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

General Government Division

B-283124

July 20, 1999

The Honorable Dick Armey
Majority Leader
House of Representatives

The Honorable Dan Burton
Chairman, Committee on Government Reform
House of Representatives

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

Subject: Observations on the Department of Commerce's Fiscal Year 2000 Performance Plan

As you requested, we have reviewed and evaluated the fiscal year 2000 performance plans for the 24 Chief Financial Officers (CFO) Act agencies that were submitted to Congress as required by the Government Performance and Results Act of 1993 (Results Act). Enclosure I to this letter provides our observations on the fiscal year 2000 performance plan for the Department of Commerce. Enclosure II lists management challenges we and Commerce's Inspector General identified that face the agency and the applicable goals and measures in the fiscal year 2000 annual performance plan.

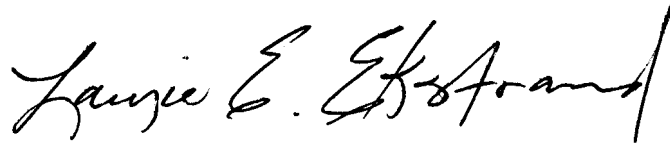
Our objectives were to (1) assess the usefulness of the agency's plan for decisionmaking and (2) identify the degree of improvement the agency's fiscal year 2000 performance plan represents over the fiscal year 1999 plan. Our observations were generally based on the requirements of the Results Act, guidance to agencies from the Office of Management and Budget (OMB) for developing the plan (OMB Circular A-11, part 2), our previous reports and knowledge of Commerce's operations and programs, and our observations on Commerce's fiscal year 1999 performance plan. Our summary report on the CFO Act agencies' fiscal year 2000 plans contains a complete discussion of our objectives, scope, and methodology.¹

As agreed, unless you announce the contents of this letter earlier, we plan no further distribution until 30 days from the date of this letter. The major contributors to this report

¹ Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans (GAO/GGD/AIMD-99-215, July 20, 1999).

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are listed in enclosure III. Please call me on (202) 512-8676 if you or your staff have any questions.

A handwritten signature in black ink that reads "Laurie E. Ekstrand". The signature is written in a cursive, flowing style.

Laurie E. Ekstrand

Associate Director, Federal Management
and Workforce Issues

Enclosures - 3

Observations on the Department of Commerce's Annual Performance Plan for Fiscal Year 2000

The Department of Commerce invested a substantial amount of effort in performance planning and in improving the overall format and presentation of its performance plan over the previous year's, with considerable success. Commerce's fiscal year 2000 annual performance plan provides a general picture of intended performance across the department, a general discussion of strategies and resources the department will use to achieve its goals, and limited confidence that the department's performance information will be credible. The plan should be useful to decisionmakers in that it contains departmental crosscutting or management improvement goals as well as individual bureau performance goals and targets that generally are focused on results, briefly summarizes the means and strategies that will be used to achieve those goals, and contains a verification/validation section for each performance goal and measure. For example, the plan contains useful outcome-oriented performance goals and targets for improving both the lead times and accuracy of short-term severe weather warnings and forecasts for tornadoes, flash floods, and severe thunderstorms. These goals and targets are related to a departmental priority goal to reduce and mitigate the impacts of natural disasters and to the National Weather Service's (NWS) technology modernization project to improve weather warning and forecast services, a project which remains on our governmentwide high-risk list.

Figure 1 highlights the plan's major strengths and key weaknesses as Commerce seeks to make additional improvements to its plan.

Figure 1: Major Strengths and Key Weaknesses of Commerce's Fiscal Year 2000 Annual Performance Plan

Major Strengths

- Includes performance goals and measures linked to strategic themes/goals and to departmental priority crosscutting and management improvement goals.
- Contains results-oriented goals and measures for many key missions.
- Discusses major management challenges and program risks.
- Summarizes the means and strategies and identifies/discusses key crosscutting activities for each strategic goal and set of related performance goals.
- Plan's organization and presentation are useful and reader-friendly.

Key Weaknesses

- Does not contain specific performance goals and targets for some activities or clearly show how budgetary resources relate to performance goals.
- Does not discuss crosscutting coordination efforts or evidence coordination.
- Does not clearly show how strategies and resources will be used to achieve stated annual goals and performance targets.
- Does not describe strategies to mitigate the effects of identified external factors.
- Does not clearly describe efforts to verify and validate performance data or discuss the implications of known performance data limitations.

The Department of Commerce's fiscal year 2000 performance plan represents a moderate improvement over the fiscal year 1999 plan in that it addresses most, but not all, of the weaknesses that we identified in our assessment of the fiscal year 1999 plan. In reviewing the fiscal year 1999 plan, we observed that it provided only a partial picture of intended performance across the department; discussed, to some extent, the strategies and resources that Commerce bureaus would use to achieve targeted levels of performance; and did not provide sufficient evidence or confidence that performance data would be accurate, complete, and credible.¹ For example, the plan did not (1) include outcome-oriented goals for many key activities, such as the 2000 Decennial Census, or clearly show how many of the output-oriented goals related to results; (2) discuss the performance implications of known management and data capacity problems, high-risk programs, and external factors; (3) describe the crosscutting activities Commerce shares with other government entities or evidence coordination; or (4) adequately discuss the strategies and procedures to verify and validate performance and Commerce's capacity to produce accurate and reliable data to measure. Because of Commerce's "holding company" nature, the diversity of its missions and functions, and its historically decentralized management approach, we also expressed concerns about Commerce's ability to develop and present focused, useful departmentwide strategic and annual performance plans that both (1) cover all of its programs and activities and (2) meet the criteria in the Results Act and other guidance.

