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United States General Accounting Office
Washington, D.C. 20548

General Government Division

B-285438

June 30, 2000

The Honorable Fred Thompson
Chairman, Committee on Governmental Affairs
United States Senate

The Honorable Joseph I. Lieberman
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

Subject: Observations on the Department of the Treasury's Fiscal Year 1999 Performance Report and Fiscal Year 2001 Performance Plan

As you requested, we have reviewed the 24 Chief Financial Officers (CFO) Act agencies' fiscal year 1999 performance reports and fiscal year 2001 performance plans required by the Government Performance and Results Act of 1993 (GPRA). In essence, under GPRA, annual performance plans are to establish performance goals and measures covering a given fiscal year and provide the direct linkage between an agency's longer term goals and day-to-day activities. Annual performance reports are to subsequently report on the degree to which those performance goals were met.

This letter contains two enclosures responding to your request concerning key program outcomes and the major management challenges at the Department of the Treasury. Enclosure I to this letter provides our observations on the Department of the Treasury's fiscal year 1999 actual and fiscal year 2001 planned performance for the key outcomes that you identified as important mission areas for the agency. These key outcomes are (1) tax laws are administered effectively and fairly; (2) less waste, fraud, and error relating to the Earned Income Tax Credit; (3) improved delinquent tax and non-tax debt collection; (4) reduced availability and/or use of illegal drugs; and (5) criminals are denied access to firearms and firearms-related crime is reduced.

Enclosure II lists the major management challenges facing the agency that we and the Office of the Inspector General for the Department of the Treasury identified, how the fiscal year 1999 performance report discussed the progress the agency made in resolving these challenges, and the applicable goals and measures in the fiscal year 2001 performance plan.

Results in Brief

Treasury's fiscal year 1999 performance report provides a limited picture of the Department's actual performance with respect to the five agency outcomes that we reviewed. This observation for the five outcomes is similar to the observation we made in July 1999 on the intended performance across Treasury for fiscal year 2000.[1] In July 1999, we said that Treasury's fiscal year 2000 performance plan provided a limited picture of intended performance across the Department. As for its management challenges, Treasury has made some progress in addressing them in fiscal year 1999.

For the outcome "tax laws are administered effectively and fairly," we could not assess how the Internal Revenue Service (IRS) is performing because it lacks agencywide performance measures for two of its three strategic performance goals (service to each taxpayer and service to all taxpayers) that support this outcome. For the IRS' third goal--productivity through a quality work environment for its employees--it had one measure focusing on Service-wide employee satisfaction. Until IRS develops such measures, its performance plans and reports will not provide a bottom-line assessment with respect to key aspects of IRS' mission. The Treasury performance report notes that IRS is developing a measure of voluntary compliance, which is a key strategic performance measure. According to IRS' fiscal year 2001 budget request, it is working to develop other strategic performance measures and expects to complete them in fiscal year 2001. As a result, the proposed fiscal year 2001 performance plan does not include these strategic measures. However, Treasury's fiscal year 1999 performance report discusses IRS' performance on 65 performance measures that are applicable to the above outcomes. Rather than assessing all 65 measures, we attempted to assess a subset that encompassed what IRS refers to as the key indicators and several tax return processing measures for which IRS had fiscal year 1999 performance targets. We could not assess performance on most of its key indicators because fiscal year 1999 was a baseline for the majority of them. IRS did not meet the performance target for the key indicator that had a performance target. With respect to the tax return processing measures, IRS' performance was mixed. For example, it exceeded performance targets for refund timeliness and the percent of individual returns filed electronically but did not achieve its performance target for percent of dollars received electronically.

For the other IRS-related outcome, "less waste, fraud, and error relating to the Earned Income Tax Credit (EITC)," no relevant performance measures have been established for assessing progress. IRS' fiscal year 1999 performance report and fiscal year 2001 plan discuss various actions under way or planned and links them to each of IRS' three performance goals. According to IRS' fiscal year 2000 performance plan, IRS is working to develop a measure of EITC compliance.

In assessing Treasury's performance on delinquent tax and non-tax debt collection, limitations in the performance measures make it difficult to provide a picture of performance. For example, none of IRS' three performance goals directly addresses tax debt collection. IRS states that, at the present time, it has decided not to use information on the results of its

[1]Observations on the Department of the Treasury's Fiscal Year 2000 Performance Plan (GAO/GGD-99-114R, July 20, 1999).

enforcement actions (e.g., dollars collected) as performance measures at the strategic level or operational level for two reasons: the unintended consequences that resulted from IRS' previous use of enforcement data and the IRS Restructuring and Reform Act prohibition on using tax enforcement results to evaluate employees or impose production goals for employees. The performance report includes two output measures related to tax collection—the number of cases closed for two different types of collection accounts. However, fiscal year 1999 was a baseline year for these measures, so we cannot report whether IRS met the performance targets for them. The Financial Management Service (FMS) has established a performance goal for delinquent non-tax debt collection, but the measures that are intended to gauge performance for that goal are either incomplete or do not provide a meaningful indicator of actual performance. For example, the reported data on delinquent non-tax debt collection amounts do not differentiate between amounts collected from the offset of certain federal payments against federal delinquent non-tax debts and state child support payment debts. Collections for child support represent a significant percentage of total non-tax debt collections, but such collections are forwarded to the states. Reporting collections for child support separately would provide a clearer picture of FMS' performance with respect to federal non-tax debt collections. Also, the measures do not adequately capture distinctions between two different non-tax debt collection programs—the Treasury Offset Program[2] and the Cross-Servicing Program.[3] Although FMS revised its goal and performance measures related to delinquent non-tax debt collection for fiscal year 2001, those revisions do not address the limitations that we identified for its measures.

Regarding the outcome "reduced availability and/or use of illegal drugs," it is difficult to determine Treasury's progress in fiscal year 1999. In general, the performance measures that are relevant to this outcome are primarily output measures—pounds of narcotics seized, and number of seizures—or are more intermediate outcome measures—the effectiveness of targeting efforts compared to random searches. The U.S. Customs Service recognizes that these data are too narrow to reflect success or failure in meeting goals related to drug trafficking. For example, it is unclear whether an increase in the pounds of narcotics seized indicates that Custom's drug trafficking efforts are effective or merely reflects an increase in the amount of illegal drugs entering the United States. The Treasury performance report states that accurate data on the estimated amount of drugs entering the United States is not available. Customs is working to develop outcome measures to use with its current measures to better demonstrate impact. Customs performance on its current measures show a mixed picture—the Treasury performance plan shows that Customs generally exceeded its targets for cocaine and marijuana seizures but did not meet its targets for heroin seizures. In addition, Customs exceeded its plan for targeting high-risk air travelers but did not meet its plan for targeting high-risk vehicles. Further, Customs has developed measures for which it

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[2]The Treasury Offset Program offsets federal payments, such as tax refunds, vendor payments and miscellaneous payments, and federal retirement payments, against federal non-tax debts, states' child support debts, and certain states' tax debts. For fiscal year 1999, most of the offsets were from tax refunds.

[3]Cross-servicing is another major FMS collection program, which is designed to collect delinquent non-tax debts more than 180 days old through the use of a variety of cross-servicing tools, including Treasury demand letters, telephone follow-up, skip tracing, referral of debts for administrative offset, and referral of debts to private collection agencies.

had not yet determined how to collect the data, such as drug smuggling organizations' transportation costs.

It is difficult to determine the progress Treasury made in denying criminals access to firearms because the Bureau of Alcohol, Tobacco and Firearms had measures that, like the drug-related measures, are generally output measures (i.e., number of firearm traces, average trace response time, and number of persons trained). Treasury appears to have made some progress toward reducing the risk of violent crime based on its measure of future crimes avoided. While this measure does not show reduction in the risk of violent crime, it does estimate the number of crimes prevented through the incarceration of criminals and the elimination of crime gun sources, according to Treasury's performance report.

Treasury made some progress in addressing its major management challenges in fiscal year 1999. A few of these management challenges reflect the need for information system changes and thus will require long-term efforts. For fiscal year 2001, Treasury included a new section in its plan that discusses, in varying depth, its management challenges. Of the total 21 management challenges listed in enclosure II, Treasury (1) established goals and measures that were directly applicable to 3 of its challenges; (2) established goals and measures that were indirectly applicable to 5 of its challenges; (3) did not establish goals and measures but provided strategies to address 10 of its challenges; and (4) did not establish goals or measures for 3 of its challenges.

Objectives, Scope, and Methodology

Our objectives concerning selected key agency outcomes were to (1) identify and assess the quality of the performance goals and measures directly related to a key outcome, (2) assess the agency's actual performance in fiscal year 1999 for each outcome, and (3) assess the agency's planned performance for fiscal year 2001 for each outcome. Our objectives concerning major management challenges were to (1) assess how well the agency's fiscal year 1999 performance report discussed the progress it had made in resolving the major management challenges that we and the agency's Inspector General had previously identified and (2) identify whether the agency's fiscal year 2001 performance plan had goals and measures applicable to the major management challenges. As agreed, in order to meet the Committee's tight reporting timeframes, our observations were generally based on the requirements of GPRA, guidance to agencies from the Office of Management and Budget for developing performance plans and reports (OMB Circular A-11, Part 2), previous reports and evaluations by us and others, our knowledge of the Department of the Treasury's operations and programs, and our observations on Treasury's other GPRA-related efforts. We did not independently verify the information contained in the performance report or plan. We conducted our review from April through May 2000 in accordance with generally accepted government auditing standards.

Agency Comments and Our Evaluation

On June 16, 2000, we met with Treasury officials to obtain their comments on a draft of this letter. Their comments were based on input from cognizant bureaus for the five agency outcomes that we reviewed. Overall, they said the letter was thorough and that our observations would be helpful in improving the usefulness of existing performance measures and would be considered in developing its final fiscal year 2001 performance plan and proposed fiscal year 2002 performance plan. Treasury officials also provided clarifications and some factual corrections that we have incorporated where appropriate.

Treasury officials said that they believe the measures related to the agency outcome of “tax laws are effectively and fairly administered” provide a reasonably good understanding of IRS’ performance against this outcome. However, we still believe that the lack of a complete set of strategic performance measures and the large number of measures that were baselines for fiscal year 1999 inhibit the performance report from providing a reasonably good understanding of performance with respect to this outcome.

With respect to the performance measures that support the outcome “improved delinquent tax and non-tax debt collection,” IRS and FMS provided various reasons for not incorporating the types of changes we said might improve the meaningfulness of its respective measures but said they would consider our observations about the limitations in their measures for future plans. For example, IRS reiterated its reasons for not using enforcement-related performance measures but said that it recognizes that valid measures of performance in collecting delinquent taxes is an important component of a comprehensive and balanced set of measures for IRS. According to IRS, it is considering our observations with respect to the measures for this outcome as it completes the development of a set of strategic servicewide performance measures. Regarding its non-tax delinquent debt collection activities, FMS responded that it does not present more detailed performance measures that would distinguish between various debt collection programs and further differentiate between federal debt and child support debt, which is forwarded to the states, because Treasury wants its performance plan to include targets at the highest levels possible. Treasury said its intent is to limit a program’s measure of success to what is vital and avoid a profusion of finely detailed operational measures. However, Treasury stated that it will consider ways to present the more detailed information that we said would be more meaningful. While we agree that the performance plan should avoid a profusion of finely detailed operational measures, we believe that it is important for FMS’ performance measures to sufficiently address key aspects of debt collection. We still believe that reporting collections for child support separately would provide a clearer picture of FMS’ performance with respect to federal non-tax debt collections. Further, so long as FMS continues to combine various aspects of debt collection into a single performance measure, such as is done by combining performance results associated with the Treasury Offset Program and the Cross-servicing Program, FMS may mask potential performance issues associated with key federal debt collection programs.

