



B-285564

June 30, 2000

The Honorable Fred Thompson  
Chairman, Committee on Governmental Affairs  
United States Senate

The Honorable Joseph I. Lieberman  
Ranking Member, Committee on Governmental Affairs  
United States Senate

Subject: Observations on the Department of Commerce's Fiscal Year 1999 Annual Program Performance Report and Fiscal Year 2001 Annual Performance Plan

As you requested, we have reviewed the 24 Chief Financial Officers Act agencies' fiscal year 1999 Performance Reports and fiscal year 2001 Performance Plans required by the Government Performance and Results Act of 1993 (GPRA). In essence, under GPRA, annual performance plans are to establish goals and measures covering a given fiscal year and provide the direct linkage between an agency's longer-term goals and day-to-day activities. Annual performance reports are to subsequently report on the degree to which those performance goals were met. This letter contains two enclosures responding to your request concerning key program outcomes and major management challenges at the Department of Commerce. Enclosure I to this letter provides our observations on the Commerce fiscal year 1999 actual and fiscal year 2001 planned performance for the key outcomes that you identified as important mission areas for the agency. These key outcomes are (1) the U.S. is secure from proliferation of dual-use commodities and chemical weapons, (2) jobs are created and businesses remain successful, (3) U.S. businesses have greater access to international markets, and (4) weather forecasts and severe weather warnings are accurate and timely. Enclosure II lists the major management challenges facing the agency that we and the Commerce Inspector General (IG) identified, discusses how Commerce's fiscal year 1999 Performance Report addressed the progress the agency made in resolving these challenges, and identifies the applicable goals and measures contained in Commerce's fiscal year 2001 Performance Plan.

## Results in Brief

Commerce's fiscal year 1999 Performance Report indicates that the agency made some progress concerning the key outcomes. Generally, Commerce used measurable goals that were related to the key outcomes, and therefore a quantifiable picture of performance was available. At least some measures for each performance goal related to the outcomes

indicated positive results. Commerce reported, for instance, that in fiscal year 1999 it met its target of 504 high-risk transactions being deterred related to the proliferation of dual use commodities or chemical weapons. In addition, concerning the accuracy and timeliness of severe weather warnings, Commerce reported that it met its target of an average lead warning time for tornadoes of 11 minutes with 70 percent accuracy. However, although indications of progress can be gleaned from the performance report, several factors impeded a clear understanding of how well Commerce is meeting its intended goals related to the key outcomes. For example, the performance goals themselves sometimes did not communicate what Commerce was intending to accomplish. In a number of instances, the measures associated with the goals were not clearly linked to the goals. Thus, although the measures of progress could have been met or even exceeded, it nevertheless was not always clear whether meaningful progress was made toward accomplishing the goals.

Chief among the 1999 Performance Report's other limitations in portraying progress toward key outcomes was that its system for scoring and communicating performance results did not fully disclose progress in achieving goals. In addition, the report did not always explain the causes of shortfalls in performance or how those shortfalls would be addressed in the future. Commerce used a three-tiered scoring system: targets were "substantially met" if 67 to 89 percent of a target was achieved, "met" if 90 to 109 percent of the target was achieved, and "exceeded" if at least 110 percent of the target was achieved. The substantially met category of this system can give an impression of successful performance when actual performance could be up to one-third below the target. However, the thrust of the Office of Management and Budget (OMB) Circular A-11's guidance for developing performance plans and reports is that agencies provide a clear indication of whether a goal is or is not met. Further, when Commerce classified targets as having been met or substantially met under its system—but actual performance did not achieve the target—it did not always explain why the targets were not met. More frequently, it did not explain what it planned to do to meet the targets in the future.

Although these limitations existed in Commerce's fiscal year 1999 Performance Report, the report as well as the fiscal year 2001 Performance Plan reflect the agency's continuing efforts to improve its performance planning. Generally, the report and plan convey performance information in a clear and organized manner. The plan and report also reflect Commerce's efforts to be responsive to past concerns raised by us and others, especially with regard to goals and measures, which generally have become more outcome oriented and measurable in successive planning documents.

### Outcome Goals

- The U.S. is secure from proliferation of dual-use commodities and chemical weapons. In its section of the fiscal year 1999 Performance Report, the Bureau of Export Administration (BXA) reported that it met or exceeded various performance measures, such as deterring high-risk transactions. Nevertheless, overall it is not clear how much progress BXA made in meeting its two fiscal year 1999 performance goals related to this key outcome—to (1) restructure export controls for the 21st century and (2) maintain a fully effective law enforcement program to protect U.S. national security and public safety, uphold U.S. foreign policy, and ensure the nonproliferation of dual-use commodities and chemical weapons. The

extent of progress made was unclear in part because the goals were not clearly stated. For example, it is unclear what “restructure export controls” meant or how BXA would define a “fully effective” law enforcement program. Furthermore, it was not clear how the measures used to gauge progress toward the goals were linked to the goals. For example, it was not apparent how the structure of the export control system would be affected by increases in the number of high-risk transactions deterred or by a reduction in the average processing time for license applications. In addition, although the performance report says that, according to Commerce’s scoring method, BXA substantially met, met, or exceeded all of its targets, BXA data showed that it actually met or exceeded the target for 5 of the 9 measures. Targets that were not met included average processing time for licensing applications in relation to its export control system goal, and number of investigations completed under BXA’s law enforcement goal. Although BXA explained why those targets classified as “substantially met” fell short of fully meeting the intended level of performance, it did not discuss how it planned to address its unmet targets in the future.

- Jobs are created and businesses remain successful. The Economic Development Administration (EDA) has made some progress in meeting the two fiscal year 1999 performance goals related to this outcome—to (1) create jobs and private enterprise in economically distressed communities and (2) build local capacity to achieve and sustain economic growth. EDA reported that it met or exceeded its target for 6 of the 12 measures related to these goals. For example, EDA exceeded its target on state and local dollars committed to EDA-funded projects that are intended to create jobs. The percentage of EDA grants awarded to economically distressed areas also exceeded its target. Progress toward job creation and business success through the other six measures could not be determined. EDA did not report results for these measures because, among other reasons, they focused on interim or long-term objectives for which EDA stated it would provide results in future performance reports. Nonetheless, in summary tables to the report, the Department of Commerce stated that these six measures had been substantially met in fiscal year 1999. EDA’s efforts to provide a clear picture of intended performance in its fiscal year 2001 Performance Plan were mixed. For example, it did not explain the rationale for changes to its target for the amount of state and local dollars committed to EDA-funded projects, even though actual 1999 performance was nearly double the targeted fiscal year 1999 performance. However, the plan was responsive to our past work in that it corrected several weaknesses we had previously identified. For example, for each goal, the plan identifies other Commerce bureaus and government agencies where there are crosscutting issues and discusses interagency agreements to define roles for coordinating special initiatives or funding related project activities.
- U.S. businesses have greater access to international markets. According to the measures used by the International Trade Administration (ITA), it achieved some success in assisting U.S. businesses to gain access to international markets. For instance, ITA reported that it exceeded its target for the number of firms that were new to the export market in fiscal year 1999. However, ITA noted that it faced several difficulties in portraying its progress in attaining greater U.S. business access to international markets. For instance, ITA noted that, due to proprietary concerns, businesses often have been reluctant to share information on their exports. In addition, ITA programs are subject to unanticipated changes to the economies of developing countries. It was also sometimes difficult to gauge ITA’s progress

because ITA's measures were not always directly linked to its goals. For example, under its performance goal of enforcing U.S. trade agreements, ITA listed the value of market openings as a measure of progress. Trade agreements are intended to guarantee the opportunity for U.S. firms to engage in free and fair trade but do not necessarily lead to export sales for U.S. firms. The fiscal year 2001 Performance Plan addressed some but not all of the key weaknesses identified in our past work. For example, the plan more clearly presents and discusses proposed strategies and activities for achieving its goals. On the other hand, although ITA recognizes the effects of external factors, such as economic conditions on some measures, it does not consistently present strategies for mitigating the impact of these factors on its performance goals.

- Weather forecasts and severe weather warnings are accurate and timely. The National Oceanic and Atmospheric Administration (NOAA) had some success in meeting its goal related to this outcome—to advance short-term warning and forecast services. NOAA was able to increase its lead-time for severe weather warnings for tornadoes as well as increase the lead-time for successfully forecasting 1 inch of precipitation. However, for five other measures, it was not able to fully achieve the results it had intended. For example, NOAA was not able to meet its target for lead-times for flash floods. In another case, NOAA did not meet its target to increase the accuracy of forecasts for snowfall. As with the other outcomes, the performance report characterized the measures that were unmet as “met” or “substantially met,” and it did not always (1) clearly explain why targets had not been achieved or (2) explain how it planned to meet these targets in the future. Nonetheless, NOAA stated that it planned to change or drop some measures and provided some information on the rationale for these changes, e.g., in the 1999 Report NOAA explained that it was dropping its heavy snowfall measure and replacing it with a more meaningful measure on the lead-time and accuracy of winter storm warnings. All in all, NOAA's existing and new measures were quantifiable and outcome-oriented and provided a succinct statement of expected performance. With regard to our past concerns about a key weakness pertaining to verification and validation of data, the NOAA section of Commerce's 1999 Performance Report provided a more detailed explanation of its process for improving the credibility of its information and recognized limitations of its approach for assessing program performance.

## Management Challenges

Regarding Commerce's major management challenges identified by us and the Commerce IG, the fiscal year 1999 Performance Report discussed the agency's progress on some of the challenges. Although the fiscal year 2001 Performance Plan did not provide goals and measures for most of the challenges, it provided some explanation of its strategy for addressing 9 of the 10 challenges.<sup>1</sup> More specifically, of these nine Commerce management challenges (which are discussed in enclosure II of this correspondence), two had goals and measures that were directly related to the challenge, and one had goals and measures that were indirectly applicable to the challenge. Six of the challenges did not have goals and measures, but Commerce discussed strategies to address the challenges. Although most of

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<sup>1</sup> The year 2000 computing challenge is no longer applicable.

the management challenges did not have specific goals and measures, Commerce has made some progress toward addressing them. For example, in the area of financial management systems and processes, Commerce reached its goal of receiving an unqualified audit opinion on its consolidated financial statements and reducing the number of reportable conditions in audit reports. Also, the National Weather Service (NWS) deployed the final piece of its modernization initiative—the Advanced Weather Interactive Processing System (AWIPS)—at all 152 of its sites within a congressionally mandated spending cap of \$550 million. Nonetheless, these two areas—financial management and NWS modernization—remain management challenges, and additional steps need to be taken in each area. In the area of financial management, Commerce still lacks a single, integrated financial management system that complies with federal laws and regulations. Regarding NWS modernization, while AWIPS has been fully deployed, the commissioning process—which effectively certifies AWIPS units for operational use—has not been completed. Other management challenges that will continue to be monitored by us and the IG include ensuring a successful 2000 Decennial Census, pursuing more cost-effective alternatives to NOAA’s in-house fleet of ships, and resolving serious information security weaknesses.

## Recommendations

Consistent with GPRA, OMB Circular A-11, and related guidance, we recommend 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.