Among improvements in the fiscal year 2000 plan are (1) fewer and more targeted strategic goals, annual performance goals, and performance measures; (2) more outcome-oriented performance goals and measures and interim process goals and measures to better gauge progress toward achieving long-term scientific, social, and public works investment goals; (3) new plan sections on external factors, means and strategies, governmentwide crosscutting activities, and resource requirements for each strategic goal and related set of annual performance goals and measures; (4) more complete discussions of management challenges relating to NWS modernization and the 2000 Decennial Census that have been reported to be high-risk by the Commerce Inspector General (IG) and our office; and (5) a new plan section on performance verification and validation for each annual performance goal and measure that shows data sources, frequency, verification strategy/procedure, data storage information, and in most cases the baseline data. For example, the plan contains measurable interim and process goals and related baseline and trend data to gauge the Economic Development Administration's (EDA) progress in achieving its long-term strategic goal to "create jobs and

¹Results Act: Observations on the Department of Commerce's Annual Performance Plan for Fiscal Year 1999 (GAO/GGD-98-135R, June 24, 1998).

private enterprise in economically distressed communities,” a goal that will take up to 9 years to fully realize.

As we reported in our recent special series report on major management challenges and program risks facing the Department of Commerce,² the department agrees that its earlier Results Act plans were lacking in several respects and seems committed to improving the quality and usefulness of its future plans. At their request, we had several meetings with Commerce officials to discuss how the department could improve its fiscal year 2000 annual performance plan. Commerce made a concerted effort to improve its fiscal year 2000 annual performance plan and succeeded in developing and presenting a more useful departmentwide plan that (1) better covers its departmental integration efforts and priority goals as well as its numerous and disparate programs, activities, and individual bureaus and (2) more fully meets the criteria in the Results Act and related guidance. Although Commerce’s fiscal year 2000 plan continues to have weaknesses in three core areas that are key for congressional and executive branch oversight and decisionmaking—annual performance goals and measures, strategies and resources, and performance verification and validation—the plan’s overall organization, presentation and readability, and usefulness has been greatly improved, and it can serve as a framework for improving the content of the department’s future annual performance plans.

Commerce’s Performance Plan Provides a General Picture of Intended Performance Across the Department

Commerce’s performance plan provides a general picture of intended performance across the department. First, Commerce’s plan defines expected performance by (1) describing the department’s strategic themes and the numerous and diverse missions of its operating bureaus, (2) discussing 11 priority departmental crosscutting or management improvement goals, and (3) setting objective and measurable annual performance goals and measures for most of the department’s strategic goals. Second, the plan connects the annual performance goals and measures to Commerce’s 3 strategic themes, strategic goals, and 11 priority goals. Third, the plan recognizes a number of crosscutting programs and activities of other federal agencies that are related to Commerce bureaus’ strategic goals and activities. However, the plan also continues to have weaknesses in these areas.

²Major Management Challenges and Program Risks: Department of Commerce (GAO/OCG-99-3, January 1999).

Commerce's fiscal year 2000 annual performance plan includes departmental priority goals and performance targets that cut across bureau lines and are related to the department's three strategic themes and to the goals and performance measures of the individual Commerce bureaus. For example, the 11 priority departmental crosscutting or management improvement goals relate to the decennial census, statistical infrastructure, natural resources, reducing or mitigating the effects of natural disasters, broadening trade, technology infrastructure, assisting distressed communities, critical infrastructure protection, making Commerce a digital department and a national leader in using technology to improve customer service, clean financial audits, and transforming the Patent and Trademark Office (PTO) into a Performance Based Organization (PBO). However, the plan does not contain specific, measurable annual performance goals and targets for the technology infrastructure, assisting distressed communities, and digital department goals. Also, the plan's cited annual performance goals and targets for transforming PTO into a PBO relate to PTO's processing times (in months) for patents and trademarks, not to PTO's candidacy or capacity to be a PBO.

In terms of defining expected performance, the plan generally addresses many important dimensions of program performance, balances competing priorities, and has a results-oriented focus. The National Oceanographic and Atmospheric Administration's (NOAA) portion of the plan makes extensive use of clear, results-oriented performance goals and measures for its various missions. As indicated earlier, for example, the plan provides a clear picture of the NWS' performance goals for short-term severe weather warnings and forecasts. The goals are directly linked to the NWS mission, Commerce's economic infrastructure theme and priority crosscutting goal to reduce and mitigate the effects of natural disasters, and to the \$4.5 billion investment that NWS has made to date in new radars, satellites, and models associated with the NWS modernization. These goals and targeted performance levels, such as a lead time of 12 minutes at 70 percent accuracy for tornadoes, balance the competing priorities of increasing warning lead times and also increasing the accuracy of those warnings and forecasts.

In the other Commerce area that is on our governmentwide high-risk list—the 2000 Decennial Census—the plan's picture of intended performance is less clear and does not cover all aspects of performance. The plan has a priority departmental and Bureau of the Census goal to reduce the net population undercount from 1.6 percent in 1990 to 0.1 percent for 2000. The plan also has performance goals relating to the timeliness and relevancy (customer satisfaction) of 2000 Decennial Census data as well as for economic and demographic data. However, the plan's performance goals and targets for the 2000 Decennial Census are of limited value because they are predicated on using statistical sampling techniques to address the census undercount. Because of legal questions and methodological concerns surrounding the use of sampling, in March 1998 Congress directed

Commerce to prepare plans for a traditional nonsampling census, in addition to efforts it already had under way to plan a sampling-based census. In response, Commerce submitted a general plan for a nonsampling census in January 1999. In late January 1999, shortly before Commerce issued its 2000 performance plan, the Supreme Court ruled that sampling could not be used for reapportioning congressional seats.