Treasury officials said that the performance measures associated with the outcomes “reduced availability and/or use of illegal drugs and “criminals are denied access to firearms and firearms-related crime is reduced” will continue to be output-oriented until Treasury is better able to determine the cause-and-effect relationships between its various programs and the outcomes they are intended to influence. Treasury officials noted that the fiscal year 1999 performance report provides trend data directly related to these two outcomes. For example, for the drug-related outcome, the performance report shows the percentage of the U.S. population using illegal drugs for calendar years 1991 to 1998. For firearms-related crimes, the performance report shows the number of crimes committed with firearms in the U.S. for fiscal years 1995 to 1998. We believe that providing such trend information may be useful.

As agreed, unless you announce the contents of this letter earlier, we plan no further distribution until 30 days from the date of the letter. Please call me or Sherrie L. Russ on (202) 512-9110 if you or your staff have any questions. Margaret Sherry and Isidro Gomez also made key contributions to this report.

Cornelia M. Ashby

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Associate Director, Tax Policy
and Administration Issues

Observations on the Department of the Treasury's Fiscal Year 1999 Actual Performance and Fiscal Year 2001 Planned Performance Related to Key Outcomes

This enclosure provides our observations on the Department of the Treasury's fiscal year 1999 actual and fiscal year 2001 planned performance for key outcomes identified by the Senate Governmental Affairs Committee as important mission areas for the Department. The key outcomes for Treasury are (1) tax laws are administered effectively and fairly; (2) less waste, fraud, and error relating to the Earned Income Tax Credit (EITC); (3) improved delinquent tax and non-tax debt collection; (4) reduced availability and/or use of illegal drugs; and (5) criminals are denied access to firearms and firearms-related crime is reduced. As requested, we have identified the goals and measures directly related to a selected key outcome. Our observations are organized according to each selected key outcome and follow the goals and measures.

Key Agency Outcome: Tax Laws Are Administered Effectively and Fairly

<u>Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Tax Laws Are Administered Effectively and Fairly</u>

Three Internal Revenue Service (IRS) performance goals: Service to each taxpayer, service to all taxpayers, and productivity through a quality work environment for its employees

Performance measures: No corresponding agencywide performance measures for IRS' service to each taxpayer or service to all taxpayers performance goals. One measure for IRS' third goal--productivity through a quality work environment for its employees—focuses on Service-wide employee satisfaction.

Performance indicators: Fifteen key performance indicators for fiscal year 1999

In its fiscal year 2001 budget submission, IRS identified 15 key performance indicators. Five of these were not intended to be performance targets but were to be used only as workload indicators. Of the remaining 10 key indicators, IRS established a fiscal year 1999 target for only one—toll-free tax law accuracy rate for taxpayer inquiries--and for the following nine indicators, fiscal year 1999 was a baseline year.

Performance goal: Service to each taxpayer

Four customer satisfaction measures:
- Walk-in
- Toll-free
- Field and office examination
- Field collection

Performance goal: Service to all taxpayers

Four measures:
- Toll-free level of service
- Field collection quality
- Field examination quality
- Office examination quality

Performance goal: Productivity through a quality work environment for its employees

One measure:
- Service-wide employee satisfaction

Performance targets: Nine selected measures for which IRS had performance targets

Target exceeded for four measures:
- Refund timeliness--e-file
  Target: 98 percent; actual: 99.6 percent
- Processing accuracy rate–paper filing: Code & Edit
  Target: 96 percent; actual: 96.8 percent
- Percent of individual returns filed electronically
  Target: 23 percent; actual: 23.4 percent
- Processing accuracy rate–e-file
  Target: 99 percent; actual: 99.2 percent

Target not met for five measures:
- Toll-free–tax law accuracy rate for taxpayer inquiries
  Target: 85 percent; actual: 74.1 percent
- Toll-free–accounts accuracy rate for taxpayer inquiries
  Target: 87.9 percent; actual: 81.7 percent
- Processing accuracy rate–paper filing: Distributed Input System
  Target: 94.6 percent; actual: 93.9 percent
- Percent of dollars received electronically
  Target: 78 percent; actual: 72.1 percent
- Notice accuracy rate
  Target: 98.5 percent; actual: 97.4 percent

GAO's Observations on Treasury's Fiscal Year 1999 Actual Performance for the Key Agency Outcome of Tax Laws Are Administered Effectively and Fairly

Passage of the Internal Revenue Service Restructuring and Reform Act signaled strong congressional concern that IRS has been overemphasizing revenue production at the expense of fairness to taxpayers. Building on the direction set forth in the act, IRS revised its mission statement to more fully embrace customer service and fairness to taxpayers as core organizational values.[1]

In light of its new mission, IRS is revising its performance management system. Specifically, among other things, IRS is developing a suite of measures to address its three strategic performance goals—service to each taxpayer, service to all taxpayers, and productivity through a quality environment for its employees. For fiscal year 1999, IRS did not have strategic measures for two of its three performance goals. For the third goal—productivity through a quality work environment for its employees—it had one measure focusing on Service-wide employee satisfaction. However, no performance target was established because fiscal year 1999 was a baseline year. While it may be understood that IRS is expecting to improve service to each taxpayer and increase productivity, the implied expectation for the performance goal of "service to all taxpayers" is not as clear. According to IRS, the "service to all taxpayers" agencywide goal includes an increase in both the fairness of compliance and actual compliance with the tax laws.

Given that it is in the early stages of this effort, IRS has not yet developed agencywide performance measures to assess increases in the fairness of compliance[2] and actual compliance with tax laws. Treasury acknowledges the lack of a measure of voluntary compliance and states that IRS is working to develop one. In addition, IRS lacks an agencywide measure of service to each taxpayer. In the absence of these agencywide measures, we cannot provide an overall picture of how IRS is performing with respect to this outcome. Treasury has two relevant strategic objectives related to this outcome: increase compliance with tax and trade laws and modernize IRS information technology to increase timeliness and accuracy of processing. The Treasury performance report shows a total of 65 operational or program-level measures that are linked to one of Treasury's strategic objectives as well as one of IRS' three performance goals. For about half of these performance measures, fiscal year 1999 was a baseline year.

Rather than assessing all 65 measures, we attempted to analyze IRS' fiscal year 1999 performance on (1) 15 fiscal year 1999 measures that IRS identified as "key performance indicators" in its 2001 budget submission and (2) 8 other fiscal year 1999 measures (primarily related to tax return processing) that had performance targets and were not discontinued in subsequent years' performance plans.

IRS' 15 key performance indicators were linked to its three performance goals. However, we cannot provide a complete picture of performance because (1) 5 of the indicators

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[1]IRS' new mission statement is to "provide America's taxpayers top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all." IRS' prior mission statement was to "collect the proper amount of tax revenue at the least cost; serve the public by continually improving the quality of our products and services; and, perform in a manner warranting the highest degree of public confidence in its integrity, efficiency and fairness."

[2]The Treasury performance report also includes a performance goal to promote the development and implementation of effective tax policies. The supporting performance measure is simple, fair, and efficient taxation. The performance target, which is also included in Treasury's fiscal year 2000 and 2001 plans, is qualitative.

were simply workload indicators and (2) fiscal year 1999 was a baseline year for 9 of the 10 other key indicators. Performance on the one indicator that had a target is discussed below.

With respect to the nine selected measures (one key performance indicator and eight performance measures that had targets), IRS shows that it exceeded the targets for four measures and did not meet the targets for five measures. These nine measures were quantifiable and measurable, but they were output- rather than outcome-oriented. One of these measures—the percent of individual returns filed electronically—was incomplete. The Restructuring and Reform Act mandated that by 2007, IRS is to receive 80 percent of tax and information returns (i.e., information filed by third parties, such as employers) electronically. IRS has interpreted this mandate to mean 80 percent of all tax returns and 80 percent of all information returns. However, the performance measure for electronic filing focuses only on individual returns, and not on business and information returns.

The Treasurywide performance report notes that the individual bureaus, such as IRS, have judged the data for the measures to be "reasonably accurate." However, we have not audited the reliability of IRS' performance data, and based on the results of our audit of IRS' financial statements, GAO has identified significant data reliability issues. Although not included in the Treasury performance report, an appendix to IRS' fiscal year 2001 budget request does describe (1) the source of the data, (2) reliability of the data for its measures, and (3) for nine of the measures we reviewed, procedures for verifying the reliability of the data.

Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Tax Laws Are Administered Effectively and Fairly

- Toll-free—tax law accuracy rate for taxpayer inquiries
  Target: 85 percent; actual: 74.1 percent
- Toll-free—accounts accuracy rate for taxpayer inquiries
  Target: 87.9 percent; actual: 81.7 percent
- Processing accuracy rate—paper filing: Distributed Input System
  Target: 94.6 percent; actual: 93.9 percent
- Percent of dollars received electronically
  Target: 78 percent; actual: 72.1 percent
- Notice accuracy rate
  Target: 98.5 percent; actual: 97.4 percent

GAO's Observations on Treasury's Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Tax Laws Are Administered Effectively and Fairly

IRS generally provided reasonable explanations for not achieving the performance goals for each of these five performance measures. For three of the five measures, the Treasury performance report discussed future actions. In commenting on a draft of this letter, IRS said that its fiscal year 2000 and 2001 performance plans discussed future actions for all five of these performance measures. Our review of IRS' fiscal year 2000 plan showed that IRS did discuss future actions for all five measures. However, our review of IRS' fiscal year 2001 plan showed that future actions were discussed for only two of the five measures.

Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome of Tax Laws Are Administered Effectively and Fairly

Of the fiscal year 1999 performance measures, 7 were discontinued and 1 was determined to be a workload indicator; 24 new measures were added.

Seven discontinued measures:
- Toll-free level of access
- Automated collection service—customer relations
- Toll-free customer relations (tax law and accounts)
- Taxpayer Advocate average processing days
- Taxpayer Advocate quality customer service rate
- Appeals non-docketed cycle time (days)
- Currency of taxpayer advocate inventory

Workload indicator:
- Alternative treatment revenue

24 new measures:
Taxpayer Advocate Service
- Taxpayer Advocate cycle time
- Taxpayer Advocate closed cases
- Taxpayer Advocate casework quality index
- Taxpayer Advocate employee satisfaction

Appeals
- Appeals cycle time (days)
- Appeals total disposals

Exempt Organizations (EO)/Employee Plans (EP)
- EO determination letter quality
- EO examination quality
- Number of EO examinations closed
- Number of EO determination cases closed
- EO Coordinated Examination Program (CEP) examination time applied
- EO education outreach time applied
- EP determination letter quality
- EP examination quality
- Number of EP examinations closed
- Number of EP determination cases closed
- EP CEP examination time applied

- EP education outreach time applied

Collection
- Walk-in quality
- Employee satisfaction

Chief Counsel
- Revenue Rulings--cycle time in days
- Private Letter Rulings--cycle time in days

Submission Processing
- Employee satisfaction

Statistics of Income
- Employee satisfaction

GAO's Observations on Treasury's Fiscal Year 2000 Planned Performance for the Key Agency Outcome of Tax Laws Are Administered Effectively and Fairly

The fiscal year 2000 final performance plan as contained in IRS' fiscal year 2001 budget submission, includes numerous changes but also has some of the same limitations as the 1999 performance report. IRS developed a performance target for an agencywide measure of employee satisfaction (55 percent) but still lacks agencywide measures for its other two strategic performance goals. IRS has also made some refinements to its key indicators and established targets for 10 key performance indicators. Despite this progress, IRS did not generally discuss the effect of fiscal year 1999 performance on estimated performance levels for fiscal year 2000 for these key performance indicators.

IRS dropped 7 measures, determined 1 to be a workload indicator, and added 24 new measures in the fiscal year 2000 final performance plan. One of the measures that IRS dropped was "toll-free level of access"—a measure that we raised concerns about in our report on Treasury's fiscal year 2000 performance plan.[3]

IRS' new measures relate to activities of the Taxpayer Advocate Service, Appeals, Exempt Organizations and Employee Plans, Collection walk-in, Chief Counsel, Submission Processing, and Statistics of Income.

Fiscal Year 2001 Performance Goals and Measures for the Key Agency Outcome of Tax Laws Are Administered Effectively and Fairly

For the fiscal year 2001 plan, four measures were discontinued and two were added.