## Objectives, Scope, and Methodology

Our objectives concerning selected key agency outcomes were to (1) identify and assess the quality of the performance goals and measures directly related to a key outcome, (2) assess the agency’s actual performance in fiscal year 1999 for each outcome, and (3) assess the agency’s planned performance for fiscal year 2001 for each outcome. Our objectives concerning major management challenges were to (1) assess how well the agency’s fiscal year 1999 Performance Report discussed the progress Commerce had made in resolving the major management challenges that we and the agency’s Inspector General had previously identified, and (2) identify whether the agency’s fiscal year 2001 Performance Plan had goals and measures applicable to the major management challenges. As agreed, in order to meet the Committee’s tight reporting time frames, our observations were generally based on the requirements of GPRA of 1993, guidance to agencies from OMB for developing performance plans and reports (OMB Circular A-11, Part 2), previous reports and evaluations by us and others, our knowledge of the Department of Commerce’s operations and programs, and our observations on Commerce’s other GPRA-related efforts. We did not independently verify the information contained in the performance report or plan. We conducted our review in April and May 2000 in accordance with generally accepted government auditing standards.

## Agency Comments and Our Evaluation

In a letter dated June 20, 2000 (see encl. III), the Deputy Secretary of Commerce provided written comments on a draft of this letter. Overall, Commerce said the draft was useful and positive in tone and that it raised a number of valid points that will be used in refining the next Commerce strategic plan as well as future performance plans and performance reports.

Commerce included some general comments in response to our letter related to (1) our observations on Commerce's classification of performance measures and (2) its efforts to address its top management challenges identified by the Commerce IG. In addition, Commerce provided specific comments concerning our assessment of bureau performance related to the four key outcomes identified by the Senate Committee on Governmental Affairs.

Commerce did not specifically address our recommendations on the classification of performance measures, explanation of unmet targets, and plans for meeting such targets in the future. Regarding our observations of Commerce's scoring system, Commerce stated that it is committed to revising its scoring methodology, starting with its fiscal year 2000 Performance Report. Under Commerce's existing system, targets were classified as being "substantially met" if 67 to 89 percent of a target was achieved, "met" if performance was between 90 and 109 percent of the target, and "exceeded" if at least 110 percent of the target was achieved. Although it said that agreement on nomenclature is necessary, Commerce stated that classifying its performance measures as either met or unmet would not bring optimum benefit to all parties. Commerce stated that it uses its performance plans and reports as integral tools for managing departmental programs and that its current scoring methodology provides managers with directional feedback on program performance. In addition, Commerce provided the example that under a met/unmet scoring system, attaining 979 out of 980 would be an unmet target. In such cases, Commerce said that managers would be forced to prepare rationales explaining the incomplete achievement and actions intended to affect a remedy. Commerce said it believed a focus on this level of detail can prove counterproductive. Furthermore, Commerce stated it could provide an incentive for managers to develop more easily attainable targets and place a greater focus on scoring methodology at the expense of overall program management.

As we stated earlier, we believe that Commerce's current system for scoring and communicating performance results did not fully disclose progress in achieving goals and how performance shortfalls would be addressed in the future. For example, Commerce's "substantially met" category can give a misleading impression of successful performance when actual performance could be as much as one-third below the target. We agree that the performance reports and plans should be used by agency officials for managing program performance. However, to the extent that Commerce program managers rely on the current scoring system for directional feedback on program performance, we believe such managers also could be misled by the scoring system and therefore could fail to take necessary actions to improve performance shortfalls. It is also important to note that these documents are intended for external stakeholders. In its Circular No. A-11, OMB states that agency performance reports provide agencies the opportunity to communicate the results of their programs and activities to the American public, legislators, and executive branch officials.

Circular A-11 also suggests language that an agency may use for a generic explanation, when the difference between the goal target level and actual performance is slight: “the performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.” Circular A-11 only requires a specific explanation if goal non-achievement is significant and material. For these reasons, we continue to believe our recommendations are appropriate.

Regarding the issue of its efforts to address its top management challenges, Commerce stated that it had fully resolved 9 of the top 10 management challenges that had originally been raised by the Commerce IG in its semiannual reports to Congress, beginning in March 1997. In addition, Commerce commented that some of the IG’s management concerns are discussed in Commerce’s performance plans and performance report but that it does not believe that all of these challenges reflect significant strategic planning concerns. Further, Commerce stated that inclusion of these challenges in Commerce’s strategic planning efforts could detract from efforts to place a clear and effective focus on program performance.

Although Commerce may have successfully resolved 9 out of the top 10 management challenges originally identified by the IG, these were not the same challenges that we discuss in our letter. In this letter, we assess the extent to which Commerce’s fiscal year 1999 Performance Report discussed Commerce’s progress in resolving 10 major management challenges that the IG and we had previously identified.<sup>2</sup> We reported that Commerce successfully resolved one of these management challenges—the Year 2000 computing challenge. For the IG’s current list of management challenges identified in its March 31, 2000, Semiannual Report to the Congress, the IG stated that Commerce had successfully resolved two challenges: (1) obtaining an unqualified opinion on Commerce’s consolidated financial statements and (2) successfully handling the Year 2000 computing challenge.<sup>3</sup>

We agree with Commerce that not all of the management challenges that have been identified by the IG and us should necessarily be reflected as strategic planning concerns and therefore should have directly applicable performance goals and measures. According to OMB’s Circular No. A-11, an agency’s performance plan should set performance goals to address those major management problems whose resolution is mission-critical or that could impede the agency’s ability to meet its programmatic goals. However, the guidance states that an agency’s performance plan is intended principally to cover programs and program accomplishment and that agencies should avoid including an extensive inventory of the management or administrative problems facing the agency. In our letter, we noted that although Commerce’s fiscal year 2001 Plan did not provide direct goals and measures for

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<sup>2</sup> These management challenges were previously discussed in our July 20, 1999, letter, Observations on the Department of Commerce’s Fiscal Year 2000 Performance Plan (GAO/GGD-99-117R, July 20, 1999).

<sup>3</sup> Although Commerce received an unqualified opinion on its consolidated financial statements, it still lacks a single, integrated financial system that meets federal requirements. In enclosure II of this letter, we include these two issues as one challenge—improving financial management systems and processes.

most of the challenges, it did provide some explanation of its strategy for addressing the nine remaining challenges.<sup>4</sup>

In addition to these general comments, Commerce provided specific comments concerning our assessment of bureau performance related to the four key outcomes identified by the Senate Committee on Governmental Affairs. Regarding our assessment of BXA's progress in achieving performance goals related to the key outcome, "the U.S. is secure from proliferation of dual-use commodities and chemical weapons," Commerce generally agreed with our observations. However, Commerce stated that it would like us to recognize BXA's current initiative to design and implement a data validation program and invited us to comment on its proposed data validation methodology. We met with BXA officials concerning their draft data verification and validation methodology and provided them technical feedback. We told them that while this initial effort was necessary and commendable, the plan required significantly more development to be useful.

Regarding our assessment of EDA's progress in achieving performance goals related to the key outcome, "jobs are created and businesses remain successful," Commerce generally agreed with our observations. Although Commerce had originally disagreed with one of our observations concerning one measure, "the amount of state and local dollars committed to EDA-funded projects," Commerce officials withdrew their disagreement following discussion about their comment. We made a technical change to clarify the text based on this discussion.

Regarding our assessment of ITA's progress in achieving performance goals related to the key outcome, "U.S. businesses have greater access to international markets," Commerce agreed with our observations.

Finally, regarding our assessment of NWS' progress in achieving key performance goals related to the outcome, "weather forecasts and severe weather warnings are accurate," Commerce generally agreed with our observations; however, Commerce made three technical comments regarding the correct interpretation of three performance measures. We corrected our mischaracterization of two measures in accordance with Commerce's comments. We discussed the third comment, regarding NWS' measure for the accuracy of hurricane warnings, with NWS officials. Specifically, in its comments, NWS stated that it had verified that the performance measure for hurricane landfall was correct, even though it had initially told us that it was incorrect. Further, NWS officials acknowledged that the fiscal year 1999 Performance Report had incorrectly articulated that it had exceeded this measure. NWS achieved only 90 percent of its target for the hurricane landfall measure instead of the reported 110 percent. We made technical changes to this letter and enclosure I to reflect this difference.

As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this letter until 30 days from the date of this letter. At that time, we will publish the letter on our Internet web site, [www.gao.gov](http://www.gao.gov).

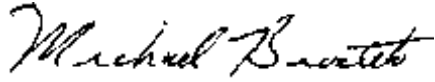
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<sup>4</sup> The year 2000 computing challenge is no longer a management challenge.



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Please call me or my Assistant Director John Mortin on (202) 512-8676 if you or your staff have any questions. Key contributors to this letter are listed in enclosure IV.

A handwritten signature in black ink that reads "Michael Brostek". The signature is written in a cursive style with a large initial "M".

Michael Brostek  
Associate Director, Federal Management  
and Workforce Issues

## **Observations on Selected Department of Commerce Agencies' Fiscal Year 1999 Actual Performance and Fiscal Year 2001 Planned Performance Related to Key Outcomes**

This enclosure contains our observations on the Department of Commerce's fiscal year 1999 actual performance and the fiscal year 2001 planned performance for key outcomes identified by the Senate Committee on Governmental Affairs as important mission areas for the Department. The key outcomes for the Department are as follows: (1) for the Bureau of Export Administration (BXA), the U.S. is secure from proliferation of dual-use commodities and chemical weapons; (2) for the Economic Development Administration (EDA), jobs are created and businesses remain successful; (3) for the International Trade Administration (ITA), U.S. businesses have greater access to international markets, and (4) for the National Oceanographic and Atmospheric Administration's (NOAA), weather forecasts and severe weather warnings are accurate and timely. As requested, we have identified the goals and measures directly related to each selected key outcome. We have organized these observations according to each key outcome and the goals and measures we identified for each outcome.<sup>1</sup>

In response to recommendations from the Office of Management and Budget, congressional staff, and us, the Department of Commerce revised several performance goals and measures between fiscal years 1999 and 2000. Our analysis focuses on the revised structure for the goals and measures as presented in the Department's (1) fiscal year 1999 Performance Report and (2) fiscal year 2000 and fiscal year 2001 Performance Plans.

### **Key Agency Outcome: The U.S. Is Secure From Proliferation of Dual-Use Commodities and Chemical Weapons**

#### Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of the U.S. Is Secure From Proliferation of Dual-Use Commodities and Chemical Weapons

Restructure export controls for the 21<sup>st</sup> century

- Fiscal year 1999 goal: 504 high-risk transactions deterred
- Actual: 1,160 high-risk transactions deterred (**goal met**)
  
- Fiscal year 1999 goal: 12,000 licensing decisions
- Actual: 12,598 licensing decisions (**goal met**)
  
- Fiscal year 1999 goal: Average processing time of 33 days for license applications
- Actual: Average processing time of 40 days for license applications (**goal not met**)
  
- Fiscal year 1999 goal: 204 export assistance seminars/conferences
- Actual: 136 export assistance seminars/conferences (**goal not met**)

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<sup>1</sup>In this enclosure, we use the terms fiscal year 1999 goal and target interchangeably.

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- Fiscal year 1999 goal: 42 nonproliferation and export control international cooperative exchanges
- Actual: 46 nonproliferation and export control international cooperative exchanges (**goal met**)

Maintain a fully effective law enforcement program to protect U.S. national security and public safety, uphold U.S. foreign policy, and ensure the nonproliferation of dual-use commodities and chemical weapons

- Fiscal year 1999 goal: 900 enforcement outreach visits
- Actual: 1,199 enforcement outreach visits (**goal met**)
  
- Fiscal year 1999 goal: 1,300 investigations completed
- Actual: 1,046 investigations completed (**goal not met**)
  
- Fiscal year 1999 goal: 73 investigations accepted for criminal or administrative remedies
- Actual: 68 investigations accepted for criminal or administrative remedies (**goal not met**)
  
- Fiscal year 1999 goal: 680 end-use visits
- Actual: 869 end-use visits (**goal met**)

### GAO Observations on the Department of Commerce's Fiscal Year 1999 Actual Performance for the Key Agency Outcome of the U.S. Is Secure From Proliferation of Dual-Use Commodities and Chemical Weapons

BXA's performance goals are outcome oriented, but it is not always clear from reading the goals what BXA is trying to achieve. Thus, it is difficult to assess BXA's progress toward achieving the goals. For example, the goal to "restructure export controls for the 21<sup>st</sup> century" does not articulate what BXA is attempting to achieve through restructuring. In addition, BXA's performance measures related to this goal tend to reflect workload and outputs and do not show a clear link to how they would contribute to a restructuring of the export control system; e.g., a change in the number of transactions deterred could occur simply as a result of a change in the number of licensing decisions. Although this type of information may indicate improvements (or not, as the case may be) in the implementation of export controls, it does not indicate changes to the structure of the export control system. In discussing these issues, BXA officials told us that they did not have comprehensive or specific guidance for developing performance goals and measures.

