reworded
Implement American Community Survey (ACS)	X	X	X	Reworded

NATIONAL INSTITUTE OF STANDARDS AND TECHNOLOGY

Reporting of Performance Measures Needs Improvement
 Final Audit Report, FSD-14430, March 2002

	OIG ISSUES			
	Utility		Integrity	
MEASURES	Measures do not clearly articulate what is being measured	Inadequate explanations and disclosures of results	Management controls do not adequately ensure that reported data is accurate	Bureaus Response to OIG Concerns
Increased Sales Attributable to MEP Assistance	X	X	X	Reworded
Number of technical publications produced	X		X	Reworded
Cumulative number of technologies under commercialization		X		Unchanged
Cumulative number of patents filed		X	X	Unchanged

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Improvements Needed in the Reporting for NOAA goals—Build Sustainable Fisheries, Recover Protected Species, and Predict and Assess Decadal to Centennial Climate Change

Final Audit Report FSD-15989-4-0001, September 2004

MEASURES	OIG ISSUES			Bureaus Response to OIG Concerns
	Utility		Integrity	
	Measures do not clearly articulate what is being measured	Inadequate explanations and disclosures of results	Management controls do not adequately ensure that reported data is accurate	
Reduce the number of overfished major stocks of fish from 56 to 45 by FY 2007	X	X	X	Discontinued
Reduce the number of major stocks with an "unknown" stock status to no more than 98 by FY 2007		X	X	Discontinued
Increase the percentage of plans to rebuild overfished major fish stocks	X	X	X	Reworded

APPENDIX A

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

*Improvements Needed in the Reporting of Performance Measures Related to
Promoting Safe Navigation and Sustaining Healthy Coasts
Final Audit Report FSD-14998-3-0001, February 2003*

	OIG ISSUES			
	Utility		Integrity	
MEASURES	Measures do not clearly articulate what is being measured	Inadequate explanations and disclosures of results	Management controls do not adequately ensure that reported data is accurate	Bureaus Response to OIG Concerns
Number of acres of coastal habitat benefited		X	X	Reworded
Percentage of U.S. shoreline and inland areas that have improved ability to reduce coastal hazard impacts		X	X	Reworded
Reduce introductions and effects of invasive species in a total of six regions within the U.S.	X	X	X	Discontinued

APPENDIX A

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Improvements Needed in the Reporting for NOAA goals—Build Sustainable Fisheries, Recover Protected Species, and Predict and Assess Decadal to Centennial Climate Change

Final Audit Report FSD-15989-4-0001, September 2004

	OIG ISSUES			
	Utility		Integrity	
MEASURES	Measures do not clearly articulate what is being measured	Inadequate explanations and disclosures of results	Management controls do not adequately ensure that reported data is accurate	Bureaus Response to OIG Concerns
Reduce by 10 (from a FY 2000 baseline of 27) by FY 2007, the number of threatened species at risk	X	X	X	Discontinued
Increase the number of commercial fisheries that have insignificant marine mammal mortality		X	X	Unchanged
Reduce by 11 (from a FY 2000 baseline of 29) by FY 2007, the number of endangered species at risk of extinction	X	X	X	Discontinued

APPENDIX A

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

*Improvements Needed in the Reporting of Performance Measures Related to
Advancing Short-Term Warnings and Implementing Seasonal to
Interannual Climate Forecasts*

Final Audit Report FSD-15643-3-0001, September 2003

	OIG ISSUES			
	Utility		Integrity	
MEASURES	Measures do not clearly articulate what is being measured	Inadequate explanations and disclosures of results	Management controls do not adequately ensure that reported data is accurate	Bureaus Response to OIG Concerns
Lead time (minutes), accuracy (%), and false alarm rate (FAR%) for severe weather warnings for tornadoes	X	X	X	Unchanged
Lead time (minutes) and accuracy (%) for severe weather warnings for flash floods	X	X	X	Unchanged
Accuracy (%) of three-day forecast of precipitation	X	X		Reworded

APPENDIX A

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

*Improvements Needed in the Reporting of Performance Measures Related to
Advancing Short-Term Warnings and Implementing Seasonal to
Interannual Climate Forecasts*

