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DEPARTMENT OF THE
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Observations on
Performance Plan and
Other Management Issues

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Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss our views on several important management issues facing the Department of the Interior. Specifically, you asked us to provide our observations on (1) Interior's plan for measuring its performance as required by the Results Act of 1993; (2) whether major management problems we have reported on are being addressed in the agency's performance plan; and (3) financial management issues at Interior.

Mr. Chairman, before providing any specific comments on Interior's performance planning efforts, I want to first provide some context to my remarks. It should be recognized that with sustained attention from the Congress and executive agencies, annual performance plans can be an invaluable tool for making policy decisions, improving program management, enhancing accountability, and helping to increase American citizens' confidence in their government. Interior, like other agencies, is in the early stages of implementing the requirements of the Results Act. Because it is an important and demanding process, meeting the requirements and expectations of the Results Act and its associated guidance poses many challenges. Developing such plans to meet these challenges will be an iterative process. The observations I will be providing today identify a number of areas that need to be strengthened in Interior's performance plan as it is further refined and developed.

In brief, Mr Chairman, our work has shown that:

- Overall, the Department's performance plan is not user friendly. It consists of nine components—a Departmental Overview and eight subagency plans which have to be reviewed in conjunction with the budget justifications.¹ Understanding the totality of what the plans contain is an overwhelming and time-consuming task involving a review of about 3,500 pages of material. Also, the information in the plans needs to be presented in a more coherent and consistent format to better facilitate the use, readability, and understanding of this document. On a more substantive level, the plan does not adequately provide a clear picture of intended performance across the Department, sufficiently discuss the strategies and

¹The nine components include a Departmental Overview plan and eight subagency plans. The eight subagencies are the Bureau of Indian Affairs (BIA), Bureau of Land Management (BLM), Bureau of Reclamation (BOR), U. S. Fish and Wildlife Service (FWS), Minerals Management Service (MMS), National Park Service (NPS), Office of Surface Mining Reclamation and Enforcement (OSM), and U. S. Geological Survey (USGS).

resources that it will use to achieve its performance goals, or provide sufficient confidence that its performance information will be credible.

- Our past work at Interior has identified a number of major management problems. Among these are Interior's need to (1) more effectively manage Indian trust funds and assets; (2) better coordinate crosscutting activities to avoid duplication and overlap; (3) adequately assess NPS' employee housing needs; (4) provide adequate oversight and accountability over its field offices; and (5) have better information available for managing the nation's natural resources. The Results Act provides Interior with an opportunity to address these concerns through the development and implementation of its performance plan. We found, however, that while Interior has addressed some of our concerns, it has not addressed all of them. For example, the plans do not adequately address how the land management agencies are coordinating to avoid duplication and overlap of similar programs and activities.
- Over the past 5 years, Interior's subagencies have made steady progress in preparing reliable financial statements. However, even though most subagencies received clean audit opinions, accounting and internal control weaknesses persist at several subagencies. These weaknesses relate to accounting and internal controls over accounts receivable, revenue, real and personal property, and controls over computer systems. Interior has efforts under way to address many of these problem areas.

Interior's Performance Plan Needs to Be Strengthened in Several Areas

Interior's performance plan is not user friendly. It consists of nine components—a Departmental Overview and eight individual plans for each of Interior's major agencies. These nine plans are not stand-alone documents but have to be reviewed in conjunction with their respective subagencies' budget justifications. The nine component performance plans and their respective subagency budget justifications account for about 3,500 pages of material. Accordingly, tracking the information from the performance plans to the budget justification is an extremely time-consuming process. Furthermore, the plan did not contain any easy cross-reference as to where to locate some essential information in the budget justification that is associated with each performance goal. Overall, the amount of information presented was overwhelming.

