



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

General Government Division

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July 14, 1997

The Honorable Richard K. Arme
Majority Leader
House of Representatives

The Honorable John Kasich
Chairman, Committee on the Budget
House of Representatives

The Honorable Dan Burton
Chairman, Committee on Government
Reform and Oversight
House of Representatives

The Honorable Bob Livingston
Chairman, Committee on Appropriations
House of Representatives

Subject: The Results Act: Observations on Commerce's June 1997 Draft Strategic Plan

On June 12, 1997, you asked us to review the draft strategic plans submitted by the cabinet departments and selected major agencies for consultation with Congress as required by the Government Performance and Results Act of 1993 (the Results Act). This letter is our response to that request concerning the Department of Commerce.

**Objectives, Scope,
and Methodology**

Our overall objective was to review and evaluate the latest available version of Commerce's draft strategic plan. As you requested, we (1) assessed the draft plan's compliance with the Act's six requirements and its overall quality, (2) determined if the Department's key statutory authorities were reflected, (3) identified whether discussions about crosscutting functions and coordination with other agencies having similar functions were included, (4) determined if the draft plan addressed major management challenges, and (5) provided a preliminary assessment of the Department's capacity to provide reliable information about performance.

We obtained the June 1997 draft strategic plan that Commerce provided to the House of Representatives staff team working with the agency. As agreed, our review of the Department's draft plan was generally based on previous work. In recent years, congressional requests for work at

Commerce have generally been limited to examinations of discrete issues relating to the Department's components and functions, such as preparations for the decennial census and the National Weather Service's modernization effort.

Our overall assessment of Commerce's draft strategic plan was generally based on our knowledge of Commerce's operations and programs, our reviews of the Department's entities, and other existing information available at the time of our assessment. Specifically, the criteria we used to determine whether Commerce's draft strategic plan complied with the requirements of the Results Act were the Act itself, supplemented by the Office of Management and Budget's (OMB) guidance on developing the plans (Circular No. A-11, Part 2). To make judgments about the overall quality of the draft plan and its elements, we used our May 1997 guidance for congressional review of the plans as a tool.¹ To determine whether the draft plan contained information on interagency coordination and addressed major management challenges, we relied on our general knowledge of Commerce's operations and programs and the results of our previous reports.

A list of our major products related to Commerce's operations is attached to this letter. As you requested, we coordinated our work on the Department's key statutory authorities and its capacity to provide reliable information with the Congressional Research Service and Commerce's Inspector General's (IG) office, respectively. Commerce officials provided comments on a draft of this correspondence, which are reflected in the Agency Comments section on page 15.

Background

The Results Act seeks to shift the focus of federal management and decisionmaking away from a preoccupation with staffing, activity levels, and tasks completed to a focus on results—that is, the real difference that federal programs make in people's lives. Under the Results Act, executive agencies are required to develop (1) strategic plans by September 30, 1997; (2) annual performance plans for fiscal year 1999 and beyond; and (3) annual performance reports beginning March 31, 2000. The Act states that agencies' strategic plans should cover a period of at least 5 years and that these plans should include, among other requirements, a set of strategic goals. The Results Act does not require that all of an agency's strategic goals be explicitly results oriented, although the intent of the Act

¹Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review (GAO/GGD-10.1.16, May 1997).

is to have agencies' focus their strategic goals on results to the extent feasible.

Commerce's missions and functions are among the most diverse of the cabinet departments in the federal government. They include responsibilities for management and stewardship of national resources, advancement of commerce, economic development, scientific research and technology, and statistical information collection and dissemination. Because of the diversity of its functions, Commerce historically has not been managed on the basis of a unifying mission and shared goals. Further, this diversity of functions raises a number of challenges for the Department in its development of a comprehensive strategic plan that adequately addresses all of its responsibilities.