Four discontinued measures:
- Master file weekend update completion time

[3]Observations on the Department of the Treasury's Fiscal Year 2000 Performance Plan (GAO/GGD-99-114R, July 20, 1998).

- Corporate files online availability to frontline personnel
- Integrated Data Retrieval System real-time availability to frontline personnel
- Processing accuracy rate (Code & Edit and Distributed Input System)

Two new measures:

- Appeals quality measurement system
- Taxpayer Advocate external customer satisfaction survey score

GAO's Observations on Treasury's Fiscal Year 2001 Planned Performance for the Key Agency Outcome of Tax Laws Are Administered Effectively and Fairly

The fiscal year 2001 proposed performance plan had the same limitations as previous IRS performance plans. The key limitation continues to be the lack of agencywide measures for IRS' strategic performance goals. The fiscal year 2001 performance plan includes the following minor changes from IRS' fiscal year 2000 final plan: (1) slightly increased the targets for 7 of IRS' 10 key nonworkload performance indicators, (2) increased targets for 25 measures, and (3) decreased targets for 8 measures. For 19 of the 24 new measures for fiscal year 2000, targets have yet to be established for 2001. In these instances, the proposed fiscal year 2001 plan cannot convey a clear picture of intended performance because the targets for these measures have not yet been established.

For fiscal year 2001, IRS discontinued four measures and added two new measures.

In many cases, IRS' fiscal year 2001 proposed performance plan did not include detailed discussions of the rationale used to revise IRS' performance goals. For example, IRS increased the target for its "number of taxpayer delinquent accounts closed" measure from 751,745 in fiscal year 2000 to 1,009,774 in 2001. The fiscal year 2001 proposed performance plan simply states that this increase was based on IRS' resource allocation strategy" and did not provide further specific information.

Compared to IRS' fiscal year 2000 performance plan, the fiscal year 2001 performance plan includes more discussion on procedures for determining the accuracy and completeness of performance data.

Key Agency Outcome: Less Waste, Fraud, and Error Relating to the Earned Income Tax Credit

Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Less Waste, Fraud, and Error Relating to the Earned Income Tax Credit

No goals or measures related to this outcome are included in Treasury's fiscal year 1999 performance plan.

GAO's Observations on Treasury's Fiscal Year 1999 Actual Performance for the Key Agency Outcome of Less Waste, Fraud, and Error Relating to the Earned Income Tax Credit

IRS' Earned Income Tax Credit (EITC) compliance initiative is a 5-year program that is designed to increase compliance with EITC. This initiative is funded outside of the discretionary spending caps.

The Treasurywide fiscal year 1999 performance report does not address the EITC initiative. IRS' fiscal year 1999 performance report links various initiative activities to each of IRS' performance goals. However, the report does not show a baseline measure for EITC compliance and notes that the program results from this activity are "combined and reported under core business programs."

Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Less Waste, Fraud, and Error Relating to the Earned Income Tax Credit

Not applicable.

GAO's Observations on Treasury's Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Less Waste, Fraud, and Error Relating to the Earned Income Tax Credit

No basis for assessment.

Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome of Less Waste, Fraud, and Error Relating to the Earned Income Tax Credit

No performance goals or measures were developed for EITC for fiscal year 2000.

GAO's Observations on Treasury's Fiscal Year 2000 Planned Performance for the Key Agency Outcome of Less Waste, Fraud, and Error Relating to the Earned Income Tax Credit

No basis for assessment. IRS' fiscal year 2000 budget submission states that IRS is working to develop a performance measure for EITC activities and a baseline against which improvement would be measured.

Fiscal Year 2001 Performance Goals and Measures for the Key Agency Outcome of Less Waste, Fraud, and Error Relating to the Earned Income Tax Credit

No performance goals or measures were developed for EITC for fiscal year 2001.

GAO's Observations on Treasury's Fiscal Year 2001 Planned Performance for the Key Agency Outcome of Less Waste, Fraud, and Error Relating to the Earned Income Tax Credit

No basis for assessment.

Key Agency Outcome: Improved Delinquent Tax and Non-Tax Debt Collection

Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Improved Delinquent Tax and Non-Tax Debt Collection

Internal Revenue Service (IRS)–Delinquent Tax Debt Collection

Performance goal: Service to all taxpayers

Two measures:
- Field collection–number of cases closed TDA (taxpayer delinquent accounts): The number of TDA modules that left inventory by moving to immediate resolution status or delayed resolution/no results status.
  Target: 1999 baseline year.
- Field collection–number of cases closed TDI (taxpayer delinquent investigations): The number of TDI that left inventory by moving to immediate resolution status or delayed resolution/no results status.
  Target: 1999 baseline year.

GAO’s Observations on IRS’ Fiscal Year 1999 Actual Performance for the Key Agency Outcome of Improved Delinquent Tax and Non-Tax Debt Collection

The Treasury performance report does not show a strategic objective that specifically relates to tax debt collection. IRS’ performance measures that relate to this activity are linked to IRS’ “service to all taxpayers” performance goal. IRS’ measures for improving delinquent tax collections are inadequate. They do not disclose the reason the cases were closed, although collection is only one of several reasons, and do not provide related information on dollars collected or the cost incurred to achieve those collections.

These performance measures reflect the number of cases closed but do not reflect the yield on closed cases, both in the aggregate and by resources. The performance measures do not provide a real measurement to gauge IRS’ performance in collecting delinquent tax debt. IRS has decided not to use enforcement information as performance measures at the strategic or operational level because of the unintended consequences that resulted from IRS’ previous use of enforcement data. Valid measures of performance in collecting delinquent taxes could include (1) the ratio of collections to total outstanding tax account balance involved and (2) the ratio of dollars collected to total cost of collection efforts. Without such measures, Congress and IRS cannot determine the relative merits of increased funding levels for collection staff resources.

These measures are outputs and, as designed, have no relationship to the outcome they intend to support. Cases closed TDA and TDI do not provide a measure of just those cases resolved through full or partial collection of taxes owed. They include cases closed as currently-not-collectible (CNC). Our audit of IRS’ fiscal year 1999 financial statement showed that the CNC designation is being used to manage IRS’ active case workload. Specifically, our work showed that some of these accounts have collection potential.

However, IRS said it does not actively pursue these accounts because of staff resource constraints.

The performance goals do not address mission-critical financial management and operational problems. During fiscal year 1999, we found that serious long-standing internal control issues continued to affect IRS' management of unpaid assessments. Weaknesses in internal management processes and systems undermine the achievement of program results. The value of IRS' performance plan could be increased if it more fully included performance goals to address mission-critical management problems identified by the agency's financial audit.

Financial Management Service (FMS)—Delinquent Non-Tax Debt Collection

Performance goal: By fiscal year 2002, FMS manages a consolidated debt management function that will concentrate Federal delinquent debt collection efforts and produce improved results.

Two measures:

- Increase collection of the debts referred to Treasury from fiscal year 1998 baseline $1.988 billion by $8.5 million in fiscal year 1999 and $93.1 million in fiscal year 2000 through the addition of more Federal payment types and agency referrals into the centralized administrative offset program by fiscal year 2000. [Payment types include vendor/miscellaneous, salary payments, tax refunds (including child support), and federal benefit payments.]
  Target: $1.997 billion; actual: $2.63 billion.
- Increase the amount of delinquent debt that is referred to Treasury for collection, as compared to the amount of delinquent debt that is eligible for referral. Total percentage will reach at least 75 percent by fiscal year 2000.
  Target: 69 percent; actual: 71 percent

<u>GAO's Observations on FMS' Fiscal Year 1999 Actual Performance for the Key Agency Outcome of Improved Delinquent Tax and Non-Tax Debt Collection</u>

The performance goal is outcome-oriented. Although the performance measures provide some indication of progress toward the performance goal, the first measure does not sufficiently cover key aspects of debt collection performance, and the second measure does not appear to be a meaningful indicator of actual performance. Further, neither measure adequately captures important distinctions between the debt collection programs at FMS, specifically the Treasury Offset Program (TOP) and the Cross-servicing Program.

The first performance measure appears to apply only to TOP; however, we found that Treasury performance amounts related to this measure cover collections for Debt Collection Improvement Act (DCIA)-related debts, including those collected from cross-servicing. Moreover, by dividing the first performance measure into two separate measures—one relating to increases in the amount of debt collected and another relating to increases in federal payment types available for offset—FMS could present a clearer picture of performance. In addition, as applicable, any debt collection amounts reported should differentiate between amounts collected as a result of federal delinquent non-tax debt referrals and amounts collected for debts associated with child support. In that collections for child support represent a significant percentage of total collections and are forwarded to the states, reporting such collections separately would provide a clearer picture of performance with respect to the collection of federal non-tax debts.

Further, FMS' performance measures related to debt collection could be clearer if distinctions were made between collections from TOP and the Cross-servicing Program. Combining the performance achievements of the two programs can mask potential performance issues with cross-servicing, which constitutes a major component of Treasury's debt collection effort but results in only a small portion of Treasury's total amount of debt collected. Also, because tax refund collections comprise the vast majority of total TOP collections, any TOP performance indicators should make a distinction between tax refund collections and other offset collections.

The second performance measure is not a meaningful performance indicator as currently reported by FMS. Specifically, the amount of delinquent non-tax debt referred to Treasury for cross-servicing is a cumulative figure, including all debts referred since the program inception in September 1996, while the amount of delinquent debt that is eligible for referral for cross-servicing is as of fiscal year-end; therefore, the amounts are not comparable. In commenting on a draft of this letter, FMS said that its debt referral measure is useful, but stated that it is working to revise it to focus the measure on current referrals rather than cumulative referrals. Also, because the second performance measure requires significant participation and effort on the part of other agencies, this measure may be unduly influenced by factors outside Treasury's full control, and therefore, make it difficult to attribute changes in the measure to the effectiveness of Treasury's debt collection efforts.

Treasury does not clearly articulate the degree to which the annual performance goal concerning debt collection, specifically the concentration of federal delinquent non-tax debt collection efforts and improved results, was achieved.

Because both the fiscal year 2000 plan and the fiscal year 2001 plan state that there were no program evaluations completed for debt collection during fiscal year 1998 and fiscal year 1999, respectively, no such evaluation findings are presented. While the plan describes the performance data as having reasonable accuracy, the report does not discuss any process or procedures used by FMS to determine the accuracy and completeness of the performance data.

Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Improved Delinquent Tax and Non-Tax Debt Collection

IRS—Delinquent Tax Debt Collection: None
FMS—Delinquent Non-Tax Debt Collection: None.

GAO's Observations on Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Improved Delinquent Tax and Non-Tax Debt Collection

Not applicable.

Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome of Improved Delinquent Tax and Non-Tax Debt Collection

IRS–Delinquent Tax Debt Collection

Fiscal year 2000 planned performance levels related to TDA show a decrease of 277,961 cases from the fiscal year 1999 level.

GAO's Observations on IRS' Fiscal Year 2000 Planned Performance for the Key Agency Outcome of Improved Delinquent Tax and Non-Tax Debt Collection

IRS explained that the anticipated drop in performance is due to the IRS Restructuring and Reform Act of 1998. According to IRS, the provisions of the act required substantial alterations to IRS procedures that deal with collection activity. As a result, the number of cases closed TDA is expected to decline significantly in fiscal year 2000.

FMS—Delinquent Non-Tax Debt Collection

The performance goal remained essentially the same from the final fiscal year 1999 plan to the fiscal year 2000 plan.

GAO's Observations on FMS' Fiscal Year 2000 Planned Performance for the Key Agency Outcome of Improved Delinquent Tax and Non-Tax Debt Collection

The two performance measures introduced in the fiscal year 2000 plan are essentially the same as those found in the final fiscal year 1999 plan.

The fiscal year 2000 plan provides little to no assessment of the effect of fiscal year 1999 performance on estimated performance levels for fiscal year 2000. While the fiscal year 2000 plan describes FMS' responsibilities under DCIA and the functions currently performed to fulfill these responsibilities, it does not address any existing or new strategies designed to achieve FMS' debt collection performance goal.