Also, the format of many component plans is not consistent and does not provide the users with sufficient information to readily assess whether the plans contain all of the information required by either the Results Act, the Office of Management and Budget (OMB), or other guidance. For example, while a few performance plans provide a discussion of the strategies,

resources, verification and validation procedures, and other important aspects of each performance goal, many of the plans do not contain such discussions. We believe that Interior needs to use a consistent format in preparing all of the Department's component performance plans. This would ensure that all elements are addressed and would facilitate linkages and comparisons among the plans.

On a more substantive level, we reviewed Interior's performance plan to determine whether it met the requirements of the Results Act and its related guidance. To do this, we collapsed the requirements for annual performance plans in the Results Act and related guidance into three core questions: (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 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? We found that Interior's plan does not adequately address the requirements associated with these questions.

Performance Plan Does Not Provide a Clear Picture of Intended Performance

Most of Interior's nine component performance plans do not provide a clear picture of intended performance across their respective subagencies. To address this issue, performance plans should, among other things, provide a succinct and concrete statement of expected performance for subsequent comparison with actual performance; and contain goals that are linked to the agency's mission, strategic goals, and program activities in the budget. Interior's plan had limitations in these areas.

For example, we found that most of the component performance plans did not provide a succinct and concrete statement of expected performance for subsequent comparison with actual performance. One of the elements important to addressing this issue is that the goals and measures are to be objective, measurable, and quantifiable. In our view, five of the nine component plans did not adequately provide goals and measures that were objective, measurable, and quantifiable. For goals and measures to be considered objective, they should be reasonably free of any significant bias or manipulation that would distort the accurate assessment of performance, and to the greatest extent possible, they should not require subjective considerations or judgments to dominate the measurement. For example, one of NPS' goals is to ensure that 50 percent of the cultural landscapes on its Cultural Landscapes Inventory are in good condition. However, the criteria for determining what constitutes "good condition" is

not defined in the performance plan, nor does NPS make reference to where such a definition can be found. Without a clear definition, it would be difficult to assess if the performance is being measured consistently from year to year or to understand how a change in definition could affect the end result desired from the expected performance.

Furthermore, five of the component plans have goals that are not clearly linked to the subagencies' missions, strategic goals, and program activities in the budget request. For example, we found that BIA's plan did not always show that its annual goals reflect the strategic goals and mission. BIA's performance plan contained strategies for achieving its strategic goals that in some cases were very different from those identified in its strategic plan. BIA's strategic plan discusses four major initiatives or strategies toward the achievement of its self-determination goal of allowing the tribes to provide their own services rather than having these services provided by BIA and other federal agencies. However, these four initiatives are not discussed in BIA's performance plan, nor are they reflected in the performance goals.

Performance Plan Is Not Clear About How Goals Will Be Achieved

Generally, Interior's component performance plans do not adequately discuss how the strategies and resources will help achieve their goals. To address this issue, the plan should present clear and reasonable strategies for achieving its intended performance goals and discuss the resources it will use to achieve the performance. However, we found that the majority of Interior's component plans do not adequately describe the agency's strategies to accomplish its performance goals. For example, both USGS' and NPS' plans discuss the strategies only in general terms, and they are not linked to specific performance goals. There is also no discussion in these two plans of how the strategies relate to achieving the goals. Furthermore, strategy discussions in the annual plans will be most useful to congressional and other decisionmakers if they address how any external factors could affect the subagencies' achievement of their goals. However, most of the plans do not sufficiently discuss this point. Most of the performance plans do not discuss the respective subagency's actions to address external factors that are likely to affect its performance. For example, the plans for BOR and NPS have performance goals whose achievement depends on partnerships with various entities, such as state, local, and other federal agencies, as well as local water districts and Native American tribes. Yet, there is no, or insufficient, discussion of how these partnerships affect the achievement of the goals or what actions are needed to mitigate concerns that may arise from non-performance.

