

GAO

Report to the Ranking Minority
Member, Committee on Governmental
Affairs, United States Senate

June 2001

DEPARTMENT OF COMMERCE

Status of Achieving Key Outcomes and Addressing Major Management Challenges



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United States General Accounting Office
Washington, DC 20548

June 15, 2001

The Honorable Fred Thompson
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

Dear Senator Thompson:

As you requested, we reviewed the Department of Commerce's fiscal year 2000 performance report and fiscal year 2002 performance plan required by the Government Performance and Results Act of 1993 (GPRA) to assess Commerce's progress in achieving selected key outcomes that you identified as important mission areas for the agency.¹ These are the same outcomes we addressed in our June 2000 review of Commerce's fiscal year 1999 performance report and fiscal year 2001 performance plan to provide a baseline by which to measure the agency's performance from year to year.² The selected key outcomes are as follows:

- jobs are created and businesses remain successful,
- weather forecasts and severe weather warnings are accurate and timely,
- U.S. businesses have greater access to international markets, and
- the U.S. is secure from the proliferation of dual-use commodities and chemical weapons.³

As agreed, using the selected key outcomes for Commerce as a framework, we (1) assessed the progress Commerce has made in achieving these outcomes and the strategies the agency has in place to achieve them and (2) compared Commerce's fiscal year 2000 performance report and fiscal year 2002 performance plan with its prior-year performance report and plan. In addition, we agreed to analyze how Commerce addressed major management challenges that Commerce's Office of Inspector General and we identified, including the

¹This report is one of a series of reports on the 24 Chief Financial Officers Act agencies' fiscal year 2000 performance reports and fiscal year 2002 performance plans.

²*Observations on the Department of Commerce's Fiscal Year 1999 Annual Program Performance Report and Fiscal Year 2001 Annual Performance Plan* (GAO/GGD-00-152R, June 30, 2000).

³Dual-use commodities are those with both commercial and military applications.

governmentwide high-risk areas of strategic human capital management⁴ and information security. Appendix I provides detailed information on how Commerce addressed these challenges.

Results in Brief

Commerce's report indicates that it has made progress in achieving two of the selected key outcomes; however, progress on the remaining two outcomes is unclear. Commerce's strategies for achieving these outcomes are generally clear and reasonable. Specifically,

Planned outcome: Jobs are created and businesses remain successful. On the basis of Commerce's report, it made good progress in achieving its performance goals related to this key selected outcome. Among the reported achievements were creating or retaining over twice as many jobs in distressed areas as planned and obtaining millions of dollars in private sector investments in distressed communities ahead of schedule. In addition, Commerce provides clear and reasonable strategies for meeting its fiscal year 2002 goals. For example, Commerce plans to provide grants for economic development projects in distressed communities, provide grants to implement economic adjustment strategies in communities that experience sudden losses of jobs and severe economic distress, strengthen and expand its strategic planning and investment activities through a network of regional planning organizations, and disseminate information on economic development issues affecting distressed communities to entities involved in helping those communities.

Planned outcome: Weather forecasts and severe weather warnings are accurate and timely. Based on our review of Commerce's report, it made limited progress in achieving its performance goal related to this outcome. Specifically, Commerce met its targets for flash floods and winter storms that are covered by warnings. On the other hand, it did not issue warnings for flash floods, winter storms, and tornadoes with as much lead time as targeted and its false alarm rate for tornado warnings was higher than targeted. In some cases, Commerce's performance stayed about the same as last year even though the target was not met. For example, the reported accuracy for marine forecasts involving winds and waves remained at 50 percent, slightly below the target of 51 percent. Commerce noted that

⁴Key elements of modern human capital management include strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staffs whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.

improvements are difficult to observe on an annual basis and that historical trends show that the agency continues to improve the accuracy and lead time of warnings related to severe weather hazards. Its strategies for further improving its performance are clear and reasonable and include continuing its investments in research and new technologies, maintaining continuous satellite coverage, strengthening weather observing and prediction systems, and improving the dissemination of weather forecasts and warnings to the public and others.

Planned outcome: U.S. businesses have greater access to international markets. Commerce's progress made toward this key outcome is unclear because of the reported performance for specific measures, as well as the limitations on those measures. For example, some of the targets related to this outcome were not met and performance for those targets during fiscal year 2000 was lower than performance during fiscal year 1999. Also, it is not clear whether Commerce met its targets for two measures. For example, Commerce reported that it met the original target for the number of "new-to-market" firms, explained that it had revised this target upward in the fiscal year 2001 performance plan, and stated that it did not meet the revised target. However, in its accountability report, Commerce included the same explanation and said that it did not meet its target for this measure. Commerce did not explain why it used the lower targets for this report. Furthermore, Commerce reported that its ability to demonstrate future progress is hindered by the limitations of the measures that it uses and that it faces inherent difficulties in quantifying its progress due to the reluctance of its business clients to volunteer proprietary information, the unanticipated shifts in the world economy, and the challenge of isolating its contribution to U.S. trade objectives from that of other agencies. Commerce reported that it has taken steps to improve its ability to demonstrate progress towards its goals by discontinuing some measures and adding new measures. In addition, Commerce presented a multi-step strategy for improving its performance. While this strategy seems clear and reasonable, the prospects for improving the agency's ability to demonstrate progress are unclear because, for each of its four performance goals for fiscal year 2002, it plans to rely on one, narrowly focused measure to demonstrate progress. For example, Commerce will measure its progress in increasing U.S. exports by using the number of "new-to-market" firms. Commerce states that this measure is circumstantial evidence of overall export growth and adds that it cannot measure actual dollar value of exports because of limitations on the data, such as the reluctance of businesses to reveal that information. In some cases, other data exist that could support additional measures related to these performance goals.

Planned outcome: The U.S. is secure from the proliferation of dual-use commodities and chemical weapons. Commerce's progress related to this key outcome is unclear. As we observed last year, the Bureau of Export Administration's ability to demonstrate progress toward this outcome has been hampered by the tendency of its measures to reflect workload and outputs—rather than outcomes—and a lack of clarity in the presentation of its performance goals. Specifically, while Commerce reported that it made some progress in achieving the performance targets related to this key outcome, its measures included primarily outputs such as the number of strategic industry analyses completed, the number of enforcement outreach visits, and the number of end-use visits conducted. Also, Commerce plans to discontinue most of the measures that it used to assess its performance related to this key outcome. While Commerce described reasonable strategies for future achievement related to key outcome, its prospects for demonstrating progress are unclear because it plans to rely on one measure for each of its performance goals for fiscal year 2002.

In many cases, Commerce explained why targets were not met and described strategies for the future. Program evaluations were also discussed. For example, the Economic Development Administration said that it used program evaluations to develop valid performance measures, verify results, provide a more complete understanding of overall program performance, and improve program performance. Similarly, the Bureau of Export Administration noted that it used the results of program evaluations to identify improvements in data entry and review. In several cases, Commerce cited the results of evaluations that the Inspector General and we had conducted and described actions that it took as a result of those evaluations. Commerce's reporting format includes information on data sources, validation and verification efforts, and known limitations for the data.

Commerce's *FY 2000 Annual Program Performance Report and FY 2002 Performance Plan* is a significant improvement over its fiscal year 1999 performance report and fiscal year 2001 performance plan and addresses the recommendations made in our June 2000 report to (1) classify performance measures as met or unmet to more clearly communicate the agency's performance, (2) consistently explain why targets were not met when differences occur between actual and targeted performance, and (3) provide information about plans and schedules for meeting targets when they are not met. Commerce clearly showed whether targets for performance goals were met or not met, rather than using the three-tiered scoring system that was used in last year's report. Furthermore,

Commerce's combined performance report and plan includes summaries of the mission; priorities and management challenges; actual and targeted levels of performance; resource requirements; detailed descriptions of the performance goals and measures; and explanations of whether performance targets were met, not met, changed, added, or discontinued.