Commerce's fiscal year 2000 annual performance plan acknowledges this ruling, says that the Bureau will develop an alternative plan for conducting the 2000 Decennial Census, and indicates that both the accuracy and cost effectiveness of the census will be reduced without sampling. However, the plan provides an unclear, incomplete picture of intended performance in the census area because it does not (1) reflect current plans for both the census, (2) include cost estimates for a revised approach to the census, or (3) discuss the specific effects such an approach likely would have on the department's accuracy, timeliness, and customer satisfaction targets. Also, we noted that the plan does not contain any cost-based performance goals and targets to show how efficiently the Bureau expects to perform certain operations and activities. As of mid-April 1999, Commerce had not finalized its 2000 Decennial Census approach or developed revised cost or accuracy estimates.

The plan, in each section on performance goals and measures, identifies and briefly describes many of the crosscutting programs and activities of other federal agencies that contribute to the same or similar results and how they are related. Also, appendix 6 of the plan relates the programs and activities of Commerce bureaus to other federal agencies. However, the plan does not identify any complementary performance goals and measures, discuss Commerce's crosscutting coordination efforts or plans, or evidence any coordination between Commerce and other federal or public entities. For example, the plan does a good job of identifying and describing the crosscutting activities of other federal agencies that have a role in the International Trade Administration's (ITA) strategic goal to "enforce U.S. trade laws and agreements to promote free and fair trade." The plan cites the U.S. Trade Representative, International Trade Commission, U.S. Customs Service, and the Departments of Justice, State, and Treasury and briefly describes how their activities relate to those of ITA. However, the plan does not indicate whether and how ITA has coordinated or intends to coordinate its interagency activities in this area or evidence any plan coordination with these agencies.

The fiscal year 2000 performance plan represents moderate improvement in that it addresses most, but not all, of the weaknesses that we identified in our assessment of the fiscal year 1999 performance plan as it relates to providing a clear picture of intended performance across the agency. In reviewing the fiscal year 1999 plan, we observed that the plan provided only a partial picture of intended performance across the department. Specifically, we found that Commerce's fiscal year 1999 plan had weaknesses in the three core areas of defining

expected performance; connecting mission, goals, and activities; and recognizing crosscutting efforts. For example, (1) most of the plan's performance goals and measures were output- or process-oriented, and it was unclear how those goals and measures would be valid indicators of progress toward Commerce's strategic goals, whether they covered key aspects of performance, or how they related to results; (2) in some cases, such as for four of EDA's seven strategic objectives, there were no measurable annual performance goals and no intermediate outcome or process measures for gauging progress in meeting the long-term strategic goals; (3) the 1999 plan contained little discussion of external factors that could affect Commerce's ability to achieve its performance goals and did not adequately acknowledge and discuss the significance and performance implications of documented management problems and high-risk programs; (4) the plan did not contain cost-based performance goals and measures to show how efficiently the department performed certain operations, programs, and activities; and (5) it was difficult to assess the level of budgetary resources that Commerce expected to devote to its annual performance goals because the goals were not clearly linked to the program activities in its budget request.

Among improvements in the fiscal year 2000 plan are (1) more outcome-oriented performance goals; (2) a smaller number of strategic goals, annual performance goals, and performance targets that are more focused and better related to Commerce bureaus' missions; and (3) more complete discussions of major management challenges and program risks, the crosscutting activities of other federal agencies and how they relate to the programs and activities of Commerce bureaus, and external factors that could affect Commerce's ability to achieve its goals. For example, the plan includes more of the necessary information to understand and assess EDA's performance goals, strategies, and measures. The plan also includes interim and process measures as well as related baseline and trend data that are important to supplement EDA's outcome-oriented goals that may not be measurable for many years.

Commerce's Performance Plan Provides a General Discussion of the Strategies and Resources the Department Will Use to Achieve Its Goals

Commerce's fiscal year 2000 annual performance plan generally discusses the strategies and resources that the department plans to use to achieve its goals. Specifically, we found that the plan generally shows the total dollars requested, number and types of people needed, and information technology requirements for each bureau and strategic goal and each set of annual performance goals and briefly describes the means and strategies that Commerce bureaus will use to meet these goals. However, the plan's descriptions and discussions of strategies and resources generally are vague and do not clearly relate to the achievement of

the identified annual performance goals and targets. For example, the plan discusses two strategies to achieve ITA's strategic goal to "increase the number of small business exporters." These strategies include (1) using electronic commerce and the Internet and (2) working with other Trade Promotion Coordinating Committee agencies to define more efficient means of providing export assistance and financing to small businesses. However, both of these strategies are fairly general means of helping small businesses and are not tailored specifically towards encouraging more small firms to start exporting. The plan could have discussed more specific ways in which ITA might try to advertise its export assistance to small firms via the Internet or other means. In terms of resources, the plan identifies requirements of \$133.2 million; 968 full-time equivalent (FTE) employees with skills in export marketing and promotion, foreign trade practices, and foreign government trade policies and programs; and information technology (IT) infrastructure and related mission-systems requirements of \$8 million. However, it is not clear how these funding levels were derived from ITA budget activities or accounts.

Overall, as we reported last year for the 1999 plan, the 2000 plan links Commerce bureaus' annual performance goals to the department's mission and strategic goals, but the performance goals could be more clearly linked to the program activities in bureaus' budget requests. It would be helpful if the plan included a crosswalk to show this. Although the plan associates budgetary resources with performance goals, it does not explain how performance goals relate to the program activities in Commerce bureaus' budget requests. The plan associates budgetary resources to performance goals in two ways. First, the plan sometimes presents requested increases in funding for departmental priorities with performance goals. Second, the plan generally presents total budgetary resource requirements for each bureau and by each strategic goals and related set of annual performance goals. However, it is generally not clear how Commerce derived these funding increases or totals from the program activities in its budget request. Therefore, it is difficult to determine whether Commerce covered all of its program activities. Commerce's budget justification may provide more details on these linkages, but the plan does not refer the reader to the budget justification.

