



General Government Division

B-280363

June 24, 1998

The Honorable Thomas J. Bliley
Chairman, Committee on Commerce
House of Representatives

The Honorable F. James Sensenbrenner, Jr.
Chairman, Committee on Science
House of Representatives

Subject: Results Act: Observations on the Department of Commerce's Annual Performance Plan for Fiscal Year 1999

As requested, this letter summarizes our observations on the Department of Commerce's annual performance plan for fiscal year 1999, which was submitted to Congress in March 1998. Our review of Commerce's plan was initially based on a January 26, 1998, request by several Members of the House majority leadership for us to review the performance plans of the 24 federal agencies covered by the Chief Financial Officers (CFO) Act. We are issuing separate reports on our evaluations of each of the other 24 CFO Act agencies' annual performance plans. Also, we are issuing a separate report summarizing information on our reviews of all 24 CFO Act agencies' annual plans.

BACKGROUND AND APPROACH

As you know, the Government Performance and Results Act of 1993, commonly referred to as "GPRA" or "the Results Act," requires federal agencies to prepare annual performance plans covering the program activities set out in the agencies' budgets, beginning with plans for fiscal year 1999. These plans are to (1) establish performance goals to define levels of performance to be achieved; (2) express those goals in an objective, quantifiable, and measurable form; (3) briefly describe the operational processes, skills, and technology, as well as the human, capital, information, or other resources, required to meet the goals; (4) establish performance measures for assessing the progress toward or achievement of the goals; (5) provide a basis for comparing actual program results with the established goals; and (6) describe the means used to verify and validate measured values.

For purposes of our review, we collapsed the six requirements of the Results Act for annual performance plans into three core questions. These three core questions were: (1) To what extent does the agency's performance plan provide a clear picture of intended performance across the agency? (2) How well does the agency's performance plan discuss the strategies and resources the agency will use to achieve its performance goals? (3) To what extent does the agency's performance plan provide confidence that its performance information will be credible? These questions are contained in our February 1998 congressional guide and our April 1998 evaluators' guide for assessing performance plans, which we used for our review.¹

These guides integrated criteria from the Results Act, its legislative history, the Office of Management and Budget's (OMB) guidance for developing performance plans (OMB Circular A-11, part 2), a December 1997 letter to OMB from several congressional leaders, and other GAO reports on the implementation of the Results Act.² We used the criteria and questions contained in the guides to help us determine whether the Department of Commerce's plan met the requirements of the Act, to identify strengths and weaknesses in the plan, and to assess the plan's usefulness for executive branch and congressional decisionmakers. We did our work between March 1998 and May 1998 according to generally accepted government auditing standards. Enclosure I to this letter discusses our observations on Commerce's fiscal year 1999 annual performance plan in more detail.

Effectively implementing the Results Act is one of the greatest management challenges facing federal agencies today. It is especially challenging for the Department of Commerce. Historically, the Department has not been managed on the basis of a unified mission and shared goals; strategic management of the Department has been based in its bureaus; and its key administrative functions and processes have been decentralized. The Department's missions and functions are among the most diverse of those assigned to cabinet departments in the federal government. They include responsibilities for management and stewardship of natural resources, advancement of trade, economic development, scientific research and technology, and statistical information collection and dissemination. Commerce shares responsibilities for these functions with a

¹Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking (GAO/GGD/AIMD-10.1.18, Feb. 1998) and The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans (GAO/GGD-10.1.20, Apr. 1998).

²See The Government Performance And Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997) and Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

number of other federal departments and agencies. However, Commerce does not have exclusive or even lead responsibility for any of these activities.

Basically, the Department is a large "holding company" composed of vastly different bureaus, each pursuing disparate programs and activities that cut across several national core issues. Over the years, the Department has accumulated many diverse responsibilities in a piecemeal fashion, operated with unclear missions, and lacked an overall coherent and coordinated strategy for achieving its missions and goals. Because of this, the Department faced an especially formidable challenge in developing and presenting useful departmentwide strategic and performance plans that both cover all of its programs and activities and meet the criteria in the Results Act and related guidance.

RESULTS IN BRIEF

In summary, we found that the Department of Commerce's fiscal year 1999 annual performance plan does not fully answer the three core questions that are key to developing useful plans for congressional decisionmaking. Specifically, the plan provides only a partial picture of intended performance across the Department. To some extent, the plan discusses the strategies and resources that individual Commerce bureaus will use in fiscal year 1999 to help achieve the Department's performance goals. Finally, the plan does not provide sufficient evidence or confidence that the Department's performance data will be accurate, complete, and credible.

There are several areas where Commerce's plan could be improved to better facilitate congressional oversight and decisionmaking. These areas are (1) ensuring that outcome goals are included in the plan wherever possible and more clearly showing how the output-oriented performance goals and measures relate to results; (2) presenting the annual performance goals more explicitly as goals in the plan and more clearly identifying the relationships between long-term strategic goals and objectives and annual performance goals and measures; (3) more consistently referring the reader to other Department documents for more details, where appropriate; (4) more fully acknowledging and discussing the significance and performance implications of known management and data capacity problems, high-risk programs, and external factors beyond the Department's direct control; (5) more closely linking the Department's annual performance goals with the strategies and resources of Commerce bureaus and better describing the strategies and resources the Department will use to achieve its goals; (6) including more information on the Department's planned performance verification and validation strategies and procedures and its ability to produce complete, accurate, and reliable data needed to measure performance, and (7) more fully recognizing and addressing crosscutting efforts by identifying common and complementary performance goals and measures that reflect activities shared with other government entities and evidencing coordination among crosscutting programs.