Likewise, with regard to the second goal, it is also difficult to determine whether BXA's measures indicate progress toward achieving the goal because BXA has not defined the term "fully-effective law enforcement program." Thus, there is no sense as to how many outreach visits, investigations completed, etc., would equal a "fully effective" program.

We also noted that BXA stated in the report that it exceeded, met, or substantially met each of the performance measures for its goals to restructure export controls and to maintain a fully

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effective law enforcement program. According to the scoring method used by the Department of Commerce, a performance measure was “exceeded” if at least 110 percent of the measure’s target was achieved; “met” if between 90 percent and 109 percent of the target was achieved; and “substantially met” if between 67 percent and 89 percent of the target was achieved. A measure was “not met” if less than 67 percent of the target was achieved. In our analysis, a performance measure was met only if it achieved 100 percent of its target. Otherwise, it was not met.

Finally, we noted variations in the extent to which BXA provided assurance that its performance information was credible. For six of the nine performance measures, BXA stated that various checks and audits of the data have been performed. In the remaining three, BXA stated that data system edits are used to identify certain processing errors.

### Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of the U.S. Is Secure From Proliferation of Dual-Use Commodities and Chemical Weapons

Restructure export controls for the 21<sup>st</sup> century

- Average processing time of 33 days for license applications
- 204 export assistance seminars/conferences

Maintain a fully effective law enforcement program to protect U.S. national security and public safety, uphold U.S. foreign policy, and ensure the nonproliferation of dual-use commodities and chemical weapons

- 1,300 investigations completed
- 73 investigations accepted for criminal or administrative remedies

### GAO Observations on the Department of Commerce’s Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of the U.S. Is Secure From Proliferation of Dual-Use Commodities and Chemical Weapons

BXA provided explanations for why its performance measures were not met within the confines of the Commerce target scoring approach (as discussed earlier, met, substantially met, not met, etc.). In some cases, the reasons given could have been taken into consideration when the measures were first established or could have been explained more effectively in the report. For example, BXA cites an “intelligence review period” as one of the four reasons for not meeting the license application processing time measure. However, BXA does not sufficiently explain how the intelligence review period contributed to the failure to meet the measure. Since intelligence reviews have been done for a number of years, BXA could have accounted for the anticipated time required for those reviews when it developed the performance measure.

We found no mention in the fiscal year 1999 Performance Report of how BXA planned to address unmet goals.

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### Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome of the U.S. Is Secure From Proliferation of Dual-Use Commodities and Chemical Weapons

The fiscal year 1999 Performance Report showed the following changes in performance goals/measures between fiscal year 1999 and fiscal year 2000:

Restructure export controls for the 21<sup>st</sup> century

- High-risk transactions deterred increased from 504 to 508 **(target increased)**
- Licensing decisions increased from 12,000 to 12,500 **(target increased)**
- Nonproliferation and export control international cooperative exchanges decreased from 42 to 30 **(target decreased)**
- Export assistance seminars/conferences decreased from 204 to 115 **(target decreased)**

Maintain a fully effective law enforcement program to protect U.S. national security and public safety, uphold U.S. foreign policy, and ensure the nonproliferation of dual-use commodities and chemical weapons

- Investigations accepted for criminal or administrative remedies increased from 73 to 80 **(target increased)**

### GAO Observations on the Department of Commerce's Fiscal Year 2000 Planned Performance for the Key Agency Outcome of the U.S. Is Secure From Proliferation of Dual-Use Commodities and Chemical Weapons

BXA provided some information related to changes that were made between fiscal years 1999 and 2000 in two of the five performance measures. The report did not explain why the targets increased or decreased for the other three measures dealing with the numbers of (1) high-risk transactions deterred, (2) licensing decisions, and (3) export assistance seminars/conferences. It would be enhanced if it included an explanation for these changes.

BXA stated in the fiscal year 2001 Performance Plan that the decrease in the planned number of international cooperative exchanges is due to (1) a deletion from the fiscal year 2000 budget of requested FTEs and (2) a forecasted reduction in funding from the Departments of Defense and State.

In the fiscal year 1999 Performance Report, regarding the increase in investigations accepted for criminal or administrative remedies, BXA states that the number of investigations accepted will increase as newly hired special agents become more familiar with these types of investigations.

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### Fiscal Year 2001 Performance Goals and Measures for the Key Agency Outcome of the U.S. Is Secure From Proliferation of Dual-Use Commodities and Chemical Weapons

The fiscal year 1999 Performance Report showed the following changes in performance goals/measures between fiscal year 2000 and fiscal year 2001:

Restructure export controls for the 21<sup>st</sup> century

- High-risk transactions deterred increased from 508 to 512 (**target increased**)
- Licensing decisions increased from 12,500 to 14,000 (**target increased**)
- Export assistance seminars/conferences increased from 115 to 120 (**target increased**)
- Nonproliferation and export control international cooperative exchanges increased from 30 to 37 (**target increased**)
- Average processing time for license applications decreased from 33 days to 32 days (**target increased**)

Maintain a fully effective law enforcement program to protect U.S. national security and public safety, uphold U.S. foreign policy, and ensure the nonproliferation of dual-use commodities and chemical weapons

- Enforcement outreach visits increased from 900 to 1,010 (**target increased**)
- Investigations completed decreased from 1,300 to 1,225 (**target decreased**)
- Investigations accepted for criminal or administrative remedies decreased from 80 to 70 (**target decreased**)

### GAO Observations on the Department of Commerce's Fiscal Year 2001 Planned Performance for the Key Agency Outcome of the U.S. Is Secure From Proliferation of Dual-Use Commodities and Chemical Weapons

There was no difference in the way BXA stated its goals and measures in the fiscal year 2001 Performance Plan and the fiscal year 1999 Performance Report. However, BXA changed its targets for all but one of the measures and only explained why it changed the target in one of those cases. The report would be enhanced if it provided some discussion of the reasons behind these changes.

Although BXA addressed some of the weaknesses we identified in previous plans, because BXA's goals do not fully articulate BXA's objectives it is questionable whether the 2001 Plan provides a clearer picture of BXA's intended performance.

Our review of the fiscal year 2001 Performance Plan also showed that BXA took some steps to address key weaknesses we identified in the fiscal years 1999 and 2000 Performance Plans. In regard to BXA, we had identified two weaknesses. First, we expressed concern about over-reliance on financial audits to verify and validate program data. While these audits cover financial information in support of required financial statements, they do not necessarily provide data verification and validation for program performance measures. Second, we expressed concern about the failure to include certain baselines to explain the analysis. In the fiscal year

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2001 Performance Plan, BXA says it did not rely on financial audits to verify and validate data. Rather, it says it relied on data system edits and the availability of the system to audits by other internal and external agencies. Also, BXA has increased the number of years of baseline data for many of its performance measures but has not provided reasons for differences in these targets from one year to another.

### **Key Agency Outcome: Jobs Are Created and Businesses Remain Successful**

#### Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Jobs Are Created and Businesses Remain Successful

Create jobs and private enterprise in economically distressed communities

- Fiscal year 1999 goal: \$199 million of state and local dollars committed to EDA-funded projects
- Actual: \$383 million of state and local dollars committed to EDA-funded projects (**goal met**)
- Fiscal year 1999 goal: 19 percent of public works and economic development facilities and revolving loan fund grants awarded in areas of highest distress
- Actual: 36 percent of public works and economic development facilities and revolving loan fund grants awarded in areas of highest distress (**goal met**)
- Fiscal year 1999 goal: 6-percent decrease in application processing time for public works and construction, and revolving loan fund grants
- Actual: 38-percent decrease in application processing time for public works and construction, and revolving loan fund grants (**goal met**)

In addition, EDA identified the following measures in the fiscal year 1999 Performance Report. EDA stated that due to the long-term outcome nature of these measures, performance targets were not established for fiscal year 1999.

- Number of permanent jobs created or retained in distressed communities as a result of EDA grants (**target not established**)
- Amount of private sector dollars invested in distressed communities as a result of EDA grants (**target not established**)

Build local capacity to achieve and sustain economic growth

- Fiscal year 1999 goal: 5 research and national technical assistance results published or presented nationally each year
- Actual: 6 research and national technical assistance results published or presented nationally each year (**goal met**)

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- Fiscal year 1999 goal: 19 percent of local technical assistance and economic adjustment strategy grants awarded in areas of highest distress
- Actual: 31 percent of local technical assistance and economic adjustment strategy grants awarded in areas of highest distress (**goal met**)
- Fiscal year 1999 goal: 4-percent decrease in certification processing time for trade-impacted firms
- Actual: 18-percent decrease in certification processing time for trade-impacted firms (**goal met**)

EDA identified the following interim measure in the fiscal year 1999 Performance Report. A performance target for this measure was not established for fiscal year 1999.

- Percent of clients satisfied with assistance provided for trade adjustment assistance to firms (**target not established**)

In addition, EDA identified the following long-term measures in the fiscal year 1999 Performance Report. EDA stated that due to the long-term outcome nature of these measures, performance targets were not established for fiscal year 1999.

- Percent of sub-State political jurisdiction members actively participating in the Economic Development District (EDD) program (**target not established**)
- Percent of Economic Development Districts and Indian Tribe Planning grantees whose Comprehensive Economic Development Strategy (CEDS) is on time and acceptable (**target not established**)
- Percent of University Center clients satisfied with technical assistance provided for local economic and business development (**target not established**)

### GAO Observations for the Department of Commerce's Fiscal Year 1999 Actual Performance for the Key Agency Outcome of Jobs Are Created and Businesses Remain Successful

EDA's performance goals to (1) create jobs and private enterprise in distressed communities and (2) build local capacity to achieve and sustain economic growth are outcome oriented and the 12 performance measures are linked to these goals. For 6 of the 12 measures, EDA reported that it had exceeded its target and provided comments to explain possible reasons why targets were exceeded. Thus, for these measures, EDA adequately indicated progress toward meeting its performance goal.

We could not determine whether the performance measures adequately indicated progress toward achieving the performance goals for the other six measures because EDA characterized them as being either long-term or interim measures for which it had not established fiscal year 1999 performance targets. Although the EDA section of the report stated that EDA will not report results on these measures until future years, a summary table in a different section of the report indicated that those six measures had been substantially met. In the summary table,



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Commerce noted that “substantially met” indicates that performance equals 67 percent through 89 percent of target or “provisional reporting of interim data provides equivalent evidence.” However, the EDA section only discusses such things as its prospective targets or efforts and approach for collecting data. As previously noted, in our analysis, a performance measure was met only if it achieved 100 percent of its target. Otherwise, it was not met.