Similar to our assessment of the final fiscal year 1999 plan's performance measures, although the fiscal year 2000 performance measures provide some indication of progress toward the performance goal, neither of the measures in the fiscal year 2000 plan will provide adequate information to assess Treasury's performance related to debt collection. The problems identified with the fiscal year 1999 performance measures also pertain to the fiscal year 2000 performance measures.

While the fiscal year 2000 plan describes the data as having “reasonable accuracy,” there is no discussion of any process or procedures used by FMS to determine the accuracy and completeness of the performance data.

<u>Fiscal Year 2001 Performance Goals and Measures for the Key Agency Outcome of Improved Delinquent Tax and Non-Tax Debt Collection</u>

IRS–Delinquent Tax Debt Collection

IRS’ fiscal year 2001 planned performance goal of 1,009,774 cases closed is an increase from its fiscal year 2000 level of 751,745 and a decrease from its fiscal year 1999 baseline number of 1,029,706.

<u>GAO’s Observations on IRS’ Fiscal Year 2001 Planned Performance for the Key Agency Outcome of Improved Delinquent Tax and Non-Tax Debt Collection</u>

No significant variations in performance goals or measures from fiscal years 1999 and 2000 performance goals and measures.

FMS—Non-Tax Debt Collection

Performance goal: Maximize collection of government delinquent debt by providing efficient and effective centralized debt collection services

Although similar in concept, the performance goal in the fiscal year 2001 plan is different from the goal in the fiscal year 2000 plan, which states that “By fiscal year 2002, FMS manages a consolidated debt management function that will concentrate Federal delinquent debt collection efforts and produce improved results.”

Performance measures: FMS’ measures were revised as follows:

- FMS will increase delinquent non-tax debt collection through all available tools from the fiscal year 1998 baseline of $1.988 billion to $2.3 billion in fiscal year 2001.
- FMS will increase to 75 percent in fiscal year 2001 the amount of delinquent non-tax debt that is referred to Treasury for collection, as compared to the amount of delinquent debt that is eligible for referral.

<u>GAO’s Observations on FMS’ Fiscal Year 2001 Planned Performance for the Key Agency Outcome of Improved Delinquent Tax and Non-Tax Debt Collection</u>

In the fiscal year 2001 plan, FMS does not provide a reason for revising the debt collection performance goal. Likewise, FMS does not specifically state why the performance measures were revised from the measures used in fiscal years 1999 and 2000. In addition, it is important to note that the problems related to the fiscal years 1999 and 2000 performance measures as discussed above are also applicable to the fiscal year 2001 measures.

The fiscal year 2001 plan provides a brief evaluation of the fiscal year 2000 performance plan relative to expected performance achieved toward the fiscal year 1999 performance measures, noting that total collections for DCIA-related debts exceeded projected goals and that FMS anticipates meeting its projected fiscal year 2001 performance goals.

Our assessment of Treasury's fiscal year 1999 and fiscal year 2000 plans showed that Treasury does not consistently discuss the specific strategies for achieving goals. However, the fiscal year 2001 plan does describe the agency's strategies for accomplishing its performance goal, including both current and planned efforts to improve performance. For example, FMS plans to achieve its fiscal year 2001 performance goals by further expanding collection mechanisms, including such planned enhancements to TOP as full federal salary offset, benefit offset, state tax offset, and tax levy.

In addition, our assessment of Treasury's fiscal year 1999 and 2000 performance plans showed that FMS did not provide information showing how it planned to coordinate with other agencies to achieve its stated debt collection goal. However, in the fiscal year 2001 plan, FMS recognizes the need to coordinate with other agencies to accomplish its performance goal, and provides a discussion of cross-cutting coordination efforts under way to improve debt collection activities with other agencies.

Our assessment of Treasury's fiscal year 1999 and 2000 performance plans also indicated that Treasury does not adequately discuss procedures for verifying and validating performance data. This issue has not been adequately addressed in FMS' fiscal year 2001 plan. While a brief discussion of the data quality is provided in the fiscal year 2001 plan, and the plan describes the data as "reasonably accurate," there is no discussion of any process or procedures used by FMS to determine the accuracy and completeness of the performance data. Further, the plan does not adequately discuss related system controls or procedures for ensuring the reliability and integrity of the data.

Key Agency Outcome: Reduced Availability and/or Use of Illegal Drugs

Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Reduced Availability and/or Use of Illegal Drugs

Treasury's strategic plan includes a goal to reduce the trafficking, smuggling, and use of illicit drugs. This goal is divided into two objectives—(1) to strengthen the capability to interdict illegal drugs and (2) to disrupt and dismantle drug smuggling organizations. Listed below are the fiscal year 1999 annual performance goals and measures related to each of these objectives.

Objective 1: Strengthen the capability to interdict illegal drugs

Performance goal: To reduce the flow of drugs across the U.S. border and disrupt and dismantle drug smuggling organizations through unified intelligence, interdiction, and investigative efforts (U.S. Customs Service)

Three measures:

- Pounds of narcotics seized in thousands of pounds (Customs)

	Cocaine	Marijuana	Heroin
Fiscal year 1998 (Actual)	157.0	956.0	3.0
Fiscal year 1999 (Plan)	160.0	805.0	3.0
Fiscal year 1999 (Actual)	160.4	1,147.6	1.9

- Number of narcotic seizures (Customs)

	Cocaine	Marijuana	Heroin
Fiscal year 1998 (Actual)	2,364	15,545	1,049
Fiscal year 1999 (Plan)	2,500	14,000	1,250
Fiscal year 1999 (Actual)	2,509	15,699	911

- Seizures from efforts in the transit zone (Customs)

Seizures (in pounds):

	Cocaine	Marijuana
Fiscal year 1998 (Actual)	6,179	650
Fiscal year 1999 (Plan)	15,000	1,500
Fiscal year 1999 (Actual)	11,850	2,225

Performance goal: To ensure compliance and allow the expeditious movement of low-risk travelers by increasing traveler's awareness and targeting, identifying, and examining high-risk travelers (Customs)

Six measures

- Targeting efficiency (air travel, vehicles) (Customs)

	Air travel	Vehicles
Fiscal year 1998 (Actual)	7.1	9.0
Fiscal year 1999 (Plan)	7.0	10.5
Fiscal year 1999 (Actual)	8.8	8.3

- Compliance rate (percent compliant) for air travel and vehicles (Customs)

	Air travel	Vehicles
Fiscal year 1998 (Actual)	97.70	99.95
Fiscal year 1999 (Plan)	97.70	99.97
Fiscal year 1999 (Actual)	97.40	97.60

- Cycle time to clear Customs for air travel and to be processed through initial border screening for vehicles (Customs)

	Air travel	Vehicles
Fiscal year 1998 (Actual)	5 minutes	baseline
Fiscal year 1999 (Plan)	5 minutes	baseline
Fiscal year 1999 (Actual)	5 minutes	30 minutes

- Advance Passenger Information System (APIS) rate (i.e., the percentage of non-precleared flights with passenger data provided to Customs by APIS) (Customs)

Fiscal year 1998 (Actual)	75 percent
Fiscal year 1999 (Plan)	80 percent
Fiscal year 1999 (Actual)	79 percent

- Customer satisfaction–passenger processing (Customs)

Fiscal year 1998 (Actual)	--
Fiscal year 1999 (Plan)	Baseline
Fiscal year 1999 (Actual)	Unmet

- Unit cost of passenger processing (Customs)

Fiscal year 1998 (Actual)	--
Fiscal year 1999 (Plan)	Baseline
Fiscal year 1999 (Actual)	Unmet

Objective 2: Disrupt and Dismantle Drug Smuggling Organizations

Performance goal: Effective oversight of law enforcement bureaus

One measure:

- Maximize compliance with sanctions programs through education and awareness of the public and industry (Office of Foreign Assets Control–OFAC)

  Fiscal year 1999 (Plan) Qualitative progress
  Fiscal year 1999 (Actual) Discussed initiatives in place and provided data (e.g., 768,289 Web site visits, and conducted 65 seminars on sanctions compliance)

Performance goal: To disrupt the individuals, organizations, and the methods they use to violate laws enforced by the U.S. Customs Service

One measure:

- Drug smuggling organizations' transportation costs (all conveyances and modes for cocaine) (Customs)

  Fiscal year 1998 (Actual) $220-$5,000 per kilo (20% to 50% of total load)
  Fiscal year 1999 (Plan) Reestablish baseline
  Fiscal year 1999 (Actual) Not met

GAO's Observations on Treasury's Fiscal Year 1999 Actual Performance for the Key Agency Outcome of Reduced Availability and/or Use of Illegal Drugs

The Department of the Treasury has identified two strategic objectives and four performance goals related to the reduced availability and use of illegal drugs outcome. While the goals are outcome oriented, generally, the performance measures related to these goals are outputs and do not measure progress toward achieving the goals they are to be measuring.

In commenting on Treasury's fiscal year 1999 performance plan, we noted that the plan generally did not provide a succinct and concrete statement of expected performance for subsequent comparison with actual performance. We provided several reasons, including the use of measures not directly related to the performance goal, some measures still being developed and defined, and the use of measures that are output, rather than outcome, measures.[4]

Some of these concerns are also applicable to the measures used to determine if Treasury met its first goal under this objective. The number of seizures and the amount of drugs seized present only a partial picture of achievement of this goal—they alone do not sufficiently cover key aspects of performance related to this goal. In the absence of accurate data on the amount of illegal drugs entering the United States, it is unclear

[4]Results Act: Observations on the Department of the Treasury's Fiscal Year 1999 Performance Plan (GAO/GGD-98-149R, June 30, 1998).

whether an increase in seizures indicates that Customs' efforts have been more effective or merely reflects an increase in the amount of illegal drugs entering the United States. The seizure measures are output- rather than outcome-oriented. Treasury' performance report recognizes that accurate data on the estimated amount of illegal drugs entering the United States are not available and, as a result, developing measures on the effectiveness of Customs' drug interdiction efforts is difficult. Customs developed various measures on targeting potential violators, which it uses to measure its success in achieving its second goal.

The measures relating to this second goal—to ensure compliance and allow the expeditious movement of low-risk travelers—provide a clearer, broader, and more results-oriented picture of Treasury's progress toward achieving this goal than the seizure measures did for the previous goal. In particular, Customs has developed measures to estimate (1) the effectiveness of its targeting efforts compared to its random searches and (2) the compliance rate of air passenger and vehicular populations.

The measures used to demonstrate progress toward the second objective "to disrupt and dismantle drug smuggling organizations" are limited in scope and do not measure the disruption or dismantling of drug smuggling organizations. The first measure is more workload than output- or outcome-oriented. Additionally, it is related to only one program with the objective of bankrupting and disrupting narcotics trafficking organizations. The second measure, concerning transportation costs, may be a factor that could contribute to the disruption or dismantling of drug smuggling organizations, but it does not measure the achievement of that goal. Additionally, it is limited to the cost of transporting cocaine hydrochloride from Columbia to the United States.

Customs did not meet all of its fiscal year 1999 performance targets for the four performance goals, as listed below.

Performance goal: To reduce the flow of drugs across the United States border and disrupt and dismantle drug smuggling organizations

Customs did not reach its targets for the number of seizures and pounds of narcotics seized for heroin.

Performance goal: To ensure compliance and allow the expeditious movement of low-risk travelers

Customs met one measure, partially met one, and did not meet the remaining four measures. However, in some instances, Customs came very close to meeting the goal. For example, it had a goal that 97.7 percent of the air travelers would be in compliance with certain provisions, and the percentage that they reported as being compliant was 97.4.

Performance goal: Effective oversight of law enforcement bureaus

Treasury is using a qualitative measure to determine success and did not categorize the results as either having been met or not having been met. However, the Treasury Departmental Offices performance report states that Treasury exceeded this target.

Performance goal: To disrupt the individuals, organizations, and the methods they use to violate laws enforced by the U.S. Customs Service

Customs did not meet the measure for this goal.