At the same time, Commerce's fiscal year 1999 annual performance plan represents an improvement over the Department's earlier strategic plan and has several strengths that the Department can build on in future plans. These strengths include (1) linking the Department's annual performance goals and measures to its strategic themes, goals, and objectives; (2) presenting quantifiable and measurable performance targets for most strategic goals and objectives, acknowledging where annual performance targets have not been established, and discussing the Department's efforts to develop them; (3) providing outcome-oriented performance goals for some key activities, such as National Weather Service warnings and the processing of patent and trademark applications; (4) discussing the Department's high-priority program initiatives and relating them to its three strategic themes; and (5) identifying the major management challenges facing the Department.

AGENCY COMMENTS AND OUR EVALUATION

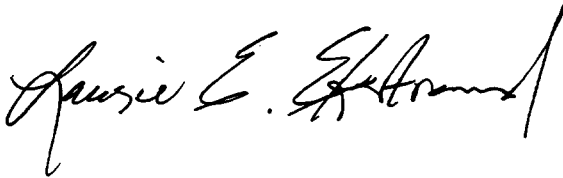
We provided an earlier draft of enclosure I to the Department of Commerce for official review and comment. In a letter dated April 27, 1998, the Assistant Secretary for Administration/Chief Financial Officer provided us with written comments. (See enclosure II.) He agreed that Commerce's plan needs to be improved in the areas of crosscutting programs, the content of several performance measures, and the linkages of annual performance goals with Commerce bureaus' budget activities. However, he generally disagreed with our observation that Commerce's plan did not fully and completely answer the three core questions relating to annual performance goals and measures, strategies and resources, and verification and validation.

We recognize that agencies—especially Commerce, whose diverse bureaus have a number of disparate program missions, strategic goals and objectives, and related annual performance goals and measures—must make tradeoffs between brevity and completeness and that there is not a single way to strike that difficult balance. Nevertheless, as discussed in more detail in the "Agency Comments and Our Evaluation" section of enclosure I, we continue to believe that Commerce's plan would be more useful for congressional oversight and congressional and executive branch decisionmaking if it contained more complete information, or referenced other Commerce documents where such information can be found, on some topics and plan elements. As indicated earlier, for example, the plan would be more useful if it contained outcome as well as cost-based performance goals and measures, wherever possible, and more complete information on major unresolved management problems and high-risk issues, external factors beyond the Department's direct control that could affect achievement of its goals, and how many of the plan's output-oriented performance goals and measures relate to results.

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We are sending copies of this report to other cognizant congressional committees, the Secretary of Commerce, and the Director of OMB. We will make copies available to others on request.

This work was done under the overall direction of L. Nye Stevens, Director, Federal Management and Workforce Issues, and J. Christopher Mihm, Associate Director, and coordinated by Susan Ragland, Project Director, and Robert B. Mangum, Project Manager. Numerous other staff from our Accounting and Information Management; National Security and International Affairs; and Resources, Community, and Economic Development Divisions and our Office of General Counsel contributed to this report. Please call me at (202) 512-8676 if you or your staffs have any questions about this report.



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Abbreviations

ATP	Advanced Technology Program
BXA	Bureau of Export Controls
CAMS	Consolidated Administrative Management System
CFO	Chief Financial Officers
EDA	Economic Development Administration
GPRA	Government Performance and Results Act of 1993
IG	Inspector General
ITA	International Trade Administration
MEP	Manufacturing Extension Partnership
NIST	National Institute of Standards and Technology
NOAA	National Oceanic and Atmospheric Administration
NTIA	National Technical Information Administration
NWS	National Weather Service
OMB	Office of Management and Budget
PTO	Patent and Trademark Office
TPCC	Trade Promotion Coordinating Committee

**OBSERVATIONS ON THE DEPARTMENT OF COMMERCE'S FISCAL
YEAR 1999 PERFORMANCE PLAN**

As requested, we reviewed the Department of Commerce's performance plan for fiscal year 1999 that it submitted to Congress in March 1998. To do this review, we used the criteria in the Results Act, OMB's guidance on developing performance plans (Circular A-11, part 2), our February 1998 guide for congressional review of the plans (GGD/AIMD 10.1.18), our evaluators' guide for assessing annual performance plans (GGD 10.1.20), and the December 17, 1997, letter to then OMB Director Franklin Raines from several House and Senate leaders. On April 17, 1998, we briefed your staffs on our major observations. The key points from that briefing are summarized below.

Commerce's annual performance plan provides a partial picture of intended performance across the Department. The plan discusses, to some extent, the strategies and resources that individual Commerce bureaus will use in fiscal year 1999 to help achieve the Department's performance goals. Finally, the plan does not provide sufficient confidence that the Department's performance data will be accurate, complete, and credible.

The strengths of the Commerce plan are that it (1) links the Department's annual performance goals and measures to its mission and strategic themes, goals, and objectives; (2) presents quantifiable and measurable performance targets for most strategic goals and objectives, acknowledges where annual performance targets have not been established and discusses the Department's efforts to develop them, and designates performance measures that are to receive priority attention in fiscal year 1999; (3) provides outcome-oriented performance goals for some key activities, such as National Weather Service (NWS) warnings and the processing of patent and trademark applications; (4) discusses the Department's high-priority program initiatives and relates them to its three strategic themes; and (5) identifies the major management challenges facing the Department.

Nevertheless, there are ways in which the performance plan could be more useful to Congress, including (1) ensuring that outcome goals are included in the performance plan wherever possible and more clearly showing how the output-oriented measures are related to results; (2) presenting the annual performance goals more explicitly as goals in the performance plan and more clearly identifying the relationships between long-term strategic goals and objectives and annual performance goals and measures; (3) more consistently referring the reader to other Department documents for more details, where appropriate; (4) more fully acknowledging and discussing the significance and performance implications of known management and data capacity problems, high-risk programs, and external factors beyond the Department's direct control; (5) more closely linking the Department's annual performance goals with the strategies and resources of Commerce bureaus and better describing the strategies and resources the Department will use to achieve its goals; (6)

including more information on the Department's planned performance verification and validation strategies and procedures and its ability to produce complete, accurate, and reliable data needed to measure performance; and (7) more fully recognizing and addressing crosscutting efforts by identifying common and complementary performance goals and measures that reflect activities shared with other government entities and evidencing coordination among crosscutting programs.