Concerning four of the six measures for which EDA reported results for fiscal year 1999, the report states that EDA will sample or review projects periodically to ensure accurate reporting. However, EDA officials said that this verification step was not taken because EDA headquarters officials lacked the funds to travel to EDA regions to conduct the samples. Four of the measures also list an EDA database as the data source, but the report does not provide information on reliability assessments of the EDA database.

Regarding the measure of state and local dollars committed to EDA-funded projects, we believe EDA could reassess the measure to consider using actual performance information to set future targets as well as to address other limitations with the measure. According to EDA officials, the fiscal year 1999 target was not established from an analysis of fiscal year 1998 projects, as was reported in the performance report, but was computed using the fiscal year 1999 appropriations, along with percentage factors for state and local funding and for EDA funding.

It is also important to note that several of the performance measures have limitations. As we previously reported in a 1996 report,<sup>2</sup> it is difficult to assess the impact of economic development programs. It is particularly difficult to establish a link between a positive economic outcome and EDA’s assistance.

### Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Jobs Are Created and Businesses Remain Successful

EDA did not have any unmet goals and measures. Instead, EDA had 6 of 12 performance measures for which it established targets, and all 6 of these measures were met. However, the other six performance measures were either interim or long-term outcome measures for which performance targets were not established for fiscal year 1999. According to the report, EDA will report results on these measures in future years. These measures and their corresponding goals are as follows:

#### Create jobs and private enterprise in economically distressed communities

- Number of permanent jobs created or retained in distressed communities as a result of EDA grants
- Amount of private sector dollars invested in distressed communities as a result of EDA grants

#### Build local capacity to achieve and sustain economic growth

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<sup>2</sup>Economic Development: Limited Information Exists on the Impact of Assistance Provided by Three Agencies (GAO/RCED-96-103, Apr. 3, 1996).

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- Percent of clients satisfied with assistance provided for trade adjustment assistance to firms
- Percent of sub-State political jurisdiction members actively participating in the EDD program
- Percent of Economic Development Districts and Indian Tribe Planning grantees whose CEDS is on time and acceptable
- Percent of University Center clients satisfied with technical assistance provided for local economic and business development

### Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome of Jobs Are Created and Businesses Remain Successful

The fiscal year 1999 Performance Report showed the following changes in performance goals/measures between fiscal year 1999 and fiscal year 2000:

#### Create jobs and private enterprise in economically distressed communities

- Percentage of public works and economic development facilities and revolving loan fund grants awarded in areas of highest distress increased from 19 percent to 30 percent **(target increased)**
- Amount of state and local dollars committed to EDA-funded projects decreased from \$199 million to \$197 million **(target decreased)**

#### Build local capacity to achieve and sustain economic growth

- Percentage of local technical assistance and economic adjustment strategy grants awarded in areas of highest distress increased from 19 percent to 25 percent **(target increased)**
- 75 percent of sub-State political jurisdiction members actively participating in the EDD program **(targets established)**
- 75 percent of Economic Development Districts and Indian Tribe Planning grantees whose CEDS is on time and acceptable **(target established)**
- 75 percent of University Center clients satisfied with technical assistance provided for local economic and business development **(target established)**
- 75 percent of clients satisfied with assistance provided for trade adjustment assistance to firms **(target established)**

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### GAO's Observations on the Department of Commerce's Fiscal Year 2000 Planned Performance for the Key Agency Outcome of Jobs Are Created and Businesses Remain Successful

EDA provided some information related to changes that were made between fiscal years 1999 and 2000 in two of the three performance measures for which targets changed. In addition, EDA established targets for the first time for four of the six performance measures that it had characterized as either interim or long-term measures. For each of these four, EDA stated that, during fiscal year 1999, it had developed plans for evaluating information leading up to the establishment of the fiscal year 2000 targets. Although EDA set targets of 75 percent for each of these four measures, it was unclear why EDA set 75 percent as the target. The report would be enhanced if it included an explanation for why EDA chose this target level.

With regard to the two measures for which EDA provided information on changes, EDA stated in the fiscal year 1999 Performance Report that (1) the public works and economic development facilities measure for fiscal year 2000 increased by 50 percent based on fiscal year 1999 performance and (2) technical assistance and economic adjustment measure for fiscal year 2000 increased by 25 percent based on fiscal year 1999 performance. EDA did not explain the reasons behind a decrease in its measure for state and local dollars committed to EDA funded projects after its actual performance was almost double the fiscal year 1999 target. The report would be enhanced if EDA explained the decrease in this measure, especially given the substantial difference between the fiscal year 1999 target and EDA's actual performance.

Although the performance report comment sections explain some operational and legislative changes that occurred in fiscal year 1999, no apparent revisions were made to EDA's strategies and activities in response to those changes. For example, regarding the performance measure on state and local dollars committed to EDA-funded projects, new EDA legislation introduced requirements for increased state and local matching funds. However, EDA did not discuss the potential effects of the new legislation on this measure.

### Fiscal Year 2001 Performance Goals and Measures for the Key Agency Outcome of Jobs Are Created and Businesses Remain Successful

The fiscal year 1999 Performance Report showed the following changes in performance goals/measures between fiscal year 2000 and fiscal year 2001:

Amount of state and local dollars committed to EDA-funded projects increased from \$197 million to \$211 million **(target increased)**

### GAO's Observations on the Department of Commerce's Fiscal Year 2001 Planned Performance for the Key Agency Outcome of Jobs Are Created and Businesses Remain Successful

The extent to which the EDA section of the Commerce fiscal year 2001 Performance Plan provides a clear picture of intended performance is mixed. EDA did not explain why the target for the amount of state and local dollars committed to EDA-funded projects was increased from \$197 million in fiscal year 2000 to \$211 million in fiscal year 2001. Again, such an explanation

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would enhance the report, especially in light of the sizable difference between actual and targeted performance in fiscal year 1999.

The plan reflects several improvements over the weaknesses we identified when reviewing the fiscal year 2000 Performance Plan. For example, we identified the following weaknesses when reviewing the fiscal year 2000 Plan:

- Plan did not contain specific performance goals and targets for some activities or clearly show how budgetary resources relate to performance goals.
- Plan did not discuss crosscutting coordination efforts or provide evidence of coordination.
- Plan did not clearly show how strategies and resources would be used to achieve stated annual goals and performance targets.
- Plan did not describe strategies to mitigate the effects of identified external factors.
- Plan did not clearly describe efforts to verify and validate performance data or discuss the implications of known performance data limitations.

Each of those weaknesses was largely corrected in the EDA section of the fiscal year 2001 Plan. For example, we found that the EDA section of the fiscal year 2001 Plan does contain specific measures and targets related to activities and provides budgetary resources for each performance goal. Also, for each goal, the fiscal year 2001 Plan identifies other Department of Commerce bureaus and other government agencies where there are crosscutting issues. The plan states that EDA has established interagency agreements with most of these agencies to define roles for coordinating special initiatives or funding related project activities. Also, the fiscal year 2001 Plan

- includes strategies and activities that are consistent with the goals, measures, and targets and shows how resources will be used;
- identifies external factors that might limit EDA's efforts but does not explain how the factors would be mitigated; and
- indicates that site visits and reviews of project samples will be done periodically to ensure accurate reporting of performance data but does not indicate that funding will be made available for this activity.

### **Key Agency Outcome: U.S. Businesses Have Greater Access to International Markets**

#### Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of U.S. Businesses Have Greater Access to International Markets

Enforce U.S. trade laws and agreements to promote free and fair trade

- Fiscal year 1999 goal: \$0.8 billion value of market openings
- Actual: \$2.3 billion value of market openings (**goal met**)

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### Increase the number of small business exporters

- Fiscal year 1999 goal: 25,260 new-to-export firms
- Actual: 42,351 new-to-export firms (**goal met**)

### Implement the President's National Export Strategy in conjunction with the Trade Promotion Coordinating Committee

- Fiscal year 1999 goal: 45,919 new-to-market firms
- Actual: 67,835 new-to-market firms (**goal met**)
- Fiscal year 1999 goal: 305,837 counseling sessions
- Actual: 296,769 counseling sessions (**goal not met**)

### Strengthen and institutionalize our trade promotion and advocacy efforts

- Fiscal year 1999 goal: \$10 billion value of gross exports supported through advocacy efforts
- Actual: \$9.8 billion value of gross exports supported through advocacy efforts (**goal not met**)

### GAO's Observations on the Department of Commerce's Fiscal Year 1999 Actual Performance for the Key Agency Outcome of U.S. Businesses Have Greater Access to International Markets

The performance measures do not always indicate progress toward the listed goals because the linkages between the goals and the measures are not always clear. For example, the measure regarding the value of market openings does not directly relate to ITA's level of success in enforcing existing U.S. trade agreements with other countries. These trade agreements are intended to guarantee the opportunity for U.S. firms to engage in free and fair trade but do not necessarily lead to export sales for U.S. firms. Department of Commerce officials acknowledged that linkages between some of the performance goals and measures contained in the report are unclear, and indicated that steps will be taken to address this in the Commerce strategic plan for fiscal years 2000 to 2005, to be submitted to Congress in September 2000.

Furthermore, the report describes interagency activities but does not include measures of crosscutting and interagency activities related to the performance goals. This is an important omission as the Department of Commerce chairs the interagency Trade Promotion Coordinating Committee designed to rationalize and streamline federal trade promotion efforts. ITA officials said they are revising performance measures to better assess the agency's trade promotion and advocacy efforts.

On the other hand, the presentation of the ITA section in the fiscal year 1999 Report parallels the improved format as presented in the fiscal year 2000 Performance Plan. The report lists the general rationale for the performance goals, and clearly presents target and actual performance data. ITA's performance goals and measures are generally outcome oriented.

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ITA reported that fiscal year 1999 actual performance met or exceeded target levels for each of the performance measures related to its goals. As noted in the discussion of other Commerce results, in our analysis, a performance measure was met only if it achieved 100 percent of its target. Otherwise, it was not met.

ITA reported that actual performance for three measures significantly exceeded targets by amounts ranging from 48 percent to 188 percent. The report notes that some fiscal year 1999 targets were underestimated because the agency was pessimistic about the prospects of economic recovery in Russia, Asia, Latin America, and other emerging market economies. Although the report identifies reasons for the gap between actual and target performance for fiscal year 1999, the large discrepancies illustrate the difficulty of projecting future year performance when external factors strongly influence actual performance.

The report provides a brief description of completed ITA program evaluations of performance goals, but it does not list specific findings or recommendations that may have resulted from the evaluations or otherwise indicate how these evaluations helped measure progress in meeting performance goals. The report also notes that it is difficult to develop reliable indicators to measure program success for a variety of reasons. For example, businesses are reluctant to reveal their proprietary information to the government, thus making it difficult to track the dollar value of exports supported by ITA services. Department officials also stated that they are refining the data collection, validation, and verification processes, as well as revising performance measures to better assess progress towards achieving performance goals and key outcomes.

### Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of U.S. Businesses Have Greater Access to International Markets

Implement the President's National Export Strategy in conjunction with the Trade Promotion Coordinating Committee

- 305,837 counseling sessions

Strengthen and institutionalize our trade promotion and advocacy efforts

- \$10 billion value of gross exports supported through advocacy efforts

### GAO's Observations on the Department of Commerce's Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of U.S. Businesses Have Greater Access to International Markets

ITA claimed in the performance report that it had met the performance targets for (1) the number of counseling sessions and (2) the dollar value of gross exports supported through advocacy efforts. Fiscal year 1999 results showed that ITA, in fact, did not meet the targets in either of these cases. However, it came very close, reaching 97 percent and 98 percent of the targets, respectively. As a result, the report does not specify future alternate actions for meeting the targets.