Commerce chose a thematic approach to present its draft strategic plan. Specifically, Commerce identified three themes that are linked to its mission statement, which, according to the draft plan, collectively "encompass the full breadth of the Department of Commerce's mission." Under each theme, there are sections on (1) goals and objectives; (2) partnership activities; (3) the economic contributions of the programs under each goal; (4) the programs' legislative bases; (5) the programs' international aspects; and (6) current trends, opportunities, challenges, and issues influencing the programs. Dispersed throughout each of these six sections is a discussion on the responsibilities of the relevant Commerce component's programs.

Commerce's strategic plan is currently in its fourth draft. The Results Act anticipated that it may take several planning cycles to perfect the process and that strategic plans would be continually refined as various planning cycles occur. Thus, our comments reflect a snapshot status of the draft plan at a given point in time. We recognize that developing a strategic plan is a dynamic process and that Commerce officials, with input from OMB and congressional staff, are continuing work to revise the draft.

Results in Brief

Commerce's draft strategic plan is incomplete in several important respects. Of the six elements required by the Act, four are included in the draft plan—a mission statement, goals and objectives, strategies to achieving goals and objectives, and a discussion of key external factors—but each of these has weaknesses, some more significant than others. Two of the elements—the relationship between long-term goals and objectives and annual performance goals and the description of

program evaluations used to establish general goals and objectives and a schedule for future program evaluations—are missing from the draft plan. The draft plan provides much useful information on Commerce’s statutory authorities. However, the draft plan could be more useful to Commerce, Congress, and other stakeholders if it provided a more explicit discussion of crosscutting activities and the major management challenges the Department faces. Also, with respect to Commerce’s ability to provide reliable program performance information, there is evidence that Commerce’s capacity to measure achievement of its goals is questionable in several respects.

The four required elements that are included in the draft plan contained some, but not all, of the attributes that would be desirable to meet the purposes of the Act and be consistent with OMB Circular A-11, Part 2. Specifically:

- The mission statement includes the core functions of the Department and mentions the role of businesses and universities as partners in the mission. However, the mission statement does not address the important role also played by other government entities.
- While there are useful linkages among themes, goals, objectives, and responsible components, the goals and objectives are not as results oriented as they could be. For example, the goal to “restructure export controls for the twenty-first century” could be made more results oriented by identifying the purpose of the restructuring (for example, to increase export flexibility or, alternatively, better protect national security).
- The strategies to achieving the goals and objectives do not meet the purposes of the Results Act and are not consistent with OMB guidance in that, for example, the strategies do not discuss the resources needed to achieve the goals identified.
- Many key external factors are discussed in the draft plan, but they appear to be used to justify programs rather than to show how these factors may affect the achievement of Commerce’s goals. In addition, some key external factors that could affect the achievement of Commerce’s goals are not identified.

The draft plan does not explicitly discuss information required by the Act on the other two required elements. For one of these—relating long-term goals and objectives to annual performance goals—the draft plan says only that this type of information will be provided in annual budget requests because, in the Department’s view, annual budget requests are the more appropriate vehicle for such a discussion. For the other

element—concerning a discussion of the past and future role of program evaluations—the draft plan makes limited references in various sections to a few studies, but those references do not respond to the Act’s requirements. In particular, the draft plan does not describe how the studies were used to establish general goals and objectives, nor does the draft provide a schedule for future program evaluations. Under the Results Act, an evaluation strategy is considered to be a critical source of information for ensuring the validity and reasonableness of strategic goals, as well as for designing improvement strategies when goals are not met.

The draft plan appears to reflect Commerce’s consideration of its major statutory responsibilities and provides a separate section under each strategic theme that spells out the statutory support for the goals articulated and helps stakeholders understand the complexity and diversity of Commerce’s activities. To Commerce’s credit, few, if any, of the other draft strategic plans we have seen provided this much detail about the agency’s statutory responsibilities.

Commerce shares responsibility for certain core national issues, such as natural resources and environment or community and regional development, with a number of other federal departments and agencies. Despite the potential for program duplication or overlap generated by such shared responsibilities, the draft plan does not address how these crosscutting activities correspond to or intersect with those of other agencies or whether such shared responsibilities were coordinated in the development of the draft plan.