In January 2001, we identified two governmentwide high-risk areas—strategic human capital management and information security—and reported on four major management challenges facing Commerce. Commerce's combined report and plan contained goals and measures for all of these challenges except for information security; and, under a broad goal, it contains measures related to information security. Where measures were identified, Commerce reported its progress related to those measures.

Commerce's combined report and plan is a significant improvement from last year and addresses the recommendations made in our June 2000 report. However, due to weaknesses related to measuring performance, it is not always clear whether Commerce is making progress toward achieving its outcomes. Consequently, we recommend that the Secretary of Commerce direct its component agencies to reassess the measures that are used to assess progress in achieving their organizational performance goals related to the key outcomes that cover international trade and export control.

Background

GPRA is intended to shift the focus of government decisionmaking, management, and accountability from activities and processes to the results and outcomes achieved by federal programs. New and valuable information on the plans, goals, and strategies of federal agencies has been provided since federal agencies began implementing GPRA. Under GPRA, annual performance plans are to clearly inform the Congress and the public of the (1) annual performance goals for agencies' major programs and activities, (2) measures that will be used to gauge performance, (3) strategies and resources required to achieve the performance goals, and (4) procedures that will be used to verify and validate performance information. These annual plans, issued soon after transmittal of the President's budget, provide a direct linkage between an agency's longer-term goals and mission and day-to-day activities.⁵ Annual performance

⁵The fiscal year 2002 performance plan is the fourth of these annual plans under GPRA.

reports are to subsequently report on the degree to which performance goals were met. The issuance of the agencies' performance reports, due by March 31 of each year, represents a new and potentially more substantive phase in the implementation of GPRA—the opportunity to assess federal agencies' actual performance for the prior fiscal year and to consider what steps are needed to improve performance, and reduce costs in the future.⁶ To meet the reporting requirements for this year, Commerce issued a combined performance report and performance plan.

According to Commerce, its basic mission is to promote job creation and improve living standards for all Americans through economic growth, technological competitiveness, and sustainable development. The component agencies that are accountable for the selected key outcomes covered in this report are responsible for providing assistance to distressed communities; forecasting and warning the public about severe weather, such as hurricanes, tornadoes, and floods; supporting export policies that affect millions of domestic jobs and monitoring hundreds of international trade agreements; and helping stop the proliferation of weapons of mass destruction and providing technical assistance to Russia and newly emerging countries concerning export controls. Activities not covered by the selected outcomes include supporting the domestic and international management of living marine resources, including overseeing 2,000,000 square miles of ocean and 300 marine species; fostering telecommunications policies that promote economic and technical advancement; protecting patents, trademarks, and intellectual property rights; and conducting the decennial census, demographic and economic censuses, and over 200 annual surveys. While Commerce shares responsibilities for these functions with a number of other federal departments and agencies, it has a lead role in one area—promoting economic development in distressed areas.

⁶The fiscal year 2000 performance report is the second of these annual reports under GPRA.

Assessment of Commerce's Progress and Strategies in Achieving Selected Key Outcomes

Create Jobs and Maintain Successful Businesses

This section discusses our analysis of Commerce's performance in achieving selected key outcomes and the strategies—particularly those related to strategic human capital management and information technology—that it has in place for achieving these outcomes.

On the basis of Commerce's report, the Economic Development Administration (EDA) made good progress in achieving its two performance goals related to this key selected outcome: (1) to create jobs and private enterprise in economically distressed communities and (2) to build local capacity to achieve and sustain economic growth. In March 1999, we reported that measuring job creation that results from economic development programs is problematic.⁷ EDA reports that it adjusted its targets related to creating and retaining permanent jobs based on our report, resulting in conservative targets. In addition, EDA uses multiple measures to assess its performance related to this outcome. Among the achievements that EDA reports were creating or retaining over twice as many jobs in distressed areas as planned, obtaining millions of dollars in private sector investments in distressed communities ahead of schedule, obtaining more state and local funds than anticipated, awarding a larger portion of its grants to areas of highest distress, and decreasing the processing time for grant applications. The one performance measure for which the target was not met was the percentage of Economic Development District and Indian tribe planning grantees whose Comprehensive Economic Development Strategies were submitted on time and were acceptable. Commerce explained that this target is not based on statutory requirements and was originally an estimate. In addition, some delays may have stemmed from new legislation that changed the process for some grantees. EDA said that it is analyzing trends to determine if adjustments need to be made to future targets.

EDA presents clear and reasonable strategies for the future, which include the following:

⁷See *Economic Development: Observations Regarding the Economic Development Administration's May 1998 Final Report on Its Public Works Program* (GAO/RCED-99-11R, Mar. 23, 1999).

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- providing grants for economic development projects in distressed communities,
 - providing grants to implement economic adjustment strategies in communities that experience sudden losses of jobs and severe economic distress,
 - strengthening and expanding its strategic planning and investment activities through a network of regional planning organizations, and
 - disseminating information on economic development issues affecting distressed communities to entities involved in helping those communities.

EDA said that it used program evaluations to develop valid performance measures, verify results, provide a more complete understanding of overall program performance, and improve program performance. EDA also identified specific program evaluations that it had used in the past, as well as evaluations that are currently under way. EDA reports that it plans to collaborate with other federal agencies on ways to evaluate and measure crosscutting activities to improve economic development assistance for distressed communities—a topic that was covered in our September 2000 report.⁸

For each of its performance measures, EDA describes the data source, as well as its data validation and verification efforts. In addition, EDA generally discusses data limitations. For example, for two measures related to the ratings that EDA receives from its clients, EDA states that this is the first year that data have been reported and that it will evaluate trends after more years of data are available.

Provide Accurate and Timely Weather Forecasts and Severe Weather Warnings

The National Oceanic and Atmospheric Administration (NOAA) made limited progress in achieving its performance goal related to this outcome—to advance short-term warnings and forecasts. NOAA reported its fiscal year 2000 performance for this goal using measures such as the lead time and accuracy of forecasts and warnings. Specifically, NOAA met its targets for flash floods and winter storms that are covered by warnings. On the other hand, it did not issue warnings for flash floods, winter storms, and tornadoes with as much lead time as targeted and its false alarm rate for tornado warnings was higher than targeted. NOAA's performance on one measure—the accuracy of warnings for hurricanes—

⁸See *Economic Development: Multiple Federal Programs Fund Similar Economic Development Activities* (GAO/RCED/GGD-00-220, Sept. 29, 2000).

was not applicable this past year because no hurricanes made landfall during the 2000 season. In some cases, NOAA's performance stayed about the same as last year even though the target was not met for fiscal year 2000. For example, the reported accuracy for marine forecasts involving winds and waves remained at 50 percent, slightly below the target of 51 percent. Similarly, the reported lead time for severe weather warnings for flash floods increased from 41 minutes to 43 minutes, but fell short of the target of 55 minutes.

In reporting on these measures, Commerce's report offered explanations for its failure to meet targets, which often involved atypical weather conditions. For example, in explaining why it did not meet its three targets for tornado warnings, NOAA noted that the 2000 tornado season had few well-organized storm systems, resulting in fewer and weaker tornadoes that are harder to detect. Similarly, in explaining why it did not meet its target of 20 percent accuracy in 3-day precipitation forecasts, NOAA indicated that the past year had been relatively dry, a factor that can lower the accuracy score. In addition, NOAA noted that this measure was being used for the first time and, therefore, was considered a baseline for this measure.

