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United States General Accounting Office  
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General Government Division

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March 31, 2000

The Honorable Lee Terry  
Vice Chairman, Subcommittee on Oversight,  
Investigations, and Emergency Management  
Committee on Transportation and Infrastructure  
House of Representatives

Subject: Managing for Results: Answers to Hearing Questions on Program Data Quality

Dear Mr. Terry:

This letter responds to your inquiry at the Subcommittee's March 22, 2000, hearing on program data quality. You asked me about the quality of agencies' program performance and financial data. The enclosure contains my response to your inquiry.

Because this response is based primarily on our previously issued work, we did not obtain comments on a draft of this letter from the agencies that we discuss. We are sending copies of this letter to the Honorable Tillie K. Fowler, Chairman, and the Honorable James A. Traficant, Jr., Ranking Democratic Member, House Subcommittee on Oversight, Investigations, and Emergency Management. We will make copies available to others upon request.

If you have any questions concerning this letter or if I can be of further assistance, please contact me on (202) 512-8676.

Sincerely yours,

J. Christopher Mihm  
Associate Director, Federal Management  
and Workforce Issues

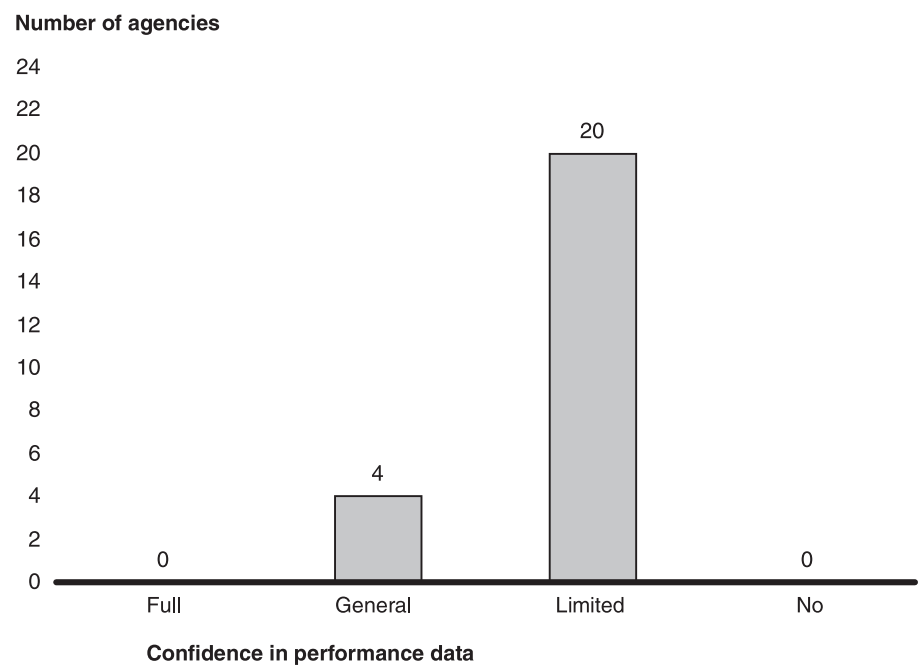
Enclosure

# Quality of Program Performance and Financial Data

In our analysis of the 24 Chief Financial Officers (CFO) Act agencies' fiscal year 2000 performance plans, we noted that most of the plans provided only limited confidence that performance information would be credible.<sup>1</sup> Only the plans for the Department of Education, the Department of Justice, the Department of Transportation, and the Social Security Administration provided general confidence that their performance information would be credible.

Figure 1 shows the overall results of our assessment of the 24 CFO Act agencies' fiscal year 2000 performance plans as it relates to the degree of confidence that agencies' performance information will be credible.

**Figure 1: Confidence in Performance Data — Overall**



Source: GAO/GGD/AIMD-99-215.

Decisionmakers must have assurance that the program and financial data being used will be sufficiently timely, complete, accurate, useful, and consistent if these data are to inform decisionmaking. However, like the fiscal year 1999 performance plans, most of the fiscal year 2000 plans lacked information on the procedures that the agencies would use to verify and validate performance information.

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

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Similar to our findings with the fiscal year 1999 plans, we also found that, in general, the fiscal year 2000 plans failed to include discussions of strategies to address known data limitations. We reported that when performance data are unavailable or of low quality, a performance plan would be more useful to decisionmakers if it briefly discussed how the agency plans to deal with such limitations. Without such a discussion, decisionmakers will have difficulty determining the implications of unavailable or low-quality data for assessing the subsequent achievement of performance goals that agencies include in their performance reports.

Figure 2 shows, by individual CFO Act agency, the results of our assessment of the agencies' fiscal year 2000 performance plans as it relates to the degree of confidence that agencies' performance information will be credible.