We found that the strengths and weaknesses in Commerce's performance plan generally are similar to the strengths and weaknesses in its June 1997 draft strategic plan and final strategic plan issued on September 30, 1997, on which we reported in July 1997³ and January 1998,⁴ respectively. Although an improvement over its strategic plan, Commerce's performance plan also provided opportunities for continued refinement. For example, Commerce's strategic plan did not describe how Commerce will hold its bureaus and managers accountable for meeting strategic goals and objectives or specify the resources that will be required to meet them. Commerce's performance plan now generally contains this level of specification for the Department's strategic goals and objectives, but not for its annual performance goals and measures.

COMMERCE'S PLAN PROVIDES A PARTIAL PICTURE OF INTENDED PERFORMANCE ACROSS THE DEPARTMENT

We found that Commerce's performance plan provides a partial picture of intended performance across the Department. Specifically, we found that Commerce's plan will provide some basis for the Department and others to compare its actual results with its performance goals. Commerce's plan (1) defines expected performance by setting objective and measurable annual performance goals for most of the Department's strategic goals and objectives, (2) connects the annual performance goals and measures to the Department's strategic goals and objectives, and (3) recognizes a number of crosscutting programs of other federal departments and agencies that are related to Commerce's strategic themes and its bureaus' activities. However, the plan also has weaknesses in these three areas.

Defining Expected Performance

Commerce's performance plan provides a partial statement of expected performance for subsequent comparison with actual performance. Specifically, the plan (1) identifies at least one annual performance goal/measure for each

³The Results Act: Observations on Commerce's June 1997 Draft Strategic Plan (GAO/GGD-97-152R, July 14, 1997).

⁴Managing For Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

strategic plan objective; (2) acknowledges where objective and measurable annual performance goals have not been established and where external peer review and economic impact studies, in accordance with the Results Act's alternative format provision, will be used to evaluate performance; and (3) designates performance goals that are to receive priority attention in fiscal year 1999.

The plan's annual performance goals and measures generally are objective, measurable, and quantifiable. However, we believe that Commerce could build on its goals and measures by more clearly identifying the relationships between its long-term strategic goals and objectives and its annual performance goals and measures. The plan consistently links the Department's strategic goals and objectives to annual performance targets, but it generally does not indicate how achieving those targets will result in achievement of the strategic goal or objective. For example, to implement the nation's encryption export policy under its goal to restructure export controls for the twenty-first century, the plan presents the Bureau of Export Administration's (BXA) performance data on the number of encryption key recovery agent reviews each year, with 9 in fiscal year 1997, 50 in fiscal year 1998, and 100 in fiscal year 1999. From these performance data, the reader can deduce that BXA's goal is to increase the number of these reviews from a baseline of 9 (in fiscal year 1997) to 100 in fiscal year 1999. However, the plan does not indicate what these reviews are or how the number of reviews completed will contribute to the goal of restructuring export controls. This is important for all performance goals, especially when the targeted levels of performance greatly exceed current performance.

It is not clear how many of the Commerce plan's other annual performance goals and measures relate to the agency's strategic goals or how those goals and measures will be used to measure performance or assess progress in meeting established strategic goals. In addition, some of the performance measures (such as the numbers of licensing decisions, high-risk transactions denied, and low-risk transactions facilitated under BXA's strategic objective to "streamline and reform U.S. export controls") indicate a relatively steep decline in performance between 1997 and 1998. Although the plan generally sets higher fiscal year 1999 targets for such measures, the plan would be more useful to congressional decisionmakers if it explained such declines and justified the appropriateness of new performance targets.

On the other hand, some of the plan's performance goals and measures can provide useful information for gauging the Department's progress toward achieving targeted results. For example, the plan established outcome-oriented goals and measures for the National Oceanic and Atmospheric Administration's (NOAA) NWS to increase its early warning accuracy and lead times for tornados, thunderstorms, and flash floods. The plan also established outcome-oriented goals and measures for the Patent and Trademark Office (PTO) to reduce cycle times for patents and trademarks. We believe that these

performance measures of cycle time—the actual amount of examination time spent by PTO—provide a clearer picture of PTO's results than other measures of time elapsed from the filing of a patent application to its issuance or abandonment. As we have noted, however, the examination cycle time varies widely depending on such factors as the type and complexity of the invention, the completeness of the application, and the amount of time PTO spends communicating with the applicant.⁵ As it gains experience, PTO may be able to further refine its performance measures.

Most of the plan's annual performance goals and measures, however, are output-oriented, such as the number of projects, reports, or applications that are completed. While such output-oriented goals and measures are acceptable under the Results Act, it is frequently unclear how these goals and measures will be valid indicators of progress toward the Department's strategic goals, whether they cover key aspects of performance, or how they relate to results. And, in some cases, the plan does not include annual performance goals and measures. For example, there are no measurable performance goals for four of the seven strategic objectives listed for the Economic Development Administration (EDA) in the plan.