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### Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome of U.S. Businesses Have Greater Access to International Markets

The fiscal year 1999 Performance Report showed the following changes in performance goals/measures between fiscal year 1999 and fiscal year 2000:

#### Enforce U.S. Trade Laws and agreements to Promote Free and Fair Trade

- Value of market openings increased from \$0.8 billion to \$2.0 billion (**target increased**)

#### Increase the number of small business exporters

- Number of new-to-export firms increased from 25,260 to 36,066 (**target increased**)

#### Implement the President's National Export Strategy in conjunction with the Trade Promotion Coordinating Committee

- Number of new-to-market firms increased from 45,919 to 64,914 (**target increased**)
- Number of counseling sessions decreased from 305,837 to 292,822 (**target decreased**)

#### Strengthen and institutionalize our trade promotion and advocacy efforts

- Value of gross exports supported through advocacy efforts increased from \$10 billion to \$10.5 billion (**target increased**)

### GAO Observations on the Department of Commerce's Fiscal Year 2000 Planned Performance for the Key Agency Outcome of U.S. Businesses Have Greater Access to International Markets

The Department noted that the fiscal year 1999 Performance Report presents the ITA's most current projections for fiscal year 2000 performance targets, and that the agency revised several targets based on fiscal year 1999 actual performance. For example, the target for the value of market openings was revised upward from \$0.8 billion to \$2.0 billion. The report indicates that some targets were revised based on ongoing changes to the agency's data collection, verification, and validation methodologies.

### Fiscal Year 2001 Performance Goals and Measures for the Key Agency Outcome of U.S. Businesses Have Greater Access to International Markets

The fiscal year 1999 Performance Report showed the following changes in performance goals/measures between fiscal year 2000 and fiscal year 2001:

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### Enforce U.S. trade laws and agreements to promote free and fair trade

- Value of market openings increased from \$2.0 billion to \$2.4 billion (**target increased**)

Increase the number of small business exporters

- Number of new-to-export firms increased from 36,066 to 36,949 (**target increased**)

Implement the President's National Export strategy in conjunction with the Trade Promotion Coordinating Committee

- Number of new-to-market firms increased from 64,914 to 66,187 (**target increased**)
- Number of counseling sessions decreased from 292,822 to 288,479 (**target decreased**)

Strengthen and institutionalize our trade promotion and advocacy efforts

- Value of gross exports supported through advocacy efforts increased from \$10.5 billion to \$11.0 billion (**target increased**)

### GAO's Observations on the Department of Commerce's Fiscal Year 2001 Planned Performance for the Key Agency Outcome of U.S. Businesses Have Greater Access to International Markets

The extent to which the fiscal year 2001 Performance Plan provides a clear picture of intended performance is mixed. ITA's performance measure targets changed from fiscal year 2000 to fiscal year 2001. The report did not explain the reasons for the changes in those performance measures. It would be enhanced if it included an explanation for these changes.

The 2001 Plan more clearly presents and discusses proposed strategies and activities for achieving performance goals, although it is still unclear in some cases how the performance measures link to the goals.

However, some key weaknesses we identified in the previous plans remain unchanged. Although crosscutting activities are identified and described, the plan does not detail how monitoring, coordinating, or improving interagency activities related to each of the goals will be done. In addition, while the plan recognizes the effects of external factors, such as business proprietary issues and economic conditions on some measures, it does not consistently present strategies for mitigating the impact on performance measures.



**Key Agency Outcome: Weather Forecasts and Severe Weather Warnings Are Accurate and Timely**

Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Weather Forecasts and Severe Weather Warnings Are Accurate and Timely

Advance short-term warning and forecast services

- Fiscal year 1999 goal: Increase lead time to 11 minutes with 70 percent accuracy for severe weather warnings for tornadoes
- **Actual: Achieved lead time of 12 minutes with 70 percent accuracy for severe weather warnings for tornadoes (goal met)**
  
- **Fiscal year 1999 goal:** Increase lead time to 54 minutes with 85 percent accuracy for severe weather warnings for flash floods
- **Actual:** Achieved lead time of 41 minutes with 83 percent accuracy for severe weather warnings for flash floods (**goal not met**)
  
- **Fiscal year 1999 goal:** Increase lead time to 19 minutes with 84 percent accuracy for severe weather warnings for severe thunderstorms
- **Actual:** Achieved lead time of 17 minutes with 82 percent accuracy for severe weather warnings for severe thunderstorms (**goal not met**)
  
- **Fiscal year 1999 goal:** Increase accuracy of warnings within 24 hours of hurricane landfall to 84 miles
- **Actual:** Achieved accuracy of warnings within 24 hours of hurricane landfall of 92 miles (**goal not met**)
  
- **Fiscal year 1999 goal:** Increase lead time to 2.3 days in advance for successfully forecasting one inch of precipitation
- **Actual:** Achieved lead time of 2.3 days in advance for successfully forecasting one inch of precipitation (**goal met**)
  
- **Fiscal year 1999 goal:** Increase accuracy of correct forecasts for heavy snowfall to 55 percent
- **Actual:** Achieved 49 percent accuracy of correct forecasts for heavy snowfall (**goal not met**)
  
- **Fiscal year 1999 goal:** Increase the accuracy of current temperatures forecasts to 87 percent and the onset of freezing temperatures forecasts to 78 percent
- **Actual:** Achieved 84 percent accuracy of current temperatures forecasts and 62 percent accuracy of onset of freezing temperatures forecasts (**goal not met**)

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### GAO's Observations on the Department of Commerce's Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Weather Forecasts and Severe Weather Warnings Are Accurate and Timely

NOAA's fiscal year 1999 performance goal is outcome oriented, and its performance measures are quantifiable and can provide useful information for gauging progress toward achieving targeted results.

According to Commerce's scoring, the fiscal year 1999 Performance Report shows that NOAA met or exceeded the targets for four of its seven performance measures, and substantially met the other three measures. As noted earlier, in our analysis, a performance measure was met only if it achieved 100 percent of its target.<sup>3</sup>

While NOAA's data indicated that over 90 percent of each target was met (for those measures deemed by Commerce to have been met or exceeded), in our past work, we have expressed concerns about the validity and reliability of data used to measure such progress. This concern remains, because the fiscal year 1999 Report did not consistently provide sufficient confidence that the performance data were accurate, complete, and credible. In fact, we found an example of inaccurate data. In its fiscal year 1999 Performance Report, NOAA reported that it achieved 110 percent of its target for increasing the accuracy of warnings within 24 hours of hurricane landfall because its actual accuracy was 92 miles in comparison with its target of 84 miles. Because a larger range signifies decreased accuracy, we questioned why NOAA reported this measure as exceeding its target. NOAA officials subsequently acknowledged that the performance report is inaccurate. NOAA achieved only 90 percent of the target, instead of the reported 110 percent.

### Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Weather Forecasts and Severe Weather Warnings Are Accurate and Timely

Advance short-term warning and forecast services

- Increase lead time to 54 minutes with 85 percent accuracy for severe weather warnings for flash floods
- Increase lead time to 19 minutes with 84 percent accuracy for severe weather warnings for severe thunderstorms
- Increase accuracy of correct forecasts for heavy snowfall to 55 percent
- Increase the accuracy of current temperature forecasts to 87 percent and the onset of freezing temperature forecasts to 78 percent
- Increase accuracy of warnings within 24 hours of hurricane landfall to 84 miles

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<sup>3</sup> In our analysis, NOAA met the targets for only two of its seven measures. The other five targets were not met.

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### GAO's Observations on the Department of Commerce's Unmet Fiscal Year 1999 Performance Goals and Measures for the Key Agency Outcome of Weather Forecasts and Severe Weather Warnings Are Accurate and Timely

Under the Department of Commerce's scoring method, the targets for five measures—flash floods, thunderstorms, snowfall, hurricanes, and temperatures—were either met or substantially met, but the actual performance data show that in each case the targets were in fact not met. For example, the measure for flash floods had fiscal year 1999 targets of 54 minutes and 85 percent accuracy. Actual performance data showed 41 minutes and 83 percent accuracy. As another example, the measure for snowfall had a fiscal year 1999 target of 55 percent accuracy. Actual performance data showed 49 percent accuracy. In these two cases, the Department claimed that the targets had been substantially met.

It would be expected that the Department would report the reasons why targets were not met as well as the plans for meeting those targets in the future. However, because the Department regarded each of the four measures as having been “met” or “substantially met,” such explanations were not reported.

### Fiscal Year 2000 Performance Goals and Measures for the Key Agency Outcome of Weather Forecasts and Severe Weather Warnings Are Accurate and Timely

The fiscal year 1999 Performance Report showed the following changes in performance goals/measures between fiscal year 1999 and fiscal year 2000:

#### Advance short-term warning and forecast services

- Lead time increased from 11 minutes to 12 minutes and accuracy remained at 70 percent for severe weather warnings for tornadoes (**target increased**)
- Lead time increased from 54 minutes to 55 minutes, and accuracy increased from 85 percent to 86 percent for severe weather warnings for flash floods (**target increased**)
- Increase lead time to 19 minutes and accuracy to 84 percent for severe weather warnings for severe thunderstorms (**measure dropped or modified**)
- Increase accuracy of warnings within 24 hours of hurricane landfall to 84 miles (**measure dropped or modified**)
- Increase lead time to 2.3 days in advance for successfully forecasting 1 inch of precipitation (**measure dropped or modified**)
- Increase accuracy of correct forecasts for heavy snowfall to 55 percent (**measure dropped or modified**)
- Increase the accuracy of current temperature to 87 percent and the onset of freezing temperature to 78 percent (**measure dropped or modified**)

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### GAO's Observations on the Department of Commerce's Fiscal Year 2000 Planned Performance for the Key Agency Outcome of Weather Forecasts and Severe Weather Warnings Are Accurate and Timely

NOAA did not assess the effect of fiscal year 1999 performance on estimated performance levels for fiscal year 2000. However, between fiscal years 1999 and 2000 NOAA slightly increased its performance targets for tornadoes and for flashfloods and either dropped or changed its other performance measures for fiscal year 2000 and beyond. In some cases, NOAA provided an informative explanation of why changes were made. But in other cases, NOAA either did not explain or did not adequately explain why changes were made. The report would be enhanced if it included an explanation for these changes.

NOAA did not provide information in the performance report explaining the reasons for the slight increases in performance targets for tornadoes and flashfloods. However, explanations were provided for the changes to the other performance measures as follows:

- the thunderstorms measure will no longer be reported in order to keep the focus on the more extreme events of tornadoes and flash floods.
- the precipitation measure is being modified to report the accuracy of a forecast of precipitation issued 3 days in advance.
- the temperature measure would no longer be reported and performance measures for forecasts of marine and aviation parameters will be reported in future years.
- the hurricane performance measure was changed to report lead-time on hurricane warnings, which is critical for the evacuation of vulnerable areas.
- the snowfall measure will be replaced by a measure of lead-time and accuracy of winter storm warnings, which is more meaningful in both time and geographic area.

Finally, NOAA discussed data verification and validation procedures to improve the credibility of performance information. For example, NOAA identified the use of standard statistical analysis in objectively assessing program performance. However, NOAA also recognized the limitations to such assessments, including annual fluctuations in meteorological conditions associated with severe weather.