In describing its fiscal year 1999 accomplishments and results as they relate to its two objectives—to strengthen the capability to interdict illegal drugs and to disrupt and dismantle drug smuggling organizations—Treasury does not clearly articulate the degree to which the performance goals related to these objectives were achieved. For the second objective, Treasury discusses the number of drug task force investigations and resulting indictments and convictions—measures that were not used in the performance plan.

Treasury did not provide reasonable assurance for all performance measures that the performance information is credible in its performance report. While the report included a brief explanation of each measure, this explanation did not include information on such things as the sources of data, how the data were obtained, and any known data limitations. This information was provided for only a few measures. Additionally, for three measures, Treasury stated that reliable data were not available, but it was working on determining the feasibility of capturing these data. Even though the explanations for the missing data seem reasonable, information on associated issues, problems, or special characteristics is lacking. However, Customs' fiscal year 1999 performance report (which is included in the budget justification documents) does provide much more specific information on data sources, limitations, and accuracy, among other things.

Treasury appears to be using an alternative form of measurement to determine its success in meeting the first goal for the second objective. The narrative describes the actions taken to keep the public up-to-date on the sanctions. It also provides the number of hits on its Web site and the number of blocked transactions. However, on the basis of this information, the compliance level for the sanctions program is not clear. Also, performance achievement cannot be adequately assessed because Treasury did not provide adequate criteria in the description of the goal to assess performance.

<u>Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Reduced Availability and/or Use of Illegal Drugs</u>

Objective 1, goal 1

Three measures:

- Thousands of pounds of narcotics (i.e., heroin) seized
- Number of narcotics seizures (i.e., heroin)

- Seizures from efforts in the transit zone (i.e., pounds of cocaine)

Objective 1, goal 2

Five measures:
- Targeting efficiency (vehicles)
- Compliance rate for air travel and vehicles
- APIS rate
- Customer satisfaction–passenger processing
- Unit cost of passenger processing

Objective 2, goal 2

One measure: drug smuggling organizations' transportation costs (all conveyances and modes for cocaine).

GAO’s Observations on Treasury’s Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Reduced Availability and/or Use of Illegal Drugs

Customs reported that it did not meet all of its targets for eight of the nine performance measures related to the first objective--strengthen the capability to interdict illegal drugs. For five of these measures, Customs provided a clear and reasonable explanation. For two measures, Customs reported that it did not have reliable data to establish a baseline measure or target. Without such data, it determined it had not met its target. No explanation was reported for not meeting the cocaine seizure goal in the transit zone. External factors that may have influenced the shortfalls were addressed in four of the eight cases and seemed clear and reasonable in each case. However, in none of the three cases having external influences did Customs discuss actions that were taken to mitigate the effects of the external influences.

Treasury reported a shortfall for one of two measures for the second objective--to disrupt and dismantle drug smuggling organizations. For the measure drug smuggling organizations’ transportation costs, Customs reported that the "reestablish baseline" target was "not met" in fiscal year 1999. The report referred to a need for additional "proof of concept" analysis to establish a model and stated that, during fiscal year 2000, Customs will rethink the feasibility of adopting the measure. The explanation provided for the shortfall is clear and seems reasonable. No external factors were cited. Although specific corrective actions to be taken were discussed, the report does not provide a specific timeframe for their completion.

Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome of Reduced Availability and/or Use of Illegal Drugs

Treasury's performance goals did not change.

Measures related to the goal to reduce the flow of drugs across the U. S. border and disrupt and dismantle drug smuggling organizations through unified intelligence, interdiction, and investigative efforts changed as follows:

- Dropped: seizures from efforts in the transit zone (pounds of cocaine, pounds of marijuana)

- Added: pounds per seizure. This can be calculated using two of the existing seizure measures. Trend data were provided for fiscal years 1997, 1998, and 1999.

Measures related to the goal to ensure compliance and allow the expeditious movement of low-risk travelers by increasing traveler's awareness and targeting, identifying, and examining high-risk travelers changed as follows:

- Refined: cycle time to clear Customs for vehicles. Provided separate targets for the northern border and southern border.

GAO's Observations on Treasury's Fiscal Year 2000 Planned Performance for the Key Agency Outcome of Reduced Availability and/or Use of Illegal Drugs

Customs explained why it was refining its measure of vehicle cycle time. It did not explain why it dropped the measure on seizures in the transit zone, other than stating that it was developing new indicators. In its performance report, Customs provided some information on the likelihood of achieving its fiscal year 2000 performance measurement targets taking into consideration its fiscal year 1999 results and strategies related to meeting these goals, particularly relating to seizures. Customs recognized that traditional workload measures, such as seizures, are too narrow to reflect its successes or failures. Customs stated that it is working to develop outcome measures, which when viewed with the more traditional measures, better demonstrate Customs' impact. Customs said that in the interim, it would continue to provide narrative assessments of its enforcement strategy successes.

Fiscal Year 2001 Performance Goals and Measures for the Key Agency Outcome of Reduced Availability and/or Use of Illegal Drugs

Treasury's performance goals did not change.

Measures related to the goal to reduce the flow of drugs across the U.S. border and disrupt and dismantle drug smuggling organizations through unified intelligence, interdiction, and investigative efforts did not change from the fiscal year 2000 to the fiscal year 2001 performance plan.

Measures related to the goal to ensure compliance and allow the expeditious movement of low-risk travelers by increasing traveler's awareness and targeting, identifying, and examining high-risk travelers did not change. Further, Customs did not include the following two measures related to this goal in its 2001 performance plan because data were not available for fiscal years 1999, 2000, or 2001:

- Customer satisfaction–passenger processing and
- Unit cost of passenger processing.

Customs stated it is evaluating the feasibility of adopting these measures, the methodology behind them, the ability to capture and validate the data, and the availability of information.

For the same reasons, in its fiscal year 2001 plan, Customs did not include the following measure associated with the goal to disrupt the individuals, organizations, and the methods they use to violate laws enforced by the U.S. Customs Service.

- Drug smuggling organizations' transportation costs (all conveyances and modes for cocaine)

GAO's Observations on Treasury's Fiscal Year 2001 Planned Performance for the Key Agency Outcome of Reduced Availability and/or Use of Illegal Drugs

Customs explained why it was not including particular measures in its fiscal year 2001 performance plan, and stated that it was continuing to determine the feasibility of using these measures.

Customs addresses coordination with other agencies regarding its objective to strengthen the capability to interdict illegal drugs. Specifically, it discusses coordination efforts with other departments and agencies through the Office of National Drug Control Policy and the International Crime Control Strategy.

Customs fiscal year 2001 performance plan addresses some of the key weaknesses identified in our reviews of Treasury's fiscal year 1999 and fiscal year 2000 performance plans. Customs recognizes that measures for some of its goals do not fully measure achievement of the goal. Customs stated that it is working on developing more outcome-oriented measures. Customs clearly discusses the data sources for its measures and efforts to verify these data. While Customs provided some information on strategies for meeting its performance plan, it did not clearly link this information to its performance goals.

Key Agency Outcome: Criminals Are Denied Access to Firearms and Firearms-Related Crime Is Reduced

<u>Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Criminals Are Denied Access to Firearms and Firearms-Related Crime Is Reduced</u>

Performance goal: Imprison violent offenders; reduce the criminal misuse of firearms, explosives, and fire, and through partnerships; and increase exposure from community outreach efforts

Five measures:

- Crime-related costs avoided (in billions) (Bureau of Alcohol, Tobacco and Firearms)

Fiscal year 1998 (Actual)	$0.99
Fiscal year 1999 (Target)	$1.00
Fiscal year 1999 (Actual)	$1.05

- Number of future crimes avoided (ATF)

Fiscal year 1998 (Actual)	503,955
Fiscal year 1999 (Target)	450,000
Fiscal year 1999 (Actual)	542,560

- Number of traces (ATF)

Fiscal year 1998 (Actual)	188,299
Fiscal year 1999 (Target)	200,000
Fiscal year 1999 (Actual)	209,127

- Average trace response time (in workdays) (ATF)

Fiscal Year 1998 (Actual)	18.8
Fiscal Year 1999 (Plan)	11.5
Fiscal Year 1999 (Actual)	11.3

- Number of persons trained/developed (ATF)

Fiscal year 1998 (Actual)	60,156
Fiscal year 1998 (Plan)	52,000
Fiscal year 1999 (Actual)	53,385

GAO’s Observations on Treasury’s Fiscal Year 1999 Actual Performance for the Key Agency Outcome of Criminals Are Denied Access to Firearms and Firearms-Related Crime Is Reduced

ATF's performance goal is more output- than outcome-oriented. Additionally, while ATF is using a range of measures to determine how well it is meeting this goal (i.e., from input to outcome), they do not cover all aspects of the goal, particularly with regard to imprisonment and community exposure.

ATF exceeded its fiscal year 1999 performance targets for each measure within this goal. However, in Treasury’s discussions of its fiscal year 1999 accomplishments and results relating to denying criminals access to firearms and reducing the risk of violent crime in our communities, Treasury did not clearly articulate the degree to which the one performance goal for this objective was achieved. Furthermore, Treasury does not mention the measures used to determine how well ATF is meeting its performance goal for this objective.

In its fiscal year 1999 program performance report, Treasury did not provide reasonable assurances that the performance information provided was credible. While the report included a brief explanation of each measure, this did not include information on such things as the sources of data, how the data were obtained, and any known data limitations. However, ATF’s fiscal year 1999 performance report (which is included in the budget justification documents) does provide some information on how the measures were calculated, the data sources, and accuracy.

Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Criminals Are Denied Access to Firearms and Firearms-Related Crime Is Reduced

Not applicable.

GAO’s Observations on Treasury’s Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Criminals Are Denied Access to Firearms and Firearms-Related Crime Is Reduced

Not applicable.

Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome of Criminals Are Denied Access to Firearms and Firearms-Related Crime Is Reduced

The annual performance goal was changed to

- deny criminals access to firearms,
- safeguard the public from arson and explosives incidents,
- remove violent offenders from our communities, and
- prevent violence through community outreach.

GAO’s Observations on Treasury’s Fiscal Year 2000 Planned Performance for the Key Agency Outcome of Criminals Are Denied Access to Firearms and Firearms-Related Crime Is Reduced

ATF does not explain the changes in its performance goals.

Neither Treasury nor ATF’s performance report addresses (1) how fiscal year 1999 performance is likely to impact fiscal year 2000 performance; (2) planned revisions to the means and strategies section of Treasury's fiscal year 2000 performance plan to better achieve specific performance goals; (3) changes in data verification and validation measures to improve the credibility of performance information; or (4) future efforts that will be taken to make goals and/or measures more outcome-oriented.

Fiscal Year 2001 Performance Goals and Measures for the Key Agency Outcome of Criminals Are Denied Access to Firearms and Firearms-Related Crime Is Reduced

The performance goals did not change from fiscal year 2000 to fiscal year 2001.

The measures changed as follows:

- Refined: Number of persons trained/developed was refined and replaced by number of personnel trained in ATF's Integrated Violence Reduction Strategy (IVRS).

- Added: National Response Team (NRT) customer satisfaction rating

- Refined: ATF amended what it is including in its calculations for its measures of “crime-related costs avoided” and “future crimes avoided” to include cumulative costs and the number of crimes avoided over the entire period of incarceration of the armed career criminal or trafficker.

GAO’s Observations on Fiscal Year 2001 Planned Performance for the Key Agency Outcome of Criminals Are Denied Access to Firearms and Firearms-Related Crime Is Reduced

ATF does not provide an explanation of why it made these changes to its performance measures. Without such explanations, it is difficult to determine whether the measures will provide a clearer picture of intended performance.

The refinement and replacement of the measure of the number of persons trained/ developed with the number of personnel trained in ATF"s IVRS seems to be an improvement by focusing on the specific training to be provided. However, ATF does not discuss the link between providing the training and achieving the performance goal. The relevance of the new measure, NRT customer satisfaction rating, is not readily apparent and is not explained by ATF.

ATF's performance plan addresses its crosscutting coordination efforts with other agencies and various umbrella organizations regarding this performance goal.