Several measures are presented for the EDA's goal to "establish, retain, or expand commercial, industrial, and high-technology enterprises to stimulate the creation of private sector jobs for unemployed and underemployed residents of economically distressed areas." These measures are (1) the number of public-works and private jobs created, (2) the amount of private Economic Adjustment Revolving Funds made available, (3) the amount of non-EDA dollars invested, and (4) grantee's self-evaluation scores. While the measures of private sector jobs created and non-EDA investments are quantified for fiscal year 1999, they relate to performance levels expected 6 to 10 years after project completion and therefore cannot be fully assessed until fiscal year 2009. Measuring the annual outcomes of agency program activities that may show little immediate benefit, yet may result in significant benefits in later years, is a challenge that a number of agencies face. In response, agencies can use a mix of performance measures, including those focusing on intermediate outcomes.⁶

The plan contains little discussion of external factors that could affect Commerce's ability to achieve its goals. Such a discussion appears to be very important when decisions of grantees and companies, as well as changes in

⁵See Intellectual Property: Comparison of Patent Examination Statistics for Fiscal Years 1994 and 1995 (GAO/RCED-97-58, Mar. 13, 1997) and Intellectual Property: Enhancements Needed in Computing and Reporting Patent Examination Statistics (GAO/RCED-96-190, July 15, 1996).

⁶See The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven (GAO/GGD-97-109, June 2, 1997).

regional and/or national economic performance, could affect such measures as job creation and private investment. The plan also does not address any potential limitations of grantees' self-assessments, such as the extent to which they are expected to self-report negative information. Therefore, it is unclear whether the measures will provide valid indications of progress for fiscal year 1999.

Another area where the plan's performance goals could be improved involves Census 2000. Both the Commerce Inspector General (IG) and our office have classified Census 2000 as one of the Department's key management challenges. The Commerce IG continues to report the Decennial Census as one of the Department's top 10 management problems. Our office continues to include Census 2000 on our governmentwide list of high-risk programs and reported recently on concerns about preparations for the Census 2000 Dress Rehearsal.⁷ The plan identifies Census 2000 as one of the Department's eight major policy initiatives and says that in 2000 the Census Bureau will conduct the most accurate and fiscally responsible decennial census possible. While the plan identifies Census 2000 as one of the Department's major unresolved management challenges, it provides only three general performance measures for fiscal year 1999 preparations for the 2000 Census, and it does not sufficiently describe how this challenge will be resolved or the risk to the census will be minimized.

We recognize the difficulties of developing meaningful performance measures for some Commerce activities, such as the National Institute of Standards and Technology's (NIST) efforts to sponsor research and development projects.⁸ However, we believe that the performance measures provided, such as the number of additional technologies under commercialization, are unlikely to provide a clear picture of the success or contributions of NIST's Advanced Technology Program (ATP), the Department's key federal program to accelerate the pace of civilian technology development. Rather than measuring the number of technologies, NIST may want to consider focusing more on how ATP-funded projects have accelerated the research and development process. For example, outcome measures in this area that would be more illustrative of the degree to which NIST is achieving intended results are described in NIST's congressional budget justification document, but not in Commerce's performance plan. These outcome-oriented measures are (1) reductions in the time-to-market for technologies in highly competitive markets and (2) performance improvements in products of 100 to 500 percent.

⁷2000 Census: Preparations for Dress Rehearsal Leave Many Unanswered Questions (GAO/GGD-98-74, Mar. 26, 1998).

⁸See Measuring Performance: Strengths and Limitations of Research Indicators (GAO/RCED-97-91, Mar. 21, 1997).

The clarity of Commerce's performance plan could be improved if the Department provided a more complete but succinct picture of its efforts to measure performance. For example, the plan could be enhanced by including vital output- and outcome-oriented performance goals and discussing key performance measurement efforts, such as the NIST examples mentioned above, as well as how the Census Bureau's fiscal year 1999 performance goals will contribute to an accurate and fiscally responsible 2000 Census. In this regard, the plan's annual performance goals and measures are presented only as illustrations, and it refers to the Department's congressional budget justification documents for a more complete picture. At a minimum, where the performance goals and measures are illustrative in nature and do not include key output- and outcome-oriented goals, the plan could specifically refer the reader to the congressional budget justification documents for more details.

Finally, Commerce's plan does not contain cost-based performance goals and measures, where it appears appropriate to do so, to show how efficiently the Department performs certain operations and activities. Such measures might include, for example, the cost to process a patent or trademark application or the cost to issue an export license. If Commerce developed such cost-based measures, it would be important to have complete and accurate cost data. However, this is currently not the case, as financial audits of most of the major Commerce bureaus and of the Department as a whole have found serious problems with data reliability. This issue is discussed in more detail later.

Connecting Mission, Goals, and Activities

The performance plan goals are linked to Commerce's mission and strategic goals, but they could be more clearly linked to the program activities in its budget request. We found that the plan generally links the Department's budget program activities to its mission and strategic goals and objectives, which are related to annual performance goals. In addition, we found that the plan covers most of the program activities in the Commerce bureaus' fiscal year 1999 budget requests. We also noted that Commerce used its fiscal year 1999 performance plan to modify some of its strategic goals and objectives, but the plan does not explicitly mention these modifications or explain why they were made.

The Results Act requires that agencies' performance plans be consistent with their strategic plans and cover each of their program activities as shown in the president's budget. Commerce's plan shows the relevant strategic themes, goals, and objectives for each Commerce bureau and relates them to the program activities in the bureau's fiscal year 1999 budget request. However, the plan could be improved by more clearly specifying the relationships between Commerce's program activities and its annual performance goals and measures. The current plan's lack of clarity makes it difficult to assess the level of budgetary resources that Commerce expects to devote to its annual performance goals.