The draft plan also does not adequately account for the major management challenges the Department faces, such as the need to implement a sound financial management system to ensure that programs are managed efficiently and effectively to achieve the goals identified in the draft plan. The Department reported that its financial systems are seriously outdated and fragmented and are unable to provide reliable information. The Department’s financial management weaknesses undermine its ability to generate needed information about program performance and costs.

Commerce's Draft Strategic Plan Does Not Fully Achieve the Purposes of the Results Act, and the Quality of Individual Elements Could Be Improved

Of the six elements required by the Results Act, four are included in Commerce's draft strategic plan—a mission statement, goals and objectives, strategies to achieving goals and objectives, and key external factors—but each of these could be improved. The other two required elements of a strategic plan—the relationship between long-term goals and objectives and annual performance goals and the description of program evaluations used to establish general goals and objectives and a schedule for future program evaluations—are missing from the draft plan.

Mission Statement

The Results Act and OMB Circular A-11, Part 2, state that an agency's strategic plan is to contain a comprehensive mission statement defining the basic purpose of the agency, with particular focus on its core programs and activities. In addition, the Circular states that the mission statement may include a concise discussion of enabling or authorizing legislation, as well as identification of issues that Congress specifically charged the agency to address. Commerce's mission statement, along with its three strategic themes, includes the core functions of the Department, as follows:

“The Department of Commerce promotes job creation, economic growth, sustainable development, and improved living standards for all Americans, by working in partnership with business, universities, communities, and workers to:

1. Build for the future and promote U.S. competitiveness in the global marketplace, by strengthening and safeguarding the nation's economic infrastructure;
2. Keep America competitive with cutting-edge science and technology and an unrivaled information base; and, 3. Provide effective management and stewardship of our nation's resources and assets to ensure sustainable economic opportunities.”

In its mission statement, Commerce recognizes the role played by “business, universities, communities, and workers.” The statement seems incomplete in this regard since other federal agencies and state and local governments also play major roles. For example, Commerce shares

responsibility for major budget functions with 14 other departments and agencies.²

Goals and Objectives

According to the Results Act, the strategic plan is to contain general goals and objectives for the major functions and operations of the agency. The goals and objectives are to elaborate or provide greater specificity on how an agency will carry out its mission through its programs and activities. Commerce's draft plan provides linkages among themes, goals, objectives, and responsible Commerce components. That is, for each of its strategic themes, the Commerce draft plan lists general goals and objectives for specific program efforts within Commerce agencies. For example, under its first strategic theme, economic infrastructure, Commerce has identified as a goal "enforce U.S. trade laws and agreements to promote free and fair trade." The objective associated with that goal is "expand trade law enforcement and compliance monitoring." Commerce's International Trade Administration (ITA), which has responsibility for promoting world trade and strengthening the international trade and investment position of the United States, is the Commerce component identified as having responsibility for the objective.

While Commerce's draft strategic plan includes a number of goals that are results oriented, other goals are not as results oriented as they could be. For example, one of the goals in the draft plan is to "implement the President's National Export Strategy in conjunction with the Trade Promotion Coordinating Committee." Commerce could make that goal more results oriented by explicitly stating the outcome that is intended to be achieved through the implementation of the President's export strategy. In another example, Commerce has a goal to set policies for managing the federal use of the radio spectrum. Such efforts may be critically important but do not directly relate to the result that is to be achieved. In a third example, the goal to "restructure export controls for the twenty-first century" could be made more results oriented by identifying the purpose of the restructuring (for example, to increase export flexibility or, alternatively, better protect national security).

Strategies for Achieving Goals and Objectives

Under the Act, strategic plans are to briefly describe the operational processes, staff skills, and technologies, as well as the human, capital, information, and other resources, that are needed to achieve the goals and

²Budget Issues: Fiscal Year 1996 Agency Spending by Budget Function (GAO/AIMD-97-95, May 13, 1997).

objectives. According to OMB Circular No. A-11, Part 2, such strategies should also outline how the agency will communicate strategic goals throughout the organization and hold managers and staff accountable for achieving these goals.