In addition, Interior's performance plan did not always discuss the resources it will use to achieve a specific level of performance. Most of the component plans do not adequately identify the capital, human, financial, or other resources that the subagencies will use to achieve their performance goals. As a result, Interior's plan is not as useful as it could be in identifying the level of budgetary resources needed to achieve performance goals. Also, most of the component plans do not discuss how the resources will contribute to improving performance.

Plan Provides Limited Confidence That Performance Information Will Be Credible

Generally, Interior's performance plan provides only limited confidence that its performance information will be credible. To address this issue, the plan should (1) discuss how the agency will verify and validate its data to ensure that its performance information is sufficiently complete, accurate, and consistent and (2) identify significant data limitations and their implications for addressing the achievement of performance goals. We found that most of Interior's component performance plans only partially discussed how the agency will ensure that its performance information will be verified and validated. Specifically, we found that the Departmental Overview plan discusses performance data verification and validation in general terms and assigns responsibilities to program managers. Neither the Departmental Overview plan nor the specific subagency plans provide specific information on the data verification and validation processes and management controls over data that would be used. Thus, users are provided with little assurance that the performance data will be reliable and that the Interior and subagency systems are secure from risks, such as tampering, that could affect the reliability and availability of performance data.

Furthermore, most of Interior's component performance plans do not sufficiently identify significant data limitations or adequately discuss or make reference to any significant new or modified information systems to make more credible data available for performance measures. For example, we have questioned the accuracy and reliability of the data that NPS uses to develop information on its maintenance backlog. Nonetheless, the plan does not discuss the actions NPS plans to take to address these data limitations. In another example, MMS receives data critical to its mission from BLM and oil and gas companies. We have previously reported problems with verifying the data on gas production provided by oil and gas companies. However, MMS' performance plan does not discuss this concern nor identify what actions MMS has taken or plans to take to mitigate the concern raised.

Some Major Management Problems Are Not Adequately Discussed in Interior's Performance Plan

Our past work at Interior has identified a number of major management problems. Among these are Interior's need to (1) more effectively manage Indian trust funds and assets; (2) better coordinate crosscutting activities to avoid duplication and overlap; (3) adequately assess NPS' employee housing needs; (4) provide adequate oversight and accountability over its field offices; and (5) have better information available for making decisions about the resources that Interior manages. The Results Act provides Interior with an opportunity to address these concerns through the development and implementation of its performance plan. We found, however, that while Interior has addressed some of these major management problems, it has not addressed all of them. I will briefly recap the performance plans' coverage of each of these problem areas.

Management of Indian Trust Funds and Assets Not Addressed

The Secretary of Interior is responsible for administering the government's trust responsibilities to tribes and Indians, including managing about \$3 billion in Indian trust funds and administering about 54 million acres of Indian land. Our work has shown that management of the Indian trust funds and assets has long been characterized by inadequate accounting and information management systems; untrained and inexperienced staff; backlogs in appraisals, ownership determination and recordkeeping; lack of a master lease file and an accounts receivable system; inadequate written policies and procedures; and poor internal controls. Because of these overall weaknesses, tribes and Indians do not have assurance that their trust fund account balances are accurate and assets are being prudently managed.

To address Interior's long-standing Indian trust fund accounting and asset management problems, the Office of Special Trustee for American Indians was established in 1996. It required that the Special Trustee develop a comprehensive strategic plan to cover all phases of trust fund management. In April 1997, the Special Trustee submitted a strategic plan to the Congress, but it was not fully supported by the Department. However, the Department and Special Trustee are currently working on an implementation plan for several key components of the strategic plan. In August 1997, the Secretary of the Interior issued a memorandum that indicated that he and the Special Trustee had reached agreement on some of the initiatives proposed in the strategic plan.

Interior's performance plan does not contain a section for Indian trust funds management. Instead, it cites the Special Trustee's April 1997 strategic plan as having identified a mission and goals for the improvement

and operation of an Indian trust fund management system. It also states that notwithstanding the Secretary of Interior's reservations on certain aspects of the strategic plan, strategic and annual performance plans are being developed for selected trust systems improvements and data cleanup where there is agreement. This information should be available later in 1998.