ATF's fiscal year 2001 performance plan, as it relates to ATF’s goals to deny criminals access to firearms, safeguard the public from arson and explosives incidents; remove violent offenders from our communities, and prevent violence through community outreach, partially addresses some of the key weaknesses identified in our reviews of Treasury's fiscal year 1999 and fiscal year 2000 performance plans. The fiscal year 2001 plan discusses specific projects related to achieving these goals and the strategies to be employed. While the plan provides some information on the data ATF used for its performance measures (e.g., the source of the data), it generally does not include information on how the data are verified or validated.

Observations on the Department of the Treasury's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Treasury Department. The first column lists the management challenges identified by our office and the Treasury Inspector General (IG) and the second column discusses what progress Treasury made in resolving its major management challenges as discussed in its fiscal year 1999 performance report. The third column discusses the extent to which Treasury's fiscal year 2001 performance plan includes performance goals and measures to address the management challenges that we and the Treasury IG identified.

Table II.1: Major Management Challenges

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
Departmentwide		
The need to effectively manage information technology (IT) investments. (Treasury's IG also identified this area as a management challenge.)	Treasury's fiscal year 1999 performance report discusses two objectives related to this management challenge. The first objective is: make wise IT investments and ensure year 2000 compliance. To meet this objective, Treasury established a performance goal to ensure that IT investments improve program performance and facilitate mission goals. And to determine progress, Treasury planned to measure the "percentage of new IT capital investments that are within costs, on schedule, and meeting performance targets" using the Information Technology Investment Portfolio System (I-TIPS) to track data. Although the 1999 program	Treasury's fiscal year 2001 performance plan includes two objectives related to this management challenge. The first objective is to make wise IT investments. The plan describes a performance goal to ensure that IT investments improve program performance and facilitate mission goals. The following performance measure is identified: Percent of new IT capital investments that are within costs, on schedule, and meeting performance targets. The fiscal year 2001 proposed measurement is 100 percent.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
	performance report states that "all bureaus were using I-TIPS in either full or learning mode," the reported measurement for fiscal year 1999 is "baseline established." No quantitative assessment of progress (i.e., percentage of new IT capital investments that are within costs, on schedule, and meeting performance targets) is discussed. The second objective is: procure quality goods and services at a fair and reasonable price and in a timely manner. To meet this objective, Treasury established performance goals to (1) establish a certification program for procurement professionals in compliance with the Clinger-Cohen Act (P.L. 104-106, Feb. 10, 1996) and (2) implement a new performance evaluation model to improve acquisition practices. To determine progress toward the first goal, Treasury planned to measure the percentage of procurement personnel who are certified, with a fiscal year 1999 target of 75 percent. However, Treasury does not report actual progress toward meeting this target. The agency extended its date for meeting this target	The second objective is to procure goods and services at a fair and reasonable price and in a timely manner. The related performance goal is to establish a certification program for procurement professionals in compliance with the Clinger-Cohen legislation. The following performance measure is identified: procurement personnel who are certified. The fiscal year 2001 proposed measurement is 95 percent. Another performance goal is to implement a new performance evaluation model to improve acquisition practices. The following performance measure is identified: increase in total Treasury cost avoidance realized. The fiscal year 2001 proposed measurement is a 5-percent increase.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
	to fiscal year 2000 because the Office of Management and Budget (OMB) guidance on Clinger-Cohen Act implementation, which Treasury had anticipated when it established its fiscal year 1999 goal, was not issued. To determine progress toward the second goal, Treasury planned to measure the increase in total Treasury cost avoidance realized. The fiscal year 1999 plan was to implement the new model in all Treasury bureaus. However, implementation of the model did not start until October 1, 1999.	
Treasury's financial management systems are not integrated and cannot be relied on to provide complete and accurate budget, financial, and performance information without extensive manual procedures, analysis, and reconciliation.	There was no performance measure in the final fiscal year 1999 Departmental Offices' performance plan.	Treasury's Departmental Offices' performance plan has several related performance goals. For example, one goal calls for establishing a financial systems integration framework and strategy for key, crosscutting Treasury financial systems. The related performance measure calls for 100-percent completion of the integrated framework and strategy for fiscal year 2000. Treasury's performance plan stated that Treasury will continue to monitor its performance, using OMB and the Joint Financial Management Improvement Program (JFMIP) criteria, and track instances where

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
		related material weaknesses are noted by the IG reviews on department financial management systems.
The need to address weaknesses in Treasury's process used to prepare departmentwide financial statements. Specifically, problems related to inconsistent and inaccurate financial data reported by bureaus, intradepartmental account balances and transactions that were out of balance, and inadequate supervisory review of the draft 1997 Accountability Report.	To improve the timeliness, quality, and availability of financial systems information at the corporate and bureau levels, Treasury established the performance measure to fully implement CFO Vision and Treasury Information Executive Repository (TIER) software in fiscal year 1999. Treasury reported that although the target was not met, progress was made relative to ensuring strong financial management of Treasury accounts through the installation of TIER, which captures financial data from all Treasury entities and allows the timely analysis of bureau financial data. The performance report states that fiscal year 1999 data from the system was used to produce the departmentwide financial statements. For fiscal year 1999, Treasury reported only 90 percent actual implementation of CFO Vision and TIER software, rather than the planned target of 100 percent implementation. The report noted that, for the first time,	In its Departmental Offices' performance plan, Treasury has a single performance measure: to achieve its goal to improve the timeliness, quality, and availability of financial systems information at the corporate and bureau levels by fully operationalizing TIER and CFO Vision, which is the software system that is used to produce the financial statement line items using TIER data. TIER and CFO Vision are components of the Financial Analysis and Reporting System (FARS), Treasury's overall financial reporting system. For fiscal years 2000 and 2001, Treasury entered "discontinued" as the performance targets for implementing CFO Vision and TIER. Discontinuance of the measure for fiscal year 2001 appears reasonable if full implementation in fiscal year 2000 is achieved. However, discontinuing the target for fiscal year 2000 seems premature since the final 10 percent of implementation has not been achieved.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
	the Department's fiscal year 1999 Accountability Report was submitted by the March 1 deadline and that Treasury maintained a qualified opinion.	Under a separate goal to improve the accuracy, timeliness, and utility of all accounting and financial information, the plan calls for maintaining a qualified opinion for fiscal year 1999 and achieving an unqualified audit opinion for fiscal year 2000, with both audits being delivered by the March 1 deadline.
Treasury financial management systems are not in compliance with federal requirements. Several of the Department's financial management systems did not substantially comply with requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA).	In its performance report, Treasury stated that the continuing improvement of the quality and timeliness of its financial data is largely dependent on the correction of material financial systems weaknesses. Treasury stated that progress in this area is reflected in the trend in the number of "material weaknesses" identified by us and the IG associated with Treasury's management controls and financial management systems. Although the report indicated that Treasury exceeded its planned fiscal year 1999 rate of reduction in outstanding material weaknesses, it provided no explanation for the 5-year trend, which indicates limited improvement since fiscal year 1995--the first year in the trend analysis. Inclusion of explanatory information to discuss the fiscal year 1999 results, with	None. In the Major Management Challenges and High Risk Areas section of the performance plan for the Departmental Offices, Treasury stated that progress in this area is reflected in the results of each year's financial statement audit. The plan also noted that the department monitors each bureau's success in implementing its FFMIA remediation plan to ensure that interim milestones are being met. The Departmental Office's goal to reduce or prevent internal control and audit resolution open items would also relate to FFMIA noncompliance. However, development and tracking of specific measures related to instances of FFMIA noncompliance could help clarify intended results and facilitate assessment of the department's progress.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
	reference to the 5-year trend presentation, could help clarify the nature of the intended results or the relationship among various measures.	
The need to address weaknesses in Treasury's asset forfeiture program, specifically, the Department's accountability and reporting of seized and forfeited property.	None. The performance report included measures of progress related to the asset forfeiture program, but none directly related to the management challenge. In its Special Analyses section of the performance plan, the Executive Office for Asset Forfeiture (EOAF) noted that Customs provides accounting support for its annual financial statements and that a number of its material weaknesses, related to problems in Customs' Seized Asset and Case Tracking System (SEACATS) and other financial systems used by the Treasury Forfeiture Fund (TFF), need to be resolved by Customs as the owner of the systems. The plan noted that EOAF consults with Customs and provides guidance appropriate to the corrective action initiative. (See discussion of challenges for U.S. Customs Service.)	Performance plans for Customs and the TFF did not have goals or measures directly related to this management challenge. In commenting on a draft of this letter, the EOAF noted that although it embraces the resolution of material weaknesses as a priority initiative, it does not consider the resolution of these weaknesses appropriate to the establishment of a separate performance goal or strategic performance measure. Rather, it believes that its annual assurance and compliance reporting for the Federal Managers' Financial Integrity Act and FFMIA is the appropriate forum for providing corrective actions. The EOAF also cites achievement of unqualified audit opinions for the past several years as evidence that it has in place alternative procedures for producing financial data that can withstand audit testing. Although achieving an unqualified opinion is commendable, it

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
		is an indicator of the quality of financial data as of a given date, and it provides limited assurance about the entity's ability to produce accurate and timely information throughout the year or the quality of an entity's internal controls. As such, it would be useful for the EOAF to present measures showing its progress toward correcting its material weaknesses. Including these measures in Treasury's annual performance plan would be useful to its readers.
The need to ensure that information systems properly function in the year 2000.	Treasury's fiscal year 1999 program performance report states the following objective: Make wise IT investments and ensure year 2000 compliance. To meet this objective, Treasury established a performance goal to accomplish the Year 2000 date change for Treasury mission-critical IT systems. To determine progress, Treasury planned to measure the mission-critical IT systems that were year 2000 compliant and established a fiscal year 1999 goal of 100 percent compliance. The fiscal year 1999 program performance report states that fiscal year actual performance was 100-percent year 2000 compliant.	This management challenge has been discontinued.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
Financial Management Service (FMS)		
FMS needs to address issues related to preparing the Financial Report of the U.S Government (FR). As preparer of this report, FMS has a key responsibility to work with agencies to address problems, including the government's inability to (1) properly account for billions of dollars of basic transactions, especially those between governmental entities; (2) ensure that the information in the FR is consistent with agencies' financial statements; and (3) ensure that all disbursements are properly recorded.	Treasury's performance report stated that FMS compiled and published the fiscal year 1998 Financial Report, which received a disclaimer of opinion, and noted in the report that Treasury is committed to continuing to work with us and others to achieve an unqualified opinion. The associated performance goal is that by fiscal year 2002, FMS ensures that the federal government serves as a model for financial management. FMS uses as an indicator the percentage of agency reports for the Financial Report that are processed by FMS within an established standard range of specified data validity checks. For fiscal year 1999, the target was 97 percent, but Treasury noted that data would not be available until late March and thus was not included in the fiscal year 1999 performance report.	In the 2001 plan's Major Management Challenges and High Risk Areas section, FMS noted that it has taken several actions to resolve weaknesses in the FR. For example, FMS issued guidance for certain types of intra-governmental transactions and required agencies to complete worksheets that crosswalk agency financial statements to the adjusted trial balances submitted to FMS.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
	FMS also includes as a performance indicator the percent decrease in unresolved prior-year recommendations and audit findings that prevent a clean opinion on the audit of the Financial Report. FMS targeted a 25-percent decrease but noted that the results from the fiscal year 1999 audit were not available until late March 2000 and that it would report the progress on this indicator in its fiscal year 2000 report. However, our audit on the fiscal year 1999 FR demonstrated that FMS' implementation of these two actions did not eliminate the related problems. Specifically, in our fiscal year 1999 audit report, we noted significant differences partly attributable to unreconciled intragovernmental transactions. The differences consisted of the net $24 billion in unreconciled transactions on the Statement of Operations and Changes in Net Position and a net $12 billion in improperly recorded net cost on the Statement of Net Cost.	FMS' plan has a performance goal to facilitate the achievement of a clean audit opinion on the Financial Report through FMS' internal operations and support of federal government agencies. FMS identified one new measure as relevant to this goal: percentage of reporting Agency Location Codes with central audit differences less than 6 months old, which relates to agencies' reporting of collections and disbursements in agency fund balances with Treasury. In its plan, FMS also notes that it issued comprehensive fund balance with Treasury guidance and provided training courses to federal agencies on how to perform fund balance reconciliations. Two other measures included in the performance plan are percentage of (1) agency reports for the Financial Report processed by FMS within the established standard range, and