### Fiscal Year 2001 Performance Goals and Measures for the Key Agency Outcome of Weather Forecasts and Severe Weather Warnings Are Accurate and Timely

Advance short-term warning and forecast services

- Lead time increased from 12 minutes to 13 minutes, and accuracy remained at 70 percent for severe weather warnings for tornadoes (**target increased**)

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- Lead time increased from 55 minutes to 57 minutes, and accuracy remained at 86 percent for severe weather warnings for flash floods (**target increased**)
- Increase lead time of warnings for hurricanes to 21 hours (**measure added**)
- Increase accuracy of 3-day forecast of precipitation to 22 percent (**measure added**)
- Increase lead time and accuracy of warnings for winter storms to 13 hours and 86 percent (**measure added**)
- Increase accuracy and decrease false alarm rate of forecasts of ceiling and visibility to 21 percent and 46 percent, respectively (**measure added**)
- Increase accuracy of forecasts for winds and waves to 53 percent (**measure added**)

### GAO's Observations for the Department of Commerce's Fiscal Year 2001 Planned Performance for the Key Agency Outcome of Weather Forecasts and Severe Weather Warnings Are Accurate and Timely

NOAA's new performance measures are quantifiable, measurable, and outcome-oriented and continue to provide a clear picture of its intended performance. Each measure is a succinct statement of expected performance for subsequent comparison with actual performance.

NOAA also has made an attempt to address a key weakness we have identified in the past. Specifically, NOAA has provided a more detailed explanation of its process to ensure that performance data are more complete and accurate, and that improvements are made in verification and validation.

Enclosure II

**Observations on the Department of Commerce’s Efforts to Address Its Major Management Challenges**

The following table identifies the major management challenges confronting the Department of Commerce. The first column lists the management challenges identified by our office and the Department of Commerce Inspector General (IG). The second column discusses what progress, as discussed in its fiscal year 1999 Performance Report, the Department of Commerce made in resolving its major management challenges. The third column discusses the extent to which the Department of Commerce’s fiscal year 2001 Performance Plan includes performance goals and measures to address the management challenges that we and the Department of Commerce IG identified.

Table II.1: Major Management Challenges

<b>Major management challenge</b>	<b>Progress in resolving major management challenge as discussed in the fiscal year 1999 Performance Report</b>	<b>Applicable goals and measures in the fiscal year 2001 Performance Plan</b>
<p><u>Ensuring a Successful 2000 Decennial Census</u>—The Bureau of the Census faces a number of challenges and uncertainties in its endeavor to conduct an accurate and cost-effective decennial census in 2000.</p> <p>(The IG also identified this area as a management challenge.)</p>	<p>Ensuring a successful 2000 Decennial Census is discussed in the fiscal year 1999 Performance Report as one of the Department of Commerce’s major management challenges, as well as one of the Bureau of the Census’ outcome-oriented performance goals.</p> <p>In the “Meeting Management Challenges” section of the report, Commerce discusses several strategies and initiatives it took to prepare for the decennial census. These include the Census Bureau’s efforts to (1) introduce systems to track operations and deploy software to provide managers with performance indicators and (2) perform dress rehearsals at three sites around the country that, according to Commerce, came in on-budget and produced results</p>	<p>Commerce’s fiscal year 2001 Plan contains the performance goal of conducting an accurate, timely, relevant, and cost-effective decennial census. The plan identifies three measures for this goal, which are (1) produce apportionment counts using traditional census taking methods; (2) adjust net population counts using the Accuracy and Coverage Evaluation Survey in all states; and (3) meet all census 2000 data release milestones on time. Each of these measures has a target of 100-percent timeliness, and the plan provides a chart to show when tasks are expected to be started and finished. These activities, although critical census-taking processes, do not relate directly to the accuracy and cost-effectiveness components of the 2000</p>

<b>Major management challenge</b>	<b>Progress in resolving major management challenge as discussed in the fiscal year 1999 Performance Report</b>	<b>Applicable goals and measures in the fiscal year 2001 Performance Plan</b>
	<p>that were better than expected.</p> <p>In addition, the “Economic and Statistics Administration” section of the Commerce report includes a performance goal to conduct an accurate, timely, relevant, and cost-effective decennial census.<sup>a</sup> In relation to this goal, the report includes a performance measure on the timeliness of legally mandated data releases. The report indicates that (1) data collection activities related to this measure were on schedule and (2) the measure consists of two milestones to be included in the fiscal year 2000 Performance Report. However, the report does not discuss performance measures or targets for the other elements of this goal—accuracy, relevancy, and cost-effectiveness.</p> <p>Finally, the report fails to address several Census Bureau performance measures that were identified in the fiscal year 1999 Performance Plan. For example, according to the fiscal year 1999 Plan, in preparation for the decennial census, the Census Bureau planned to canvass 100 million addresses and print over 118 million census forms. The report does not explain why these matters were not addressed.</p>	<p>Census.</p> <p>The plan’s section entitled “The Commerce Management Strategy: Our Model for Challenge and Success” recognizes concerns raised by the Commerce IG about the Bureau’s readiness to undertake the 2000 Census. It highlights some of the steps the Bureau has taken to increase response and manage the logistics of conducting the census.</p>

Enclosure II

<b>Major management challenge</b>	<b>Progress in resolving major management challenge as discussed in the fiscal year 1999 Performance Report</b>	<b>Applicable goals and measures in the fiscal year 2001 Performance Plan</b>
<p><u>Completing the National Weather Service (NWS) Modernization and Associated Restructuring</u>—After substantial delays and cost overruns, three of NWS’ four planned technology modernization programs are operational. The final piece of the modernization—the Advanced Weather Interactive Processing System (AWIPS)—was deployed in June 1999 but with less than full functionality. Until AWIPS is fully operational, NWS will not be able to take full advantage of the \$4.5 billion investment it has made in the modernization to date.<sup>b</sup></p> <p>(The IG also identified this area as a management challenge.)</p>	<p>The performance report states that Commerce completed installation of AWIPS on schedule and within budget. The report does not provide specific information on its progress in commissioning AWIPS systems across the country.<sup>c</sup> It is after commissioning that an AWIPS unit is effectively certified for operational use.</p>	<p><u>None.</u> The plan states that the Department of Commerce met a congressional mandate to deploy AWIPS at all 152 NWS sites within a \$550 million spending cap. Although the plan does not contain goals or measures for completing the AWIPS commissioning process, it does discuss plans to continue to enhance AWIPS software.</p> <p>The plan also contains outcome-oriented goals for improving the lead times and accuracy of the NWS’ short-term warnings and forecasts for events like tornadoes and flash floods that are linked to the NWS’ investment in the modernization project. In addition, the plan links these performance goals to a “Natural Disaster Reduction Initiative” (NDRI)—which is described as Commerce’s focused effort to provide and improve weather warnings and forecasts. According to the plan, NDRI will, among other things, enable NWS to maintain and upgrade systems to keep pace with technological improvements.</p>
<p><u>Pursuing More Cost-Effective Alternatives to NOAA’s In-House Fleet of Ships</u>—NOAA has an aging in-house fleet of ships that are used to support its programs in fisheries research, oceanographic research,</p>	<p>The performance report does not address cost-effective alternatives to NOAA’s fleet as a management challenge.</p>	<p><u>None.</u> However, the performance plan discusses Commerce’s efforts to work with NOAA to identify and pursue alternatives, including increased outsourcing and downsizing of NOAA’s shore support to</p>



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<b>Major management challenge</b>	<b>Progress in resolving major management challenge as discussed in the fiscal year 1999 Performance Report</b>	<b>Applicable goals and measures in the fiscal year 2001 Performance Plan</b>
<p>and hydrographic charting and mapping. For more than a decade, we and others have urged NOAA to pursue more cost-effective alternatives.</p> <p>(The IG also identified this area as a management challenge.)</p>		<p>reduce costs. The plan also discusses NOAA’s data acquisition strategy that includes procurement of four new fishery ships. Although funding for one of these ships has been provided, NOAA’s data acquisition mission remains at risk if the additional ships are not funded.</p>
<p><u>Improving Financial Management Systems and Processes</u>—Commerce faces several challenges in the financial management area. Although Commerce received an unqualified audit opinion on its consolidated financial statements for fiscal year 1999, it still lacks a single, integrated financial system, effective internal controls, and accounting and financial systems that comply with federal laws and regulations.</p> <p>(The IG has identified this area as two distinct management challenges: (1) obtain an unqualified opinion on all of the Department’s consolidated financial statements and (2) successfully implement a departmentwide financial management system. The IG no longer considers the former as a management challenge, however the IG continues to view the latter as a management challenge.)</p>	<p>The performance report briefly discusses several steps Commerce took to improve financial management on a departmentwide basis. These include the receipt of the unqualified audit opinion for fiscal year 1999, a reduction in the number of reportable conditions and material weaknesses, and implementation or partial implementation of the Commerce Administrative Management System (CAMS), which is intended to link all of the Department’s financial data into a single system. However, the report does not provide information to give the reader a basis on which to judge the relative progress in completing these efforts.</p>	<p><u>None.</u> The fiscal year 2001 Performance Plan section entitled “The Commerce Management Strategy: Our Model for Challenge and Success” discusses Commerce’s management priority to achieve the unqualified audit opinion, which was obtained on February 22, 2000. This section also discusses, among other things, (1) the potential receipt of the unqualified audit opinion,<sup>d</sup> (2) progress in reducing the number of reportable conditions in audit reports, and (3) progress in implementing or partially implementing CAMS at Census, the Economic Development Administration, and NOAA. It also makes a commitment to begin deploying CAMS at the National Institute of Standards and Technology (NIST) in fiscal year 2001. However, the plan contains no goals or measures related to its financial management initiatives, including the deployment of CAMS in other bureaus. The plan might be</p>

Enclosure II

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 Performance Report	Applicable goals and measures in the fiscal year 2001 Performance Plan
		enhanced if it were to make a reference to the Federal Financial Management Improvement Act Remediation Plan, which has targets for implementing the core financial component of CAMS in selected bureaus other than those mentioned previously.
<p><u>Addressing the Urgent Year 2000 Computing Challenge</u>—Our January 1999 high-risk series update emphasized that resolving the Year 2000 (Y2K) computing problem was the most pervasive, time-critical risk facing federal agencies.</p> <p>(The IG no longer lists this area as a management challenge.)</p>	<p>The “Meeting Management Challenges” section of the performance report states that, in September 1999, Commerce completed Y2K compliance for 100 percent of its mission critical systems. The report also states that, as a result of these preparations, Commerce experienced no Y2K problems.</p>	<p>Not applicable because this is no longer a management challenge.</p>
<p><u>Resolving Serious Information Security Weaknesses</u>—Our January 1999 high-risk series update emphasized that continuing governmentwide computer security weaknesses put critical federal operations and assets at risk. Such problems make it easier for individuals and groups to obtain sensitive information, commit fraud, or disrupt operations.</p> <p>(The IG considers this area as one of its leading candidates to become a</p>	<p>The performance report does not address information security as a management challenge.</p>	<p>The plan highlights a departmentwide initiative—“Establishing Safeguards Against Unconventional National Security Threats”—that is designed to address threats to the country’s national security and electronic infrastructure. The plan briefly describes the initiative, discusses budgetary requests by bureau, and provides some measures to address information security issues for selected bureaus, such as the Patent and Trademark Office (PTO) and NIST. In addition, the plan contains a</p>

Enclosure II

Major management challenge	Progress in resolving major management challenge as discussed in the fiscal year 1999 Performance Report	Applicable goals and measures in the fiscal year 2001 Performance Plan
management challenge.)		new performance goal related to the departmentwide initiative—Protection of the National Information Infrastructure. In relation to this goal, NIST is supposed to address current and future IT security needs through three programs, one of which is designed to help federal agencies identify and fix vulnerabilities in their software, computers, networks, and other information technology resources. The plan does not present measures and targets for evaluating performance under this goal. However, the plan indicates that Commerce will build outcome measures as it develops its programs and operations.
Other management challenges identified by the IG		
<u>Manage PTO’s Space Requirements and Lease Costs</u>	The performance report does not address PTO’s space requirements and lease costs as a management challenge.	<u>None.</u> However, the plan section entitled “The Commerce Management Strategy: Our Model for Challenge and Success” discusses Commerce’s efforts to help PTO with its space requirements and lease award, which at the time the plan was issued was on hold pending a judicial ruling on the environmental impact of the prospective relocation.