Recognizing Crosscutting Efforts

Commerce's performance plan does not completely address the need to coordinate with other agencies that have related strategic or performance goals. Specifically, we found that Commerce's plan identifies, by federal department and agency, many of the crosscutting activities that the Department shares with other federal agencies and relates them to the Department's three strategic themes and to individual Commerce bureaus. For example, the plan links 12 other federal agencies with ITA through the Trade Promotion Coordinating Committee (TPCC). However, the plan simply lists crosscutting programs. It does not show any evidence of, or plans for, coordination with other federal agencies, and it does not indicate how the Department will work with other agencies in addressing shared activities. Neither the plan nor the supporting congressional budget justification documents explain Commerce's role in chairing the TPCC, a key element in ensuring the achievement of the plan's strategic goal of implementing the national export strategy.⁹

Commerce's plan also omits several crosscutting programs and external factors that could affect its performance. For example, although the plan identifies some agencies with programs similar to those of Commerce's National Telecommunications and Information Administration (NTIA), such as the Departments of Agriculture, Defense, and State, some of the related programs at agencies that are identified were not discussed. For example, the Department of Defense is identified in relation to spectrum management and telecommunications research, but not for its role in telemedicine. Another weakness related to crosscutting programs is NTIA's plan to use telephone penetration rates and increases in the connection rates for schools and libraries to measure the success of its advanced telecommunications and National Information Infrastructure (NII) efforts. With all of the other federal and private activities in these areas, it will be difficult to determine NTIA's impact on these data.

The plan acknowledges the need for continued progress in its presentation of crosscutting programs in that it is a "sampling of the many interagency activities in which the Department of Commerce participates." The plan recognizes that the list of programs is not comprehensive and does not prioritize interagency activities. Further, the plan states that a thorough examination of interagency linkages is a Department priority in fiscal year 1998. As the Department undertakes this effort, it can improve its performance plan by discussing how it plans to work with other agencies as well as how it will coordinate interagency efforts, link its unique contributions to desired results, and measure these contributions.

⁹See Export Promotion: Issues for Assessing Governmentwide Strategy (GAO/T-NSIAD-98-105, Feb. 26, 1998).

COMMERCE'S PERFORMANCE PLAN PARTIALLY DISCUSSES THE STRATEGIES AND RESOURCES IT WILL USE TO ACHIEVE ITS GOALS

We found that Commerce's performance plan partially discusses the strategies and resources the Department will use to achieve its goals. We found that the plan provides information on budget amounts and full time equivalent staffing levels by bureau and links its program activities with its strategic goals.

However, the plan generally leaves it to the reader to infer what the Department's strategies are by examining the areas it plans to measure (such as the number of reviews), and it generally does not provide information about the resources the Department plans to devote to its annual performance goals and measures. As noted earlier, it frequently is not clear how many of the plan's annual performance goals and measures relate to the Department's strategic goals or how those goals and measures will be used to assess progress in meeting its strategic goals. The plan could be improved by more clearly describing both how the Department expects its strategies to help accomplish its goals and the resources it plans to apply during the fiscal year to meet those goals.

Connecting Strategies to Results

Commerce's performance plan could provide a more useful discussion of the strategies the Department will use to achieve its performance goals. For example, based on the annual performance goals and measures specified for ITA's strategic goal to "enforce U.S. trade laws and agreements to promote free and fair trade," the performance areas to be measured include reviewing applications, monitoring entries, and conducting investigations. Therefore, these would appear to be the strategies the Department plans to use to meet this goal. The rationale linking these strategies to the results that the Department is trying to achieve, however, is unclear.

A clear understanding of the connection between the Department's strategies and its goals is particularly important since most of the goals and measures are output or process oriented. While the thrust of some of the plan's performance goals and measures, such as increased warning times for tornados, are evident, many are not. For example, it is not clear how the plan's performance measures of canvassing 100 million addresses and printing 118 million census forms will contribute to an accurate and fiscally responsible Census 2000. Further discussion of how the Department expects its strategies to help accomplish its goals would improve the plan.

The plan's usefulness could be improved by more consistently highlighting the major programmatic initiatives that are to receive the bulk of the Department's resources and management attention. For example, in the chapter providing a summary overview of the Department's fiscal year 1999 major goals for science, technology, and information, Commerce's performance plan discusses NIST's Manufacturing Extension Partnership (MEP) program activities but hardly

mentions its Advanced Technology Program (ATP). In fact, the ATP is the largest of NIST's programs. On the basis of information presented in that chapter of the performance plan, however, a reader may be led to believe that MEP is the key program in NIST's portfolio, when in fact it is the ATP that leads the Department's technology development agenda.

Connecting Resources to Strategies

Commerce's performance plan also presents partial information on the resources the Department will use to achieve the targeted performance levels. The plan shows which Commerce bureau is responsible for each strategic goal and objective and related annual performance measures. For fiscal year 1999, the plan provides the total proposed staffing level and budget for each Commerce bureau. For example, the plan states that the Bureau of the Census' fiscal year 1999 budget request is \$1.2 billion, with 16,510 full time equivalent staffing resources.

However, Commerce's plan would be more useful if it provided greater detail about how its resources will be applied to achieve its goals. In the information technology area, for example, the plan does not provide sufficient detail for readers to determine how its information technology will contribute to performance, nor does it refer the reader to other sources of this information (such as the Department's information technology strategic plan). While the plan appropriately acknowledges that Year 2000 computer compliance poses a major management challenge, it does not identify what resources will be applied to achieve Year 2000 compliance. The plan also does not discuss, or refer to other documents that discuss, the resources to be used for improving information security or implementing the Clinger-Cohen Act. Among other things, this act requires agencies to develop an information technology investment strategy and performance measures to assess the application of information technology.

COMMERCE'S PERFORMANCE PLAN DOES NOT PROVIDE SUFFICIENT CONFIDENCE THAT ITS PERFORMANCE INFORMATION WILL BE CREDIBLE

We found that Commerce's performance plan does not provide sufficient confidence that its performance information will be credible. The plan's section on validation and verification of performance measures describes several information systems that the Department uses to develop and support data for measuring performance and provides some high level examples. However, the plan does not explain how the Department will verify and validate its performance data or indicate the sources or limitations of data for specific performance goals and measures.

