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June 28, 2013

The Honorable Lamar Smith
Chairman
Committee on Science, Space, and Technology
House of Representatives

The Honorable Paul Broun, M.D.
Chairman
Subcommittee on Investigations and Oversight
Committee on Science, Space, and Technology
House of Representatives

NOAA: Overview of the Strategy, Execution, and Evaluation Budgeting Process

The National Oceanic and Atmospheric Administration (NOAA) is the largest bureau within the Department of Commerce, with a mission encompassing a broad range of functions, including weather forecasting, climate monitoring, fisheries management, and supporting coastal restoration and marine commerce. To carry out this mission in fiscal year 2012, NOAA received appropriations of about \$4.9 billion. In 2002, according to NOAA documents, NOAA implemented a planning, programming, budgeting, and execution system to achieve compliance with external demands for improved strategic management and performance-based budgeting, as set forth in the President's Management Agenda and the Government Performance and Results Act of 1993.¹ According to NOAA officials, NOAA determined in 2010, on the basis of internal and external reviews, that this system was too complex and time-consuming and did not provide an efficient mechanism for effective agency decision making. In 2011, NOAA implemented a new process—called strategy, execution, and evaluation (SEE)—which was intended to be simpler, less administratively burdensome, and better aligned with NOAA's strategic plan than the preceding planning, programming, budgeting, and execution system.

¹Government Performance and Results Act, Pub. L. No. 103-62 (1993), 107 Stat. 285, amended by GPRA Modernization Act of 2010, Pub. L. No. 111-352, 142 Stat. 3866 (2011).

You asked us to provide information on NOAA's budget development and execution system. This report identifies (1) the SEE process steps for developing and executing NOAA's budget, (2) how NOAA uses the SEE process to identify budget requirements, and (3) the status of NOAA's efforts to implement SEE. The enclosure contains the briefing on these topics that was presented to your offices on May 2, 2013.

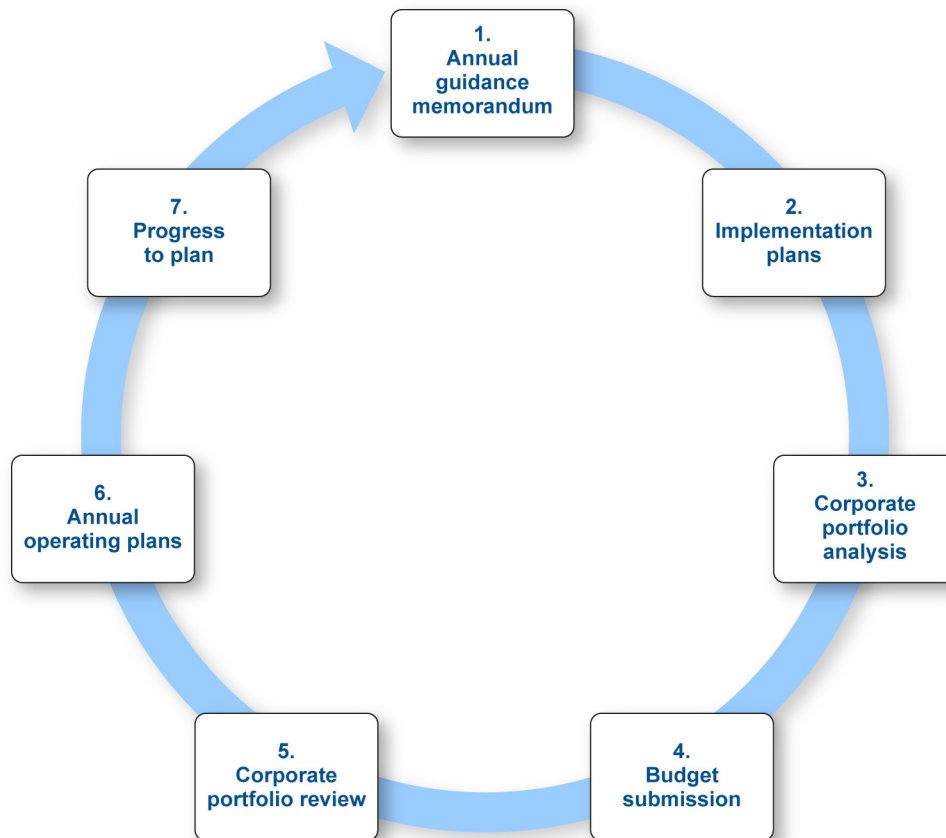
To conduct our work, we reviewed relevant NOAA policies, such as the NOAA document establishing the SEE process, and guidance for producing the documentation that is required at various steps in the SEE process, including guidance on developing implementation plans. We also reviewed reports and documents created as part of the SEE process for fiscal years 2011 and 2012, including the agency's annual guidance memorandum and corporate portfolio analysis. We interviewed NOAA headquarters officials responsible for creating and overseeing the SEE process, including officials from NOAA's Office of Program Planning and Integration and officials from NOAA's Office of the Chief Financial Officer. We also interviewed officials involved with the SEE process in each of NOAA's six line offices, such as the National Ocean Service, National Weather Service, and others.

