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FEDERAL MANAGEMENT

Addressing Management Problems at the Department of Commerce

Statement of L. Nye Stevens, Director
Federal Management and Workforce Issues
General Government Division

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Federal Management: Addressing Management Problems at the Department of Commerce

Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss major challenges facing the Department of Commerce in managing its diverse set of missions, and how legislative reforms enacted in recent years can be used to address these challenges.

Major Management Challenges Confront the Department of Commerce

The missions and functions of Commerce are among the most diverse of the cabinet departments in the federal government. Formed as a department in 1913, the Department of Commerce initially had nine major components that ranged from the Steamboat Inspections Service and the Bureau of Lighthouses to the Bureau of the Census and the Bureau of Foreign and Domestic Commerce. Of the nine original components, three remain in Commerce—the Coast and Geodetic Survey, which is now part of the National Oceanic and Atmospheric Administration (NOAA); the Bureau of Standards, which is now the National Institute of Standards and Technology (NIST); and the Bureau of the Census.

To this day, Commerce remains essentially a holding company for many disparate programs. Its 14 major components cover a wide range of responsibilities that include natural resources and the environment, advancement of commerce, regional development, scientific research, and statistical information collection. In previous testimony before the Senate Governmental Affairs Committee on June 7, 1995, we identified several other departments and agencies that share these same responsibilities.[1] For example, Commerce shares its responsibilities for

- natural resources and the environment with the Departments of Agriculture, Defense, the Interior, State, and Transportation; the Environmental Protection Agency, and other independent agencies;
- community and regional development with the Departments of Agriculture, Housing and Urban Development, and the Interior; the Small Business Administration; and the Federal Emergency Management Agency;
- collection of statistical information with 9 other “principal” statistical agencies and 60 more agencies that spend at least $500,000 on statistical activities.

[1]See Government Restructuring: Identifying Potential Duplication in Federal Missions and Approaches (GAO/T-AIMD-95-161, June 7, 1995)

Because of the diversity of its functions, Commerce historically has not been managed on the basis of a unifying mission and shared goals. Strategic management of the department has been based in its bureaus. Its key administrative functions are decentralized.

We recently worked with the Commerce Office of the Inspector General (IG) to provide the committee with a joint analysis of the major management problems facing the department. The IG took the lead in identifying specific program areas most in need of reform to improve efficiency and effectiveness, while we took the lead in describing steps taken to implement the Government Performance and Results Act and the Chief Financial Officers (CFO) Act, and to adjust the Department's information systems to the year 2000.

As an example of one such management problem, Congress, the Office of Management and Budget (OMB), GAO, the IG, and others have repeatedly urged NOAA to explore alternatives to an agency-designed,-owned, and-operated fleet for acquiring marine data. In a 1996 program evaluation report of NOAA's 1995 fleet operations and modernization plan, the IG recommended that NOAA terminate its fleet modernization plan efforts; cease investing in its ships; begin immediately to decommission, sell, or transfer them; and contract for the required ship services from the private sector, academia, and other government ship operators who can provide more cost-effective and modern platforms. Yet NOAA continues to plan investments of millions of dollars in its aging in-house fleet, rather than using those funds for more cost-effective alternatives.

Another example is the decennial census. With the year 2000 fast approaching, the Census Bureau's ability to complete an accurate decennial census on time and at a reasonable cost is in question. Major design plans remain incomplete, and the Bureau's increased dependence on technology, automated systems, and statistical methods creates a more interdependent environment requiring a new level of rigor and planning not readily apparent at the Bureau. The Commerce Department has failed to convince Congress that it can equitably and efficiently manage a census design that is in part dependent on statistical sampling. As a result of these problems, this year we added the census to GAO's governmentwide list of high-risk programs where it joined the National Weather Service's modernization, which has been on the list since 1995.

The Results Act Requires a Fundamental Change in Federal Management

In the past few years Congress has taken steps to fundamentally change the way federal agencies go about carrying out their missions. A key step taken by Congress was the passage of the Government Performance and Results Act in 1993. The Act, which is also referred to as "GPRA" or the "Results Act," is the centerpiece of a statutory framework requiring agencies to clarify their missions, set strategic goals, and measure performance toward those goals with reliable, auditable information that Congress can use to hold them accountable for results, rather than merely activities or processes. This framework also includes the CFO Act and important information technology reform legislation, including the Paperwork Reduction Act of 1995 and the Clinger-Cohen Act. The CFO Act, as amended by the Government Management Reform Act (GMRA), spelled out an ambitious and long overdue agenda to address the lack of timely, reliable, useful, and consistent financial information in the federal government. The information technology reform legislation is directed at more effective management and use of information technology to better support agencies' missions and improve program performance.