Verifying and Validating Performance

Commerce's performance plan does not discuss how the agency will ensure that its performance information is sufficiently complete, accurate, and consistent. Specifically, we found that the plan highlights the importance of having credible performance data, generally describes a few sources of performance data, and provides a few examples of how Commerce bureaus verify and validate performance data. For example, the plan says that certain organizations, such as the U.S. Global Changes Research Program and the Tropical Oceans-Global Atmosphere program's Scientific Steering Committee, validate NOAA's performance data. However, the plan does not indicate specifically which NOAA performance data are validated or how they are validated.

In addition, the plan makes few references to major controls, procedures, or audits that are in place or planned to ensure data integrity for specific performance goals and measures. The plan could be improved by including a discussion of the Department's specific plans to ensure the integrity and credibility of its performance data. Such a discussion could provide decisionmakers with better insights into, and confidence in, what the Department is reporting as key performance measures.

The plan could more explicitly acknowledge documented accounting and financial management problems, for example. The Department received a disclaimer of opinion on its fiscal year 1996 and 1997 consolidated financial statements. According to Commerce's IG, the Department is looking to its new Commerce Administrative Management System (CAMS) to provide an effective internal control environment that meets the Chief Financial Officers Act's requirement for a single integrated financial management system. However, the Department continues to face significant challenges and experience considerable delays in implementing CAMS components. In discussing the Department's efforts to meet major management challenges, the plan includes the IG's concern that the Department's financial management systems and controls are not adequate or effective. It also recognizes that CAMS is significantly over its original estimated costs and continues to experience unanticipated performance shortfalls and delays. Commerce's plan indicates that the Department expects to have consolidated financial statements that receive an unqualified audit opinion and to implement a departmentwide financial management system that meets all applicable federal accounting and financial management system standards. However, it does not specify how or when the Department expects to achieve these outcomes. In the meantime, the inability of the IG to verify departmental financial data raises serious questions about the reliability of Commerce's data.

Recognizing Data Limitations

Commerce's performance plan does not identify significant data limitations or their implications for assessing achievement of its fiscal year 1999 performance

goals. Although the plan identifies financial management as a major unresolved management challenge, it does not explicitly acknowledge or discuss known data limitations that raise questions about the validity of some of the performance measures the Department plans to use. For example, the plan does not acknowledge documented or admitted material weaknesses in the Department's internal control structures and financial systems or indicate how and when it plans to resolve them.

The independent audit of the Department's fiscal year 1997 financial statements reported seven material weaknesses in departmental or bureau internal control structures. The Department reported its financial systems as a material weakness in its December 1997 report on the agency's management and internal accounting controls under the Federal Managers' Financial Integrity Act. That report stated that the Department's financial systems were seriously outdated and fragmented; unable to provide timely, complete, and reliable financial information; inadequately controlled; and costly and difficult to maintain. In addition, the report stated that financial internal controls at several Commerce bureaus were not sufficient to preclude material financial reporting problems.

In addition, Commerce's plan did not fully acknowledge the significance and implications of its Year 2000 problem. In its September 1997 semiannual report to Congress, Commerce's IG reported that most of the Department's accounting and feeder systems used two-digit year dates that would become inaccurate after December 31, 1999. The IG's report noted that unless this problem was corrected, there was serious risk that the Department's mission-critical computer applications would cease functioning properly. Originally, several of the Department's Year 2000 concerns were to have been resolved by replacing noncompliant systems with its planned new CAMS. As noted earlier, however, the Department continues to face significant challenges and experience considerable delays in implementing CAMS components. Because of schedule delays and rising costs, the Department now plans to focus on completing a pilot site at the Census Bureau to assess CAMS' viability before implementing it at other locations. Therefore, it now appears likely that CAMS will not be available departmentwide by the year 2000. According to the IG's September 1997 report, the Department has not yet prepared contingency plans for what it will do if CAMS is not available by the year 2000 or if bureau systems falter after December 31, 1999. If Commerce bureaus' systems do falter, this could have a major impact on mission-critical operations, as well as on the availability of departmental performance data.

OTHER OBSERVATIONS

As indicated earlier, one of the strengths of Commerce's performance plan is that it identifies and discusses the major management challenges facing the Department. However, the plan's overall quality and usefulness could be improved by more fully acknowledging the significance and performance implications of (1) external factors beyond the Department's direct control,

such as congressional concerns about the Census Bureau's plans for conducting Census 2000, including the planned use of statistical sampling, and (2) the major unresolved management challenges and high-risk programs that the plan identifies, such as NWS modernization, financial management/CAMS, NOAA's fleet of ships for acquiring marine data and corps of commissioned officers that manage and operate those ships, the Year 2000 computer problem, and other unanswered questions about the conduct of Census 2000. As we reported in connection with Commerce's draft and final strategic plans, the performance plan also could be improved by relating these management problems, high-risk programs, and external factors to the Department's strategic and annual performance goals and indicating how and when Commerce expects to resolve or mitigate them.

AGENCY COMMENTS AND OUR EVALUATION

We provided a draft of this enclosure to the Department of Commerce for official review and comment. On April 27, 1998, the Assistant Secretary for Administration and Chief Financial Officer provided us with written comments. He said that the Department (1) believes that its fiscal year 1999 annual performance plan meets the requirements as well as the spirit of the Results Act and (2) strongly objects to the level of criticism that is implied in our observations on its plan. However, he agreed that Commerce's plan needs to be improved in the areas of crosscutting issues, the content of several performance measures, and the linkages of performance goals with the bureaus' budget activities. The Assistant Secretary said that Commerce plans to examine more closely the linkages between budget and program performance by using the budget account structure. He also pointed out that OMB told Commerce that its performance plan complied with Results Act requirements. In this regard, he said that greater consensus needs to be reached between agencies and between our office and OMB on improved performance measures, as well as on the content and presentation of annual performance plans.