As one of its strengths, the Commerce draft plan links each of the objectives of the general goals with a specific Commerce component and the activities to be performed. For example, the draft plan links the National Oceanic and Atmospheric Administration's (NOAA) objective, "examine the role of the ocean as a reservoir of both heat and carbon dioxide to address a major source of uncertainty in climate models," to the goal "predict and assess decadal to centennial change." Also, the goal to "strengthen the intellectual property rights system and disseminate intellectual information effectively" is linked to an objective for the Patent and Trademark Office to "promote awareness of and provide effective access to patent and trademark information."

However, the draft plan does not identify how the strategic goals are to be communicated throughout the organization and how managers and staff will be held accountable for achieving the goals. Further, critical information on the skills, technologies, and other resources required to meet goals and objectives is not generally included. Such a discussion is important because, in an era of fiscal constraint, an agency's planning processes should support an agency in making intelligent resource allocation decisions that minimize, to the extent possible, the effect of funding reductions on mission accomplishment.

Key External Factors

Strategic plans are to identify and discuss key factors external to the agency and beyond its control that could occur during the period covered by the strategic plan and could significantly affect the agency's achievement of its strategic goals. Without this assessment, it would be difficult to judge the likelihood of the agency achieving the strategic goals and actions needed to better meet those goals. According to OMB Circular No. A-11, Part 2, the agency should briefly (1) describe each key external factor, (2) indicate its link with a particular strategic goal or goals, and (3) describe how the factor could affect achievement of the goals.

The Commerce draft plan identifies external factors and in some cases—although not consistently—indicates the linkages between the factors and particular strategic goals. Moreover, the discussions of external factors often appear to be focused on justifying the need for the

programs rather than on identifying factors that may impede the Department's ability to achieve its strategic goals. For example, in discussing its goal to sustain healthy coasts and clean coastal waters for recreation and the production of seafood, Commerce recognized the threat posed by increasing populations living on coastlines: "by 2010, coastal populations will increase 65 % from 80 million in 1960 to 132 million. . . . Without NOAA's information and management capabilities, careless or uninformed development decisions will lead to . . . losses of habitats for commercial and recreational species, . . . and degraded coastal water quality." This seems to offer a justification for current NOAA programs rather than providing insights into how the growth in coastal populations will affect NOAA's ability to achieve Commerce's goal.

Also, in describing its goal to monitor and assess international research and development and the barriers faced by U.S. industrial sectors, Commerce's draft plan discusses the "increasing recognition of the important role technology plays in generating economic growth. . . . Internationally, other nations are implementing science and technology policies to develop cutting-edge domestic industries and attract the engines of economic expansion to their shores." The draft plan discusses how technology policy has changed from a tool for management of research budgets to an important complement to economic and trade policy, but it does not discuss how other nations' technology efforts may affect Commerce's economic development goals.

Finally, some major external factors that appear to threaten Commerce's ability to achieve its goals are not discussed. For example, regarding the goal to improve national and local census data, the draft plan does not mention congressional concerns about the Census Bureau's plan for conducting Census 2000.

Relationship Between Long-Term Goals and Objectives and Annual Performance Goals

An agency's strategic plan is to describe how the performance goals included in the agency's annual performance plans are related to the goals and objectives in its strategic plan. Such a discussion is important to show that the agency is striving to link long-term strategic goals to annual performance plans and the day-to-day activities within the agency. However, Commerce's draft plan does not include the required discussion of the relationship between long-term goals and the annual performance goals. Instead, Commerce believes that "annual budget requests, which can be more responsive to annual priorities and performance

measures/targets, are the proper vehicle for that information to be displayed and analyzed.”