NOAA noted that improvements are difficult to observe on an annual basis and that historical trends show that the agency continues to improve the accuracy and lead time of warnings related to severe weather hazards. NOAA's strategies for further improving its performance are clear and reasonable. These strategies include continuing its investments in research and new technologies, maintaining continuous satellite coverage, strengthening weather observing and prediction systems, and improving the dissemination of weather forecasts and warnings to the public and others. NOAA also stated that it uses annual program evaluations at its National Weather Service (NWS) field offices as part of its quality control to ensure the reliability of its data and products; however, it did not elaborate on the results of these evaluations.

For each of its performance measures, NOAA describes the data source, as well as its data validation and verification efforts. In addition, NOAA generally discusses data limitations. For example, for its measure related to hurricane warnings, NOAA states that there is a large variability in the hurricane warning program due to sample sizes and types of storms.

Our prior work drew attention to problems that NWS faced in developing and implementing weather-forecasting technologies. Because of these and other problems, we identified NWS' efforts to modernize its critical

weather systems as a high-risk area in our 1995, 1997, and 1999 high-risk series reports.⁹ We made a series of recommendations aimed at helping NWS improve its management of the modernization effort, and NWS has implemented many of those recommendations. Most recently, in January 2001, we removed NWS' modernization effort from our high-risk list because of the progress NWS had made in addressing our recommendations and in implementing a critical information processing system. NWS is continuing to improve its modernization systems and has reported that these efforts are critical to its ability to improve warnings and forecasts over time.

Increase Access of U.S. Businesses to International Markets

Commerce's progress made toward ensuring that U.S. businesses have greater access to international markets is unclear for at least three reasons. First, most of the targets related to this outcome were not met and performance for those targets during fiscal year 2000 was lower than performance during fiscal year 1999. For example, the International Trade Administration (ITA) did not meet its target for the number of counseling sessions held with U.S. businesses and held about 20,000 fewer sessions in fiscal year 2000 than it held in fiscal year 1999. ITA stated that the number of counseling sessions did not reflect its level of success given the emphasis on using electronic means to communicate with U. S. firms, but ITA did not describe its efforts to communicate electronically. Also, ITA did not meet the target for the value of gross exports supported through advocacy efforts and reported that the dollar value was \$8.9 billion for fiscal year 2000, as opposed to \$9.8 billion for fiscal year 1999. Second, it is not clear whether ITA met its targets for two measures. Specifically, ITA reported that it met the original targets for the number of "new-to-market" and "new-to-export" firms. ITA explained that it had revised these targets upward in the fiscal year 2001 performance plan and did not meet the revised targets; however, ITA did not explain why it used the lower targets for this report. In addition, based on the same data, Commerce's accountability report for fiscal year 2000 states that the target for the number of "new-to-market" firms was not met. Third, ITA reported that its ability to demonstrate future progress is hindered by the limitations of the measures that it uses. ITA reported that it faces inherent difficulties in quantifying its progress due to the reluctance of its business clients to

⁹See *High-Risk Series: An Overview* (GAO/HR-95-1, Feb. 1995); *High-Risk Series: Information Management and Technology* (GAO/HR-97-9, Feb. 1997); and *High-Risk Series: An Update* (GAO/HR-99-1, Jan. 1999).

volunteer proprietary information and the unanticipated shifts in the world economy. In addition, ITA faces the challenge of isolating its contribution to U.S. trade objectives from that of U.S. industry and other U.S. agencies.

While ITA met its targets for the number of antidumping and countervailing duty cases processed and for the dollar value of market openings, it is discontinuing use of the dollar value of market openings because it does not directly relate to ITA's success in enforcing trade laws and agreements.¹⁰ ITA also plans to discontinue using the number of counseling sessions held with U.S. businesses and the value of gross exports supported as performance measures. While ITA explains its reasons for discontinuing measures, some of the explanations were very brief. For example, ITA states that the value of gross exports is being discontinued as a measure to reflect departmental goals and objectives but does not describe those goals and objectives or explain the relationship of this measure to those goals and objectives.

ITA has taken steps to improve its ability to demonstrate progress towards its goals by discontinuing three measures and adding two new measures. In addition, ITA presented a multi-step strategy for improving its performance. While this strategy is clear and reasonable, ITA's prospects for success in improving its ability to demonstrate progress are unclear because, for each of its four performance goals for fiscal year 2002, it plans to rely on one, narrowly focused measure to demonstrate progress. For example, ITA will measure its progress in increasing U.S. exports by implementing the National Export Strategy by using the number of "new-to-market" firms. ITA states that this measure is circumstantial evidence of overall export growth and adds that it cannot measure actual dollar value of exports because of limitations on the data, such as the reluctance of businesses to reveal that information. In another instance, Commerce will use the number of anti-dumping and countervailing duty cases processed to measure its progress in improving American competitiveness and access to foreign markets by enforcing compliance with U.S. trade laws. However, in summarizing the limitations to this information, ITA states that the number of cases processed depends entirely on the number of injurious foreign trade actions taken and on the responses of parties other than ITA.

¹⁰In addition, in our June 2000 report, we noted that this measure was not directly linked to ITA's performance goals.

In some cases, data exist that could support additional measures related to ITA's performance goals. For example, as we reported in March 2000, ITA's Trade Compliance Center relies on multiple sources of information and reporting mechanisms to ensure that trade agreements are monitored and compliance issues are promptly addressed.¹¹ These sources of information include U.S. businesses, other parts of Commerce, and U.S. embassies overseas. The Trade Compliance Center also produces regular reports on possible compliance violations for use by other executive branch agencies. Thus, ITA already collects and maintains a rich set of useful data that is directly related to one of its key performance goals—improving competitiveness and access to foreign markets by enforcing compliance with U.S. trade laws and agreements.

ITA identified both internal and external program evaluations that were related to its performance goals. Specifically, ITA reported that, in response to one of our reports, it clarified criteria for the types of agreements that are to be included in a trade database. Also, ITA reported that it conducted a number of internal reviews that identified needed changes in programs, administration, and management that were implemented at the end of these reviews.

For each of its performance measures, ITA describes the data source, as well as its data validation and verification efforts. In addition, ITA generally discusses data limitations. For example, ITA explains that its success in collecting data on “new-to-export” firms is dependent on its clients’ willingness to provide such information.

Ensure That the United States Is Secure From Proliferation of Dual-Use Commodities and Chemical Weapons

The Bureau of Export Administration's (BXA) progress toward ensuring that the United States is secure from the proliferation of dual-use commodities and chemical weapons is unclear. As we observed last year, BXA's ability to demonstrate progress toward this outcome has been hampered by the tendency of its measures to reflect workload and outputs—rather than outcomes—and a lack of clarity in the presentation of its performance goals.

BXA reported that it met its targets for the number of strategic industry analyses completed, the number of investigations accepted for criminal or administrative remedies, the number of enforcement outreach visits, the

¹¹*International Trade: Strategy Needed to Better Monitor and Enforce Trade Agreements* (GAO/NSIAD-00-76, Mar. 14, 2000).

number of end-use visits conducted, and the number of nonproliferation and export control international cooperative exchanges. However, BXA reported that it plans to discontinue using the last four of these measures for external reporting in the future. BXA said that it was changing its measures to align them more closely with new departmental objectives. However, BXA did not describe those objectives or explain why these measures do not support those objectives. In addition, BXA did not achieve its targets for average export licensing processing time, high-risk transactions deterred, licensing decisions made, number of investigations completed, and export assistance seminars and conferences attended. BXA plans to discontinue using all of these measures except the number of high-risk actions deterred.