The Assistant Secretary said that he was pleased with the positive assessments that we made of some aspects of Commerce's performance plan, as well as with the constructive nature of some of our criticisms. However, he said that we missed some crucial points about the Department's performance plan and made incorrect criticisms on two major points—inconsistency with our earlier guidance and viewing the performance plan as an isolated document. Also, he questioned our observations on the Commerce plan's (1) incomplete discussion of management issues and problems, (2) presentation of performance goals and measures, and (3) inadequate disclosure of accounting and financial management weaknesses.

The Assistant Secretary expressed concerns about the length and usefulness of Commerce's plan if it contained all of the elements and topics cited in our observations. (Commerce's plan is now 123 pages long.) He said that our observations are inconsistent with the spirit of our earlier governmentwide

guidance on agencies' annual performance plans, including our February congressional guide (GGD/AIMD-10.1.18), which emphasized the need for brevity and the desirability of focusing on "the vital few" performance measures. He pointed out that our draft observations said that Commerce's plan did not completely discuss a number of topics, and he emphasized that Commerce intended its performance plan to be a brief summarization. Our observations that the plan did not completely discuss a number of topics were not intended to mean that the plan should not be succinct and reasonably brief. We recognize that, in developing annual performance plans, agencies must make trade-offs between brevity and completeness. We also recognize that there is not a single way to strike that difficult balance. Nevertheless, we continue to believe that Commerce's plan would be more useful if it contained additional information—or referenced other documents where such information can be found—on some critical issues, such as the Year 2000 problem and other high-risk issues.

The Assistant Secretary also said that our observations seem to view Commerce's performance plan as an isolated document, when instead it should be considered as a companion to the Department's more detailed congressional budget justification documents, strategic plan, and Budget in Brief. He said that our observations raised basic questions about the Department's programs that are clearly addressed in its congressional budget justification documents. In this regard, the Assistant Secretary said that he does not believe that this "isolated perspective" is consistent with the purpose or best use of annual performance plans. He pointed out that there are a range of other documents related to Commerce's performance plan, such as the National Export Strategy plan, that also must be considered. We realize that Commerce's strategic plan, Budget in Brief, and congressional budget justifications, as well as many other Commerce documents, relate to the performance plan and need to be considered to fully understand the Department's approach. However, the Results Act and related guidance require that specific information be included in agencies' annual performance plans, whether or not topics and issues are addressed in more detail in other Commerce documents, and these are the criteria that we used to judge the adequacy and completeness of Commerce's plan. To clarify our observations on the relationship of the annual performance plan to the budget justification documents, however, we modified our language in this report and now point out that, at a minimum, the plan should refer the reader to these documents when appropriate. Moreover, as noted in our observations, the budget justifications appear at times to provide more informative discussion than does the annual plan.

Concerning management issues, the Assistant Secretary questioned the utility of elaborating in the plan on unresolved management issues and problems where progress is being made in addressing them. We continue to believe that Commerce's plan could be improved by more fully acknowledging the significance and performance implications of unresolved management problems, as well as by discussing external factors beyond the Department's direct control

that could affect achievement of its goals. In this regard, OMB memorandum M-98-04, January 29, 1998, which transmitted additional guidance on annual plans, states that "performance goals for corrective steps for major management problems should be included for problems whose resolution is mission-critical, or which could materially impede the achievement of program goals." We also continue to believe that the plan should more closely relate these management problems and external factors to the Department's goals and indicate how and when Commerce expects to resolve or mitigate them. The Assistant Secretary also said that, according to OMB, cost accounting measures should not be contained within the array of program performance outcomes, whereas our observations indicated a desire to see them. We continue to believe that cost-based performance goals and measures are needed. In this regard, OMB Circular A-11, sec. 220.10 (b), says that "agencies should strive to include goals or indicators for unit cost, even if only approximate costs can be estimated. In time, as operational cost accounting systems become prevalent, agencies will be expected to include selected unit cost measures."

Regarding our observations on the plan's presentation of performance goals and measures, the Assistant Secretary said that he cannot understand how we could consider the presentation to be unclear. He also said that our observations on the plan's emphasis of MEP at the expense of ATP seem unwarranted. In response, we revised our discussion to clarify our observation that the Department could improve the usefulness of its plan by describing how the performance measures it has established will result in its meeting its strategic and annual goals. We also now explain that our concern that the plan did not highlight ATP is related to the need to consistently include such references throughout the plan. We continue to believe that a reader of the plan's chapter on key goals and objectives in the science, technology, and information area may assume that MEP is the key program in NIST's portfolio, when in fact it is ATP.

On May 29, 1998, we met with the Assistant Secretary and several key members of his staff, at Commerce's request, to discuss how the Department could improve its fiscal year 2000 performance plan. We summarized our observations from this report on where and how the Department's plan could be improved. Also, we discussed governmentwide efforts as well as the efforts of other federal agencies aimed at improving selected performance plan topics and elements.

RELATED GAO PRODUCTS

2000 Census: Preparations for Dress Rehearsal Leave Many Unanswered Questions (GAO/GGD-98-74, Mar. 26, 1998).

National Weather Service: Budget Events and Continuing Risks of Systems Modernization (GAO/T-AIMD-98-97, Mar. 4, 1998).

Export Promotion: Issues for Assessing the Governmentwide Strategy (GAO/T-NSIAD-98-105, Feb. 26, 1998).

Managing For Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

The Results Act: Observations on Commerce's June 1997 Draft Strategic Plan (GAO/GGD-97-152R, July 14, 1997).

Federal Management: Addressing Management Problems at the Department of Commerce (GAO/T-GGD/AIMD-97-115, May 14, 1997).