The plan provides useful summary information on the funding, FTE, and IT resource requirements for each Commerce bureau and each strategic goal and set of related annual performance goals and measures. However, the plan does not clearly show how those resources will be allocated to performance goals. For example, the plan provides summary information on the total funding, FTE, and IT requirements for EDA and for its two strategic goals to "create jobs and private enterprise in economically distressed communities" and "build community capacity to achieve and sustain economic growth." It shows total EDA resource requirements of \$393 million (\$364 million for Economic Development Assistance programs and \$24 million for salaries and expenses); 272 FTEs with skills in economic

development, planning, legal, engineering, technology, and environment; and unspecified dollar valued IT requirements to upgrade database management systems and develop a new grantee performance management system. The plan shows similar information for EDA's two strategic goals. These summaries provide a quick "snapshot" of EDA's resource requirements, but the plan does not allocate these requirements to specific annual performance goals. Also, EDA's budgetary resource requirements in the plan are not linked to program activities in its funding request.

As discussed earlier, the plan generally identifies many of the crosscutting activities of other federal agencies and briefly describes, for each strategic goal, how those agencies' activities relate to those of Commerce's bureaus. Also, the plan identifies many of the external factors that could affect Commerce's achievement of each of its strategic goals and set of related annual performance goals. However, the plan generally does not discuss how Commerce bureaus will leverage or mitigate the effects that those identified external factors could have on their targeted performance levels. For example, the plan identifies many of the external factors that could effect PTO's ability to achieve its four strategic goals, but the plan does not clearly describe or indicate how PTO will mitigate the effects of those factors. Under PTO's strategic goal to "grant exclusive rights, for limited times, to inventors for their discoveries," the plan states that the patent business' workload is dependent on foreign economies as almost 50 percent of patent applications are from overseas. The plan recognizes that changes in foreign economies could impact PTO's patent workload, but it does not indicate how PTO would adjust for any changes in incoming patent applications from these countries. Changes in foreign economies could adversely affect PTO's revenue and thus its ability to perform as a PBO, which is one of Commerce's priority management goals.

The fiscal year 2000 performance plan represents moderate improvement in addressing the weaknesses that we identified in our assessment of the fiscal year 1999 performance plan as it relates to providing a specific discussion of strategies and resources the agency will use to achieve performance goals. In reviewing the fiscal year 1999 plan, we observed that it only partially discussed the strategies and resources that Commerce would use to achieve its goals. Specifically, we found that the plan did not (1) contain clear and reasonable strategies to achieve its stated performance goals, (2) adequately describe the resources needed to achieve those goals, or (3) identify the significance and performance implications of external factors or discuss strategies to leverage or mitigate the effects those factors could have on performance.

Among improvements in the fiscal year 2000 plan are new sections for each strategic goal and each set of related annual performance goals that (1) describe the means and strategies to be used; (2) summarize the resource requirements in terms of budget dollars, the number and types of FTE, and nature of IT improvements needed; (3) generally identify and describe the

relevant crosscutting activities of other federal agencies; and (4) discuss external factors that could affect accomplishment of Commerce's goals. However, as discussed earlier, the plan provides only summary information on and a quick "snapshot" of resource requirements that are not linked to program activities in the department's budget submission.

Commerce's Performance Plan Provides Limited Confidence That Agency Performance Information Will Be Credible

Commerce's plan provides limited confidence that the department's performance information will be credible. The plan's data validation and verification sections for each annual performance goal address data reliability by describing the methodology and several data sources, strategies, and procedures the department will use to measure its performance. Also, the plan recognizes that data verification and validation varies, depending on the performance measure involved. The plan's recognition that data reliability is important is a good first step. However, data integrity is critical to the success of any performance measurement initiative, and congressional and executive decisionmakers must have assurance that the program and financial data being used are complete, accurate, and reliable. In this regard, the plan does not adequately explain how Commerce bureaus will verify and validate their performance data or indicate the sources or limitations of data for specific annual performance goals and measures. For example, the plan addresses validation and verification of the goals to increase the lead times and accuracy of the NWS' short-term severe weather warnings and forecasts by stating that (1) predicted weather is compared to the actual outcome, (2) weather warning and the corresponding observational data are collected from all NWS offices nationwide and (3) quality control procedures are followed to ensure the highest possible reliability of the gathered data. As we reported in October 1998, however, the flash flood event and warning data from NWS' national databases were unreliable.³ We found that flash flood event and warning data obtained from the national databases were incomplete and had to be supplemented with data from a local weather forecast office.

The plan includes a data validation and verification section for each annual performance goal that shows the performance target, source of performance data, frequency of validation/verification, the nature of data storage, the verification strategy, and in some cases the performance baseline year and level as well as comments on the nature and adequacy of the performance data and evaluation strategy. Although an improvement

³National Weather Service: Sulphur Mountain Radar Performance (GAO/AIMD-99-7, Oct. 16, 1998).

over the fiscal year 1999 plan in this area, these sections generally discuss the methodology Commerce will use to assess actual performance against the targeted level of performance rather than how the department will verify and validate the accuracy, completeness, and reliability of the performance data used to make that assessment. The methodology for making this assessment is important and varies from goal to goal, depending on the performance measure used; but it does not provide sufficient confidence that the performance data itself will be credible. For example, one of the Census Bureau's performance measures under its strategic goal to "provide quality data" is the "percentage of household surveys attaining 100% of specified reliability measures." The validation and verification section of the plan states that the Census Bureau "maintains and adheres to methodological standards that are documented and reported publicly." However the plan does not indicate how the Bureau will verify the data to be used in its comparison against these standards.