Program Evaluations

Commerce’s draft plan does not discuss how program evaluations were used to establish general goals and objectives, nor does the draft provide a schedule for future program evaluations. Program evaluations are defined in the Results Act as objective and formal assessment of the results, impact, or effects of a program or policy. Program evaluations are to include assessments of the implementation and results of programs, operating policies, and practices. According to OMB Circular No. A-11, Part 2, the plan’s program evaluation section should briefly describe program evaluations that were used in preparing the strategic plan and outline (1) the general scope and methodology for the planned evaluations, (2) key issues to be addressed, and (3) a schedule for future evaluations. While Commerce’s draft plan includes limited references to a few studies that have been done on specific Commerce programs, a fuller discussion would be needed to meet the purposes of the Act in this area.

Program evaluations are particularly important for a department like Commerce that shares functions with many other departments and agencies. One of the purposes of the Results Act is to enable Congress to direct resources to the programs and agencies that use them to the best effect. We reported in 1996 on a study of the effectiveness of the Department of Commerce’s Economic Development Administration (EDA) programs. The study found that income in the counties that received EDA funding grew significantly faster than income in the counties that received no aid.³ However, when the researchers simultaneously considered EDA’s programs and factors unrelated to EDA, they found that EDA’s programs had a very small effect on income growth rates during the period that the aid was received and had no significant effects in the 3 years after the aid ceased.

³Economic Development: Limited Information Exists on the Impact of Assistance Provided by Three Agencies (GAO/RCED-96-103, Apr. 3, 1996).

Key Statutory Authorities Are Generally Reflected in Commerce's Draft Strategic Plan

The Commerce draft plan generally reflects the Department's primary statutory responsibilities. Considering the panoply of programs, authorities, and components that fall under the aegis of the Department of Commerce, we recognize the challenge presented by the need to craft a comprehensive mission statement that captures all of the Department's significant responsibilities and presents them in a coherent, integrated fashion. Although the Results Act does not require a statement of the Department's major statutory responsibilities, the draft plan denotes a separate section under each strategic theme to spell out statutory support for the goals articulated. This information helps stakeholders understand the complexity and diversity of Commerce's activities. To Commerce's credit, few, if any, of the other draft strategic plans we have seen provide this much detail.

Crosscutting Activities Are Not Fully Discussed

Commerce's shared responsibilities include, for example,

- natural resources and environment with the Departments of Agriculture, Defense, the Interior, State, and Transportation; the Environmental Protection Agency; and 3 independent agencies;
- commerce and housing credit with the Departments of Agriculture, Housing and Urban Development, and Treasury; the General Services Administration (GSA), the Small Business Administration (SBA), the Library of Congress, and 10 independent agencies;
- community and regional development with the Departments of Agriculture, Housing and Urban Development, the Interior, and Treasury; GSA; SBA; and 6 independent agencies; and
- education, training, employment, and social services with the Departments of Education, Health and Human Services, the Interior, and Labor; National Aeronautics and Space Administration; the Library of Congress; and 20 independent agencies.

Commerce's draft strategic plan could do a better job of addressing crosscutting program activities. The draft plan describes, in very general terms, some of the existing "partnerships" and "synergy" between Commerce agencies and various public and private entities. However, the draft plan does not (1) adequately identify crosscutting activities in key areas, (2) fully disclose Commerce's coordination with the other federal departments and agencies that share responsibility for these areas, or (3) address Commerce's progress in minimizing duplication or overlap in these areas generated by such shared responsibilities. More specifically, despite the potential for program duplication or overlap, the draft plan

does not discuss how crosscutting program efforts correspond to or intersect with Commerce's established strategic themes, goals, and objectives. For example:

- In the technology area, Commerce's draft plan acknowledges some potential overlap in radio spectrum and international telecommunications activities but not in the access to and use of advanced telecommunications. Specifically, the National Telecommunications and Information Administration (NTIA) is responsible for, among other things, managing federal government use of radio spectrum; and the Federal Communications Commission is responsible for managing spectrum use by others. However, the draft plan does not discuss the crosscutting nature of NTIA's efforts to promote the use of advanced telecommunications, which is similar to the responsibilities of several other agencies. For example, NTIA operates a grant program to promote the use of advanced telecommunications in the public and nonprofit sectors, and a number of other federal agencies support telecommunications projects for similar constituencies. These agencies include the Departments of Agriculture, Education, and Health and Human Services, as well as the National Science Foundation.⁴
- Commerce has a lead role in promoting U.S. exports. Several other federal agencies, including the Departments of Agriculture and Energy, the Trade Development Agency, and the U.S. Export-Import Bank, also have programs directed at promoting U.S. exports. The draft plan states that the export promotion efforts of these agencies are coordinated under the auspices of the Trade Promotion Coordinating Committee (TPCC), an interagency mechanism chaired by the Secretary of Commerce. However, the draft plan does not include a substantive discussion of how the International Trade Administration's (ITA) role in export promotion differs from the roles of these other agencies. The draft plan also does not discuss efforts on the part of these agencies to coordinate joint activities, such as trade missions and trade fairs. Further, the draft plan does not address how Commerce will further TPCC's efforts to develop a unified budget that supports a governmentwide export promotion strategy.⁵ As we have testified in the past, one obvious measure of the success of the unified budget process would be the extent to which the unified budget changes

⁴See, for example, *Rural Development: Steps Towards Realizing the Potential of Telecommunications Technologies* (GAO/RCED-96-155, June 14, 1996).

⁵The 1992 Export Enhancement Act required that TPCC establish a governmentwide strategy for promoting U.S. exports and a unified budget that supports the strategic plan.

the distribution of resources to the various priorities, programs, and agencies.⁶

- The Commerce draft plan also does not acknowledge the export licensing consultative responsibilities of other federal agencies. In addition, the draft plan does not indicate how Commerce's emphasis on restructuring export controls to promote economic growth complements or contrasts with the strong emphasis of two other organizations responsible for licensing exports overseas on safeguarding against proliferation of dual-use technology.⁷

Commerce's Draft Strategic Plan Does Not Adequately Address Major Management Challenges

Although the draft plan contains a section on current trends, opportunities, challenges, and issues under each of the three strategic themes, it does not adequately address major management challenges facing the Department. We and Commerce's IG have reported in recent years that Commerce faces numerous serious management challenges. Commerce could improve its draft plan by including an explicit discussion of such challenges. Such a discussion would help to assure Congress and other key stakeholders that Commerce has a clear roadmap for addressing the serious management weaknesses that can undermine its ability to achieve the Department's strategic goals.

We recently worked with the Commerce IG to provide the Senate Committee on Science, Transportation and Commerce with a joint analysis of the 10 major management challenges facing the Department. Of the 10 problem areas, Commerce's draft strategic plan only mentions 4, but it does not discuss how the problems will be addressed. The following are among the management challenges that do not receive sufficient attention in the draft plan.

- The National Institute of Standards and Technology's (NIST) Capital Improvements Facilities Program to upgrade NIST's laboratories has escalated in cost from \$540 million to at least \$940 million and will take at least 4 years longer than originally projected.
- Along with Congress, OMB, Commerce's IG, and others, we have repeatedly urged NOAA to explore alternatives to using an agency-designed, -owned, and -operated fleet for acquiring marine data. The IG recommended that

⁶See Export Promotion: Initial Assessment of Governmentwide Strategic Plan (GAO/T-GGD-93-48, Sept. 29, 1993). See also Export Promotion: Governmentwide Plan Contributes to Improvements (GAO/T-GGD-94-35, Oct. 26, 1993); and Export Promotion Strategic Plan: Will It Be a Vehicle for Change? (GAO/T-GGD-93-43, July 26, 1993).

⁷These two organizations are the State Department's Office of Defense Trade Controls and the U.S. Nuclear Regulatory Commission.

NOAA terminate its fleet modernization plan efforts. However, NOAA continues to plan on investing millions of dollars in its aging in-house fleet, rather than using those funds for more cost-effective alternatives.