KEY GAO CONTACT

Laurie E. Ekstrand, Associate Director, Federal Management and Workforce Issues, General Government Division, (202) 512-8676

COMMENTS FROM THE DEPARTMENT OF COMMERCE



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

APR 27 1998

Mr. L. Nye Stevens
Director, Federal Management and Workforce Issues
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Stevens:

Thank you for your April 16, 1998, letter to Alan Balutis, which contained GAO staff comments on the Department of Commerce's Annual Performance Plan (APP) prepared under the Government Performance and Results Act (GPRA). As Alan discussed with you by phone, we could not provide a complete written response to you by April 17, your requested deadline. We trust you will still accept the comments in this letter.

INVOLVEMENT WITH OMB

As you may know, OMB reviewed the Department of Commerce APP and has stated that it was compliant with GPRA requirements. OMB's finding came after extensive review by OMB and interaction with the Department. Following our submission of the initial version of the Department's APP, we received a written evaluation from OMB on February 20. In a series of working sessions in February and March which included OMB Acting Deputy Director Ed DeSeve, we resubmitted a final version on March 11 which OMB approved. Changes made as a result of these meetings included strengthening our discussion on verification and validation of performance measures, integrating the Secretarial initiatives throughout the document, and better integrating the goals in Chapters 1 to 3 with the performance measures in Chapter 4. Throughout the process, the Department continued to consult with the bureaus on input to ensure that any changes made to the APP addressed their concerns. With OMB's concurrence, the final version was submitted to you on March 18.

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CONCERN WITH GAO COMMENTS

I am pleased with the positive assessments that some aspects of our APP received from your staff, as well as the constructive nature of some of your criticism. However, I believe that your letter missed some crucial points about our APP and that it makes incorrect criticisms on two major points.

1. GAO Comments Contravenes Earlier GAO Guidance

First, some of your comments are inconsistent with the spirit of the guidance that we and other agencies have received from GAO in recent months, including your February, 1998, publication "Agencies' Annual Performance Plans Under The Results Act -- An Assessment Guide to Facilitate Congressional Decision Making." For example, your letter states that our APP "does not completely discuss" a number of topics. We decided to make our APP a reasonably brief summarization. This was both intentional and a direct response to written and verbal guidance from GAO management and staff, which emphasized the need for brevity and the desirability of focusing on "the vital few" goals and measures (see pg 11 of your February 1998 guide). Our bureau directors and other senior officials worked in a coordinated fashion to do exactly that in our APP. Our APP closely links to the Strategic Plan and the FY 1999 budget, and it contains the goals, objectives, and performance measures that each bureau heads actually use in managing their programs and in working with the Secretary, OMB, the Congress, and their stakeholders. The APP has been designed to be a working document that all bureau heads will use for FY 1999, rather than a public relations-oriented publication that will have no practical application. I believe that if our APP were to have contained all of the elements and topics cited in your letter, it would grow into a document of several hundred pages, and be difficult, if not impossible, to use.

2. APP is One Portion of Commerce Budget Documents

Second, I am concerned that your comments seem to view our APP as an isolated document. In fact the APP is an integral part of our budget justifications. It must be considered as a companion to our bureau budget justifications, as well as Strategic Plan, and Budget in Brief. In addition there are a

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range of other documents that relate to the APP, including the President's Budget and the annual "National Export Strategy" plan, which discusses the Commerce role in the Trade Promotion Coordinating Committee, must be considered. I do not believe that this "isolated" perspective is consistent with the purpose (or best use) of APPs, and I know that virtually all other agencies feel the same way. Your letter raised basic questions about our programs which are clearly addressed in our budget justifications.

MANAGEMENT ISSUES

Your letter makes reference to a number of reports that GAO or our Office of the Inspector General have prepared regarding Commerce programs in recent years. Progress has been made on many of them: we are following a more focused and effective implementation process for CAMS; we have received a qualified audit opinion for NOAA and an unqualified opinion for Census; a newer plan for the TPCC shows stronger budget coordination; and our Y2K planning process has been favorably reviewed. However, I do not see the utility of bringing in these reports, which are not a part of the APP process and where progress is being made, into a review of our APP.

Your letter also expresses some criticism of the format we have used to present our goals, objectives, and performance measures. We believe that our presentation, which is the heart of our APP and is contained in pages 31-76, is quite clear: we cite the goal, the objective, the name of the performance measure, and the target levels for that measure for FY 1997-1999. It is hard to understand why that presentation could be considered unclear.

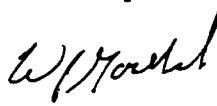
Your letter cites some areas where I agree that additional work needs to be done. We are focusing on those areas over the near term, so that the FY 2000 APP will address them more fully than they were addressed in the FY 1999 APP. We will be devoting analytical attention to our interagency partnership listing, and to the content of several of our performance measures. We will also be working with OMB and other agencies on sharpening those measures. But even here, some greater consensus will have to be reached between agencies and between OMB and GAO. For example, OMB has stated that cost accounting measures should not be

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contained within the array of program performance outcomes, whereas your comments state the desire to see them. Also, we should discuss any differences in emphasis or selection of performance measures before comments are made. For example, you criticize that MEP is highlighted more than ATP on pp. 16-17, but in Chapter 4 of our APP, ATP and MEP are equally represented, and, consequently, the comment seems unwarranted. We also plan to examine more closely the linkages between budget and program performance using the budget account structure. At the same time, however, you should be aware that Congress has previously rejected a revision to the account structure we proposed for NOAA.

In conclusion, the Department believes that our APP meets the requirements and spirit of GPRA. We object strongly to the level of criticism that is implied in your draft comments. It is compliant with GPRA. We intend to work aggressively both within the Department, and with OMB and GAO to improve performance measures where improvement is needed. We are also happy to discuss separately specific program issues or concerns based on previous GAO reports. Please feel free to call me or Linda Bilmes, my Deputy, for any follow-up to this response.

Sincerely,



W. Scott Gould

(410269)

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