



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

General Government Division

B-259781

December 28, 1994

The Honorable Thomas C. Sawyer
Chairman, Subcommittee on Census,
Statistics and Postal Personnel
Committee on Post Office and
Civil Service
House of Representatives

Dear Mr. Chairman:

This letter presents the results of our review of two key management issues at the Bureau of the Census that are of concern to the Subcommittee. The first issue involves the Bureau's management of research activities that are aimed at improving the Bureau's programs. The second concerns the Bureau's management of the surveys it does for other federal agencies on a reimbursable basis. Our review of these issues was part of a larger study of management issues at the Bureau that we initiated at your request. In June of this year, we testified on the Bureau's efforts to recover unliquidated obligations (obligations incurred but not paid) as well as the Bureau's recent reorganization.¹

We had planned to convey the results of our review of the Bureau's research and reimbursable activities in testimony that was to be delivered at a Subcommittee hearing scheduled for December 13, 1994. Although this hearing was cancelled, we are forwarding the information contained in the testimony to you as requested.

As part of our work on the Bureau's research activities, we reviewed available documentation on the Bureau's procedures and practices for planning, selecting, and monitoring research projects, but we did not evaluate the projects themselves. We interviewed program managers to ascertain the usefulness of research efforts relative to program goals. We also interviewed current and former Bureau officials who have or had key roles in the Bureau's management of its research efforts. To examine the Bureau's reimbursable survey program we interviewed

¹Bureau of the Census: Management Issues Require Prompt Attention (GAO/T-GGD/AIMD-94-171, June 9, 1994).

officials involved with the surveys the Bureau does for other agencies as well as officials from the six federal agencies for which Census does the most survey work. We also examined trends in the Bureau's budget for reimbursable surveys.

MANAGEMENT OF RESEARCH ACTIVITIES DOES NOT
ADHERE TO KEY ELEMENTS OF A STRATEGIC
MANAGEMENT PROCESS

Research at the Bureau has led to innovations and operational improvements and has been critical for the Bureau's production and dissemination of statistically sound data on how our society is changing over time. The management of research activities at the Bureau, however, could be improved. It does not adhere to the key elements of a strategic management process or strategic planning as will be required by the Government Performance and Results Act of 1993 (GPRA). A strategic management process includes a clearly articulated vision of an agency's mission and goals, effective communication, and an accountability structure that focuses on outcomes. Bureau officials agreed with our observations and plan to initiate a process at the Bureau that could link research to improving program operations, thus using available funds more effectively.

Bureau Management of Research

Historically, the Bureau's research efforts have often led to innovations and operational improvements at the Bureau. For example, the Bureau has been in the forefront of adapting computer technologies to the survey data collection process in order to improve the speed and accuracy of this process. Its research into computer-assisted telephone interviewing and personal interviewing has led to the use of these technologies for the Current Population Survey and other surveys it conducts. Further, Bureau research conducted since the 1990 Decennial Census could lead to significant improvements in mail-back questionnaire completion rates for the next decennial census. Bureau researchers found that a message stating that a response is required by law on the outside questionnaire envelope would increase response rates by as much as 10 percent. This mandatory notice added to other response improvement techniques, such as prenotice letters and reminder postcards, could significantly improve the 2000 Census response rates.

Management of Research Efforts

According to Bureau officials, much of the Bureau's research into improving survey design and statistical methods is performed by staff assigned to the three operating directorates whose primary responsibilities are to conduct demographic and economic surveys.

Each of these directorates--Demographic Programs, Decennial Census, and Economic Programs--has some staff who conduct research. For example, researchers in the Demographic Programs directorate look for ways to improve the Bureau's household surveys.

Although much of its research is done in the operating directorates, the Bureau has a separate directorate, Statistical Design, Methodology and Standards (SDMS), which is responsible for leading the Bureau's efforts toward continuous improvement of the accuracy, cost-effectiveness, and timeliness of the Bureau's products. SDMS has 104 researchers who work on projects that are either initiated within SDMS or are done at the request of 1 of the 3 operating directorates.