Many of the plan's data validation and verification sections cite the financial audits performed under the Chief Financial Officers' Act (CFO) as the source of data verification. However, financial statement audits cover financial information, which supports required financial statements and will not necessarily provide data verification and validation for program performance measures. Unless performance measures can be and are specifically traced to audited financial statements, there generally would be no validation of performance data. These limitations are illustrated and discussed below.

The plan's data validation and verification section for the Bureau of Export Administration's (BXA) performance goal on the "number of strategic industry analyses completed" under its strategic goal to "facilitate transition of defense industries" shows (1) the fiscal year 2000 performance target of 295 industry analyses; (2) the source of the data as analytical reports that are forwarded to the requester and that are available for review and assessment; (3) the frequency of data verification and validation as "annual"; (4) the data storage as the "Office of Strategic Industry and Economic Security"; and (5) the verification strategy/procedure to be "independent verification and validation of the data source and data" by a private sector audit firm under the CFO Act. As indicated earlier, these financial statement audits are not designed to and generally would not verify such performance measures. Also, the targeted performance level of 295 industry analyses appears to be lower than BXA's fiscal year 1998 actual performance, but the plan does not specify the baseline performance level or address or explain this possible discrepancy.

The plan's verification and validation sections for NOAA's 31 annual performance goals include the same subsections as described above for the BXA portion of the plan plus the baseline performance level for each performance goal and a comment subsection describing the performance measure and/or the validation and verification procedure. Also, Commerce's plan has an appendix that elaborates on EDA's data validation and verification

strategies and procedures, independent program evaluations, performance measures, and other matters, such as EDA management challenges and resource requirements.

The plan recognizes the importance of being able to produce reliable information on the costs of Commerce programs and activities for financial reporting purposes. In this regard, the plan contains a priority departmental management goal of obtaining a clean audit opinion for the department's fiscal year 1999 consolidated financial statements. Commerce received a disclaimer of opinion on its fiscal years 1996 and 1997 consolidated financial statements. Of the 15 individual Commerce entities or funds audited in 1997, 8 received an unqualified opinion, 3 received an unqualified opinion on their Statements of Financial Position and a disclaimer of opinion on their Statements of Operations, 2 received a qualified opinion on their Statements of Financial Position and disclaimer on their Statements of Operations, and 2 received a disclaimer on their overall financial statements. For fiscal year 1998, Commerce received an unqualified audit opinion on its balance sheet and a disclaimer of audit opinion on its other financial statements.

According to the plan, a \$2.1 million increase in funding will (1) target specific problems and work to ensure the integrity of Commerce's financial statements and result in the attainment of 100 percent unqualified financial audit opinions and (2) help to provide an integrated financial management system to comply with federal accounting requirements. This is an important goal that could help Commerce improve its financial data and internal controls and to bring them into compliance with the Federal Financial Management Improvement Act of 1996. Commerce has made progress at key bureaus, such as NOAA. In addition to this goal, we believe that Commerce's goal should be to provide reliable financial data on a routine basis to support its numerous and diverse missions.

As indicated earlier, Commerce's plan, like its fiscal year 1999 performance 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, issue an export license, or the cost per household to conduct the census. If Commerce developed such cost-based measures, it would be important to have complete and accurate cost data. The reliability of the department's annual financial data appears to be improving based on the results of financial statement audits. However, financial audits at several Commerce bureaus continue to disclose serious data reliability problems.

Commerce also could further improve the plan by describing its overall strategy for ensuring data quality and discussing the major controls it will use to verify and validate performance data on an ongoing basis. Such controls could include periodic data reliability tests, computer edit controls, and supervisory or independent review of data used to develop

performance measures. As shown in the plan, Commerce relies on many different types of data for its performance measures and indicators. Commerce may not be able to verify all data in a given year, but it should be able to do so over a period of time. Thus, a schedule showing when data are to be verified, by whom, and how could provide useful information.

The fiscal year 2000 performance plan represents moderate improvement in that it indicates some degree of progress in addressing the weaknesses that we identified in our assessment of the fiscal year 1999 performance plan as it relates to providing full confidence that the agency's performance information will be credible. In reviewing the fiscal year 1999 plan, we observed that the plan did not provide sufficient confidence that Commerce's performance information will be credible. The plan's section on validation and verification of performance measures described several information systems that Commerce uses to develop and support data for measuring performance and provided a few high-level examples. However, the plan did not adequately 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. The plan did not acknowledge the performance implications of its financial management and consolidated financial statement problems, delays in implementing its new Consolidated Administrative Management System (CAMS), and Year 2000 problems.

Among improvements in the fiscal year 2000 plan are the new sections on data validation and verification for each annual performance goal that identify data sources and evaluation strategies and procedures and the priority departmental goal of clean financial statement audits beginning for fiscal year 1999, which we discussed earlier.

Other Observations on Commerce's Implementation of Performance-Based Management

As we emphasized in our recent special series report on major management challenges and program risks facing the Department of Commerce,⁴ we remain concerned about the department's ability to use the Results Act and performance-based management to improve its performance, accountability, and effectiveness and to enhance congressional and executive branch decisionmaking. Using the Results Act and performance-based management to improve performance and decisionmaking will continue to be especially challenging for the department for several reasons.

⁴See GAO/OCG-99-3, January 1999.

Basically, the Department of Commerce is a large “holding company” composed of 12 operating bureaus, each pursuing disparate programs and activities that cut across several federal budget functions. Its five basic missions are (1) promoting the development of American business and increasing foreign trade; (2) improving the nation’s technological competitiveness; (3) fostering environmental stewardship and assessment; (4) encouraging economic development; and (5) compiling, analyzing, and disseminating a broad range of economic, demographic, and social data. Commerce shares responsibilities for these functions with several other federal departments and agencies and other public entities. However, Commerce does not have exclusive or even lead responsibility for any of these functions.