Coordination of Crosscutting Issues Is Not Adequately Addressed

Historically, Interior has been a highly decentralized agency. As a result, Interior has, for the most part, allowed its component agencies to develop their own systems and processes for managing their programs. On the basis of our prior work at Interior, we identified several areas in which improved coordination should have occurred to address the issues of duplication and overlap.² For example, four land management agencies—BLM, FWS, and NPS in Interior and the Forest Service in the Department of Agriculture—manage about 95 percent of the land owned by the federal government for a variety of commodity uses, such as hardrock mining, timber harvesting, and oil and gas exploration and development. These four agencies also manage the land for noncommodity uses, including fish and wildlife; natural, scenic, cultural, and historic resources; recreation; water; and wilderness. Our work has shown that the responsibilities of these four agencies have become more similar over time. However, neither the Department's strategic plan or its performance plan addressed this issue.

Furthermore, on the basis of our review of Interior's performance plan, we found that most of its component performance plans did not fully indicate how the subagencies are coordinating programs with other agencies or subagencies having related strategic or performance goals. For example, BLM manages the oil and gas leases for which MMS collects the revenue, and BLM provides significant information to MMS that it needs to fulfill its mission to timely collect, verify, and distribute mineral revenues from federal and Indian lands. This issue is not addressed in either BLM's or MMS' performance plans. The Departmental Overview plan has some discussion of crosscutting issues and has developed some goals; however, they are not completed for all issues. For example, in discussing several crosscutting "partnership" issues, there is some discussion of how subagencies' goals that are related to other federal agencies goals are coordinated and what they are to accomplish. However, for issues identified in the plan as crosscutting departmental "commitments," there is

²Results Act: Observations on the Department of the Interior's Draft Strategic Plan ([GAO/RCED-97-207R](#), July 18, 1997) and Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges ([GAO/GGD-98-44](#), Jan. 30, 1998, pp. 62-65).

little information on how the commitments will be achieved and how they are to be implemented by the affected subagencies throughout Interior.

Issues Regarding NPS' Employee Housing Need Further Clarification

NPS has about 5,200 housing units located throughout the national park system. Recently, NPS estimated the cost of its maintenance backlog for housing units to be about \$300 million. However, the agency acknowledges that this is not a precise estimate. Our work has shown that NPS has not clearly justified the need for all of these housing units. While the agency requires park management to perform needs assessments to justify the park's housing, these assessments may not be in-depth, objective, or performed consistently from park to park. After years of urging by us and others, NPS is just beginning the process to assess the need for its housing units. However, the process is not scheduled to be completed until 2002—9 years after we recommended such assessments. Reducing the inventory of employee housing could substantially stretch the limited funding that is available for maintaining the infrastructure of the national park system.

NPS' annual performance plan addresses this issue. The plan has a goal that 10 percent of its employee housing units, classified as being in "poor or fair" condition in 1997, be either removed, replaced, or upgraded to "good" condition in fiscal year 1999. Its long-term goal is to accomplish this for 35 percent of the employee housing units. These goals are very important in either reducing the inventory or upgrading the condition of NPS' employee housing. However, NPS is now assessing the need for its housing units. This review will not be completed until 2002. It is important that NPS coordinate its decisions about whether to upgrade or replace housing units with its on-going needs assessment to ensure that funds are not expended on units that will no longer be needed.

Proper Implementation of the Results Act Could Provide Adequate Oversight and Accountability

Over the years, we have found that decentralization of responsibility, coupled with inadequate oversight, has resulted in accountability problems within the Department. For example, NPS, for the most part, delegates decisions about spending and operating priorities to the individual park managers. As a result, park managers have broad discretion in deciding how to spend the parks' operating funds. Prior work showed that regional or headquarters staff rarely, if ever, discussed what was being accomplished with the operating funds provided to the parks, and that key management controls needed to hold park managers

accountable, such as a process for setting results-oriented expectations or monitoring outcomes, were missing.