Research projects are selected individually by any of the directorates or SDMS. According to its Associate Director, even though SDMS is the lead directorate for research, operating directorates regularly initiate research projects without consulting with SDMS. He was unable, however, to provide specifics on how often this occurs. Associate directors of operating directorates told us that the research projects done internally by their staffs are initiated on the basis of their potential contribution to the directorates' operations and their cost.

Furthermore, SDMS' Associate Director told us that most of SDMS' research projects are selected by operating directorates willing to provide the funding for them. The Associate Director noted that SDMS initiates some research projects that he and his staff believe could lead to operational improvements, but SDMS' budget limits the number and scope of such projects. Bureau officials told us that for the most part, Bureau researchers pursue research in their areas of expertise.

Key Elements of a Strategic Management Process

Our reviews of management at other federal departments and agencies have demonstrated that a strategic management process helps focus the attention of an agency's leadership on identifying and resolving key problems.² Through the use of a strategic management process, a clear agencywide direction can be set and the agency can move toward achieving its goals. As we found in our previous work, key elements of a strategic

²Management of VA: Implementing Strategic Management Process Would Improve Service to Veterans (GAO/HRD-90-109, Aug. 31, 1990) and Management of VA: Improved Human Resource Planning Needed to Achieve Strategic Goals (GAO/HRD-93-10, Mar. 18, 1993).

management process include (1) a clearly articulated vision of an agency's mission and goals and planning, (2) effective communication, and (3) an accountability structure. Further, GPRA requires agencies over time to develop strategic plans, identify outcome goals, and measure and report on the progress made toward achieving such goals.

With such a process, top management must provide leadership in determining what an agency is trying to achieve through its programs. It also needs to establish long-range plans to direct and coordinate actions on the agency's various policies and functions to achieve priorities and goals. Agency leadership must clearly communicate and demonstrate commitment to its goals, priorities, and plans to managers and staff. Also, communication between managers responsible for setting policies and those responsible for ensuring their implementation is essential. In addition, managers must be held accountable for operational and programmatic results. An accountability structure translates priorities, goals, and plans into clear and measurable performance statements and provides adequate management information about program progress and performance.

Inconsistencies Between Bureau Management
and Elements of a Strategic Management Process

We found three inconsistencies between what we observed at the Bureau relating to management of its research effort and the key elements of a strategic management process. First, the Bureau's leadership has not developed a vision of what it wants to achieve through research, nor has it formulated plans that set forth a research agenda that is linked to operational goals. In January 1992, the Bureau issued a 5-year plan for guiding all Bureau operations. The plan established goals for the Bureau but did not specify how research efforts would contribute to achieving those goals. The 1992 plan was developed by the Bureau's executive staff, which consists of the Director, Deputy Director, and associate directors. According to Bureau officials, there was little attempt by the executive staff to get buy-in to the plan from mid-level managers and line staff.

Second, the associate directors of the operating directorates told us that little interaction occurs between their staffs and those of the other directorates. Each directorate, in effect operates independently of the others. Thus, one directorate has little knowledge of what research projects are being pursued by the others, which can lead to needlessly duplicative research projects. This problem is compounded by the Bureau's lack of a management information system for research programs.

Third, it should be noted that the Bureau does not have a

management information system to track research projects, nor is there an evaluation process to measure the impact of research projects on Bureau programs. Without a management information system, Bureau research and program managers lack important information concerning research projects, such as the status of expenditures on a project or a project's milestones. During our review, the Associate Director, SDMS, and other research program managers told us they do not readily know at a given time how many research projects are ongoing. They said that a management information system for tracking the status of research projects would help them to better manage the Bureau's research efforts. One associate director noted that a management information system for research would allow managers to inventory all of the Bureau's research efforts and help them determine if research projects are relevant to the Bureau's operational needs. The Bureau also lacks procedures for evaluating or measuring the impact of research projects on Bureau programs. According to Bureau officials, they lack information on which research projects have resulted in the greatest benefit to Bureau operations. In addition, they were unable to provide us with detailed information about unsuccessful research projects, such as those that were terminated or those that duplicated earlier research.

Evaluations of the impact of research projects on Bureau programs would provide Bureau managers information about the types of projects that are improving operations, their effectiveness, and cost. Bureau officials associated with the Bureau's research efforts told us that they would be able to better manage research if they had information on which projects were effective and which were not.