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
	We also noted in our fiscal year 1999 audit report that the federal government cannot ensure that the information in the FR is properly and consistently compiled.	(2) decrease in unresolved prior-year recommendations and audit findings that prevent a clean audit opinion on the Financial Report. These measures do not fully support the goal or specifically address the related management challenge. The first measure only reflects FMS' processing time and not measurable steps taken by FMS to improve the quality of the data sent to FMS for the FR—which is the true management challenge. The second indicator did not include any measurable steps showing how the reduction in audit findings will be achieved. Also, the indicator decreased from 25 percent planned in fiscal year 1999, to only 5 percent planned in fiscal year 2000. FMS appears to drop the indicator completely in fiscal year 2001. There are no explanations for the changes presented, and it is unclear if FMS management was solely responsible for resolution of the unresolved prior-year

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
		recommendations and audit findings targeted under this measure. Also, if FMS plans to continue to use the measure, it could be improved by setting specific steps to address each material weakness to allow progress to be measured. In commenting on a draft of this letter, FMS said that its measures provide a good way to gauge progress against this management challenge. We agree that the measure involving central audit differences should provide FMS with some information needed to gauge progress in the disbursements area. However, the measure does not consider whether agencies' auditors have reported problems relating to reconciliation of fund balance with Treasury accounts. In addition, as stated above, FMS' other measures do not fully support the goal or specifically address this management challenge.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
		FMS could better measure its progress if it designed measures for areas central to the management challenge. Also, FMS' planned performance would be clearer if measures were designed that related to issues on which it has taken the lead–specifically, intragovernmental transactions, consistency and propriety of FR financial data, and fund balance with Treasury reconciliations.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
The need to improve computer security controls. Computer security control weaknesses over FMS' computer systems place the data maintained in the financial systems at significant risk of unauthorized modification, disclosure, loss, or impairment and place billions of dollars of payments and collections at risk of fraud. (Treasury's IG also identified this area as a management challenge.)	There was no performance measure in the final fiscal year 1999 FMS performance plan. However, FMS included a discussion of its progress in the fiscal year 2001 performance plan. In its performance plan, FMS stated that it has aggressively worked to correct the material EDP weakness that we identified in the fiscal year 1997 audit. However, we and the IG continued to identify computer control problems as a material weakness during the fiscal year 1998 and 1999 audits.	None. In its performance plan, FMS reported that it has requested funding for contractual support for conducting detailed risk assessments of FMS automated information systems to address these weaknesses. FMS is also requesting funding for contractual support to conduct penetration testing of the FMS network, in accordance with OMB guidance in Circular A-130. FMS did not include performance goals directly related to computer security controls in its fiscal year 2001 performance plan. However, owing to the sensitive nature of many of our findings in the computer security area, FMS stated that its measures relating to such findings and corrective actions planned or taken are maintained internally. Further, FMS stated that it will improve computer security so that by the end of fiscal year 2001, FMS will operate its information systems without any identified material weaknesses.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
		In commenting on a draft of this letter, FMS said that no specific measures are included due to the sensitivity of the issues. While we understand the need to keep sensitive matters from public disclosure for each general computer control area that we have identified as having problems over the past 3 years, we believe it is still possible for FMS to identify high-level performance goals and measures. More importantly, as we previously recommended, FMS should establish an effective entitywide security management program, which we have identified as the overriding reason that computer control problems exist at FMS. It would be helpful if FMS developed performance goals and measures to gauge progress in this area.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
FMS needs to effectively implement the Department's responsibilities under the Debt Collection Improvement Act of 1996 (DCIA) that relate to the collection of delinquent non-tax debt. FMS' systems development problems have resulted in the slow implementation of the act's debt collection provisions. (Treasury's IG also identified this area as a management challenge.)	FMS' performance report stated that its amount of non-tax debt collected and percentage of delinquent non-tax debt referred to Treasury for collection exceeded its fiscal year 1999 targets. FMS' plan called for a total delinquent non-tax debt collection of $1.997 billion for fiscal year 1999, and actual fiscal year 1999 delinquent non-tax debt collections amounted to $2.631 billion. FMS clarified that total collections include Tax Refund Offset and other collection measures. Also, Treasury's Fiscal Year 1999 Accountability Report, indicated that virtually the entire amount collected resulted from the Tax-Refund Offset program. FMS also reported that it exceeded its target related to debt referrals of 68 percent by 3 percent.	FMS' plan has a performance goal to maximize collection of government delinquent debt by providing efficient and effective centralized debt collection services. FMS' plan also has two related performance measures: (1) FMS will increase delinquent non-tax debt collection through all available tools from the fiscal year 1998 baseline of $1.988 billion to $2.3 billion in fiscal year 2001, and (2) FMS will increase to 75 percent in fiscal year 2001 the amount of delinquent non-tax debt that is referred to Treasury for collection, as compared to the amount of delinquent non-tax debt that is eligible for referral. Although the performance measures provide some indication of progress toward the performance goal, the first

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
		measure does not sufficiently cover key aspects of debt collection performance, and the second measure does not appear to be a meaningful indicator of actual performance. Further, neither measure adequately captures important distinctions between FMS' debt collection programs, specifically the Treasury Offset Program (TOP) and the Cross-servicing Program. By dividing the first performance measure into two separate measures—one relating to increases in the amount of debt collected and another relating to increases in federal payment types available for offset—FMS could present a clearer picture of performance. In addition, clarity would be increased by differentiating between amounts collected as a result of federal delinquent non-tax debt referrals and amounts collected for debts associated with child support. Collections for child support represent a significant percentage of total collections and are forwarded to the states. Reporting such collections separately from

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
		amounts related to the collection of federal delinquent non-tax debts would provide a more accurate indication of FMS' performance. Further, a better indication of performance in this area could result by making distinctions between collections from TOP and the cross-servicing program. Combining the performance achievements of the two programs can mask potential performance issues with cross-servicing, which constitutes a major component of Treasury's debt collection effort, but results in only a small portion of Treasury's total amount of debt collected. Also, because tax refund collections comprise the vast majority of total TOP collections, making distinctions between tax refund collections and other offset collections, could provide a clearer picture of performance. The second performance measure is not a meaningful performance indicator as currently reported by FMS.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
		Specifically, the amount of non-tax debt referred to Treasury for cross-servicing is a cumulative figure including all debts referred since the program inception in September 1996, while the amount of delinquent non-tax debt that is eligible for referral for cross-servicing is as of fiscal year end; therefore, the amounts are not comparable. Also, because the second performance measure requires significant participation and effort on the part of other agencies, this measure may be unduly influenced by factors outside Treasury's full control, which therefore makes it difficult to attribute changes in the measure to the effectiveness of Treasury's debt collection efforts.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
		Regarding its non-tax debt collection activities, FMS responded that it does not present more detailed performance measures as we suggested because Treasury wants to report its targets at the highest possible levels possible in the performance plan, with the intent being to limit a program's measure of success to what is vital and avoid a profusion of finely detailed operational measures. However, Treasury stated that it will consider ways to present the more detailed information we suggested in its performance report. While we agree that the plan should avoid a profusion of finely detailed operational measures, we believe that FMS performance measures should sufficiently address key aspects of debt collection, including increases in the amount of debt collected and increases in federal payment types available for offset.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
		Further, so long as FMS continues to combine various aspects of debt collection into a single performance measure, such as is done by combining performance results associated with TOP and the Cross-Servicing Program, FMS may mask potential performance issues associated with key federal debt collection programs. In addition, FMS responded that its debt referral measure is useful, but to improve it, FMS is working on a way to base the measure on current referrals rather than cumulative referrals. In that the cumulative referral amounts used to indicate performance for this measure are not comparable to debt amounts reported as eligible for cross-servicing, the measure is not a meaningful indicator of actual performance. Thus, it is critical that FMS develop a means to show the extent to which debts reported as eligible for cross servicing as of a specific date have been referred to FMS for collection action.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
The need for FMS to effectively and timely implement the provisions of DCIA that require FMS to provide electronic transfer accounts to persons without bank accounts. (Treasury's IG no longer considers this as a management challenge for FMS.)	Under its objective to promote fair and efficient delivery of credit and other financial services and help bring residents in distressed communities into the mainstream, Treasury introduced, in July 1999, the Electronic Transfer Account (ETA) program to encourage financial institutions to offer low-cost, electronic banking accounts to federal benefit recipients without bank accounts. Treasury noted in the performance report that public education campaigns for ETA were conducted through 1999. However, no related measures are noted for this objective. Under the objective to ensure that all federal payments are accurate and timely, FMS uses as a measure the number of states in which direct federal Electronic Benefits Transfer (EBT) will be retrofitted and reports that 8 states were retrofitted by the end of fiscal year 1999, rather than 16 as called for in its FISCAL YEAR 1999 plan. In explaining the shortfall, FMS stated that only eight state governments expressed interest in the retrofit options for delivering federal benefits.	FMS' performance plan contains a goal to provide federal payments timely and accurately, move toward an all-electronic Treasury for payments and determine the optimal payment processing environment for the future. One performance measure relevant for persons without bank accounts is the number of states in which direct federal EBT will be retrofitted. FMS included with this performance measure a discussion of Treasury's option of providing access to federal benefit recipients through a voluntarily opened ETA. According to FMS' plan, having direct federal EBT available in an individual state means that one of these two options, EBT or ETA, is approved and functional within a given state. A target of 20 states in which direct federal EBT will be retrofitted is shown for fiscal year 2000, but there is no target included for fiscal year 2001. Treasury noted that since, according to the plan, ETA is the preferred option of the current administration, the retrofit measure is no longer an effective measure of FMS performance and will not be in the fiscal year 2001 plan.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
		However, if the performance measure treats functional state EBT and ETA as equivalents, it is unclear why this measure was dropped.
Internal Revenue Service		
The need for restructuring IRS' organization and business practices to better balance its efforts between taxpayer assistance and enforcement. (Treasury's IG also identified this area as a management challenge.)	Treasury's fiscal year 1999 performance report briefly mentions IRS' extensive reorganization effort as well as its efforts to improve its business practices to better address the unique needs of specific groups of taxpayers. A Special Analysis section of IRS' fiscal year 2001 budget submission provides more detail on IRS' actions for this management challenge in two areas--organizational restructuring and performance measures. With respect to organizational restructuring, IRS lists several accomplishments. However, because IRS does not include complete information on IRS' expected accomplishments or goals for fiscal year 1999, determining whether the reorganization is on track is difficult. As	The Special Analyses section of IRS' fiscal year 2001 budget submission states that the implementation of the new organizational structure will continue through 2003. The appendix notes that all reorganization activities are to be measured against a detailed implementation plan that includes specific completion dates. IRS states that it is to complete the balanced measures at the strategic level in fiscal years 2000 and 2001. In our testimony on IRS' fiscal year 2001 budget request,[2] we said that IRS' budget request does not establish clear links between the resources requested and expected results. As IRS proceeds with its reorganization and its efforts to develop performance measures, it has an opportunity to make future budget

[1] IRS Modernization: Long-term Effort Under Way, but Significant Challenges Remain (GAO/T-GGD/AIMD-00-154, May 3, 2000).
[2] Tax Administration: IRS' 2000 Tax Filing Season and Fiscal Year 2001 Budget Request (GAO/T-GGD/AIMD-00-133, Mar. 28, 2000).