Because of its “holding company” nature and the diversity of its missions and functions, Commerce historically 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. This diversity and lack of a centralized management approach both complicate and challenge Commerce’s efforts to rethink its missions, goals, and how it does business and to consider alternative strategies for achieving its goals in the most efficient and effective manner possible.

A focus on results as envisioned by the Results Act implies that federal programs contributing to the same or similar results will be closely coordinated to ensure that goals and performance measures are consistent and mutually reinforcing. Overlap of missions and functions is a critical problem for Commerce in that it shares responsibility for major budget functions with at least 14 other federal departments and agencies. Thus, Commerce must recognize that its efforts are but one factor among many that may influence whether, and the degree to which, these program efforts collectively achieve intended results. As discussed earlier, Commerce’s fiscal year 2000 annual performance plan identifies and briefly describes many of the crosscutting programs and activities of other federal agencies and relates Commerce bureaus’ programs and activities to those of the other federal agencies. However, the plan does not identify any complementary performance goals and measures, discuss Commerce’s crosscutting coordination efforts or plans, or evidence any plan coordination between Commerce and other federal agencies or other public entities.

Good financial, management, and program information are key to the successful implementation of the Results Act and performance-based management. Without it, accountability for performance toward results-oriented goals cannot be ensured. As discussed earlier, however, the Department must contend with several significant obstacles—a disclaimer of audit opinion on its financial statements, antiquated financial management systems, weak performance goals and measures for some programs and activities, and the conversion of its information systems to meet Year 2000 requirements.

Over the years, Commerce 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 and the other issues discussed earlier, we believe that the department will continue to face a significant management challenge in using the Results Act and performance-based management to improve its performance and to facilitate better congressional and executive branch oversight and decisionmaking. In this regard, Congress may wish to hold hearings on Commerce's implementation of performance-based management to explore the implementation issues discussed in this summary and to reach agreement with the department on its missions and priorities, strategic and annual performance goals, and the measures to be used in judging its success in achieving those goals.

As discussed earlier, Commerce's fiscal year 2000 annual performance plan has a greatly improved, reader-friendly organization and presentation and provides a more complete picture of the department's intended performance, strategies and resources to meet its goals, and strategies and procedures to verify and validate its performance. Although Commerce's plan also continues to have weaknesses in these three core areas that are key for congressional and executive branch oversight and decisionmaking, we believe that the plan can serve as a framework for (1) further integrating its numerous and diverse missions, bureaus, and activities into a more cohesive department and (2) implementing performance-based management.

Agency Comments and Our Evaluation

On June 4, 1999, we received Commerce's written comments from the Acting Chief Financial Officer and Assistant Secretary for Administration on a draft of this analysis of Commerce's fiscal year 2000 annual performance plan. She agreed that Commerce needs to strengthen its efforts to verify and validate performance data. She said that the department believes that the verification and validation of performance data is a critical issue and that it devoted considerable effort over the past year to defining its methodology and expects to focus in the coming year on ensuring that its performance measurements are reliable and useful. However, she said that there are two major areas in which the department disagrees with the draft. These areas are our (1) characterization that Commerce has made only "moderate" improvement relative to its fiscal year 1999 plan and (2) observation that the plan does not provide a complete picture of intended performance for the 2000 Decennial Census. These two areas are discussed below.

The Acting Chief Financial Officer and Assistant Secretary for Administration said that Commerce believes that we are unduly harsh in characterizing its fiscal year 2000 plan as

showing only “moderate” improvement relative to fiscal year 1999. She emphasized that the department believes that its plan represents a major advance over the prior year, an assessment shared by the Commerce Inspector General who has said that the department made significant progress. Also, she pointed out that congressional staffers who reviewed Commerce’s plan gave it a high score, including extra points for being in CD-ROM format and for its overall organization and presentation, which placed it among the highest rated federal agencies’ performance plans. She said that the congressional staffers’ high score documents a substantial improvement over the score the department received on its fiscal year 1999 plan, which was among the lowest of federal agencies. She said that the congressional staffers’ rating reflects the tenor of numerous conversations between congressional and Commerce staff over the past several weeks.

We agree that Commerce’s fiscal year 2000 performance plan represents a significant improvement over its fiscal year 1999 plan in terms of its overall organization, presentation and readability, and usefulness, and we highlight this in the report. We emphasize that the department made a concerted effort to improve its fiscal year 2000 performance plan and succeeded in developing and presenting a more useful departmentwide plan that (1) better covers its departmental integration efforts and priority goals as well as its numerous and disparate programs, activities, and bureaus and (2) more fully meets the criteria in the Results Act and related guidance. However, the criteria that we used to assess Commerce’s plan, as well as the plans of the other 23 CFO Act agencies, considered the degree of progress that the agency has made in addressing the weaknesses that we identified in our assessment of its fiscal year 1999 plan. Our criteria included four possible characterizations of agency progress—much improvement, moderate improvement, little if any improvement, and no improvement. As stated in the report, Commerce’s plan represents a “moderate” improvement over the fiscal year 1999 plan in that it addresses, with some degree of success, most of the weaknesses that we identified in our assessment of its fiscal year 1999 plan. A characterization of “much” improvement would have required that Commerce’s plan address all or be well on its way to addressing all the weaknesses that we identified in our assessment of its fiscal year 1999 performance plan. As this report shows, this is simply not the case.