Final Audit Report FSD-15643-3-0001, September 2003

	OIG ISSUES			
	Utility		Integrity	
MEASURES	Measures do not clearly articulate what is being measured	Inadequate explanations and disclosures of results	Management controls do not adequately ensure that reported data is accurate	Bureaus Response to OIG Concerns
Determine the accuracy of the correlation between forecasts of the southern oscillation index (SOI) and El Nino/La Nina events	X	X		Discontinued
U.S. temperature forecasts (Skill Score)		X	X	Reworded
Number of new monitoring or forecasts products that become operational per year (cumulative)	X		X	Discontinued
New climate observations introduced	X		X	Unchanged

APPENDIX A

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

*Improvements Needed in the Reporting of Performance Measures Related to
Advancing Short-Term Warnings and Implementing Seasonal to
Interannual Climate Forecasts*

Final Audit Report FSD-15643-3-0001, September 2003

	OIG ISSUES			
	Utility		Integrity	
MEASURES	Measures do not clearly articulate what is being measured	Inadequate explanations and disclosures of results	Management controls do not adequately ensure that reported data is accurate	Bureaus Response to OIG Concerns
Determine the accuracy of the correlation between forecasts of the southern oscillation index (SOI) and El Nino/La Nina events	X	X		Discontinued
U.S. temperature forecasts (Skill Score)		X	X	Reworded
Number of new monitoring or forecasts products that become operational per year (cumulative)	X		X	Discontinued
New climate observations introduced	X		X	Unchanged

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

Improvements Needed in the Reporting for NOAA goals—Build Sustainable Fisheries, Recover Protected Species, and Predict and Assess Decadal to Centennial Climate Change

Final Audit Report FSD-15989-4-0001, September 2004

	OIG ISSUES			
	Utility		Integrity	
MEASURES	Measures do not clearly articulate what is being measured	Inadequate explanations and disclosures of results	Management controls do not adequately ensure that reported data is accurate	Bureaus Response to OIG Concerns
Assess and model carbon sources and sinks throughout the U.S.	X	X	X	Reworded
Assess and model carbon sources and sinks globally	X	X	X	Unchanged
Determine actual long-term changes in temperature and precipitation throughout the U.S.	X		X	Reworded

APPENDIX A

NATIONAL OCEANIC AND ATMOSPHERIC ADMINISTRATION

*Improvements Needed in the Reporting of Performance Measures Related to
Promoting Safe Navigation and Sustaining Healthy Coasts
Final Audit Report FSD-14998-3-0001, February 2003*

	OIG ISSUES			
	Utility		Integrity	
MEASURES	Measures do not clearly articulate what is being measured	Inadequate explanations and disclosures of results	Management controls do not adequately ensure that reported data is accurate	Bureaus Response to OIG Concerns
Percent reduction in the hydrographic survey backlog (square nautical miles) for critical navigation areas (cumulative)	X	X	X	Reworded
Percent of National Spatial Reference System completed (cumulative)	X	X	X	Unchanged

APPENDIX A

**NATIONAL TELECOMMUNICATIONS AND
INFORMATION ADMINISTRATION**

**Reporting of Performance Measures Needs Improvement
Final Audit Report FSD-12856, September 2000**

	OIG ISSUES			
	Utility		Integrity	
MEASURES	Measures do not clearly articulate what is being measured	Inadequate explanations and disclosures of results	Management controls do not adequately ensure that reported data is accurate	Bureaus Response to OIG Concerns
Number of authorized spectrum assignments		X	X	Discontinued
Increase internet accessibility and use	X	X	X	Discontinued
Maintain or increase telephone subscription rates	X	X	X	Discontinued

APPENDIX A

UNITED STATES PATENT AND TRADEMARK OFFICE

Minor Improvements Needed in Reporting Performance Results
 Final Audit Report FSD-14429, March 2002

	OIG ISSUES			
	Utility		Integrity	
MEASURES	Measures do not clearly articulate what is being measured	Inadequate explanations and disclosures of results	Management controls do not adequately ensure that reported data is accurate	Bureaus Response to OIG Concerns
Number of technical assistance activities completed	X	X	X	Unchanged
Percent of customers satisfied overall (patent)		X	X	Discontinued
Average pendency to issue/ abandonment (months) (patent)		X	X	Reworded
Percent of customers satisfied overall (trademark)		X	X	Discontinued
Average time to examiner's first action (months) (trademark)		X	X	Reworded
Average time to disposal or registration (trademark)		X	X	Reworded

INTERNATIONAL TRADE ADMINISTRATION

Commercial Service India: Challenges Remain for Management of a Large and Economically Diverse Post

