

U.S. DEPARTMENT OF COMMERCE
Office of Inspector General



**PUBLIC
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***NATIONAL TELECOMMUNICATIONS
AND INFORMATION ADMINISTRATION***

*Reporting of Performance Measures
Needs Improvement*

Final Audit Report No. FSD-12856/September 2000

Office of Audits, Financial Statements Audits Division





September 20, 2000

MEMORANDUM FOR: Gregory L. Rohde
Assistant Secretary for Communications and Information

FROM:

Johnnie E. Frazier

SUBJECT:

Reporting of Performance Measures Needs Improvement
Final Audit Report No. FSD-12856

This is our final report on the performance measures used by the National Telecommunications and Information Administration. Our audit found a commitment on the part of the bureau to the verification and validation of its performance data. However, additional efforts are needed to ensure the accuracy and reliability of data contained in reports submitted by the Department of Commerce. Specifically, we found that for the performance measures on increased Internet accessibility and increased telephone subscription rates, NTIA did not disclose that the performance results were not directly attributable to its programs. We also found that internal controls needed to be strengthened to ensure that performance information is reported consistently. We recommend that actions be taken (1) either to revise the performance measures on Internet accessibility and telephone subscription rates or to provide adequate disclosure that the bureau is not directly responsible for the results, and (2) establish coordination procedures to ensure that NTIA fiscal year performance data is reported consistently in the Accountability Report and in the reports submitted under the Government Performance and Results Act of 1993 (GPRA). (See pages 5-7.)

Your response to the draft report expressed agreement with the findings and recommendations, and noted that corrective action has been taken. We have incorporated your comments into this final report, and your complete response is attached.

Please provide your audit action plan addressing the recommendations for our concurrence within 60 days of the date of this memorandum in accordance with Department Administrative Order (DAO) 213-5. The plan should be in the format of Exhibit 7 of the DAO. Should you have any questions regarding the preparation of the audit action plan, please contact me at (202) 482-4661, or Thomas McCaughey, Director, Financial Statements Audits Division, at (202) 482-6044. We appreciate the cooperation and courtesies extended to us by your staff during the review.

INTRODUCTION

This report presents the results of the OIG's audit of NTIA's collection and reporting of performance measurement data. As part of its efforts to meet the requirements of GPRA and the Chief Financial Officers Act of 1990, as amended by the Government Management Reform Act of 1994 (GMRA), the Department of Commerce reports NTIA's performance results. To be useful to the Congress, the Office of Management and Budget, and the public, the performance data must be credible. We performed our review to examine NTIA's efforts to ensure that reported performance results were accurate, consistent, and reliable.

GPRA was established in 1993 to improve the effectiveness, efficiency, and accountability of federal programs by requiring agencies to set goals for program performance and to report on annual performance compared with the goals. The Department of Commerce FY 1999 Annual Program Performance Report was the Department's initial effort to report and comment on the performance results of its reporting entities, including NTIA. NTIA performance data was also presented in the Department's FY 1999 Accountability Report, its first.¹

As the President's principal adviser on telecommunications and information policy issues, NTIA's mission is to promote the efficient and effective use of telecommunications and information resources in a manner that creates job opportunities, enhances U.S. competitiveness, and raises the standard of living.² In support of its mission, NTIA included five performance measures in the Department's FY 1999 Annual Program Performance Report, and the FY 2001 Annual Performance Plan, and three of those measures in the FY 1999 Accountability Report. NTIA performance measures for FY 2000 will include (1) the number of filings, testimony, and speeches; (2) the number of authorized spectrum assignments; (3) increase Internet accessibility and use; (4) maintain or increase current telephone subscription rates; and (5) the number of models/grants available for non-profit or public sector organizations. The performance measure on the number of filings, testimony, and speeches replaces the FY 1999 performance measure on "lessons learned" packages completed for foreign governments. (See Table 1.)

To be useful in reporting on the fulfillment of GPRA requirements and in improving program results, the data must be accurate and reliable. GPRA legislation introduces the concepts of data verification and validation, which refer to quality control needed to ensure that users such as the Congress and OMB can have confidence in the reported performance information. Verification

¹ GMRA authorizes the streamlining and consolidation of certain statutory financial management and performance results into a single accountability document.

² *NTIA Strategic Plan (1999-2004), January 1999.*

is the assessment of data completeness, accuracy, and consistency, while validation is the assessment of whether the data is appropriate for the performance measure.³

TABLE 1

NTIA Performance Measures	FY 1999 Accountability Report	FY 1999 Annual Program Performance Report	FY 2001 Annual Performance Plan
Number of filings, testimony, and speeches			T
Number of authorized spectrum assignments	T	T	T
Increase Internet accessibility and use	T	T	T
Maintain or increase telephone subscription rates		T	T
Number of models/grants available for non-profit or public sector organizations	T	T	T

The Executive Committee, which consists of NTIA senior officials and is supported by the Chief of the Policy Coordination Division in the Office of Policy Coordination and Management, is responsible for the bureau's strategic planning process. The Office of Policy Coordination and Management is responsible for performance information contained in the Annual Program Performance Report, while the Budget Division is responsible for the performance information contained in the Accountability Report. NTIA has a representative on Commerce's Strategic Planning Task Force to coordinate the bureau's GPRA efforts with the Department.