Bureau Plans for Improving Management of Research Activities

Bureau officials told us they agree with our observations that their research activities are inconsistent with the key elements of a strategic management process. In this regard, the new Bureau Director told us she plans to initiate a strategic management process at the Bureau. According to the Associate Director for Planning and Organizational Development, such a process should help the Bureau to better direct and control its research efforts and use available funds effectively. The Associate Director noted, however, that for such a strategic planning process to be viable, it will need the support of Bureau staff at all levels.

It should be noted that the Bureau's recent reorganization also holds promise for improving research planning. The reorganization included the establishment of a central planning

office headed by a Principal Associate Director to oversee all demographic, economic, and research programs. The Bureau's Deputy Director told us that a key responsibility of this Principal Associate Director is to try to end the fragmentation of organizational units' research efforts and to promote coordination and cooperation within and among operations and research groups.

It should also be noted that the importance of having a strategic plan that links research to programmatic goals and the budget was recently demonstrated when the Bureau proposed research projects that would have Bureau-wide benefits. In September 1994, SDMS solicited recommendations from the operating directorates for research projects that the directorates felt could yield Bureau-wide operational improvements. At a meeting of program managers sponsored by SDMS, agreement was reached on developing research proposals for three of the recommended projects. However, it is unclear at this time whether funding will be available during fiscal year 1995 given the Bureau's budgetary constraints.

THE BUREAU'S REIMBURSABLE SURVEY PROGRAM IS HIGHLY REGARDED, BUT RECENT GROWTH IN WORKLOAD REQUIRES GREATER PROGRAM OVERSIGHT

Since the 1990 Decennial Census, reimbursable survey work has constituted a growing share of the Bureau's budget. Officials we interviewed from the agencies who are the Bureau's major customers for surveys said they were generally satisfied with the quality of the Bureau's work. This customer satisfaction has helped the Bureau to increase its reimbursable survey workload in recent years in order to offset a sizeable portion of recent congressional budget reductions. Now that reimbursable work accounts for such a large portion of the Bureau's overall operation, it becomes increasingly important for the Bureau to monitor this work so that it does not interfere with the Bureau's ability to effectively carry out its core programs, such as the decennial census.

Background on the Bureau's Survey Work for Other Federal Agencies

For fiscal year 1994, the Bureau's estimated budget for reimbursable work was \$166 million, which was 39 percent of its total estimated budget. In fiscal years 1991 through 1993, reimbursable work constituted between 21 and 30 percent of the Bureau's total budget.³

³The Bureau's budget increases dramatically in the fiscal years it conducts the decennial census. In these fiscal years, reimbursable survey work makes up only a small percentage of the Bureau's budget.

The Bureau does an extensive array of surveys for other agencies. In fiscal year 1994, the Bureau did 77 surveys for 13 federal agencies.⁴ Many of the federal government's most important surveys are done by the Bureau for other federal agencies. These include the Current Population Survey, which the Bureau of Labor Statistics uses to make its monthly unemployment estimates; the American Housing Survey, which the Department of Housing and Urban Development relies on to administer its housing programs; and the National Crime Victimization Survey, which the Department of Justice uses to measure the effect of the nation's law enforcement programs.

Federal agencies rely on the Bureau to conduct surveys because it has an extensive field structure in place to conduct household surveys and because of the Bureau's wealth of experience in doing surveys of the U.S. population and industry. Federal agencies enter into interagency agreements with the Bureau for survey work and then transfer funds from their budgets to the Bureau.

Major Customers Are Pleased With Bureau's Survey Work

The Bureau's major survey customers⁵ that we interviewed all agreed that the Bureau does quality survey work. Officials from some agencies said that the Bureau's extensive field structure allows the Bureau to do large-scale household surveys faster and at lower cost than private survey firms. Other officials said that the Bureau achieves higher response rates than most private firms because of the reputation it has from conducting the decennial census and because of its ability to maintain the confidentiality of survey respondents. Most officials also noted that the Bureau is very responsive to any concerns they might have regarding the surveys the Bureau does for their agencies.