We conducted our work from November 2012 to June 2013 in accordance with all sections of GAO's Quality Assurance Framework that are relevant to our objectives. The framework requires that we plan and perform the engagement to obtain sufficient and appropriate evidence to meet our stated objectives and to discuss any limitations in our work. We believe that the information and data obtained, and the analysis conducted, provide a reasonable basis for any findings and conclusions in this product.

In summary, we found the following:

- NOAA's SEE process includes seven steps, which are generally referred to by the names of the documents that capture the decisions made at that step. The first four steps in a SEE cycle cover planning, budget formulation, and budget submission, and the last three steps cover budget execution and performance evaluation (see fig. 1).

Figure 1: Steps in the Strategy, Execution and Evaluation Process



Source: GAO analysis of information from the National Oceanic and Atmospheric Administration.

- NOAA uses several steps in the SEE process to identify budget requirements. Step 1 is meant to identify budget needs from the “top down” on the basis of the NOAA Administrator’s priorities as captured in the annual guidance memorandum. Step 2 is meant to identify budget requirements from the “bottom up” on the basis of program needs as identified in the implementation plans that NOAA staff prepare for each of the goals and objectives in the agency’s strategic plan. Agency leaders reconcile the budget requirements in step 3 (corporate portfolio analysis) and make budget recommendations in a decision memorandum.
- NOAA has largely implemented all of the SEE steps except for steps 5 and 7 (corporate portfolio review and progress to plan). NOAA officials told us that they intend to implement these steps and a new evaluation component of SEE in fiscal year 2013. Officials told us that fiscal year 2013 will be the first opportunity to conduct steps 5 and 7 because it is the first year for which the agency has completed a full budget cycle under

the SEE process.² In May 2012, NOAA created an evaluation committee that, among other activities, is beginning to develop an agencywide plan for collecting and disseminating information on planned and completed program evaluations and to produce a program evaluation handbook to guide NOAA staff in conducting program evaluations.

Agency Comments and Our Evaluation

We provided a draft of this report to the Department of Commerce for review and comment. The department provided technical comments that we incorporated, as appropriate.

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As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the appropriate congressional committees, the Secretary of Commerce, the NOAA Administrator, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff members have any questions concerning this report, please contact me at (202) 512-3841 or fennella@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were Stephen D. Secrist (Assistant Director), Elizabeth Beardsley, Casey L. Brown, Ellen W. Chu, Jacqueline M. Nowicki, and Josie Ostrander.




Anne-Marie Fennell
Director, Natural Resources and Environment

²NOAA was able to implement step 6 (annual operating plans) for fiscal years 2011 and 2012, in part because this step does not depend on completing step 5 (corporate portfolio review).

Enclosure

Briefing on NOAA's Budget Development and Execution Process



**NOAA's Budget Development
and Execution Process**

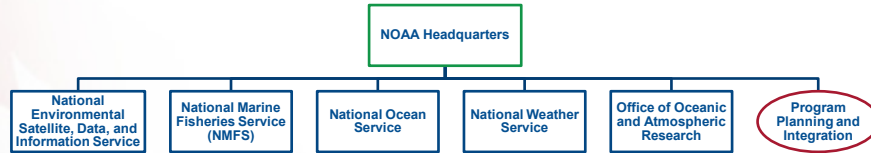
**Briefing to the
Subcommittee on Investigations and Oversight,
House Committee on Science, Space, and Technology
May 2, 2013**

For more information, contact Anne-Marie Fennell at (202) 512-3841 or fennella@gao.gov Page 1

Introduction

- The mission of the National Oceanic and Atmospheric Administration (NOAA), a bureau within the Department of Commerce, encompasses functions including weather forecasting, climate monitoring, fisheries management, and supporting coastal restoration and marine commerce.
- In fiscal year 2012, NOAA received core appropriations of about \$4.9 billion and relied primarily on five mission-related line offices to execute its programs (see fig. 1, blue boxes).
- A sixth line office, Program Planning and Integration, coordinates agencywide planning and evaluation activities (see fig. 1, red circle).

Figure 1: NOAA's Organizational Structure



Source: GAO.

Introduction (cont.)

- In 2002, according to NOAA documents, NOAA implemented a planning, programming, budgeting, and execution system (PPBES) to achieve compliance with external demands for improved strategic management and performance-based budgeting, as set forth in the President's Management Agenda and the Government Performance and Results Act of 1993.
- According to NOAA officials, in 2010, on the basis of internal and external reviews, NOAA determined that its PPBES was too complex and time-consuming and did not provide an efficient mechanism for effective agency decision making.