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<p><b>Major management challenge</b></p>	<p><b>Progress in resolving major management challenge as discussed in the fiscal year 1999 Performance Report</b></p>	<p><b>Applicable goals and measures in the fiscal year 2001 Performance Plan</b></p>
<p><u>Evaluate the National Technical Information Service's (NTIS) Mission and Financial Viability</u></p>	<p>The performance report does not address NTIS' mission and financial viability as a management challenge.</p>	<p><u>None.</u> However, the plan section entitled "The Commerce Management Strategy: Our Model for Challenge and Success" discusses Commerce's efforts to address NTIS' deteriorating financial situation and its proposal to transfer selected NTIS functions to the Library of Congress.</p>
<p><u>Maximize Competition in Commerce Financial Assistance Programs</u></p>	<p>In the "Meeting Management Challenges" section of the report, Commerce discusses partnering with Minority Serving Institutions, including colleges and universities. Specifically, the report discussed a September 1999 conference in which input was sought on ways to increase Commerce's financial assistance to those institutions.</p>	<p><u>None.</u> However, the plan section entitled "The Commerce Management Strategy: Our Model for Challenge and Success" discusses Commerce's efforts to improve oversight of its financial assistance programs to ensure that all applicable guidelines are followed in the award and use of funds. Also, the plan states that Commerce has been working with NOAA to increase the number of awards granted competitively through NOAA's discretionary funding programs and to implement a rigorous solicitation process.</p>
<p><u>Continue to Improve Commerce's Strategic Planning and Performance Measurement in Accordance with the Government Performance and Results Act (GPRA)</u></p>	<p>The executive summary to the performance report discusses the evolution of Commerce's GPRA efforts, including changes made as a result of reviews and critiques by Congress, the IG, and us. This section also briefly discusses Commerce's undertaking of its second GPRA cycle, including revisions to its 5-year strategic plan that, according to the report, will be submitted to Congress in September 2000.</p>	<p><u>None.</u> However, the plan section entitled "The Commerce Management Strategy: Our Model for Challenge and Success" discusses Commerce's progress in meeting the objectives of GPRA and improvements in performance planning, including an increase in the extent to which it used outcome-oriented measures. The plan also discusses departmental efforts to share information and best practices with other</p>

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<b>Major management challenge</b>	<b>Progress in resolving major management challenge as discussed in the fiscal year 1999 Performance Report</b>	<b>Applicable goals and measures in the fiscal year 2001 Performance Plan</b>
		agencies. Also, the executive summary to the plan discusses steps Commerce has taken to improve the fiscal year 2001 Performance Plan.

<sup>a</sup> Although this goal is also included in the fiscal year 2001 Performance Plan, it was not articulated in the same manner in the fiscal year 1999 and fiscal year 2000 Plans.

<sup>b</sup> See Major Management Challenges and Program Risks: Department of Commerce (GAO/OCG-99-3, Jan. 1999); High-Risk Series: An Update (GAO/HR-99-1, January 1999); Department of Commerce: National Weather Service Modernization and NOAA Fleet Issues (GAO/T-AIMD/GGD-99-97, Feb. 24, 1999), and National Oceanic and Atmospheric Administration: National Weather Service Modernization and Weather Satellite Program (GAO/T-AIMD/00-86, Mar. 29, 2000).

<sup>c</sup> According to NWS, Commissioning is defined as the decision point when the AWIPS unit at an individual operational site can be used in an official capacity. The commissioning process involves evaluating the performance of the system and the readiness of the personnel to operate the system by an NWS official. The results of these evaluations are examined at the regional and national organizational levels to determine whether commissioning should occur.

<sup>d</sup> According to its fiscal year 2001 Performance Plan, Commerce was not expecting the results of the audit of its consolidated financial statements for fiscal year 1999 until 1 month after the plan was released. In fact, Commerce received the unqualified audit opinion on February 22, 2000.

# Comments From the Department of Commerce



**THE DEPUTY SECRETARY OF COMMERCE**  
Washington, D.C. 20230

JUN 20 2000

Mr. Michael Brostek  
Associate Director, Federal Management  
and Workforce Issues  
U.S. General Accounting Office  
Washington, D.C. 20548

Dear Mr. Brostek:

We appreciate the opportunity to comment on the GAO Draft Report on "Observations on Commerce's FY 1999 Performance Report and FY 2001 Performance Plan." We would like to respond both with some general comments on the way in which the Department sets performance targets and addresses the Inspector General's top management concerns and specific suggestions concerning bureau performance.

The Department of Commerce's comments are enclosed for incorporation in the final report. Much of the progress we have made with our reporting under the Government Performance and Results Act (GPRA) is due to GAO's guidance and the many fruitful discussions we have held. I appreciate the opportunity to work together and hope that you will consider some of these general perspectives in your final report.

If you have any questions concerning this response, please contact Mr. Raul Perea-Henze, Deputy Assistant Secretary for Administration, at (202) 482-4951.

Sincerely yours,

A handwritten signature in cursive script that reads "Robert L. Mallett".

Robert L. Mallett

Enclosure

**Enclosure III**  
**Comments From the Department of Commerce**

**Department of Commerce Comments on GAO Draft Report: "Observations on Commerce's FY 1999 Performance Report and FY 2001 Performance Plan"**

We appreciate the positive tone and useful comments made in the GAO's report, "Observations on Commerce's FY 1999 Performance Report and FY 2001 Performance Plan." We believe these comments help continue the long and constructive relationship that we and GAO have had during the implementation of GPRA. Overall, the GAO report raises a number of valid points that we will use in refining the next Strategic Plan -- on which we are currently at work -- as well as future Annual Performance Plans (APPs) and Annual Program Performance Reports (APPRs).

A fundamental comment we would like you to consider relates to the utility that agencies may make of the APPs and APPRs. We regard both documents as integral tools in managing the Department's programs. To this end, we believe it is critical to frame performance goals that realistically assess the impact of external conditions as they exist at the time the goals are developed, even though these may change substantially -- as did, for example, economic conditions in southeast Asia -- in the intervening period. We also encourage our managers to include "stretch" goals, with the practical consequence that attaining exactly 100% of the stated performance targets will not be feasible across the full panoply of our measures.

We believe our strategy places a strong focus on results and return on investment, without compromise. As you note in the report, we define "full achievement" as attaining between 90 and 110% of the target, "exceeded" as having attained at least 110% of the target, and "substantially met" as attaining between 67 and 89% of the target. This scoring framework provides our managers directional feedback on program performance without classifying it along the strict parameters of the met and unmet categories proposed by GAO.

By adopting an inflexible scoring system -- in which, for example, attaining 979 out of 980 is regarded as less than full performance -- managers would be forced to prepare rationales explaining the incomplete achievement and actions intended to affect a remedy. We believe that a focus on this level of detail can prove counterproductive. Certainly, it can provide an incentive for managers to develop more easily attainable targets, to introduce a myriad of small targets, and to place a greater focus on the scoring methodology and avoiding variances at the expense of utility to management.

Although we do not agree with the implicit assumption that the proposed level of precision will bring optimum benefits to all parties, we do believe that agreement on the nomenclature is necessary. We have committed to a revised scoring methodology starting with our fiscal year 2000 APPR. The instant report and other GAO reviews of the 24 Chief Financial Officers Act agencies, provide an opportunity for GAO, the Office of Management and Budget and the other agencies to work together in developing a consistent approach, which meets everyone's needs.

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As a second general point, the Department takes very seriously the top management challenges that, beginning in March 1997, have been periodically raised by our Inspector General. We believe our success in addressing these challenges is reflected in the Inspector General's semiannual reports. We have fully resolved nine of the top ten issues identified on the Inspector General's original list. The remaining challenge, conducting an accurate and cost-effective Census 2000, is near resolution as well and remains on the list largely because it is a monumental project.

While certain of the Inspector General's management concerns are reflected in our APP and APPR, we do not believe that all of them reflect significant strategic planning concerns. In fact, their inclusion could detract from our efforts to place a clear and effective focus on program performance. We have expressed this view in meetings during April and May with staff from the Senate Government Affairs Committee, several House Committees and the General Accounting Office. In these meetings, I believe we had come to common ground on this issue.

We value the continuing assessments provided by GAO. Much of the progress we have made in GPRA comes from acting on GAO's guidance. As you are aware, our recently released FY 1999 APPR is a corollary to our original FY 1999 APP which we prepared two years ago. By all accounts, our original performance plan exhibited many weaknesses. Our second APP was considerably strengthened and, correspondingly, I believe you will see a much stronger second, FY 2000 APPR next year.

Comments on Enclosure I which deal with GAO's assessments of specific bureaus' FY 1999 actual performance and FY 2001 planned performance follows.

**Bureau of Export Administration (BXA) Specific Comments:**

**Enclosure I, Table 1.1, page 4, last paragraph**

Although GAO did not make any recommendations for changes in BXA's data accuracy verification, they indicated that we depend on various checks, audits and system edits for assurance that our performance information is credible. We would like GAO to recognize BXA's initiative to design and implement a data validation program. During the entrance meeting, BXA provided GAO a draft copy of BXA's *Data Verification and Validation Methodology* (copy attached) which clearly outlines our effort to address this area. We invited GAO to comment on our proposed data validation methodology. Thus far, we have not received all comments. In addition to our current verification process, it is our plan to sample and audit BXA's performance data on a routine basis.

BXA is committed to full implementation of GPRA and to supporting the Departmental initiatives in this area. In the last year alone, BXA recruited the Planning and Evaluation Division Director and a staff person whose principal duties include the coordination and preparation of BXA's planning documents. These dedicated resources and their expertise will facilitate the production of improved GPRA documents in the future.



**Enclosure III**  
**Comments From the Department of Commerce**

**Economic Development Administration (EDA) Specific Comments:**

**Page 3, paragraph 2, sentence 5 (“EDA efforts to provide...”)**

EDA agrees that there are some limitations in estimating state and local dollar targets for EDA’s investments. EDA currently relies on a mathematical formula based on an established local share of 40% per EDA construction and revolving loan fund grant. The established local share (40%) is based on an evaluation conducted by Rutgers University, which derived an estimation of EDA share at 53.6%. Without trend data for this measure, EDA made a conservative estimate of 40% and applied this percentage to appropriated funds to forecast the FY 1999 target. However, this methodology does not take into account external factors, such as: 1) a robust economy that has yielded higher amounts of local investment; and 2) the various changes within the fiscal year of appropriated dollars for the programs used to calculate the target. EDA is currently considering a different approach to calculate the target for this measure, such as using percentage increases rather than dollar increases. By limiting the dependency on dollar figure estimates and moving to percentage increases, some of the external factors currently surrounding the performance measure could be resolved.

**Enclosure I, Table 1.2, page 6, paragraph 3, sentence 2 (“Although the EDA section...”)**

For the following measures: 1) Number of permanent jobs created or retained in distressed communities as a result of EDA grants; and 2) Amount of private sector dollars invested in distressed communities as a result of EDA grants.

EDA agrees with GAO’s findings. The FY 1999 APPR and FY 2001 APP present a detailed discussion regarding the targets for these measures and the year in which results will be obtainable. The summary of results table to which GAO refers contained three categories: met or exceeded target; substantially met target; and not met target. Since results for these measures were not available in FY 1999, EDA proposes that a more accurate categorization would be “Long Term Outcomes – N/A for FY 1999.”