The report identifies many of the specific improvements in Commerce’s fiscal year 2000 performance plan and provides examples to illustrate those improvements. The report observes that Commerce’s plan can serve as a framework for (1) improving the content of its future annual performance plans; (2) further integrating its numerous and diverse missions, activities, and bureaus into a more cohesive department; and (3) implementing performance-based management. However, the report stresses that Commerce’s plan continues to have weaknesses in all three core areas that are key for congressional and executive branch decisionmaking—annual performance goals and measures, strategies and resources, and performance verification and validation.

Concerning the 2000 Decennial Census, the Acting Chief Financial Officer and Assistant Secretary for Administration expressed concerns about the report's critique of Commerce's plan for not providing a complete picture of intended performance for the upcoming census. She said that the coincidental timing of the Supreme Court's decision and the due date for submitting the fiscal year 2000 performance plan did not permit the department an opportunity to revise the supporting detail for the approach mandated by the Supreme Court's ruling. While Commerce's explanation is plausible, it does not refute the validity of our observations about the limited usefulness of the plan's performance goals and measures for the census. As stated in the report, the plan's performance goals and targets relating to the timeliness and customer satisfaction of 2000 Decennial Census data are predicated on using statistical sampling techniques to address the census undercount. As early as March 1998, because of legal questions and methodological concerns surrounding the use of sampling, Congress directed Commerce to prepare plans for a traditional nonsampling census, in addition to efforts it already had under way to plan a sampling-based census. Given this, the January 1999 Supreme Court ruling, and Commerce's current plans for the 2000 Decennial Census, we continue to believe that our observations about the limited usefulness of the plan's performance goals and measures for the census are valid.

Management Challenges

The following table identifies the major management challenges confronting the Department of Commerce. The first column summarizes the management challenges identified by our office and by the Commerce Inspector General (IG). The second column discusses the extent to which Commerce's fiscal year 2000 annual performance plan includes performance goals and measures to address the management challenges that we and the Commerce IG identified.

Table II.1 Management Challenges

Management challenge	Applicable goals and measures in the fiscal year 2000 annual performance plan
<p><u>Ensuring a Successful 2000 Decennial Census</u>--The Bureau of the Census faces a number of challenges and uncertainties in its endeavor to conduct an accurate and cost-effective decennial census in 2000. For example, Congress and the administration have yet to agree on the nature and extent to which sampling will be used, and there are many other unanswered questions about key census-taking activities.^a Because of legal questions and methodological concerns about the use of sampling, Congress in March 1998 directed Commerce to prepare plans for a traditional nonsampling census, in addition to efforts it already had under way to plan a sampling-based census. The Supreme Court ruled in late January 1999 that a sampling-based census could not be used for reapportioning congressional seats. As of mid-April 1999, Commerce had not yet finalized its approach for conducting the 2000 Decennial Census.</p> <p>(The IG also identified this area as a management challenge).</p>	<p>Commerce's plan has a performance goal for the Census Bureau to reduce the net population undercount from 1.6 percent in 1990 to 0.1 percent for 2000. The plan also contains timeliness and customer satisfaction goals but no cost-based performance goals or measures to gauge how efficiently the Bureau conducts the 2000 Decennial Census. Also, the plan identifies Census 2000 as one of the department's 11 priority goals, and the plan's section entitled "Commerce Management Strategy: Success and Challenges" (part IV) acknowledges many of the concerns of Congress, the Commerce IG, and our office. However, the plan is of limited use in the Census area because it was predicated on the use of statistical sampling techniques to address the census undercount. The plan acknowledges the prohibition on the use of sampling for reapportionment purposes, states that the Bureau will develop an alternative plan for conducting the census, and indicates that both the accuracy and cost effectiveness of the census will be reduced without sampling. However, the plan provides an unclear, incomplete picture of intended performance in this area.</p>
<p><u>Completing the NWS Modernization and Associated Restructuring</u>--After substantial delays and cost overruns, three of the NWS' four planned technology modernization programs are operational. The final piece of the modernization--the Advanced Weather Interactive Processing System (AWIPS)--was finally deployed in June 1999 but with less than full functionality. Until AWIPS is fully deployed and functioning properly, NWS will not be able to take full advantage of the \$4.5 billion investment it has made in the modernization to date or complete the associated downsizing and restructuring of its field offices, as planned.^b</p> <p>(The IG also identified this area as a management challenge).</p>	<p><u>None.</u> However, the plan contains useful outcome-oriented performance goals and targets for improving both the lead times and accuracy of the NWS's short-term warnings and forecasts for tornadoes, flash floods, and severe thunderstorms that are linked to the NWS' investment in the modernization project. Also, the plan links these NWS performance goals to a new departmentwide priority goal of reducing and mitigating the effects of natural disasters. Finally, the plan's section entitled "Commerce Management Strategy: Success and Challenges" (part IV) acknowledges and discusses unresolved management problems, the costs of modernization, and the department's timetable for completing the modernization.</p>

Enclosure II
Management Challenges

Management challenge

Pursuing More Cost-Effective Alternatives to NOAA's In-House Fleet of Ships--NOAA has an aging in-house fleet of 15 ships that are used to support its programs in fisheries research, oceanographic research, and hydrographic charting and mapping. For more than a decade, we and others have urged NOAA to pursue more cost-effective alternatives. While NOAA has increased its outsourcing for these services, it continues to rely on its aging fleet, most of which are costly and inefficient to operate and maintain and lack the latest technology, and plans to spend at least \$185 million over the next 5 years for four new replacement fisheries research ships. Greater reliance on outsourcing raises questions about the continuing viability of the NOAA Corps of 240 officers who manage and operate NOAA's ships. Continuing congressional oversight of NOAA's budget requests for replacement or upgraded ships is needed to ensure that NOAA is pursuing the most cost-effective alternatives for acquiring marine data.^c

(The IG also identified this area as a management challenge).