With the implementation of the Results Act and the performance plans that go with it, the NPS has an opportunity to address these kinds of accountability problems. By developing these plans, laying out what is to be accomplished over prescribed periods of time, NPS' performance can be measured against these expectations. If plans are implemented properly, both the Congress and the agency can then use this information for improving accountability and to assess the adequacy of the progress being made against established expectations. For the same reasons, the implementation of the Results Act and its associated requirements should also go far toward helping the other decentralized agencies within Interior become more accountable. Of course, the key will be assuring that the provisions of the Results Act are properly implemented.

Performance Plan Addresses Need for Better Information

In the absence of objective data to make informed decisions, Interior must frequently rely on subjective judgments in assessing how effectively and efficiently its resources are used to address problems with the resources it manages. Our work has shown that Interior does not have the information it needs to (1) shift existing resources among competing priorities to accomplish the goals and objectives envisioned by the Congress; (2) rank priorities so that the most pressing issues receive the most attention; (3) link the planning process directly to budget decisions to have a greater impact on the allocation of new resources; and (4) measure program results. We have reported, for example, that Interior's information systems do not provide management with the data needed to determine the extent of unauthorized activities on hardrock mining claims, the number of suspected crimes against wildlife that are not investigated because of insufficient staff and/or funds, or the overall impact of harmful secondary uses on wildlife refuges. In addition, the systems do not identify the environmental impacts of oil and gas leasing activities.

The development of a sound performance plan that meets statutory requirements and is useful to the Congress and other decision makers will help Interior obtain the information it needs to improve its decision-making. For example, many of Interior's component plans have goals to establish baseline data or to improve on the accuracy of existing data so that critical decisions can be made, such as NPS' management of historical and cultural natural resources. Much of these data are associated with many of the problem areas we have identified. Having

such data should enhance Interior's capacity to establish priorities and shift resources to where they are most needed. Also, while some refinements can be made in Interior's component performance plans, they, for the most part, contain goals that are linked to the subagency's budget and focus on program results, whether they be output or outcome oriented. We believe that strengthening those areas of Interior's performance plans that we discussed earlier will improve the Department's decision making capability.

Financial Management Issues Need to Be Resolved

Since the passage of the Chief Financial Officers Act, Interior's Office of Inspector General (OIG) has performed all of Interior's financial audits, except for the audits of the Indian trust funds. Over the past 5 years, Interior's subagencies have made steady progress in preparing reliable financial statements. However, even though most subagencies received clean audit opinions in fiscal year 1997, accounting and internal control weaknesses persist at several subagencies. These weaknesses include (1) accounting and internal controls over accounts receivable (BIA and USGS), revenue (BIA), and real and personal property (BIA and NPS), and (2) controls over computer systems for BIA, BOR, BLM, FWS, and MMS. Additionally, Interior and its subagencies need to be able to produce their financial statements in a more timely fashion in order to meet the March 1 reporting requirement of the Government Management Reform Act of 1994. Timely produced financial statements are a useful tool for financial management and oversight of the agency.

Accounting and Internal Control Weaknesses

The OIG gave BIA a qualified opinion on its fiscal year 1997 financial statements in part because it found evidence indicating that revenues and receivables related to power and irrigation facilities were not reported accurately. In auditing BIA's accounts receivable, the OIG determined that receivables totalling about \$6.7 million were either invalid, lacked adequate documentation, or had not been entered into the accounting records in a timely manner. The OIG's working papers indicated that (1) numerous accounts were listed without customers' addresses, which meant that bills were not issued; (2) there was no process in place to track collections; and (3) collections were not promptly processed (for example, at one office, 72 checks totaling \$36,400 had not been deposited). These weaknesses indicate that BIA's accounting and control process is not adequate to ensure that amounts owed to the government, primarily for the construction and use of power and irrigation facilities, will be recorded and collected.