While BXA attributed its lack of success in meeting these targets to several factors—including the liberalization of export controls, the growing complexity of its investigations, and staff limits—its explanations were not always complete. For example, BXA said that the decline in the number of high-risk transactions deterred was due to unforeseen regulatory, policy, and technological changes, but did not describe those changes or explain their impact on the measure. In addition, BXA stated that it did not meet its target for number of licensing decisions due to unanticipated liberalizations of export controls. However, Commerce has advocated such changes and the report did not provide enough information to explain how these liberalizations differed from those advocated by Commerce. In another case, BXA said that it did not meet its targeted number of seminars and conferences due to budget constraints and its inability to fill critical personnel vacancies; however, it did not provide supporting details.

BXA broadly described strategies for meeting the targets for its five performance goals associated with this key outcome. However, like ITA, BXA's prospects for success in improving its ability to demonstrate progress are unclear because for fiscal year 2002, it plans to rely on one measure to demonstrate progress for each of these performance goals. For example, to ensure that the U.S. defense industrial base is healthy and competitive, BXA describes strategies such as coordinating federal support for U. S. defense firms involved in procurement competitions overseas, facilitating business contacts between U. S. industry and potential customers, maintaining the competitiveness of U.S. defense firms, and minimizing the burden of offsets placed on firms that make defense sales to foreign customers. To measure its performance related to this goal, BXA plans to use the dollar value of contracts won in international competitions by U.S. defense firms. While this measure may

be an indicator of BXA's success in this area, additional measures would provide further evidence of progress.

Like the other component agencies, BXA identified program evaluations that were related to its performance goals. Specifically, BXA reported that, in response to reports from Commerce's Office of Inspector General and us, BXA initiated its own program reviews related to data validation. BXA reported that it used the results of these program evaluations to identify improvements in data entry and review, among other things.

For each of its performance measures, BXA describes the data source, as well as its data validation and verification efforts. However, unlike the other component agencies covered by this report, BXA generally did not discuss data limitations.

Comparison of Commerce's Fiscal Year 2000 Performance Report and Fiscal Year 2002 Performance Plan With the Prior Year's Report and Plan

Commerce's *FY 2000 Annual Program Performance Report and FY 2002 Performance Plan* is a significant improvement over its fiscal year 1999 performance report and fiscal year 2001 performance plan and addresses the recommendations made in our June 2000 report. Most notably, Commerce clearly showed whether targets for performance goals were met or not met, rather than using the three-tiered scoring system that was used in last year's report. Furthermore, for most of its component agencies and for departmental management, Commerce's combined performance report and plan includes summaries of the mission, priorities and management challenges, actual and targeted levels of performance, and resource requirements. These summaries are followed by detailed explanations of the performance goals and measures that include explanations of whether performance targets were met or not met, as well as any changes, additions, or deletions from the prior year. In addition, an appendix in the combined document summarizes performance measures across component agencies, links them to Commerce's strategic goals, and designates whether the targets were met or not met.

In our June 2000 report, we recommended that the Secretary of Commerce ensure that the fiscal year 2000 performance report (1) classify performance measures as met or unmet to more clearly communicate the agency's performance, (2) consistently explain why targets were not met when differences occur between actual and targeted performance, and (3) provide information about plans and schedules for meeting targets when they are not met. Commerce's combined report and plan addresses these recommendations. For each performance measure, the document includes a table that lists the targeted and actual performance for fiscal years 1999

and 2000, clearly indicates whether the targets were met or not met, and lists targets for fiscal years 2001 and 2002.¹² The table is followed by a narrative explanation of that measure. For the measures whose targets were exceeded or not met, the description usually explains whether Commerce has adjusted its performance targets for future years based on actual performance. For example, EDA reports that it has created or retained over 12,000 jobs in distressed areas, yet one of its fiscal year 2001 targets is to create or retain 7,201 jobs by fiscal year 2004. The narrative explains that this is the first year for which data have become available for this measure and the high number of jobs created or retained could have been due, in part, to strong economic growth; consequently, additional data are required before adjusting long-term projections. In another case, ITA reported that the number of “new-to-export” firms for fiscal year 2000 was 33,514, which was fewer than in fiscal year 1999; consequently, ITA reduced its fiscal year 2001 target for this measure from 36,949 firms to 30,336 firms to reflect trends experienced in fiscal year 2000. Each performance goal also includes a list of the measures that were discontinued, accompanied by explanations; an action plan, including planned strategies; a description of crosscutting activities both inside and outside of the department; and a discussion of external factors and accompanying mitigation strategies. In addition, the document includes two appendixes, one that lists all of the fiscal year 2000 measures and indicates whether they were met or not met and one that lists the performance measures and targets for fiscal years 2001 and 2002.

Commerce’s Efforts to Address Its Major Management Challenges Identified by Us

In January 2001, we identified two governmentwide high-risk areas—strategic human capital management and information security—and reported on four major management challenges facing Commerce.¹³ Commerce’s combined report and plan contained goals and measures directly related to all of these challenges. Where measures were identified, Commerce reported its progress related to those measures.

¹²As in the past, Commerce clearly identifies the data source for each measure, as well as its plans to validate and verify the data.

¹³*Major Management Challenges and Program Risks: A Governmentwide Perspective* (GAO-01-241, Jan. 2001) and *Major Management Challenges and Program Risks: Department of Commerce* (GAO-01-243, Jan. 2001).

Strategic Human Capital Management

Commerce's combined report and plan includes a performance goal of acquiring, managing, and developing a diverse, skilled, and flexible staff, using information technology as an essential tool. In describing its measures related to this goal, Commerce states that our high-risk report on strategic human capital management encourages agencies to consider strategic human capital management as a strategic asset.¹⁴ Commerce notes that it held a departmentwide meeting in August 2000 that involved senior managers who generated ideas for changing Commerce's human capital strategy and incorporating human capital management into all major management systems. To assess how well it achieves this goal, Commerce plans to measure

- implementation of a process to identify current and projected mission-related workforce needs,
- the value of human resources services,
- the efficiency and effectiveness of hiring systems,
- recruiting activities,
- the alignment of performance management with mission accomplishment and overall recognition, and
- implementation of a telecommuting program.

For fiscal year 2000, Commerce reports achievements that include developing a workforce analysis plan and identified workforce planning tools, pilot testing a Web-based recruitment and referral system, integrating performance management and awards, and pilot testing a telecommuting program. In addition, Commerce cited human capital initiatives as part of its strategy for addressing its challenge of strengthening financial management controls. Specifically, Commerce plans to establish financial leadership positions at all bureaus and develop a professional education program.

For each of its component agencies, Commerce's combined report and plan includes a table of resource requirements—including full-time equivalent positions, as well as a summary of the skills needed in that component agency. For example, BXA's skill summary includes an extensive knowledge of the legislation and Executive Orders related to controlling dual-use commodities; knowledge of world political and economic systems, current trends in U. S. trade, and national security and

¹⁴See *High-Risk Series: An Update* (GAO-01-263, Jan. 2001).

foreign policy issues; and analytical abilities for complex licensing and policy decisions, as well as regulatory interpretations.

Several component agencies discussed challenges related to human capital. The Bureau of the Census states that its strategies to achieve its mission include valuing its employees, and lists its workplace and workforce as a management challenge. By fostering diversity in its workforce, the Bureau hopes to create surveys that are more sensitive to the cultural base of the people being surveyed, as well as retain a trained and skilled workforce. One of ITA's management challenges is to position human capital as a strategic asset. It projects that one-third of its employees can retire within 5 years and lists strategies for maintaining its workforce. Similarly, BXA notes that it lacks sufficient technical and analytical personnel and will lose people who retire. BXA also includes maintaining technical and analytical abilities as one of its management challenges, although it does not have goals and measures that are directly related to this challenge. NOAA and the Technology Administration discuss investing in people under their respective sections on priorities.