- With the year 2000 fast approaching, the Census Bureau's ability to design and manage a satisfactory decennial census on time and at a reasonable cost is in question. The Commerce Department has failed to convince Congress that it can equitably and efficiently manage its proposed census design. Consequently, this year we added the census to GAO's governmentwide list of high-risk programs.⁸
- We have issued numerous reports on problems with information technology modernization at the National Weather Service (NWS) and have included this area among our 25 high-risk areas in our February 1997 report. We consider NWS modernization to be high risk because of its estimated \$4.5 billion cost, its complexity, its criticality to NWS' mission of helping to protect life and property through early forecasting and warnings of potentially dangerous weather, and its past problems.⁹

In addition to helping address risks associated with the NWS modernization, the Paperwork Reduction Act of 1995 and the Clinger-Cohen Act of 1996 direct agencies to implement a framework of modern technology management based on practices followed by leading private sector and public sector organizations that have successfully used technology to dramatically improve performance and meet strategic goals. Yet, it is not clear from Commerce's draft plan how it intends to implement these provisions and address any significant information security weaknesses or the "year 2000 problem"—which concerns the need for computer systems to be changed to accommodate dates beyond 1999.

Commerce's Capacity to Provide Reliable Information on Achievement of Strategic and Program Performance Is Questionable

To efficiently and effectively operate, manage, and oversee its diverse array of responsibilities, Commerce needs reliable data. Commerce relies on a number of automated management information systems to carry out its various roles. In its fiscal year 1996 Federal Managers' Financial Integrity Act Report, Commerce reported that it is not in compliance with central agency requirements for a single, integrated financial system. In addition, Commerce reported that its financial systems are considered a material weakness, as these systems are seriously outdated and fragmented; unable to provide timely, complete, and reliable financial information; inadequately controlled; and costly and difficult to maintain.

⁸High-Risk Series: Quick Reference Guide (GAO/HR-97-2, February 1997).

⁹High-Risk Series: Information Management and Technology (GAO/HR-97-9, February 1997).

In the report on the audit of Commerce's fiscal year 1996 Consolidating Financial Statements, the IG identified 11 material weaknesses in the internal control structures of the Department and its bureaus. Because of the material deficiencies in accounting policies, practices, internal controls, data, and automated systems, Commerce's IG was unable to determine whether the fiscal year 1996 financial statements fairly presented the Department's financial position and the results of operations and changes in its net position for fiscal year 1996.

In addition, the IG reported that many portions of the overview of Commerce's financial statement contained misleading or inaccurate information. Several weaknesses pertaining to performance measures in the overview were noted, including: (1) many performance measures were not directly relevant to the components' activities, (2) the performance measures did not consistently portray a clear picture of the outcomes of activities, and (3) the performance measures often did not include benchmarks to allow the reader to compare statistics and evaluate the results that the components achieved. The IG further noted that the Department needs to take the necessary corrective actions to ensure that its overview and financial statements properly reflect its operations.

To support the Results Act implementation and to ensure that the Department is complying with federal cost-accounting system standards, Commerce will need to relate costs to financial and program performance data. Key requirements of the Chief Financial Officers Act are the development of cost information to enable the systematic measurement of performance and the integrations of systems (meaning program, accounting, and budget systems).

Agency Comments and Our Evaluation

We provided a copy of a draft of this letter to the Secretary of Commerce for review and comment. On July 14, 1997, the Director for Budget, Management and Information/Deputy Chief Information Officer provided us with comments. He agreed with our observations as discussed below and said that he found our suggestions constructive.

The Director said that he and his staff have seen a number of other agencies' plans and did not consider them to be as extensive as Commerce's. However, he agreed that Commerce's draft plan does not include the required discussion of the relationship between long-term goals and the annual performance goals. He said this relationship is not discussed because Commerce looks to the annual performance plan as the

appropriate vehicle for stressing that relationship but suggested that the point may warrant further discussion between agencies, OMB, and Congress. We believe that without this relationship, Congress, the agency, and other stakeholders may not be able to assess progress toward achieving long-term goals.

The Director also agreed that Commerce's draft plan could do a better job of addressing crosscutting program activities. He said that to date, most agencies have devoted priority efforts to getting their internal strategic planning activities underway effectively, and are only then able to begin reaching out to other agencies with complementary programs or goals.