In their comments on government-wide implementation of GPRA, both the Congress and the General Accounting Office (GAO) have emphasized the importance of performance data being credible. Management is responsible for establishing policies or procedures to ensure that data can be relied upon. NTIA has demonstrated a commitment to the verification and validation of performance data through its senior executive attention to bureau progress on GPRA, use of software checks and validations to test frequency applications, and training for federal spectrum managers.

³ *Performance Plans: Selected Approaches for Verification and Validation of Agency Performance Information*, U.S. General Accounting Office, GAO/GGD-99-139, July 30, 1999.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our audit objectives were to (1) assess the collection and reporting of NTIA performance information in documents submitted to meet GPRA reporting requirements (the FY 1999 Annual Program Performance Report and the FY 2001 Annual Performance Plan) and GMRA requirements (the FY 1999 Accountability Report) and (2) determine whether internal controls are sufficient to ensure that performance data is accurate, consistent, and reliable. The determination as to whether NTIA performance measures are the most appropriate for the bureau was not within the scope of our audit. Our audit focused on the performance measures that the bureau plans to report on for FY 2000 and on bureau efforts to ensure data quality and reliability.

We performed our review from April to July 2000 by identifying and testing internal controls surrounding performance measures; assessing NTIA's commitment to data reliability; performing procedures to validate and verify performance data; and interviewing departmental and NTIA officials responsible for generating, maintaining, and reporting the performance data. Since we relied on computer-generated data for part of our review, we reviewed applicable controls to ensure the data's accuracy. Our field work was conducted at NTIA headquarters in Washington, D.C.

For the performance measure on the number of models/grants available for non-profit or public sector organizations, we reviewed the entire universe of 43 models and grants awarded in FY 1999. For the measure on the number of authorized spectrum assignments reported in FY 1999, we evaluated general and application controls over the system generating the data. For the measures on increase Internet accessibility and use and maintain or increase current telephone subscription rates, we did not perform detailed verification and validation procedures because we concluded that NTIA was not directly responsible for the reported results. Our review of the performance measure on number of filings, testimony, and speeches was limited because this is a new measure for FY 2000. The audit was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, and was performed under the authority of the Inspector General Act of 1978, as amended, and Department Organizational Order 10-13, dated May 22, 1980, as amended.

FINDINGS AND RECOMMENDATIONS

I. Reporting of Performance Information Can Be Improved

We found that there was adequate linkage to NTIA programs and activities for the performance measures on the number of filings, testimony, and speeches; the number of authorized spectrum assignments; and the number of models/grants available for non-profit or public sector organizations. However, additional improvements are needed in the reporting of NTIA's

performance measures on increased Internet accessibility and increased telephone subscription rates because these two measures are not directly linked to NTIA programs and activities. NTIA did not disclose in the FY 1999 Annual Program Performance Report that the results for the performance measures on increased Internet accessibility and increased telephone subscription rates cannot be directly linked to the bureau's outputs or outcomes. While only the measure on increasing Internet accessibility and use was included in the FY 1999 Commerce Accountability Report, appropriate disclosure was not included in this report either. An NTIA official stated that these two measures were selected because they were closely related to NTIA's mission and telecommunications policies. Also, for the measure on increased Internet accessibility, the FY 1999 Annual Program Performance Report stated in the analysis section, "Internet accessibility and use objectives were substantially achieved based upon NTIA's activities in FY 1999."

Department GPRA guidance requires a direct link of measures to bureau programs and activities. Specifically, it states "Performance measures should be linked directly to the offices that have responsibility for making programs work. A clear connection between performance measures and program offices helps to both reinforce accountability and ensure that, in their day-to-day activities, managers keep in mind the outcomes their organization is striving to achieve."⁴ In addition, OMB Circular No. A-11, *Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports*, dated July 1999, states, "An agency may selectively include comments on the quality of the actual performance data included in the Annual Program Performance Report, where such comments would be helpful in understanding the accuracy or validity of the data reported." Without disclosure to show that NTIA is not directly responsible for the performance results achieved, the reporting for these measures is misleading, and the accuracy and reliability of the reported information is reduced.

Recommendation

We recommend that the Assistant Secretary for Communications and Information require that action be taken to either revise the performance measures on Internet accessibility and telephone subscription rates to address outputs or outcomes more directly linked to NTIA programs or provide adequate disclosure that the bureau is not directly responsible for the results.

⁴ The Department's GPRA guidance is based on Commerce's interpretation on performance measures as published by GAO. According to the Chief of the Systems and Policies Division, the guidance was issued in FY 1997.

Assistant Secretary for Communications and Information Response and OIG Comments

In his written response to the draft report, the Assistant Secretary for Communications and Information agreed with our findings and recommendation and stated that the recent drafts of the Department of Commerce FY 2000-2005 Strategic Plan do not include Internet accessibility or telephone subscription rates as NTIA performance measures. The response added that NTIA has substituted measures that are more directly linked to NTIA programs. These actions are consistent with the intent of our recommendation.