Introduction (cont.)

- In 2011, NOAA implemented a new process—called strategy, execution, and evaluation (SEE)—which was intended to be simpler, less administratively burdensome, and better aligned with NOAA’s strategic plan than PPBES.
- NOAA’s strategic plan contains 28 objectives organized under four long-term goals and three functions that support the whole agency, known as enterprise capabilities (see table 1).

Table 1: NOAA’s Goals and Enterprise Capabilities

Goals	Enterprise capabilities
Climate adaptation and mitigation	Engagement (with the public and stakeholders)
Weather-ready nation	Science and technology
Healthy oceans	Organization and administration
Resilient coastal communities and economies	

Source: NOAA.

Objectives

This briefing responds to your request for information on NOAA's budget development and execution system. In our work, we identified:

1. the steps in the SEE process for developing and executing NOAA's budget;
2. how NOAA uses the SEE process to identify budget requirements; and
3. the status of NOAA's efforts to implement SEE.

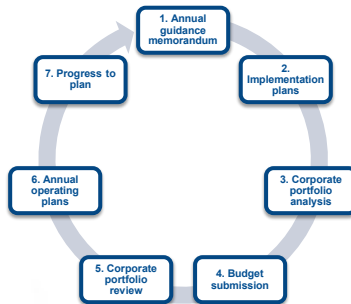
Scope and Methodology

- To address these objectives, we reviewed NOAA's policies, procedures, guidance, and other documents regarding the SEE process.
- We reviewed reports and documents created as part of the SEE process for fiscal years 2011 and 2012.
- We interviewed NOAA headquarters officials responsible for creating and overseeing the SEE process.
- We also interviewed officials involved with the SEE process in each of the six NOAA line offices.

Objective 1: Overview of the SEE Process

- The SEE process includes seven steps, which are generally referred to by the names of the documents that capture the decisions made at that step.
- Steps 1 through 4 cover planning, budget formulation, and submission.
- Steps 5 through 7 cover budget execution and performance evaluation.

Figure 2: The SEE Process



Source: GAO.

Objective 1 : Planning

- Step 1 (annual guidance memorandum): NOAA's Administrator issues the agency's annual guidance memorandum. This memorandum defines administration priorities for the current and subsequent fiscal years and discusses fiscal constraints.
- Step 2 (implementation plans): NOAA mission staff create implementation plans for each of the goals and objectives in NOAA's strategic plan. These multiyear plans cover specific program activities and identify budget requirements, assess risks of not funding these requirements, and present options for addressing these risks.

Objective 1 : Budget Formulation

- Step 3 (corporate portfolio analysis): As described in SEE guidance, NOAA's executive council, chaired by the NOAA Administrator and comprising the assistant administrators of each line office and various other headquarters officials, considers the corporate portfolio analysis, which is a review of the implementation plans as a set; assesses budget requirements and risks at an agency level; and makes budget recommendations in a decision memorandum.
- Step 4 (budget submission): NOAA's Chief Financial Officer formulates a budget request, which is reviewed by NOAA's executive council and presented to the NOAA Administrator for review and approval and subsequent submission to the Department of Commerce.

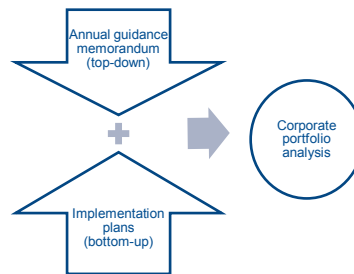
Objective 1 : Budget Execution

- Step 5 (corporate portfolio review): NOAA's Chief Financial Officer conducts a corporate portfolio review, as described in the corresponding NOAA document of the same name, which is intended to reassess the priorities identified by the corporate portfolio analysis and to reconcile them with NOAA's enacted appropriations.
- Step 6 (annual operating plans): The line office assistant administrators create annual operating plans for the current fiscal year, which provide a written narrative of planned accomplishments, key milestones, and performance measures for the fiscal year.
- Step 7 (progress to plan): The Assistant Administrator of the Program Planning and Integration office coordinates an evaluation, known as progress to plan, to evaluate NOAA's progress in meeting the goals and objectives of its strategic plan.

Objective 2: How NOAA Uses SEE to Identify Budget Requirements

- According to SEE guidance, the annual guidance memorandum (step 1) identifies the NOAA Administrator’s priorities, and the implementation plans (step 2) identify the line office budget needs. These priorities and needs are reconciled in the corporate portfolio analysis (step 3).
- In this way, the SEE process includes mechanisms where budget requirements are identified “top-down” on the basis of administration priorities and “bottom-up” on the basis of program needs.