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
	for performance measures, IRS notes that it is developing a balanced performance measurement system to help balance the customer service and compliance aspects of its mission. IRS' balanced performance measurement system is to consist of measures of customer satisfaction, employee satisfaction, and business results. IRS notes that measures are being implemented at the operational level and are aligned with IRS' strategic goals. In our May 3, 2000 testimony[1] we said that (1) IRS is as challenged as an agency today as it was almost 2 years ago when the IRS Restructuring and Reform Act of 1998 was passed and (2) that IRS has begun to lay a foundation that should facilitate further changes to its business practices. We also said that developing a full set of balanced performance measures will be critical to achieving IRS' new mission. IRS currently lacks a measure of voluntary compliance, which is a key business results measure. IRS acknowledges that it needs this	requests more useful to Congress.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
	measure and is working to develop one. We have work ongoing to evaluate IRS' balanced measurement system and plan to issue a report early next year.	
Weaknesses in internal controls over taxpayer receipts and sensitive taxpayer data. These controls do not reduce to an appropriate level the risk that taxpayer receipts will be lost or stolen and that taxpayers will be exposed to diversion and inappropriate use of personal taxpayer data in schemes, such as identity fraud.	As part of its fiscal year 1999 progress, IRS listed actions taken to address these physical control weaknesses. We observed that in fiscal year 1999, IRS stopped the use of bicycle couriers. However, as reported in our fiscal year 1999 financial statement audit,[3] major management challenges remain in improving controls over fingerprint checks before making hiring decisions and certain operating processes that relate to the handling of cash receipts and returned checks.	None.

[3]Financial Audit: IRS' Fiscal Year 1999 Financial Statements (GAO/AIMD-00-76, Feb. 29, 2000).

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
Weaknesses in internal controls over unpaid tax assessments. IRS does not have a subsidiary ledger or record of unpaid tax assessments that tracks and accumulates unpaid tax assessments on an ongoing basis. This has resulted in delayed and misapplied payments and assessments, which have caused unnecessary taxpayer burden. (The Treasury IG also identified this area as a management challenge.)	In its assessment of accomplishments for fiscal year 1999, IRS stated that it had completed the preliminary work it needed to perform to get approval for project planning efforts to begin to address IRS' need for (1) an integrated financial system that conforms with federal standards and (2) an integrated financial management accounting and budgeting system. Also, IRS stated that a JFMIP[4] compliant general ledger system would, upon completion, include an accounts receivable subledger. Our audit of IRS' fiscal year financial statements reported that serious internal control issues continued to affect IRS' management of unpaid assessments.[5] The lack of an effective subsidiary ledger; errors and delays in recording assessments, payments, and other activities; and the failure to actively pursue significant amounts in outstanding taxes owed to the federal government hinder IRS' ability to	None. IRS does not have interim performance measures that would give decisionmakers a management tool for assessing IRS' progress in addressing this major management challenge. For fiscal year 2001, IRS plans to (1) complete initiatives that will facilitate and streamline taxpayer information about and use of Installment Agreements for payment of taxes owed and (2) advance the development and utilization of the Collection Inventory Delivery System, including the Financial Analysis Program, to improve delinquent tax case resolution and risk-based tax case management.

[4]JFMIP is a cooperative undertaking of OMB, Treasury, OPM, and GAO, working in cooperation with each other and with operating agencies to improve financial management practices. JFMIP had developed core systems requirements for the various federal financial management systems.
[5]GAO/AIMD-00-76.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
	effectively manage unpaid assessments and maximize collections. In addition, in its own FFMIA remediation plan,[6] IRS indicated that the (1) custodial subledger project has a target completion date of January 1, 2003, and (2) resources for this project are yet to be determined.	
The need to address problems relating to IRS' ability to collect federal tax receivables and other unpaid assessments. Striving to close the gap between the tax revenue owed the government and the amount likely to be collected is a major challenge for IRS. As of September 30, 1999, IRS expected to collect $21 billion (27 percent[7]) of the $77 billion in tax receivables.	IRS' fiscal year 1999 accomplishments listed several actions taken that resulted in IRS' claim that it reduced the gap between federal tax revenue owed and the amount collected. However, in our audit of IRS' fiscal year 1999 financial statements, we noted a deterioration in the collection of federal tax receivables. As a percentage of tax revenue, the difference between the tax revenue owed the government and the amount likely to be collected widened from 68 percent in fiscal year 1998 to about 73 percent in fiscal year 1999. In addition, reported tax receivables	IRS provided two performance measures: (1) field collection–number of cases closed–taxpayer delinquent accounts and (2) field collection–number of cases closed–taxpayer delinquent investigations for improving collection of delinquent tax collections. However, as discussed in enclosure I, these performance measures are inadequate because cases closed and cases collected are not synonymous terms. IRS closes cases for reasons other than collection (e.g., designation as currently-not -collectible, expiration of statute of limitations). However, since IRS does not disclose the reasons

[6]FFMIA requires agencies to develop remediation plans for bringing its financial management systems to meet the systems requirements outlined by the Core Financial Systems Requirements of JFMIP.
[7]The comparable percentage as of September 30, 1998, was 32 percent of the tax revenue owed the federal government.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
	represent only a portion of total potential uncollected taxes. There are also an unknown amount of additional taxes imposed by the tax laws each year that are not paid voluntarily and timely, known as the tax gap, as well as billions of dollars in potential underreported taxes each year.	for the closure of these cases, these measures cannot be related to IRS collection performance in terms of numbers of cases collected, and no measure of dollars collected or the cost incurred to achieve these collections is provided. Hence, these measures do not gauge IRS' performance in collecting tax debt.
IRS is unable to rely on its general ledger to support its financial statements owing to significant deficiencies. As a result, it relies on extensive ad hoc procedures to enable it to prepare auditable financial statements.	None. See comment above on the subsidiary ledgers.	None. IRS' plan did not provide interim measures that decisionmakers could use to assess IRS' progress in addressing this major management challenge. IRS did not provide strategies for addressing this major management challenge in fiscal year 2001.
The need to assess the impact of various efforts IRS has under way to reduce filing fraud.	IRS' fiscal year 2001 budget submission included a Special Analyses section that reported various actions taken in fiscal year 1999 to address fraud, which represented IRS' efforts to reduce Earned Income Tax Credit (EITC) noncompliance. However, IRS omitted data on the results of those actions. In December 1999, we noted that IRS reported that its efforts to validate	None. The fiscal year 2001 plan does not include a goal or measure with respect to efforts to reduce EITC noncompliance. IRS plans to issue the results of its baseline study of EIC noncompliance for tax year 1997 later this year. These baseline data should provide a basis for setting a goal for reducing EITC noncompliance. The results of similar studies for

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
	Social Security numbers and scrutinize certain EITC claims stopped millions of dollars in erroneous payments. However, because IRS does not know the universe of EITC noncompliance, it is impossible to determine how much of the noncompliance IRS is addressing through its actions. Our audit of IRS' fiscal year 1999 financial statements concluded that IRS does not have adequate controls to (1) prevent invalid refunds from being issued or (2) detect invalid refunds that have been issued so that collection efforts can be pursued.	subsequent tax years should provide data to measure IRS' accomplishments. In commenting on a draft of this letter, Treasury said that filing fraud covers areas of the tax code other than EITC. Treasury also said that fraud is very difficult to measure and that EITC noncompliance studies will not distinguish between fraud and other types of errors.
The need to correct management and technical weaknesses in systems modernization efforts. (The Treasury IG cited significant revisions in IRS' modernization project as an indication of a system development capability weakness.)	Progress is discussed in terms of fiscal year 1999 accomplishments and results on business and systems modernization, but the report does not directly address resolving systems modernization weaknesses. However, the report does include a general discussion of efforts aimed at building management capabilities that, if implemented properly, would address selected systems modernization management weaknesses.	IRS' plan includes strategies to address its modernization weaknesses and a special section that describes IRS actions to correct them. However, the strategies are in general terms and do not include specific performance goals, indicators, or measures that specifically address the correction of systems modernization weaknesses.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
The need to improve security controls over information systems to address weaknesses that place taxpayer data at risk to both internal and external threats. (The Treasury IG also identified this area as a management challenge.)	In its Special Analyses appendix to its fiscal year 2001 budget submission, IRS reported the actions it has taken and provided a summary of the security reviews that it has performed to address this major management challenge, which resulted in IRS' Office of Security and Privacy Oversight removing the computing centers from a material weakness status. Our audit of IRS' fiscal year 1999 financial statements stated that IRS has made a lot of progress in improving computer security at its facilities and corrected a significant number of the computer security weaknesses identified in previous reports. However, we also reported that much remains to be done to resolve significant control weaknesses that exist within the IRS computing environment (i.e., computing centers, service centers, networks) that could impair IRS' ability to perform vital basic functions, and increase the risk of unauthorized disclosure, modification, or destruction of taxpayer data. And should such unauthorized disclosure occur, these could result in unauthorized individuals using the	<u>None</u>. Although IRS' Special Analyses section listed actions planned or under way, it provided no interim performance measures that could provide congressional leaders with a management tool for assessing IRS' progress in addressing its major management challenge on information security.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
	information obtained to commit financial crimes in the taxpayer's name, such as fraudulently establishing credit and running up debts. Also, during our fiscal year 1999 financial audit, we found that IRS continued to have serious weaknesses with general controls designed to protect computing resources, such as networks, computer equipment, software programs, data, and facilities, from unauthorized use, modification, loss, and disclosure.	

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
U.S. Customs Service		
Customs faces challenges primarily related to controlling access and physical security over sensitive data maintained in its automated systems and maintaining complete and reliable information in its core financial systems.	None. However, a discussion of progress made in this area is included in the fiscal year 2001 performance plan.	In a section of the 2001 plan, Summary of Management Challenges and High Risk Areas, Customs noted that it plans to replace its current system that tracks, controls, and processes importations with a new system, the Automated Commercial Environment (ACE), to address this challenge relating to complete and reliable information in its core financial systems. However, implementation of ACE would not fully address the access and physical security over sensitive data maintained in Customs' automated systems. Customs also noted that it has already completed or will perform activities to address specific data weaknesses, including replacement of the current financial management system with a JFMIP-approved core financial system. Customs' performance plan does not contain specific performance measures, but refers the reader to targets and milestones in its FFMIA Remediation Plan. Customs' plan also stated that correction of weaknesses related to internal controls over data in

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
		automated systems is dependent upon ACE funding. It may be useful for Customs to consider developing intermediate goals that can be added to the plan to measure the progress Customs can take independent of ACE funding.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
Improvements are needed in Customs' accountability over seized and forfeited property, including the reliability of information on seized property.	None. However, a discussion of progress made in this area is included in the fiscal year 2001 performance plan. In its Report on the U.S. Customs Service's Fiscal Year 1999 and 1998 Financial Statements, the IG reported a problem in Customs' accountability controls over seized assets. However, Customs did not develop a performance goal or measure to address this challenge.	In its performance plan, Customs has performance goals related to the value of property, monetary instruments, and stolen vehicles seized, but no measures that directly relate to this challenge. However, in its Summary of Management Challenges and High Risk Areas section, Customs stated that in fiscal year 1998, tracking of property in SEACATS had been significantly corrected to support the roll-forward, although manual tracking of currency was used. Customs also stated that in fiscal year 1999, dual roll-forwards for currency (SEACATS and manual) would be used to test the SEACATS system. Customs noted that it has set targets and milestones consistent with those contained in its Remediation Plan, but correction of weaknesses for seized property is dependent on ACE funding. However, a discussion of targets, milestones, and seized assets' relationship to ACE in more detail would provide a better basis for evaluating progress.

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 performance report	Applicable goals and measures in the fiscal year 2001 performance plan
		In addition, the performance plan does not address whether planned funding for improvements to seized asset storage facilities has been obtained.
Customs has not effectively managed the development of its Automated Commercial Environment system. Incomplete systems architecture and limitations in its plans for enforcing compliance with an architecture have hindered Customs' ability to efficiently and effectively develop or acquire operational systems and to maintain existing systems.	Treasury's fiscal year 1999 program performance report does not discuss goals or measures that specifically address ACE development. However, the report summarizes our findings on Customs' ineffective management of ACE development and describes actions the agency has taken to address the findings. For example, Customs plans to develop ACE incrementally and to improve software engineering discipline.	Treasury's fiscal year 2001 performance plan does not discuss goals and measures that specifically address ACE. However, the plan identifies actions that are planned or under way, including partnering with a prime contractor to develop an incremental plan for ACE and developing a software process improvement strategy.

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