The OIG also found that the USGS has problems with debt collection and properly accounting for payments received from customers. According to the OIG, as of September 30, 1997, 36 percent of USGS' approximately \$16 million in billed accounts receivable had been outstanding for at least 6 months. Furthermore, payments that USGS receives from customers are often recorded erroneously. For example, instead of recording amounts received as a prepayment or deposit for services that USGS will provide to the customer at a future date, USGS erroneously recorded the funds as a payment for services as though they had already been rendered. Consequently, at points during the year, USGS did not have an accurate record of the amounts owed by its customers and did not know the total amount of prepayments that were available to fund future work. The OIG's discovery of these errors in fiscal year 1997 required an adjustment to correct the financial records.

In addition, the OIG was not able to determine whether portions of BIA's property, plant, and equipment inventory were fairly stated because BIA did not provide adequate documentation or reliable accounting information to support these balances. The OIG reported that corrective actions identified in a BIA Memorandum of Agreement had not been completed. Because these corrective actions have not yet been fully implemented, BIA's internal controls are not sufficient to ensure that past and future property transactions are properly recorded and adequately supported.

Internal control weaknesses related to plant, property, and equipment are also present at NPS. The OIG reported that NPS' internal controls did not provide reasonable assurance that (1) property and equipment detailed listings would be reconciled to the general ledger balances and (2) completed projects in the construction-in-progress account would be appropriately transferred to the buildings and other structures accounts in a timely manner.

These noted weaknesses at both BIA and NPS can adversely affect these subagencies' ability to properly manage and safeguard their plant, property, and equipment assets. For example, if detailed property and equipment listings are not reliable, management's ability to make appropriate acquisition and disposal decisions could be affected. Additionally, poor controls over property and equipment make them more susceptible to theft or misuse.

Weaknesses in Controls Over Computer Systems

The OIG's reviews of general computer controls found serious computer security weaknesses at MMS, BIA's Operations Service Center, and BOR's

Administrative Service Center—which processes financial information for BOR as well as BLM and FWS. These weaknesses represent substantial noncompliance with the federal financial management systems requirements under the Federal Managers' Financial Integrity Act of 1982. Additionally, the OIG reported in the case of MMS and BIA that their testing disclosed instances of noncompliance with the Federal Financial Management Improvement Act of 1996. For example, the OIG reported that BIA's Operations Service Center did not have (1) an effective system security program and had not enforced personnel policies and procedures to ensure adequate system security, (2) controls over system software to effectively detect and deter inappropriate use, (3) an effective means of recovering or of continuing computer operations in the event of a system failure, and (4) a system for monitoring visitor activities and for performing adequate housekeeping to safeguard computer hardware. Similar weaknesses were found at MMS and the BOR Administrative Service Center.

Actions Under Way to Address Financial Management Problems

Interior has efforts under way to address many of these problem areas. BIA has established a team to survey its power and irrigation projects and determine the correct outstanding obligations and develop corrective actions in accounting for construction repayments and accounts receivable. This team is expected to complete its assessment and recommendations by 2002. BIA has also taken steps toward developing and implementing a plan to correct BIA's property records and establish ongoing property accounting and reconciliation procedures. Portions of this plan, such as inventorying most of BIA's plant, property, and equipment, have been completed. However, completion of the remaining steps is critical to resolving BIA's property weaknesses. USGS has issued new procedures to improve on debt collection and has reissued instructions concerning the appropriate accounting for collections on reimbursable agreements. Finally, the BOR has an action plan to correct its computer control weaknesses. Resolution of these financial management issues is key to ensuring financial accountability throughout the Department of the Interior.

This concludes my statement, Mr. Chairman. I would be happy to respond to any questions you or other Members of the Committee may have.

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