In crafting the Results Act, Congress recognized that congressional and executive branch decisionmaking had been severely handicapped by the absence in many agencies of the basic underpinnings of well managed organizations. The Results Act is intended to address basic management problems and deficiencies that have been typical throughout the federal government, and notably characteristic of the Department of Commerce. For example:

- Because they have accumulated diverse responsibilities in a piecemeal fashion over many years, some agencies, including Commerce, have operated with unclear missions, which hampers their effectiveness. The Results Act requires agencies to define their missions and strategic goals, and to do so in consultation with Congress.
- Many agencies lack coherent strategies for achieving their missions and goals. In a time of budget constraints, the Results Act is intended to force agencies to rethink how they manage their programs, and compare alternative strategies for achieving their goals most efficiently and effectively. In some program areas, responsibilities are fragmented among several agencies, which wastes scarce funds, confuses and frustrates customers, and limits the overall effectiveness of federal efforts to solve national problems. Effective implementation of the Results Act will require agencies to address the fragmentation of program areas, and to coordinate their strategic planning efforts with other agencies. Overlap of missions and functions is a critical problem for the Department of Commerce in

that it shares responsibility for major budget functions with 14 other departments and agencies.

- Many agencies lack adequate information on program results and costs. Agencies often measure performance based on their activities or the resources they expend, rather than on the results of their programs. Thus, agencies do not know, and cannot inform Congress, how well their programs are actually achieving their purpose. The Results Act requires agencies to develop results-oriented performance measures and to report regularly to Congress on whether results-oriented goals have been met. The Results Act aims to provide systematic information on the performance of government programs and to directly link such information with the annual budget process. Thus, the other two elements of the statutory framework—the CFO and Clinger-Cohen Acts—are critical to its success. Without accurate and reliable financial information undergirding budgetary estimates decisionmakers will lack a clear understanding of long-term unfunded commitments as well as of the full costs of current government programs. Without information technology to better support agencies' missions and processes, agencies will not be able to effectively control costs and provide better services. Commerce, for example, is plagued with poor financial and information systems.

The Results Act as a Tool for Addressing Commerce's Management Problems

In anticipation of the Results Act's requirement that it submit a strategic plan to Congress no later than September 30, 1997, Commerce, like all other departments, has been working to define its mission and has drafted a strategic plan. Its third draft is dated April 1997 and is being circulated to certain committees as it does the consultations required by the act. The draft plan articulates Commerce's mission: "To promote job creation, economic growth, sustainable development, and improved living standards for all Americans, by working in partnership with business, universities, communities, and workers" through three strategic themes (or goals): (1) build for the future and promote U.S. competitiveness in the global marketplace, by strengthening and safeguarding the nation's economic infrastructure; (2) keep America competitive with cutting-edge science and technology and an unrivaled information base; and (3) provide effective management and stewardship of our nation's resources and assets to ensure sustainable economic opportunities.

Commerce faces a challenge in defining its mission and outcomes to be achieved in that it does not have exclusive federal responsibility for any of its strategic themes. A focus on results as envisioned by the Results Act, implies that federal programs contributing to the same or similar results

will be closely coordinated to ensure that goals are consistent and program efforts are mutually reinforcing. However, our work in many important program areas has suggested that the executive branch and Congress have not fully coordinated related programs, and that overlap and fragmentation are widespread. The Commerce draft plan, though it devotes most of its attention to defining the contributions of each of its bureaus to the three strategic themes, has little to say about the relationships of Commerce's programs to those of other agencies.

Because Commerce shares responsibility with other agencies for making progress on its strategic themes, it must recognize that its efforts are but one factor among many that may influence whether, and the degree to which, these program efforts collectively achieve intended results. Isolating the federal contribution to the achievement of an intended result has been exceedingly difficult. Economic development programs are a case in point. According to the Catalogue of Federal Domestic Assistance there are 342 federal assistance programs related to economic development. In a 1996 review of economic development programs, we reported[2] that one study of the effectiveness of the Economic Development Administration's (EDA) economic development program found that income in the counties that received EDA funding grew significantly faster than income in the counties that received no aid. However, when EDA's programs and factors unrelated to EDA were considered simultaneously, the study found that EDA's program had a very small effect on income growth rates during the period that the aid was received and had no significant effect in the years after the aid ceased. The study found that only a small part of the difference in the growth rates between the two groups of counties could be attributed to EDA's programs.