Information Security

While Commerce's combined report and plan does not identify a specific performance goal for strengthening departmentwide information security, some of its goals contain measures related to information security. For example, under Department Management, Commerce's performance goal to acquire and manage the fiscal and related resources necessary to support program goals contains a measure to protect information and staff at field sites from risk or disaster. For fiscal years 2001 and 2002, the measure will be to ensure the protection of critical, classified, and sensitive Commerce computer systems and information from compromise or exploitation by adversaries, and will include inspecting, accrediting, and certifying computer systems. Another performance goal under Department Management is to acquire and manage the technology resources to support program goals. This goal includes a measure to increase the maturity of its information technology security program, which is a new measure for which the first target is established for fiscal year 2001.

Information security and related issues such as critical infrastructure protection are also identified in the report as management challenges by the following component agencies: EDA, BXA, NOAA, the Bureau of the Census, the Minority Business Development Agency, and the National Institute of Standards and Technology. The report provides little specific information on the progress of resolving these challenges at these

component agencies, and the related performance goals or measures identified were shown as new for fiscal year 2000.

The fiscal year 2002 plan does not highlight the priority for establishing safeguards against unconventional national security threats that was included in the fiscal year 2001 plan. However, according to the plan, some of Commerce's component agencies have performance goals and/or measures for critical infrastructure protection. These are as follows:

- The National Institute of Standards and Technology has a goal to protect the national information infrastructure. The primary focus of this goal is to establish a grants program for new research into advanced technologies, measurements, and methods that can raise the level of reliability and security of critical information technology-based systems and networks. The current measure for this goal is the timely and successful completion of activity milestones to establish the program. In the longer term, outcome measures will be developed that gauge the security, reliability, quality, and survivability of information technology systems and networks.
- BXA has a new performance goal to ensure that the nation's infrastructure components are secured in accordance with an integrated plan. To begin in fiscal year 2002, the measure for this goal is the number of agency plans implemented within the framework of the National Critical Infrastructure Protection Plan.
- The National Telecommunications and Information Administration included a new performance goal to minimize the effects of crisis by preparing the U.S. telecommunications and information infrastructure protection programs. To begin in fiscal year 2002, the measure for this goal is to increase the number of state, city, and county governments actively engaged in critical infrastructure protection programs. However, in commenting on a draft of this report, Commerce officials said they will discontinue this measure because Commerce did not receive funding for efforts related to it.

Major Management Challenges

The four management challenges that we identified are the same as the four outcomes covered by this report. As discussed above, we found that Commerce's performance report described the agency's progress in achieving these challenges and contained goals and measures directly related to each of them.

Conclusions

Commerce's combined report and plan is a significant improvement over its fiscal year 1999 performance report and fiscal year 2001 performance plan and addresses the recommendations made in our June 2000 report.

Furthermore, the report indicates that Commerce has made progress toward achieving two of the selected key outcomes. However, progress toward achieving the remaining two outcomes is unclear largely because of weaknesses related to measuring performance. Specifically, some of the measures are output-oriented, rather than outcome oriented; some measures have known limitations, which Commerce acknowledges; many of the measures used to assess performance in the past are being discontinued for the future; and Commerce plans to rely on one, narrowly focused measure to demonstrate progress for each performance goal related to these key outcomes. Furthermore, other data exist within ITA that could support additional measures related to its performance goals.

Recommendation

We recommend that the Secretary of Commerce direct ITA and BXA to reassess the measures that are used to assess progress in achieving their organizational performance goals related to the outcomes covered by this report. Specifically, ITA and BXA should consider using more than one measure to address goals that are multifaceted or are difficult to measure. In addition, ITA should consider developing trade agreement compliance and enforcement measures based on data currently gathered by its trade compliance unit.

Scope and Methodology

Our evaluation was generally based on the requirements of GPRA, the Reports Consolidation Act of 2000, guidance to agencies from the Office of Management and Budget (OMB) for developing performance plans and reports (OMB Circular A-11, Part 2), previous reports and evaluations by us and others, our knowledge of Commerce's operations and programs, our identification of best practices concerning performance planning and reporting, and our observations on Commerce's other GPRA-related efforts. We also discussed our review with Commerce's Office of Inspector General. The agency outcomes that were used as the basis for our review were identified by the Ranking Minority Member of the Senate Governmental Affairs Committee as important mission areas for the agency and do not reflect the outcomes for all of Commerce's programs or activities. The major management challenges confronting Commerce, including the governmentwide high-risk areas of strategic human capital management and information security, were identified in January 2001 in our performance and accountability series and high-risk update or in December 2000 by Commerce's Office of Inspector General. We did not independently verify the information contained in the performance report and plan, although we did draw from our other work in assessing the validity, reliability, and timeliness of Commerce's performance data. We

conducted our review from April through June 2001 in accordance with generally accepted government auditing standards.

Agency Comments

We provided copies of a draft of this report to Commerce for its review and comment. We met with the Deputy Director, Office of Budget, and representatives from many of Commerce's component agencies to obtain their comments. In general, they agreed with the information presented in the draft report and provided technical clarifications, which we incorporated where appropriate. While Commerce indicated that it would send its comments in writing, we did not receive written comments in time to include them in this report.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days after the date of this letter. At that time, we will send copies to appropriate congressional committees; the Secretary of Commerce; and the Director, Office of Management and Budget. Copies will also be made available at www.gao.gov.

If you or your staff have any questions, please call me at (202) 512-8678. Key contributors to this report were Debra Johnson, Stephen Lord, Tina Morgan, Colleen Phillips, William Ritt, Debra Rucker, Nancy Simmons, and Pierre Toureille.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Davi M. D'Agostino". The signature is fluid and cursive, with a large initial "D" and "A".

Davi M. D'Agostino
Director, Financial Markets and
Community Investment

Appendix I: Observations on Commerce's Efforts to Address Its Major Management Challenges

The major management challenges confronting Commerce, which include the governmentwide high-risk areas of strategic human capital management and information security, are shown in table 1. The first column lists the challenges that Commerce's Office of Inspector General and/or we identified.¹ The second column discusses the progress Commerce made in resolving its challenges as discussed in Commerce's *FY 2000 Annual Program Performance Report and FY 2002 Performance Plan*. The third column discusses the extent to which Commerce's combined document includes performance goals and measures to address the challenges. Commerce's combined document discussed its progress in resolving all of the identified challenges.

For its 15 challenges, Commerce's performance plan contained goals or measures that were directly related to 11 of the challenges and goals or measures that were indirectly related to 3 of the challenges. The remaining challenge was not applicable because it dealt with improving Commerce's GPRA efforts.

Table 1: Commerce's Major Management Challenges

Major management challenge	Progress in resolving the major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
GAO-designated governmentwide high risk challenges		
<u>Strategic human capital management</u> : GAO has identified shortcomings at multiple agencies involving key elements of modern human capital, including strategic human capital management planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staffs whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.	Under the Department Management section of the report, Commerce describes activities undertaken to address departmentwide management challenges. One of the management challenges listed in this section of the report is "de-layer management levels to streamline organizations," which involves restructuring organizations to reduce the number of supervisory positions and eliminate unnecessary managerial levels. Commerce also includes a performance goal of acquiring, managing, and developing a diverse, skilled, and flexible staff, using information technology as an essential	Commerce includes six performance measures related to the performance goal of acquiring, managing, and developing a diverse, skilled, and flexible staff, using information technology as an essential tool. These measures are as follows: <ul style="list-style-type: none"> • implement a process to identify current and projected mission-related workforce needs, • assess human capital and the value of human resources services, • increase the efficiency and effectiveness of hiring systems, • increase recruitment opportunities and improve diversity, • increase the alignment of

¹See *Semiannual Report to the Congress*, Department of Commerce, Office of Inspector General, Sept. 30, 2000. According to the semiannual report, these challenges were selected because they were important to Commerce's mission or the nation's well-being, were complex, involved sizeable expenditures, or needed management improvements.