Final Inspection Report IPE-16808, September 2004

USEACs Are Meeting Client Needs, but Better Management Oversight Is needed

Final Inspection Report IPE-16728, September 2004

Pacific Northwest USEAC Network Generally Operates Well, but Export Success Reports Need More Management Scrutiny

Final Inspection Report IPE-16507, March 2004

Generally Sound Operations at Commercial Service Greece Are Compromised by Key Weaknesses

Final Inspection Report IPE-15804, September 2003

The Commercial Service Needs to Improve Management of its Operations in Turkey

Final Inspection Report IPE-15370, March 2003

	OIG ISSUES			
	Utility		Integrity	
MEASURES	Measures do not clearly articulate what is being measured	Inadequate explanations and disclosures of results	Management controls do not adequately ensure that reported data is accurate	Bureaus Response to OIG Concerns
Export Success		X	X	Unchanged*

* Indicates the measure reported in the PAR remains unchanged.

MINORITY BUSINESS DEVELOPMENT AGENCY

Value of MBDA Performance Measures is Undermined by Inappropriate Combining of Program Results and Unreliable Performance Data from MBOC Program
 Final Audit Report FSD-17252-5-0001, September 2005

	OIG ISSUES			
	Utility		Integrity	
MEASURES	Measures do not clearly articulate what is being measured	Inadequate explanations and disclosures of results	Management controls do not adequately ensure that reported data is accurate	Bureaus Response to OIG Concerns
Total number of all clients receiving assistance	X	X	X	Unchanged
Dollar value of contracting obtained	X	X	X	Unchanged
Dollar value of financial awards obtained	X		X	Unchanged
Number of national and regional strategic partnerships			X	Unchanged



UNITED STATES DEPARTMENT OF COMMERCE
Chief Financial Officer
Assistant Secretary for Administration
Washington, D.C. 20230

MAR 31 2006

MEMORANDUM FOR: John M. Seeba
Assistant Inspector General for Administration

FROM: Otto J. Wolff
Chief Financial Officer and
Assistant Secretary for Administration

SUBJECT: Draft Audit Report No. FSD-17444

On February 23, 2006, you provided the subject draft audit report, "Department of Commerce Has Made Significant Progress, but Additional Opportunities Exist to Improve Reporting and Utility of Performance Results." This report notes that the Inspector General intends to remove the implementation of the Government Performance and Results Act (GPRA) from the top management challenges facing the Department in light of progress to improve the reporting of performance data.

I am pleased by this step but want to emphasize our intent to continue proactively working towards further progress. In this regard, we strongly agree with the report's recommendations to better ensure the clarity of terminology used within performance measures, to further ensure the integrity of performance data, and to incorporate discussion on internal controls for performance data into the quarterly performance reviews held by the Deputy Secretary and bureau heads.

We will ensure that newly adopted GPRA measures are adequately explained in our Performance and Accountability Reports and in the bureau Annual Performance Plans, with special attention to the use of clear terminology.

I have directed my staff to incorporate appropriate elements of our current validation and verification process into our reviews under OMB Circular A-123. My staff is also developing guidance, in consultation with our bureaus, for internal controls that will ensure the integrity of performance data in a manner that provides for suitable degrees of consistency and flexibility within each bureau. We want to ensure that each measure has an appropriate control in place, while recognizing that the wide variation of programs and measures precludes directly adopting some of the relatively prescriptive control processes used for financial data.

Mr. John M. Seeba

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Toward this goal, our respective staffs have met to discuss guidance for internal controls for performance data. My staff further highlighted this topic at a recent meeting with performance contacts from all of the bureaus, where we emphasized the importance of data integrity and solicited the bureaus' input on appropriate internal control guidance. I appreciate the participation of your staff in these sessions.

I also appreciate your recommendation to incorporate results of our validation and verification reviews into the quarterly review meetings with the Deputy Secretary and bureau heads. This will further highlight the importance of data integrity and facilitate resolution of any issues that may arise in the course of our verification and validation.

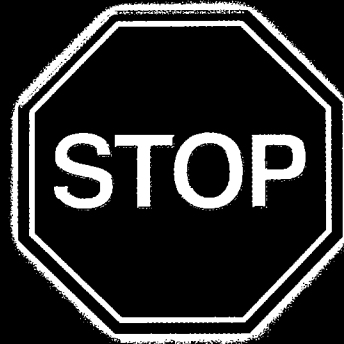
Thank you for the opportunity to review the draft. My staff, in coordination with the bureau staffs responsible for tracking and reporting performance, will continue to monitor and improve upon the implementation of GPRA as outlined in the report.



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