Figure 3: Reconciling Budget Requirements



Source : GAO.

Objective 2: How SEE Identifies Budget Requirements (cont.)

- For example, in the 2010 annual guidance memorandum (step 1), the NOAA Administrator defined several short-term agency goals, such as increasing the number of fisheries stock assessments to ensure sustainable fisheries management and improving ocean, climate, and weather observations to better predict weather and coastal hazards.
- In a 2011 implementation plan related to NOAA's science and technology enterprise capabilities (step 2), NOAA staff identified a number of issues related to the operation, maintenance, and recapitalization of NOAA's fleet of ships and aircraft.
- As indicated in the implementation plan, this fleet is used to support various aspects of NOAA's mission related to fisheries management; scientific research; and ocean, climate, and weather observations.
- The implementation plan noted that given the age and maintenance needs of the NOAA fleet, existing funds are inadequate to (1) operate the fleet so as to make full use of its scientific observation and data collection equipment and (2) maintain the fleet to ensure it can reach its full service life.

Objective 2: How SEE Identifies Budget Requirements (cont.)

- To address this funding issue, the implementation plan included options, such as taking some ships offline to conserve funding for the remaining ships, continuing to operate all ships at a reduced capacity, or seeking additional funding.
- In the 2011 corporate portfolio analysis (step 3), NOAA's executive council identified fleet aging and maintenance needs as among the 24 key issues posing the greatest risk to NOAA's core mission and ability to achieve priorities set forth in the annual guidance memorandum.
- NOAA's executive council recommended in the corporate portfolio analysis (step 3) that NOAA should
 - seek up to \$130 million in supplemental appropriations in fiscal year 2013 to increase funding for fleet operations, maintenance, and recapitalization and
 - develop an approach for establishing an independent "blue ribbon" assessment of NOAA fleet requirements and alternatives for collecting observation data.

Objective 3: Status of SEE Implementation

NOAA has largely implemented all of the SEE steps except for steps 5 and 7 (corporate portfolio review and progress to plan). NOAA intends to implement these steps and the evaluation component of SEE in 2013.

- According to NOAA officials, NOAA intends to implement SEE step 5—corporate portfolio review—for fiscal year 2013 after it has submitted its spending plans to congressional appropriations committees and receives their comments.
- Fiscal year 2013 is the first opportunity for NOAA to conduct a corporate portfolio review (step 5) under the SEE process, because NOAA formulated the budgets for prior fiscal years under the PPBES process.
- NOAA officials explained that the agency faces challenges implementing this step in the manner envisioned in the SEE guidance documents, in part because of uncertainties and delays associated with recent federal appropriations.

Objective 3: Status of SEE Implementation (cont.)

- NOAA officials told us that the agency intends to implement SEE step 7—progress to plan—in 2013.
- They explained that this step is intended to
 - assess NOAA's progress toward achieving the goals and objectives of the agency's strategic plan and
 - inform NOAA's efforts to revise its strategic plan, which the agency is required by law to complete by February 2014.

Objective 3: Status of SEE Implementation (cont.)

- NOAA issued a guidance memorandum on March 1, 2013, that divides step 7—progress to plan—into three phases to be completed by August 2013, as follows:
 1. Teams of NOAA staff produce a report for each of the 28 objectives in the strategic plan that, among other things, evaluates NOAA's progress in meeting its objectives, according to a review of data from existing performance measures, and also evaluates the continuing utility of the performance measures in the plan.
 2. Review teams analyze the 28 reports on strategic plan objectives and recommend changes to the strategic plan and performance measures.
 3. The teams that created the 28 reports on strategic plan objectives create action plans for implementing the recommendations.

Objective 3: Status of Evaluation

NOAA has not yet fully implemented the evaluation component of SEE, according to agency officials.

- In May 2012, NOAA created an evaluation committee of officials throughout NOAA.
- Under direction of the Office of Program Planning and Integration, the evaluation committee is beginning to
 - create a NOAA-wide program evaluation plan to collect and disseminate information on planned and completed program evaluations at the line and staff office levels;
 - create a program evaluation handbook to guide line and staff offices in conducting program evaluations; and
 - provide training courses on program evaluation for NOAA staff.

Objective 3: Revising the SEE Process

- NOAA officials told us that NOAA conducted an internal survey on the SEE process in 2011.
 - The survey was sent to headquarters and line office staff to solicit feedback on what aspects of SEE are working well and what should be revised.
 - NOAA made minor adjustments to the SEE process on the basis of the feedback received. For example, NOAA revised some of the time frames and guidance associated with steps in the SEE process.
- NOAA is now conducting a second internal survey on the SEE process and expects to make further changes to it in summer 2013.
- NOAA officials told us that a new NOAA Administrator may review the SEE process and decide to revise or replace it.

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