**Enclosure I, Table 1.2, page 6, right column, paragraph 3, sentence 2 (“Although the EDA section...”)** For the following measures: 1) Percent of clients satisfied with assistance provided for trade adjustment assistance to firms; 2) Percent of sub-state political jurisdiction members actively participating in the Economic Development District (EDD) program; 3) Percent of Economic Development Districts and Indian Tribe planning grantees whose Comprehensive Economic Development Strategy (CEDS) is on time and acceptable; and 4) Percent of University Center clients satisfied with technical assistance provided for local economic and business development.

EDA agrees with GAO’s findings. These four performance measures were introduced in FY 2000 to address the need for outcome-oriented long-term measures that would provide results on an annual basis. As reported in the FY 2001 Annual Performance Plan, the results for these performance measures will be reported in FY 2000. The summary of results table to which GAO refers contained three categories: met or exceeded target; substantially met target; and not met

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target. Since results for these measures were not available in FY 1999, EDA proposes that a more accurate categorization would be "Long Term Outcomes – N/A for FY 1999."

**Enclosure I, Table 1.2, page 7, right column, paragraph 2, sentence 1 ("Concerning four of the six...)** For the following performance measures: 1) Percent of clients satisfied with assistance provided for trade adjustment assistance to firms; 2) Percent of local technical assistance and economic adjustment grants awarded in areas of highest distress; and 3) Reduction of certification processing time for trade-impacted firms.

EDA agrees with GAO's finding. EDA depended on regional staff reviews of the data supporting this measure. In the future, EDA plans to perform additional on-site project reviews when funding levels support such activities.

**Enclosure I, Table 1.2, page 7, paragraph 2, sentence 1 ("Concerning four of the six...)** For the following performance measure: Amount of state and local dollars committed to EDA-funded projects.

**Disagree:** In the FY 1999 APPR, EDA does not state that EDA will sample projects periodically to ensure accurate reporting; but rather, states that EDA verifies non-Federal funds committed to projects prior to disbursement of grant funds. For this performance measure, a final financial audit is needed for final payment to the grantee, and to close out the grant. An independent auditor, who verifies all project costs, un-liquidated funds, and disbursements of funds, performs the audit. In the future, EDA plans to perform additional on-site project reviews when funding levels support such activities.

**Enclosure I, Table 1.2, page 7, right column, paragraph 2, sentence 3 ("Four of the measures...)** For the following measures: 1) Amount of state and local dollars committed to EDA-funded projects; 2) Percentage of public works and economic development facilities and revolving loan fund grants awarded in areas of highest distress; and 3) Application processing time for public works, economic adjustment and revolving loan fund grants.

EDA agrees with GAO's findings. In the FY 1999 APPR, EDA did not provide information on the reliability assessments of the EDA database. EDA, however, vigorously defends the reliability of its central database system. The processes for entering data for the three measures are stringent and go through a rigorous review process in the region and in headquarters. Additionally, in FY 2000, the Information Systems Division has established business rules within the EDA database system to ensure the reliability and integrity of the data. The unemployment and per capita income statistics for this measure are obtained from the government's most reliable sources: Bureau of Labor Statistics and the Bureau of the Census.

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**Enclosure I, Table 1.2, page 7, right column, paragraph 2, sentence 3 (“Four of the measures...)** For the following measure: 1) Percentage of local technical assistance and economic adjustment strategy grants awarded in areas of highest distress.

EDA agrees with GAO’s findings. In the FY 1999 APPR, EDA did not provide information on the reliability assessments of the EDA database. EDA, however, vigorously defends the reliability of its central database system. The processes for entering data for the three measures are stringent and go through a rigorous review process in the region and in headquarters. Additionally, in FY 2000, the Information Systems Division has established business rules within the EDA database system to ensure the reliability and integrity of the data. The unemployment and per capita income statistics for this measure are obtained from the government’s most reliable sources: Bureau of Labor Statistics and the Bureau of the Census.

**Enclosure I, Table 1.2, page 7, right column, paragraph 3, sentence 1 (Regarding the measure...)**

EDA agrees that there are some limitations in estimating state and local dollar targets for EDA’s investments. EDA currently relies on a mathematical formula based on an established local share of 40% per EDA construction and revolving loan fund grant. The established local share (40%) is based on an evaluation conducted by Rutgers University, which derived an estimation of EDA share at 53.6%. Without trend data for this measure, EDA made a conservative estimate of 40% and applied this percentage to appropriated funds to forecast the FY 1999 target. However, this methodology could not take into account external factors, such as: 1) a robust economy that has yielded higher amounts of local investment; and 2) the various changes within the fiscal year of appropriated dollars for the programs used to calculate the target. EDA is currently considering a different approach to calculate the target for this measure, such as using percentage increases rather than dollar increases. By limiting the dependency on dollar figure estimates and moving to percentage increases, some of the external factors currently surrounding the performance measure could be resolved.

**Enclosure I, Table 1.2, page 7, right column, paragraph 3, sentence 2 (“According to EDA officials...)**

EDA agrees with the GAO findings. The reported baseline included in the FY 1999 APPR was misstated. As originally reported in the FY 2000 APP, page III-5, the baseline for this measure was established from a program evaluation conducted by Rutgers University. The FY 2000 APP, Appendix 5, presents a detailed discussion regarding the Rutgers Evaluation.

**Enclosure I, Table 1.2, page 9, right column, paragraph 1, sentence 4 (“Although EDA set targets...)**

EDA agrees with GAO’s findings. These four performance measures were introduced in FY 2000 to address the need for outcome-oriented long-term measures that would provide results on an annual basis. As reported in the FY 2001 APP, the results for these performance measures

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**Enclosure III**  
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will be reported in FY 2000. Without any trend data, 75% was considered a significant target for these measures.

**Enclosure I, Table 1.2, page 9, right column, paragraph 2, sentence 2 (“EDA did not explain...”)**

EDA agrees with GAO’s findings. EDA’s response to GAO’s first comment in this table details EDA’s current limitations with the target for this measure. As mentioned in the first comment, EDA is considering different methodologies to attain results for this target. EDA will include, in future reports, explanations for larger than expected results for this measure.

**Enclosure I, Table 1.2, page 10, right column, paragraph 2 (“The extent to which...”)**

EDA agrees that there are some limitations in estimating state and local dollar target for EDA’s investments. EDA currently relies on a mathematical formula based on an established local share of 40% per EDA construction and revolving loan fund grant. The established local share (40%) is based on an evaluation conducted by Rutgers University, which derived an estimation of EDA shares at 53.6%. Without trend data for this measure, EDA made a conservative estimate of 40% and applied this percentage to appropriated funds to forecast the FY 1999 target. However, this methodology does not take into account external factors, such as: 1) a robust economy that has yielded higher amounts of local investment; and 2) the various changes within the fiscal year of appropriated dollars for the programs used to calculate the target. EDA is currently considering a different approach to calculate the target for this measure, such as using percentage increases rather than dollar increases. By limiting the dependency on dollar figure estimates and moving to percentage increases some of the external factors currently surrounding the performance measure could be resolved.

**International Trade Administration (ITA) Specific Comments:**

**Page 2, paragraph 2**

ITA agrees with the GAO’s observations portraying progress toward key outcomes due to the scoring system and measuring progress variation. ITA recognizes that quantitative data alone must be supplemented with better nominal data to explain the variation in the numbers that measure goal attainment. Exclusive use of quantitative techniques may have a detrimental impact on the effective measurement of performance. The performance measures used by ITA to assess the outputs and outcomes of ITA activities are largely quantitative. ITA is committed to improving our current approach to measuring performance through utilization of other techniques that will gauge performance, including program evaluation.

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**Page 5, paragraph 2**

GAO recommends that the Department's FY 2000 Report: 1) classify performance measures as met or unmet to communicate its performance more clearly; 2) provide a more consistent explanation for variation between planned and actual performance; and 3) provide information about plans and schedules when targets are not met. ITA has made improvements to both planning and measuring agency performance a key agency priority. ITA's Chief Financial Officer and the Strategic Planning Leadership Team (SPLT) have worked to develop a well conceived strategic plan for FY 2001-2005. ITA's SPLT is currently considering an approach to revise existing measures to yield a better outcome-oriented measurement system. The SPLT work will be supported by ITA's formation of a performance measurement task force to act on a variety of recommendations in our review of measuring and reporting performance in ITA that was completed this year. ITA's senior management has committed to ensuring our ability to measure and communicate goal achievement more clearly. ITA will apply other approaches to validate and verify performance variation and provide improved data when targets are not met.

**Enclosure I, Table I.3, page 12, right column, paragraph 2**

GAO makes the point that linkages between some measures and performance goals are not always clear. ITA concurs with this observation and intends to address it during the development and implementation of ITA's 2001- 2005 strategic plan.

**Enclosure I, Table I.3, page 12, right column, paragraph 3**

GAO indicates that the Department has omitted a description of interagency activity, an important omission since the Secretary chairs the Trade Promotion Coordinating Committee (TPCC). ITA will convene a performance measurement review group to address interagency efforts. ITA, in conjunction with OMB and TPCC agencies, will work to enhance and revise trade promotion/advocacy measures during FY 2001.

**Enclosure I, Table I.3, page 13, right column, paragraph 3**

GAO observes the difficulty ITA faces regarding the projection of future year performance where strong external factors influence actual performance. This is another reason that ITA has undertaken a close examination of strategic planning and measuring results. ITA's Chief Financial Officer chairs an SPLT which is working to determine a better approach to formulate ITA's goals, measure key outcomes, and validate the impact of those outcomes.

**Enclosure I, Table I.3, page 13, right column, paragraph 4**

GAO indicates that ITA's plan references completed ITA program evaluations, but does not list specific findings/recommendations resulting from these evaluations. ITA concurs with this

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**Enclosure III**  
**Comments From the Department of Commerce**

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observation and has identified the need to enhance and improve its internal program evaluation function. ITA will work to address this during the upcoming fiscal year.

**National Oceanic and Atmospheric Administration (NOAA) Specific Comments:**

**Enclosure I, Table 1.4, page 17, right column, last paragraph**

This paragraph deals with the National Weather Service (NWS) performance measure for "hurricane landfall." NWS had informally indicated that the performance measure shown of 92 miles might be incorrect. We have subsequently verified that the actual performance measure is correct at 92 miles. This performance goal should have been described in the 1999 performance report as "met" rather than "target exceeded" based on the performance scoring methodology used. Based on this information, we suggest that the last sentence of this paragraph on page 17 be eliminated.

Page 17, right column, last paragraph, 6<sup>th</sup> line: "In fact, the fiscal year 1999 report did not provide sufficient confidence that the performance data was accurate, complete, and credible." We feel this sentence is unnecessarily negative. GAO has used the possible error in the "hurricane landfall" performance measure to demonstrate its point. Since the hurricane data is correct, we would appreciate other examples to substantiate GAO's comment or suggest that this comment be removed. In any event, the example of "hurricane landfall" should be removed.

**Enclosure I, Table 1.4, page 20, left column, bullet 6**

"Increase accuracy and decrease false alarm rate of forecasts of ceiling and visibility by 21 percent," should read "and visibility to 21 percent."

**Enclosure I, Table 1.4, page 20, left column, bullet 7**

"Increase accuracy of forecasts for winds and waves by 53 percent," should read "and waves to 53 percent."

Attachment - BXA's *Data Verification and Validation Methodolgy*

Attachment not included.

# GAO Contacts and Staff Acknowledgments

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## GAO Contacts

Michael Brostek (202) 512-8676  
John Mortin (202) 512-8676

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