Many of the officials we spoke with would like to use the Census Bureau for more surveys but find that the Bureau does not have the staff to meet all their survey needs. Several of these officials said that the Bureau has a shortage of staff available

⁴The Bureau also does a small number of surveys for state and local governments and private organizations on a reimbursable basis. The Bureau's estimated budget for these surveys in fiscal year 1994 was \$12 million.

⁵These agencies included the Bureau of Labor Statistics, the Bureau of Justice Statistics, the Department of Transportation, the Department of Education, the Department of Housing and Urban Development, and the National Center for Health Statistics. Together, these agencies contract for over 78 percent of the Bureau's reimbursable survey work.

for reimbursable survey work, which has led to delays in fielding and processing the results of some surveys. For example, one agency interested in doing a new survey requested bids from the Bureau and private survey firms to do focus groups that would test the feasibility of doing the survey. The Bureau's bid was by far the lowest, but the Bureau indicated that it did not have staff immediately available to do the focus groups. The agency decided to put plans for the survey on hold until Bureau staff became available.

The Bureau's Reimbursable Survey Work Has Increased Dramatically in Recent Years

The Bureau's budget submissions contain estimates of the amount the Bureau expects to obligate for reimbursable survey work as well as estimates of the staffing resources that will be devoted to these efforts. These estimates, combined with the Bureau's budget requests for support of its own censuses and surveys, represent the Bureau's planned level of operations for a given fiscal year.

Recently, the Bureau's actual obligations for reimbursable survey work have been significantly different from the reimbursable obligations projected in its budget requests. For example, the Bureau's actual obligations for reimbursable surveys for fiscal year 1993 were 12.5 percent higher than the estimate that appeared in its budget submission for that fiscal year.

Bureau budget officials said that the inaccuracies in the Bureau's estimates of reimbursable obligations can be partially explained by the fact that these estimates must be made well in advance of the start of the fiscal year. These officials said that program officials who prepare the estimates base them on experience and cannot fully anticipate all new reimbursable survey work.

In fact, the Bureau's reimbursable survey workload has increased dramatically in recent years. From fiscal year 1991 to fiscal year 1995, obligations for the Bureau's reimbursable work went from \$125 million to \$171 million, an increase of about 37 percent. Budget officials as well as Bureau officials involved with reimbursable surveys noted that some of this increase was due to the Bureau's efforts to market its survey services to other federal agencies. They noted that the Bureau expanded these marketing efforts in fiscal years 1993 and 1994 when the Bureau was faced with a total of \$74 million in appropriated fund reductions. The increased reimbursable work helped the Bureau maintain operations without reducing personnel. The increase in reimbursable work along with the Bureau's recovery of \$52 million in unliquidated obligations, about which we testified before this

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Subcommittee last June, allowed the Bureau to make up a sizeable portion of the congressional budget reductions.

The Bureau's practice of absorbing budget cuts by increasing reimbursable work in recent years has helped the Bureau balance its staff resources and finances. However, there is some potential for conflict with the Bureau's ability to effectively carry out core programs, such as the decennial census. While we found no evidence that core programs have suffered at the expense of reimbursable work, the Bureau's strategic plan needs to consider the proper balance of core and reimbursable work.

SUMMARY

As we said in June 1994, the importance of sound management at the Bureau cannot be overemphasized. We are encouraged by the new Director's plans to institute a strategic management process at the Bureau. As part of this process, the Bureau should focus particular attention on overcoming shortcomings in the management of its research program. Specifically, the Bureau could better link research efforts to its priorities, improve communications among units involved in research, and develop systems to monitor the progress and performance of research projects.

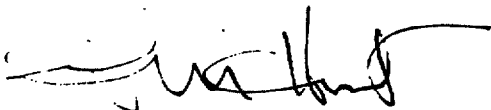
Agencies are generally satisfied with the quality of the Bureau's survey work. While customer satisfaction has helped the Bureau to increase its reimbursable survey workload in recent years, it must ensure that this work does not interfere with its ability to effectively carry out its core programs, such as the decennial census.

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We are sending the Director of the Census Bureau a copy of this letter. Copies will also be made available to others upon request.

If you have any questions regarding the issues discussed in this letter or would like to discuss them further, please call me on (202) 512- 8676.

Sincerely yours,



William M. Hunt

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