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Major management challenge	Progress in resolving the major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
	<p>tool. Under this goal, Commerce reports that it met all of the targets related to the six performance measures associated with the goal. Specifically, Commerce</p> <ul style="list-style-type: none"> • developed a workforce analysis plan and identified workforce planning tools, • held a departmentwide meeting in August 2000 that involved senior managers who generated ideas for changing Commerce's human capital strategy and incorporating human capital management into all major management systems, • pilot tested a Web-based recruitment and referral system, • established formal information-sharing mechanisms with nine colleges and universities with Hispanic ties, • integrated performance management and awards, and • pilot tested a telecommuting program. <p>In addition, for each component agency, Commerce includes a table of resource requirements—including full-time equivalent positions, as well as a summary of the skills needed in that component agency. For example, BXA's skill summary includes an extensive knowledge of the legislation and Executive Orders related to controlling dual-use commodities; knowledge of world political and economic systems, current trends in U.S. trade, and national security and foreign policy issues; and analytical abilities for complex licensing and policy decisions, as well as regulatory interpretations.</p> <p>Several component agencies list challenges related to human capital. The Bureau of the Census states that its strategies to achieve its mission include valuing its employees and lists its workplace and workforce as a management challenge. By fostering</p>	<p>performance management with mission accomplishment and overall recognition, and</p> <ul style="list-style-type: none"> • implement a telecommuting program. <p>The component agencies that included human capital issues in their priorities or management challenges did not include specific performance goals or measures related to human capital management.</p> <p>In addition, Commerce includes human capital initiatives as part of its strategy for addressing its challenge strengthening financial management controls. Specifically, Commerce plans to establish financial leadership positions at all bureaus and developing a professional education program.</p>

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Major management challenge	Progress in resolving the major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
<p>Information Security: Our January 2001 high-risk update noted that the agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption.</p> <p>(In 2000, Commerce's Inspector General also identified strengthening departmentwide information security as a management challenge.)</p>	<p>diversity in its workforce, the Bureau hopes to create surveys that are more sensitive to the cultural base of the people being surveyed, as well as retain a trained and skilled workforce. One of ITA's management challenges is to position human capital as a strategic asset. It projects that one-third of its employees can retire within 5 years and lists strategies for maintaining its workforce. Similarly, BXA notes that it lacks sufficient technical and analytical personnel and will lose people who retire. Consequently, BXA lists maintaining technical and analytical abilities as a management challenge. NOAA and the Technology Administration discuss investing in people under their respective sections on priorities.</p> <p>Under the Department Management section of the report, Commerce describes activities undertaken to address management challenges, one of which is strengthening departmentwide information security. Commerce's description of this management challenge cites recently completed Inspector General reviews as part of the efforts to resolve this challenge. The report further states that these Inspector General reviews of the Department's protection of its information systems under the critical infrastructure protection program and the security of its financial management systems and their related networks (as part of the fiscal year 1999 financial statements audits), confirmed that information security needs additional management attention and improvements. The report states that additional reviews are planned as part of Department Management's oversight responsibilities under the government information security reform provisions of the Fiscal Year 2001 Defense Authorization Act (P.L. 106-398).</p>	<p>The fiscal year 2002 performance plan does not identify a specific performance goal for strengthening departmentwide information security, but some of its goals contain measures related to information security. For example, under Department Management, Commerce's performance goal to acquire and manage the fiscal and related resources necessary to support program goals contains a measure to protect information and staff at field sites from risk or disaster. For fiscal years 2001 and 2002, the measure will be to ensure the protection of critical, classified, and sensitive Commerce computer systems and information from compromise or exploitation by adversaries, and will include inspecting, accrediting, and certifying computer systems.</p> <p>Another performance goal under Department Management is to acquire and manage the technology resources to support program goals. This goal includes a measure to increase the maturity of its information technology security program, which is a new measure for which the first target is established for fiscal year 2001.</p>
	<p>For one performance measure—to protect information and staff at field</p>	<p>The fiscal year 2002 plan does not highlight the priority for establishing</p>

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Major management challenge	Progress in resolving the major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
	<p>sites from risk or disaster, the plan shows that the targets were met for fiscal year 2000 with a review of all security containers at 10 Commerce field facilities. Another measure—to increase information technology security program maturity—is new and was not measured in fiscal year 2000.</p> <p>Information security and related issues such as critical infrastructure protection are also identified in the report as management challenges by the following component agencies: EDA, BXA, NOAA, the Bureau of the Census, the Minority Business Development Agency, and the National Institute of Standards and Technology. The report provides little specific information on the progress of resolving these challenges at these component agencies, and the related performance goals or measures identified were shown as new for fiscal year 2000.</p>	<p>safeguards against unconventional national security threats that was included in the fiscal year 2001 plan. However, according to the plan, some of Commerce's component agencies have performance goals and/or measures for critical infrastructure protection. These are as follows:</p> <ul style="list-style-type: none"> • The National Institute of Standards and Technology has a goal to protect the national information infrastructure. The primary focus of this goal is to establish a grants program for new research into advanced technologies, measurements, and methods that can raise the level of reliability and security of critical information technology-based systems and networks. The current measure for this goal is the timely and successful completion of activity milestones to establish the program. In the longer term, outcome measures will be developed that gauge the security, reliability, quality, and survivability of information technology systems and networks. • BXA has a new performance goal to ensure that the nation's infrastructure components are secured in accordance with an integrated plan. To begin in fiscal year 2002, the measure for this goal is the number of agency plans implemented within the framework of the National Critical Infrastructure Protection Plan. • The National Telecommunications and Information Administration included a new performance goal to minimize the effects of crisis by preparing the U.S. telecommunications and information infrastructure protection programs. To begin in fiscal year 2002, the measure for this goal is to increase the number of state, city, and county governments actively engaged in critical infrastructure protection programs. However, in commenting on a draft of this report, Commerce officials said that they plan to discontinue this measure because Commerce did not receive funding for efforts related to it.

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Major management challenge	Progress in resolving the major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
		Other component agencies that identified information security as a management challenge—EDA, NOAA, the Bureau of the Census, and the Minority Business Development Agency—do not have specific goals or measures related to information security identified in the plan. However, in commenting on a draft of this report, Commerce noted that information security is viewed as a departmentwide function.
GAO-designated major management challenges		
<u>The Economy in Distressed Communities:</u> EDA works with local, state, and national organizations to help distressed communities compete in regional, national, and global markets. EDA provides grants for economic planning, technical assistance, research, and infrastructure improvements. These grants are intended to be catalysts to stimulate other public and private investments in distressed communities. Revolving loan funds help communities and businesses respond to severe economic dislocations caused by layoffs, plant shutdowns, trade impacts, natural disasters, and the closure of military bases and energy labs.	This challenge is discussed in the report under the outcome “Create Jobs and Maintain Successful Businesses.”	This challenge is discussed in the report under the outcome “Create Jobs and Maintain Successful Businesses.”
<u>Accurate and Timely Weather Forecasts and Warnings:</u> NOAA is responsible for providing accurate and timely weather forecasts and warnings to protect human life and property. Every year hundreds of lives and billions of dollars are lost due to severe storms, floods, and other natural hazards. While preventing these occurrences is not possible, improved prediction capabilities can minimize impact.	This challenge is discussed in the report under the outcome “Provide Accurate and Timely Weather Forecasts and Severe Weather Warnings.”	This challenge is discussed in the report under the outcome “Provide Accurate and Timely Weather Forecasts and Severe Weather Warnings.”
<u>Businesses’ Access to International Markets:</u> ITA works to promote U.S. foreign trade by monitoring the international exchange of goods and services and by helping U.S. companies export, partner with industry, and open markets. ITA also works with a variety of government agencies and other organizations to formulate policy and monitor market access to ensure that U.S. companies are competitive in foreign markets while protecting American security.	This challenge is discussed in the report under the outcome “Increase Access of U.S. Businesses to International Markets.”	This challenge is discussed in the report under the outcome “Increase Access of U.S. Businesses to International Markets.”
GAO- and Inspector General-designated major management challenges		
<u>Control of Exports of Dual-Use Commodities</u>	This is a newly designated challenge by	This challenge is discussed in the report