Another focus of the Results Act is to encourage agencies to rethink their current strategies for achieving their goals. The process has already shown positive results. One case study highlighted in our Executive Guide [3] is the Coast Guard's Office of Marine Safety, Security and Environmental Protection, which is under this Committee's jurisdiction. The agency's mission is to protect the public, the environment, and U.S. economic interests through the prevention and mitigation of marine incidents. Traditionally, the Coast Guard based its marine safety efforts on inspections and certifications of vessels. It measured its performance by

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

[3]Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996)

counting outputs, such as the number of inspections and changes in inspection results. But the data on marine casualties indicated that accidents were often caused not by deficiencies in the vessels or other factors, but by human error. For example, towing industry data for 1982 through 1991 showed that 18 percent of reported casualties were caused by equipment or material failures, 20 percent by environmental and other factors, and 62 percent by human factors.

Putting this information to use, the Coast Guard changed the focus of its marine safety program from outputs to outcomes in its first business plan, dated January 1994. The Coast Guard shifted its resources and realigned its processes away from inspections and toward joint efforts with the industry to build the knowledge and skills of entry-level crew members through training. The joint effort resulted in a significant reduction in the reported towing industry fatality rate: from 91 per 100,000 industry employees in 1990 to 27 per 100,000 in 1995.

The Results Act's processes should, in time, stimulate Commerce and its stakeholders to ask similar basic questions about its own programs. For example, how cost-effective is NOAA's $23 million fishing vessel buyout program compared with other programs by EDA, Labor, and Agriculture that are aimed more broadly at meeting the needs of the Northeast fishing community? If one-third of maritime accidents could be avoided by the use of electronic charts, what is the appropriate priority for efforts to promote their use as opposed to building double hulled vessels to better withstand grounding and collision? NIST's Advanced Technology Program (ATP) provides cost-shared awards to industry to develop high-risk technologies with significant commercial or economic potential: is it more or less cost-effective than the 11 other major federal initiatives that support industrial research and development in such areas as energy, semiconductors, rail and automobile transportation, a national information infrastructure, or small business innovation?

Reliable Information Is Essential

Good financial, management, and program information are key to the successful implementation of the Results Act. Without it, accountability for performance toward results-oriented goals cannot be assured. The Commerce Department must contend with three significant obstacles—antiquated financial management information systems, weak performance measures, and the conversion of its information systems to meet year 2000 requirements.

Commerce currently uses eight separate different primary financial systems. Commerce officials have acknowledged that their financial systems are in disrepair, and the systems have been identified as high risk. As a result, the Department's auditors were unable to render an opinion on the most recent financial statements because of material deficiencies in accounting policies, practices, internal controls, data, and automated systems. A major step the department is taking to address these problems is the development of the Commerce Administrative Management System (CAMS). CAMS, which is undergoing limited pilot testing, will eventually replace and or integrate existing financial and administrative management systems in the department. However, CAMS has experienced implementation delays.

This past year the Department's financial statements for fiscal year 1996 were subjected to audit. The resulting audit report noted several weaknesses in performance measures. For example, many measures were not directly relevant to the activities of bureaus and did not consistently provide a clear picture of the outcomes of activities. Often they did not include benchmarks to allow the reader to compare statistics and evaluate the results achieved by the bureaus. An example of the performance measurement problems that the department is confronting as it implements the Results Act is measuring the outcomes from the ATP in NIST. In reviewing NIST's evaluation of ATP in 1995, we reported that short-term results were overstated or lacked adequate support. In addition, NIST's proposed use of technical milestones, and the number of collaborations and strategic alliances, to evaluate ATP ran the risk of creating false expectations of its economic success.[4]

The Year 2000 Problem

Three of Commerce's units—Census, NOAA, and the Patent and Trademark Office—rely heavily on large computer systems to carry out their missions. Consequently, they face a major departmentwide challenge in converting information systems for the year 2000. Delays in CAMS implementation could also result in significant year 2000 problems for Commerce. The root of the year 2000 problem is in the way dates are recorded and computed. To conserve on electronic data storage, systems have typically used two digits to represent the year, such as "97" for year 1997. With this two-digit format, however, the year 2000 is indistinguishable from 1900, 2001 from 1901 and so on. As a result, system or application programs that use dates

[4]Performance Measurement: Efforts to Evaluate the Advanced Technology Program, (GAO/RCED-95-68, May 15, 1995).

to do calculations, comparisons, or sorting may generate incorrect results when working with years after 1999.