II. NTIA Can Make Additional Improvements to Internal Controls

Additional improvements are needed in NTIA's internal controls to ensure that performance information is reported consistently. For example, we found that one measure was not accurately reported in the Department's FY 1999 Annual Program Performance Report or its FY 1999 Accountability Report. A second measure was reported appropriately in the Accountability Report, but not in the Annual Program Performance Report.

For the performance measure on the number of authorized spectrum assignments, results as of November 26, 1999, were reported, instead of the results as of September 30, 1999, the end of the fiscal year. Each of the reports is supposed to cover performance through September 30, 1999, and neither discloses the fact that the number of authorized spectrum assignments covers a longer period. As a result, 437,313 authorized frequency assignments was reported as of November 26, 1999, instead of 434,728 as of the end of fiscal year 1999.

The data used to report performance information in the two reports was obtained from the CD ROM used to store Government Master File spectrum assignment data. That CD ROM was not produced for the end of the fiscal year 1999 due to a system hardware transition of NTIA's Frequency Management Records System. Also, two federal agencies had requested that NTIA not include their records on the CD ROM; thus, the source used for reporting performance results was incomplete. A more reliable source is the Frequency Management Records System, which updates the Government Master File on a weekly basis and contains all agencies' records.

For the performance measure on increased Internet accessibility and use, data covering only the first quarter of FY 1999 was reported. The FY 1999 Accountability Report disclosed that the result of 26 percent saturation for the measure on increased Internet accessibility and use was as of December 1998, but this disclosure was not included in the FY 1999 Annual Program Performance Report.

As a result, it was not clear in the document submitted to satisfy GPRA requirements that the actual result was based on a “Current Population Survey” on household penetration conducted by the Census Bureau in December 1998. Procedures were not in place to ensure consistent reporting in the Accountability Report and the Annual Program Performance Report.

Documented procedures for coordination review efforts are needed to ensure consistent reporting in the Accountability Report and the GPRA reports. NTIA officials having oversight over performance measures told us that NTIA’s Budget Division, which is responsible for performance data contained in the Accountability Report, and the Policy Coordination Division, which has responsibility for performance data contained in the Annual Program Performance Report, are prepared to coordinate when it comes time to report for FY 2000.

OMB Circular No. A-123, *Management Accountability and Control*, defines management controls as organization policies and procedures used by agencies to reasonably ensure that reliable and timely information is obtained, maintained, reported, and used for decision-making. Also, GAO’s *Standards for Internal Control in the Federal Government*, issued November 1999, states that internal control and all transactions need to be clearly documented and should appear in management directives, administrative policies, or operating manuals in paper or electronic form.

Recommendation

We recommend that the Assistant Secretary for Communications and Information require that coordination procedures are established to ensure that NTIA fiscal year performance data is reported consistently in the Accountability Report and the reports prepared under GPRA.

Assistant Secretary for Communications and Information Response and OIG Comments

In his written response to the draft report, the Assistant Secretary for Communications and Information agreed with our findings and recommendation, stating that NTIA has emphasized the importance of coordination on all agency reports, regardless of the division or office preparing the input. The response stated that as NTIA gains more experience with the Departmental reporting requirements, the bureau’s goal will be to provide clear and consistent data on agency performance. The response is consistent with the intent of our recommendation.

Attachment

cc: Sarah Maloney, Chief, Policy Coordination Division, NTIA
Clifton Beck, Budget Officer, NTIA




ATTACHEMENT

UNITED STATES DEPARTMENT OF COMMERCE
The Assistant Secretary for Communications
and Information
Washington, D.C. 20230

SEP 13 2000

MEMORANDUM FOR: Edward L. Blansitt
Deputy Inspector General

FROM: Gregory L. Rohde 

SUBJECT: *Reporting of Performance Measures Needs Improvement*
Draft Audit Report No. FSD-12856

Thank you for the opportunity to review and comment on the subject draft report. This report recommends that actions be taken to (1) either revise the performance measures on increasing internet accessibility and maintaining or increasing telephone subscription rates to address outputs or outcomes more directly linked to NTIA programs or to provide adequate disclosure that the bureau is not directly responsible for the results, and (2) establish coordination procedures to ensure that NTIA fiscal year performance data is reported consistently in the Accountability Report and in the reports submitted under the Government Performance and Results Act of 1993 (GPRA).

NTIA agrees with these recommendations and has effectively implemented them. The recent drafts of the Department of Commerce FY 2000-2005 Strategic Plan do not include Internet accessibility or telephone subscription rates as NTIA performance measures. NTIA has substituted measures which are more directly linked to NTIA programs.

NTIA has also emphasized the importance of coordination on all agency reports, regardless of the division or office preparing the input. As we gain more experience with the Departmental GPRA reports and other reporting requirements, such as the Accountability Report, our goal will be to provide clear and consistent data on agency performance.

We appreciate the cooperation and respect for NTIA's work demonstrated by your staff. If you have any further questions, please call my office on 202-482-1835.