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**Figure 2: Confidence in Performance Data – Individual CFO Act Agencies**

Cabinet departments	Degree of confidence that performance information will be credible			
	Full	General	Limited	No
Agriculture			●	
Commerce			●	
Defense			●	
Education		●		
Energy			●	
Health and Human Services			●	
Housing and Urban Development			●	
Interior			●	
Justice		●		
Labor			●	
State			●	
Transportation		●		
Treasury			●	
Veterans Affairs			●	
Agencies	Full	General	Limited	No
Environmental Protection Agency			●	
Federal Emergency Management Agency			●	
General Services Administration			●	
National Aeronautics and Space Administration			●	
National Science Foundation			●	
Nuclear Regulatory Commission			●	
Office of Personnel Management			●	
Small Business Administration			●	
Social Security Administration		●		
U.S. Agency for International Development			●	

Source: GAO/GGD/AIMD-99-215.

Regarding the quality of financial data, the long-standing inability of many federal agencies to accurately record and report financial management data on both a year-end and an ongoing basis for decisionmaking and oversight purposes continues to be a serious weakness. Without reliable data on costs, decisionmakers cannot effectively evaluate programs' financial performance or control and reduce costs. Under the CFO Act,

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agencies are expected to (1) develop and deploy modern financial management systems and (2) routinely produce sound cost and operating performance information, among other things.

Financial statements for 22 of the 24 CFO Act agencies have been received by the Office of Management and Budget (OMB) as of March 29, 2000. Of these, 13 received unqualified audit opinions, 3 received qualified audit opinions, 4 received disclaimers, and 2 received a combination of these opinions. While obtaining unqualified “clean” audit opinions on federal financial statements is an important objective, it is not an end in and of itself. The key is to take steps to continuously improve internal controls and underlying financial and management information systems as a means of assuring accountability, increasing the economy, improving the efficiency, and enhancing the effectiveness of government. These systems must generate timely, accurate, and useful information on an ongoing basis, not just as of the end of the fiscal year.

Table 1 shows the financial statement audit results for fiscal year 1999 for the 24 CFO Act agencies.

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**Table 1: Audit Opinions for the 24 CFO Agencies' Fiscal Year 1999 Financial Statements**

<b>Opinions</b>	<b>Agencies</b>
<u>Unqualified</u> audit opinions: The financial statements are reliable in all material respects.	<ul style="list-style-type: none"> <li>•Department of Commerce</li> <li>•Department of Energy</li> <li>•Department of Health and Human Services</li> <li>•Department of Labor</li> <li>•Department of Transportation</li> <li>•Department of Veterans Affairs</li> <li>•Federal Emergency Management Agency</li> <li>•General Services Administration</li> <li>•National Aeronautics and Space Administration</li> <li>•National Science Foundation</li> <li>•Nuclear Regulatory Commission</li> <li>•Small Business Administration</li> <li>•Social Security Administration</li> </ul>
<u>Qualified</u> audit opinions: Except for some item(s), which are mentioned in the auditor's report, the financial statements are reliable in all material respects.	<ul style="list-style-type: none"> <li>•Department of Justice</li> <li>•Department of the Treasury</li> <li>•Environmental Protection Agency</li> </ul>
<u>Disclaimers:</u> The auditor does not know if the financial statements are reliable in all material respects.	<ul style="list-style-type: none"> <li>•Department of Agriculture</li> <li>•Department of Defense</li> <li>•Department of Housing and Urban Development</li> <li>•U.S. Agency for International Development</li> </ul>
<u>Other:</u>	<ul style="list-style-type: none"> <li>•Department of Education received a disclaimer of opinion on its Statement of Financing and qualified opinions on its other financial statements.</li> <li>•Office of Personnel Management does not prepare agencywide financial statements. For fiscal year 1999, OPM received disclaimers of opinions on its financial statements for the Revolving Funds and the Salaries and Expenses Accounts, and unqualified opinions on the financial statements for the Retirement Program, Life Insurance Program, and Health Benefits Insurance Program.</li> <li>• Auditors' reports from 2 of the 24 CFO Act agencies – Department of State and Department of the Interior – have not been received by OMB as of March 29, 2000.</li> </ul>

Source: Individual agency reports on results of audits of fiscal year 1999 financial statements, as of March 29, 2000.

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Further, the Federal Financial Management Improvement Act (FFMIA) focuses, among other things, on ensuring greater attention to making much needed improvements in financial management systems. The primary purpose of FFMIA is to ensure that agency financial management systems routinely provide reliable, useful, and timely financial information. With such information, government leaders will be better positioned to invest scarce resources, reduce costs, oversee programs, and hold agency managers accountable for the way that they run government programs.

For fiscal year 1999, financial management systems for 19 of the 22 CFO Act agencies for which auditors' reports have been received by OMB were found not to comply substantially with FFMIA's requirements. The three agencies in compliance were the Department of Energy, National Aeronautics and Space Administration, and the National Science Foundation. The two agencies that have not issued their 1999 financial statement audit reports as of March 29, 2000, both reported that their financial systems did not substantially comply for fiscal years 1997 and 1998.

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