The year 2000 program is probably the largest and most complex system conversion that the department and its components have ever undertaken. It requires first-class program management, as well as the disciplined and coordinated application of scarce resources to a departmentwide systems conversion that must be completed by a fixed date. We have concerns about Commerce's efforts. While Commerce has completed awareness training and issued a policy directive, it has not documented a high-level year 2000 strategy. Management of the program is a collateral duty for its leadership, and the staff assigned to the year 2000 program are not full time, and while Commerce has established an overall schedule for the completion of the remaining assessment, renovation, and implementation phases, it has not defined year 2000 compliance or developed a year 2000 program plan. Further, although Commerce has an inventory of its major systems, the inventory assigns equal priority to all of Commerce's systems. Thus, the inventory may not be useful for establishing system conversion priorities. Moreover, the inventory does not identify internal or external interfaces, or show which systems are to be renovated, replaced, or eliminated.

Strong Congressional Oversight Will Be Necessary to Keep the Focus on Improving Management

Our assessment of Results Act implementation efforts across the government to date has shown that to effectively implement the act, agencies face a number of policy challenges that will not be quickly resolved. For example, the federal approach to addressing national needs often has been to give several agencies important responsibilities in a given program area. This is the case, as we noted, with natural resource, economic development, and statistical programs for which Commerce is one of several agencies having responsibility.

Forging the political consensus needed to create and sustain federal programs often results in those programs having competing and/or broadly stated goals. Thus, coordinating cross-cutting program efforts and reaching a reasonable degree of consensus on agencies' strategic goals likely will force agencies and Congress to directly confront significant political and policy hurdles that will not be easily resolved. Nevertheless, the Results Act implementation can help to inform policy decisions by providing information on the relative effectiveness and costs of different programs, thus allowing comparisons among differing approaches in cross-cutting program areas.

Consistent congressional interest at authorization, appropriation, budget, and oversight hearings on the status of an agency's Results Act efforts, performance measures, and use of performance information to make decisions, will send an unmistakable message to agencies that Congress expects the Results Act to be thoroughly implemented. The first step is the consultation with congressional committees on agencies' strategic plans that the Results Act requires—a step that needs to be taken soon since the plans are to be formally transmitted to Congress by September 30 of this year. Another step that committees can take toward sharpening agencies' focus on results would be to hold comprehensive oversight hearings, using a wide range of program and financial information. Agencies' program performance information in the form of accountability reports that will be generated under the Results Act, and the audited financial statements that are being developed to comply with the GMRA can serve as the basis for these hearings. The accountability reports are intended to show the degree to which an agency met its goals, at what cost, and whether the agency was well managed. Congress must have a central role in defining the content and format of these reports to ensure that the reports eventually provide Congress with a comprehensive "report card" on the degree to which agencies are making wise and effective uses of tax dollars. Such reports should provide a full picture of an agency's performance and resource usage to accomplish its mission—thus giving Congress an excellent tool for oversight.

In the case of Commerce, a special obstacle is created by the dispersion of responsibility among 18 different congressional committees that have either authorizing, appropriating, or budgeting jurisdiction over the Department and its wide array of programs and services. This presents a challenge for the department as well as Congress in gaining coherent agreement on virtually all aspects of performance and results—from the content of the strategic plan, to the selection of performance goals and appropriate results-oriented measures, to the review of the department's subsequent annual reports on the extent to which goals were met. The House has responded to this challenge, which affects most agencies (though few to Commerce's extent) by forming cross-cutting teams of staff members from different committees to help ensure that strategic plans meet the requirements of the Results Act and thereby provide a solid foundation on which to assess the effectiveness of each department or agency. The teams' initial focus is on coordination of the consultation process on draft strategic plans. At the request of several House chairmen, we have just developed a guide to the consultation process that lists a series of key questions that the teams may find useful in evaluating the

plans and discussing them with the agencies.[5] We are also assisting most of these teams in their work by bringing to bear the results of our work in a systematic fashion on important issues identified by the teams.

In summary, the Results Act, if properly implemented, can be a useful tool for improving the management of the Department of Commerce. Having enacted it and other financial and information statutes, Congress has put into place the right tools for obtaining the kinds of information it needs for effective oversight. We have no higher priority than helping Congress carry out this role.

That concludes my prepared statement, Mr. Chairman. I will be pleased to respond to any questions you or other Members of the Committee may have.

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

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Decennial Census: 1990 Results Show Need for Fundamental Reform (GAO/GGD-92-94, June 9, 1992).

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