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<p>And Chemical Weapons: The United States controls the export of certain goods and technologies for national security and foreign policy (including nonproliferation) purposes. BXA issues licenses authorizing businesses to export certain dual-use commodities. Controls on dual-use items must balance the need to protect national security and foreign policy interests with the desire not to unduly hamper trade opportunities and competitiveness.</p>	<p>the Inspector General.</p> <p>This challenge is discussed in the report under the outcome "Ensure That the U.S. Is Secure From Proliferation of Dual-Use Commodities And Chemical Weapons."</p>	<p>under the outcome "Ensure That the U.S. Is Secure From Proliferation of Dual-Use Commodities And Chemical Weapons."</p>
Inspector General-designated major management challenges as of September 2000		
<p>Strengthen Departmentwide Information Security: Protecting Commerce's computer systems from cyber-attack is a significant challenge that continues to pose a threat to computer system security. A large number of interconnected, widely distributed computer systems support vital Commerce operations and provide essential services to the public. These systems create a need to improve procedural and technical security measures. Strong computer security measures are vital to protect the secrecy and privacy of information, the integrity of computer systems and their networks, and the availability of services to users.</p>	<p>This is a newly designated challenge by the Inspector General.</p> <p>This challenge is discussed under "Information Security" as a GAO-designated governmentwide high-risk challenge.</p>	<p>This challenge is discussed under "Information Security" as a GAO-designated governmentwide high-risk challenge.</p>
<p>Increase the Accuracy and Control the Cost of the 2000 Decennial Census: While the Bureau of the Census has received census forms from millions of households and has attempted to follow-up with millions more households to collect the census data, it must continue to check the accuracy of the collected data. The accuracy of the 2000 census count is crucial because, among other things, it serves as the basis for determining the number of seats each state will have in the House of Representatives.</p>	<p>Under the Bureau of the Census, Commerce indicated targets for performance beginning with fiscal year 2001 that would address part of this challenge.</p> <p>In addition, under the Department Management section of the report, Commerce describes activities undertaken to address management challenges, one of which is to increase the accuracy and control the cost of the 2000 decennial census. Commerce states that this challenge has been and continues to be the subject of many audits whose recommendations have led to improvements in this area.</p>	<p>Under the Bureau of the Census, Commerce includes one performance goal that is indirectly related to the accuracy of the Census—conducting the decennial census. This goal has one performance measure, which is to disseminate Census 2000 products; however, it does not address the accuracy of those products.</p> <p>There was no specific performance goal related to controlling costs. However, under the Department Management performance goal of acquiring and managing the technology resources to support program goals, the performance measure of increasing the goods and services provided via electronic means, which covers selected Census surveys, is indirectly related to controlling costs.</p>
<p>Successfully Implement a Departmentwide Financial Management System: Commerce has had difficulty developing and implementing a single, integrated financial system. For more than 10 years, Commerce's lack of such a system has been reported as a material</p>	<p>Under the Department Management section of the report, Commerce describes activities undertaken to address management challenges, one of which is to successfully implement a departmentwide financial management</p>	<p>The Department Management section of Commerce's combined report and plan goal of acquiring and managing the fiscal and related resources necessary to support program goals covers this challenge. It includes a performance</p>

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<p>internal control weakness in the Secretary's annual reports to the President under the Federal Managers' Financial Integrity Act. The financial systems, taken as a whole, have are not compliant with GAO principles and standards or with requirements of the Chief Financial Officers Act, the Joint Financial Management Improvement Program, or OMB. To correct this weakness, Commerce began planning for the acquisition and development of a departmentwide financial system—the Commerce Administrative Management System—in 1992. While the Inspector General believes that fiscal year 1999 marked a turning point for Commerce in its efforts to improve its financial management systems and resolve this major management challenge, it will remain until Commerce complies with the federal requirement for a single, integrated financial system.</p>	<p>system. The report acknowledges that Commerce has reported the lack of a single, integrated financial system has been reported as a material internal control weakness for more than 10 years. In response, Commerce began implementing the Commerce Administrative Management System. In the past 2 years, Commerce has streamlined system requirements and made progress in implementing the system at EDA, NOAA, the Bureau of the Census, the National Institute of Standards and Technology, and the Office of the Secretary. Commerce plans to achieve full implementation by 2004.</p>	<p>measure to “meet milestones in implementing the departmentwide financial system (cumulative).” According to the plan, Commerce had implemented the system in five bureaus by the end of fiscal year 2000.</p>
<p><u>Successfully Implement the Patent and Trademark Office's Transition to Performance-based Organization:</u> The American Inventors Protection Act of 1999 (P.L. 106-113), which was signed into law on November 29, 1999, established the U.S. Patent and Trademark Office (PTO) as a performance-based organization, which provides it with greater flexibility and independence so that it can be run more like a business; increased authority and responsibility for decisions about its management and operations; and more independent control of its budget allocations and expenditures, personnel decisions and processes, and procurement operations. Despite the potential benefits, PTO's transition to a performance-based organization, which officially began March 29, 2000, is a formidable undertaking.</p>	<p>This is a newly designated challenge by the Inspector General.</p> <p>PTO reports that it met four of six targets for its three performance goals in fiscal year 2000. Specifically, to strengthen intellectual property protection in the United States and abroad, PTO increased the number of completed technical assistance activities from 99 to 106, exceeding its goal of 102. PTO attributed this to an increase in the level of requests for assistance, and, consequently, has increased the fiscal year 2001 target. PTO also met both of the targets related to patent services by (1) receiving a satisfaction rating of 64 percent from its customers, which exceed its target of 60 percent; and (2) handling requests within 25 months of their filing date. Finally, PTO met one of its three measures related to trademark services by disposing of or registering trademarks within 17.3 months of their filing. PTO did not meet the targets for customer satisfaction or average time to examiner's first action.</p> <p>Under the Department Management section of the report, Commerce</p>	<p>PTO has three performance goals and six performance measures that can be used to assess its performance, and, thus, could be used to indirectly assess its transition to a performance-based organization. One performance goal is to strengthen intellectual property protection in the United States and abroad, making it more accessible, affordable, and enforceable. The measures for this goal is the number of technical assistance activities completed in assisting developing countries and countries moving to a market economy.</p> <p>A second performance goal is to enhance the quality of patent products and services, transition to e-government, and optimize patent processing time. The three measures for this goal are</p> <ul style="list-style-type: none"> • the percentage of customers satisfied overall, based on a customer survey; • the percentage of patents granted that do not qualify for term extension for exceeding 36 months (this is a new measure beginning in fiscal year 2001); and • the average number of months from the time a patent request is filed until an action is taken to issue a patent or abandon the request.