Regarding our statement that the draft Commerce plan does not adequately account for its major management challenges, he said that earlier drafts of the Commerce plan had a specific chapter on management issues. Instead of retaining this chapter, Commerce chose to discuss the importance of effective management in the conceptual framework underlying its planning approach. It is Commerce's view that management initiatives should be undertaken in support of program missions, rather than being viewed or conducted as "standalone" activities but they will consider replacing that chapter.

We agree that management initiatives should be undertaken in support of program missions, rather than being viewed or conducted as "standalone" activities. A fuller discussion than the draft plan contains about the most pressing management issues confronting the Department and how they will be addressed is critical to providing Congress with assurance that Commerce is positioned to meet its program missions, and we encourage Commerce to integrate that perspective into its discussion, whether or not it uses a separate chapter to do so.

Finally, the Director agreed that Commerce did not fully address the role of program evaluation activities in setting goals and objectives and said they will add a greater discussion of that in their next draft. Similarly, he agreed that some of the goals and objectives were not as results-oriented as they could be and said they will make changes where appropriate.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this letter until 30 days from its issue date. At that time, we will send copies of this letter to the Minority Leader of the House of Representatives; Ranking Minority Members of

your Committees; the Chairmen and Ranking Minority Members of other Committees that have jurisdiction over Commerce activities; the Secretary of Commerce; and the Director, Office of Management and Budget. Copies will be made available to others on request.

Please contact me on (202) 512-8676 or J. Christopher Mihm, Acting Associate Director, Federal Management and Workforce Issues, on (202) 512-3236 if you or your staffs have any questions concerning this letter.

A handwritten signature in black ink that reads "L. Nye Stevens". The signature is written in a cursive style with a large initial "L" and a long horizontal stroke at the end.

L. Nye Stevens
Director, Federal Management and
Workforce Issues

Related GAO Products

High-Risk Program: Information on Selected High-Risk Areas ([GAO/HR-97-30](#), May 16, 1997).

Federal Management: Addressing Management Problems at the Department of Commerce ([GAO/T-GGD/AIMD-97-115](#), May 14, 1997).

Budget Issues: Fiscal Year 1996 Agency Spending by Budget Function ([GAO/AIMD-97-95](#), May 13, 1997).

Statistical Agencies: Consolidation and Quality Issues ([GAO/T-GGD-97-78](#), Apr. 9, 1997).

High-Risk Series: Information Management and Technology ([GAO/HR-97-9](#), February 1997).

High-Risk Series: Quick Reference Guide ([GAO/HR-97-2](#), February 1997).

Foreign Affairs: Perspectives on Foreign Affairs Programs and Structures ([GAO/NSIAD-97-6](#), Nov. 8, 1996).

Statistical Agencies: Statutory Requirements Affecting Government Policies and Programs ([GAO/GGD-96-106](#), July 17, 1996).

Managing For Results: Key Steps and Challenges In Implementing GPRA In Science Agencies ([GAO/T-GGD/RCED-96-214](#), July 10, 1996).

Federal Statistics: Principal Statistical Agencies' Missions and Funding ([GAO/GGD-96-107](#), July 1, 1996).

Addressing the Deficit: Updating the Budgetary Implications of Selected GAO Work ([GAO/OCG-96-5](#), June 28, 1996).

Rural Development: Steps Towards Realizing the Potential of Telecommunications Technologies ([GAO/RCED-96-155](#), June 14, 1996).

Weather Forecasting: Recommendations to Address New Weather Processing System Development Risks ([GAO/AIMD-96-74](#), May 13, 1996).

Economic Development: Limited Information Exists on the Impact of Assistance Provided by Three Agencies ([GAO/RCED-96-103](#), Apr. 3, 1996).

National Export Strategy ([GAO/NSIAD-96-132R](#), Mar. 26, 1996).

Government Statistics: Proposal to Form a Federal Statistical Service
(GAO/T-GGD-96-93, Mar. 22, 1996).

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