Improving Financial Management Systems and Processes--Commerce faces several challenges in the financial management area. Commerce still lacks a single, integrated financial system, effective internal controls, and accounting and financial systems that comply with federal laws and regulations. As a result, Commerce received a disclaimer of audit opinion on its fiscal years 1996 and 1997 consolidated financial statements. For fiscal year 1998, Commerce received an unqualified audit opinion on its balance sheet and a disclaimer of audit opinion on its other financial statements. Also, Commerce continues to face significant challenges in implementing new computer systems to meet federal requirements.^d

(The IG also identified this area as a management challenge).

Applicable goals and measures in the fiscal year 2000 annual performance plan

None. The Department of Commerce disagrees with the IG and with us on the continuing significance of this issue. However, the plan's section entitled "Commerce Management Strategy: Success and Challenges" (part IV) acknowledges and discusses unresolved management problems in both the NOAA fleet and NOAA Corps areas, describes corrective actions under way or planned, and notes that NOAA's budget for fiscal year 2000 requests funds for construction of one new acoustically quiet replacement fisheries research ship.

The plan contains an ambitious priority departmental management goal to have an unqualified audit opinion on the department's consolidated financial statement for fiscal year 1999. This goal and the related performance measure are quantifiable, measurable, and outcome-oriented. The plan summarizes the estimated budget increase required in fiscal year 2000 to achieve this goal but does not discuss the department's strategy or capacity for achieving it. The plan contains no goals for implementing Commerce's Consolidated Administrative Management System (CAMS) or other new financial systems. However, the plan's section entitled "Commerce Management Strategy: Success and Challenges" (part IV) acknowledges and discusses several unresolved management problems in the financial management area—including the financial statement audits and CAMS—and summarizes the status of the department's corrective actions.

Enclosure II
Management Challenges

Management challenge	Applicable goals and measures in the fiscal year 2000 annual performance plan
<p><u>Addressing the Urgent Year 2000 Computing Challenge</u>--Our January 1999 high-risk series update emphasized that resolving the Year 2000 (Y2K) computing problem is the most pervasive, time-critical risk facing federal agencies today. Unless adequate actions are taken, key federal operations could be seriously disrupted.^e In the case of Commerce, critical activities, such as NWS short-term storm warnings and PTO patent processing, could be jeopardized. As of the March 31, 1999, governmentwide deadline, Commerce reported that 97 percent of its 474 mission-critical systems were Y2K compliant.</p>	<p>None. However, the plan's section entitled "Commerce Management Strategy: Success and Challenges" (part IV) acknowledges the Y2K problem and, with the exception of one system, says that Commerce expected to meet OMB's March 1999 deadline for Y2K compliance. In the case of the NWS, we testified in February 1999 that NWS seemed to be making progress but that end-to-end testing of NWS' various modernization components and business continuity and contingency planning efforts remained undone.</p>
<p>(The IG also identified this area as a management challenge).</p>	
<p><u>Resolving Serious Information Security Weaknesses</u>--Our January 1999 high-risk series update emphasized that continuing governmentwide computer security weaknesses put critical federal operations and assets at risk. Such problems make it easier for individuals and groups to obtain sensitive information, commit fraud, or disrupt operations. Much more needs to be done to ensure that systems and data supporting essential federal operations are adequately protected. First, individual federal agencies need to proactively manage risk and strengthen computer security programs by adopting best practices. Second, stronger governmentwide leadership is essential.^f</p>	<p>None. However, Commerce's plan has two priority departmental goals that address, to some extent, the issue of computer security—the critical infrastructure protection program (CIP) and creating a digital department. These departmental goals are discussed in the plan's section entitled "Priorities and Initiatives" (part II). However, the plan's specific annual performance goals for the CIP program relate only indirectly to computer security, and the plan does not contain specific annual performance goals and measures for the department's digital department initiative which, among other things, involves creating a smart-card-based physical and information security access program.</p>
<p>Other areas identified by the IG-(Commerce):</p>	
<p><u>Manage PTO's Space Requirements and Lease Costs</u></p>	<p>None. However, the plan's section entitled "Commerce Management Strategy: Success and Challenges" (part IV) acknowledges and discusses the IG's concerns about PTO's space requirements and describes what the Department is doing to address these concerns.</p>
<p><u>Evaluate NTIS' Mission and Financial Viability</u></p>	<p>None.</p>
<p><u>Maximize Competition in Commerce's Financial Assistance Programs</u></p>	<p>None.</p>
<p><u>Continue to Improve Commerce's Strategic Planning and Performance Measurement in Accordance with GPRA</u></p>	<p>None. However, the plan's section entitled "Commerce Management Strategy: Success and Challenges" (part IV) discusses the department's efforts to improve the quality, usefulness, organization, and presentation of its GPRA plans.</p>

^eSee GAO/OCG-99-3, January 1999 and High-Risk Series: An Update (GAO/HR-99-1, January 1999).

^fSee GAO/OCG-99-3, Jan. 1999; GAO/HR-99-1, Jan. 1999; and Department of Commerce: National Weather Service Modernization and NOAA Fleet Issues (GAO/T-AIMD/GGD-99-97, Feb. 24, 1999).

^gSee GAO/OCG-99-3, Jan. 1999; GAO/T-AIMD/GGD-99-97, Feb. 24, 1999; and NOAA Fleet: Responses to Post-Hearing Questions (GAO/GGD-99-60R, Mar. 22, 1999).

^hSee GAO/OCG-99-3, Jan. 1999

ⁱSee GAO/HR-99-1, Jan. 1999.

^jSee GAO/HR-99-1, Jan. 1999.

Major Contributors

GAO Contact

Laurie Ekstrand, (202) 512-8676

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