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Major management challenge	Progress in resolving the major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
	<p>describes activities undertaken to address management challenges, one of which is to successfully implement PTO's transition to a performance-based organization.</p>	<p>A third performance goal is to enhance the quality of trademark products and services, transition to e-government, and minimize trademark processing time. The three measures for this goal are</p> <ul style="list-style-type: none"> • the percentage of customers satisfied overall, based on customer surveys; • the average number of months to an examiner's first action; and • the average number of months from the time a trademark request is filed until an action is taken to register the trademark or dispose of the request. <p>The Department Management section of the plan did not contain goals or measures related to this challenge.</p>
<p><u>Address Issues Related to the Mission and Financial Viability of the National Technical Information Service (NTIS)</u>: The Inspector General reported that disappointments related to NTIS' operating results continued to call into question NTIS' ability to be self-sustaining. By taking aggressive cost-cutting actions, such as transferring some of its staff to other Commerce agencies and significantly reducing spending on key information technology, NTIS was able to avert losses. However, concern remains about the steady decline in the sales of NTIS' products and services, which was caused by fundamental changes in the marketplace.</p>	<p>According to Commerce's report, NTIS continues to meet the challenge of permanent preservation and ready access of the taxpayers' investment in research and development through acquiring, organizing, and preserving the titles added annually to the permanent collection. At the same time, the plan states (1) that Commerce asked that NTIS' functions be transferred to the Library of Congress and (2) that studies are underway to assess NTIS' mission and functions and their place within the federal government.</p> <p>In fiscal year 2000, NTIS met its target for number of documents reproduced from electronic media, but did not meet its target for the number of items included in its archive.</p>	<p>The Technology Administration section of Commerce's report lists one performance goal related to NTIS—to collect, organize, preserve, and disseminate government scientific, technical, and business-related information. Under this goal are the following performance measures:</p> <ul style="list-style-type: none"> • the number of items in the archive and • the number of documents reproduced from electronic media. <p>This goal and its measures are indirectly related to the issue of NTIS' financial viability in that they provide information on demand for NTIS' services.</p>
<p><u>Increase the Effectiveness of Fishery Management</u>: Ensuring healthy stocks of fish and other marine animals in the coastal waters beyond each state's jurisdiction is a federal responsibility that is carried out principally by NOAA's National Marine Fisheries Service and eight regional fishery management councils. Among other things, the councils develop measures—which are subject to review by the National Marine Fisheries Service and approval by the Secretary of Commerce—to manage various species. These measures are</p>	<p>This is a newly designated challenge by the Inspector General.</p> <p>NOAA indicates that sustaining fisheries is one of its priorities. Its efforts include programs that will expand observer programs, improve fishery information technology, provide targeted improvements in stock assessment, increase days at sea, increase both scientific and vessel crew</p>	<p>NOAA has one performance goal with four measures that can be used to assess the effectiveness of fishery management. The performance goal of building sustainable fisheries has the following four performance measures:</p> <ul style="list-style-type: none"> • fewer overfished fisheries, • stocks having sufficient essential fish habitat, • increase in employment in noncapture fishing and other sectors in fishing communities, and

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<p>often controversial because they impose fish quotas that affect both the survival of a species and the economic health of the fishing industry and many coastal communities.</p>	<p>staffing, improve fisheries enforcement, and address specific habitat issues. NOAA met two of the four targets related to performance measures under its performance goal of building sustainable fisheries. Specifically, NOAA met its target for having fewer overfished fisheries, but acknowledges that the changes were mainly due to technical changes in the definition of overfishing.^a Their current and future goals anticipated these changes and future performance should relate more to progress in attaining this goal. NOAA also met its target for stocks having sufficient essential fish habitat. NOAA states that the results for the remaining two measures, which relate to increasing employment in fishing communities and increasing economic contribution of aquaculture will not be available until as late as fiscal year 2002 due to reporting cycles for the data involved.</p> <p>In addition, under the Department Management section of the report, Commerce describes activities undertaken to address management challenges, one of which is to increase the effectiveness of fishery management.</p>	<ul style="list-style-type: none"> • increase in economic contribution of sustainable aquaculture to gross domestic product. <p>The Department Management section of Commerce's combined report and plan did not contain goals or measures related to this challenge.</p>
<p><u>Successfully Implement Acquisition Reform Initiatives:</u> Commerce increasingly relies on contractors to provide the goods and services essential to its operations. Commerce spends more than \$1 billion each year—about 25 percent of its annual appropriations—through large contracts and simplified acquisitions. The purpose of acquisition reform and its streamlining initiatives is to reduce the time and money spent in acquiring needed goods and services by relying on the competitive marketplace. While Commerce has actively participated in implementing acquisition reform, its efforts to streamline initiatives warrant extra scrutiny.</p>	<p>This is a newly designated challenge by the Inspector General.</p> <p>Under the Department Management section of the report, Commerce describes activities undertaken to address management challenges, one of which is to successfully implement acquisition reform initiatives.</p> <p>Commerce exceeded its target (75 percent) for credit card purchases by using a credit card to complete 88 percent of its actions involving less than \$25,000. In addition, Commerce met the June 2000 deadline for submitting its inventory of activities that can be provided by commercial sources.</p>	<p>The Department Management section of Commerce's combined report and plan contains several measures related to this challenge under its performance goal of acquiring and managing the fiscal and related resources necessary to support program goals. These measures include</p> <ul style="list-style-type: none"> • increase transactions using credit card purchasing, • expand competition and more accurate federal activities inventory reform act inventories, • increase the portion of contract funds obligated for performance-based contracting (this is a new measure for fiscal year 2001), and • expand the application of online procurement (this is a new measure for fiscal year 2001).

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Major management challenge	Progress in resolving the major management challenge as discussed in the fiscal year 2000 performance report	Applicable goals and measures in the fiscal year 2002 performance plan
<p><u>Strengthen Financial Management Controls in Order to Maintain a "Clean" Opinion on the Department's Consolidated Financial Statements:</u> Federal law requires audited financial statements that present an entity's financial position and results of operations, as well as other information needed by the Congress, agency executives, and the public to assess management's performance. Commerce received its first-ever unqualified (clean) opinion on its fiscal year 1999 consolidated financial statements. Continued emphasis on further improvements is essential in order for Commerce and its reporting entities to correct the material weaknesses and other deficiencies identified in the fiscal year 1999 audits and to maintain their clean opinions in future years.</p>	<p>Under the Department Management section of the report, Commerce describes activities undertaken to address management challenges, one of which is to strengthen financial management controls in order to maintain a "clean" opinion on its consolidated financial statements. Although substantial improvements have been made in financial management—including receiving its first unqualified opinion on its fiscal year 1999 consolidated financial statements—Commerce acknowledges that it needs to create a financial management environment that provides accurate and timely financial information. Consequently, Commerce has undertaken three major financial management initiatives</p> <ul style="list-style-type: none"> • improving financial accountability by strengthening the integrity of financial operations and providing guidance to reporting entities, • improving financial management systems through the Commerce Administrative Management System development project, and • developing human resources by establishing financial leadership positions at all bureaus and developing a professional education program. 	<p>The Department Management section of Commerce's combined report and plan goal of acquiring and managing the fiscal and related resources necessary to support program goals covers this challenge. It includes a performance measure to "maintain 100 percent funds covered by clean audits," which Commerce reported was met in fiscal year 2000.</p>
<p><u>Continue to Improve the Department's Strategic Planning and Performance Measurement in Accordance With the Government Performance and Results Act:</u> While the Inspector General and others agreed that Commerce's fiscal year 2000 annual performance plan was significantly better than its fiscal year 1999 plan, there was room for additional improvement. Of particular concern was the need for Commerce to ensure that the data to be used in measuring performance were accurate, complete, and reliable. While Commerce has been responsive to past criticisms of the documents it has produced to meet GPRA requirements, continued management attention is essential.</p>	<p>Not applicable</p>	<p>Not applicable</p>

**Appendix I: Observations on Commerce's
Efforts to Address Its Major Management
Challenges**

⁹In commenting on a draft of this report, Commerce officials said that the definitions related to overfishing change frequently to reflect such variables as the species that are included in the analyses.

Source: GAO's analysis of information from Commerce's Office of Inspector General and GPRA documents.

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