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OVERVIEW OF MANAGEMENT ISSUES FOR THE DEPARTMENT OF COMMERCE

HEARING

BEFORE THE

SUBCOMMITTEE ON
OVERSIGHT OF GOVERNMENT MANAGEMENT,
RESTRUCTURING, AND THE DISTRICT OF COLUMBIA

OF THE

COMMITTEE ON
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

ONE HUNDRED FIFTH CONGRESS

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OVERVIEW OF MANAGEMENT ISSUES FOR THE DEPARTMENT OF COMMERCE

MONDAY, MARCH 10, 1997

U.S. SENATE,
SUBCOMMITTEE ON OVERSIGHT OF
GOVERNMENT MANAGEMENT, RESTRUCTURING,
AND THE DISTRICT OF COLUMBIA,
OF THE COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 1:32 p.m., in room SD–342, Dirksen Senate Office Building, Hon. Sam Brownback, Chairman of the Subcommittee, presiding.

Present: Senator Brownback.

OPENING STATEMENT OF SENATOR BROWNBACK

Senator BROWNBACK. I think we will go ahead and get the Subcommittee hearing going this afternoon. I want to hold as informal a session as possible.

I am Sam Brownback, and I will be chairing this Governmental Affairs Subcommittee on Oversight of Government Management, Restructuring, and the District of Columbia.

We are going to start a series of hearings regarding the Department of Commerce, an overview of management issues concerning the Department of Commerce. This is the first of several hearings where we will look at Department of Commerce management issues that have previously been raised by the people from the Inspector General's Office, Congress, the General Accounting Office, and even the National Performance Review.

Today we will get an overview of these issues and learn what progress the Department has made in addressing them. Our witnesses will be Frank DeGeorge, Inspector General of the Department of Commerce, and Ray Kammer, who is Acting Chief Financial Officer and Assistant Secretary for Administration at the Department of Commerce, will be on the second panel.

Congress has given the Department a number of directives and recommendations, many of which Commerce has not adequately addressed. We want to look into some of those areas today. I have particular concern about the NOAA Corps and the NOAA fleet and what has been taking place there after a number of years of questions being raised about the fleet and the people managing and operating it. There have been directives regarding the fleet from a number of different entities and there does not seem to be much progress being made in that particular area.

Senator BROWNBACK. I want to open up with our first witness, Frank DeGeorge, Inspector General of the Department of Commerce. Mr. DeGeorge, we have your written testimony, and I appreciate that very much.

It is my desire in these hearings, and I think it will be reflected by some of the other members who will come in and out, that you just lay out with as much clarity and feeling as you have about what we should be focusing on regarding the Department of Commerce. Where do you think the real problems areas are, and what do you think we ought to be doing about those problem areas?

Previous Inspectors General have been very critical of some of the areas, and I want to look at what those areas are and what we can do to try to address those problems. So you can go off your written text if you would like, or you can go off your heart if you would like. I will have some questions that I would like to engage in an informal dialogue with you about, and we will have other members joining us periodically.

So with that introduction, Mr. DeGeorge, we appreciate you joining us today, and the floor is yours.

TESTIMONY OF FRANK DEGEORGE, INSPECTOR GENERAL, U.S. DEPARTMENT OF COMMERCE

Mr. DEGEORGE. Thank you, Mr. Chairman.

I have an abbreviated version of my statement which will probably run longer than we both wish, but there are three or four items I really do want to get across to the Subcommittee.

I would like to begin with a brief discussion of my personal observations about management in the Federal Government in general and the Department of Commerce in particular.

Let me first discuss what is happening in government and why we should all be concerned. Available resources are decreasing. The emphasis on balancing the budget will make programmatic choices more difficult each year. Projected increases in income transfer programs such as Medicare, Medicaid and Social Security will only make the problem worse, and the choices more difficult.

Like all agencies, Commerce must review its programs to ensure they represent the best possible investment of Federal dollars. Audited financial statements are now required of all agencies. Strategic plans, along with performance indicators that provide the detailed measurements necessary to judge agency performance, are to become the blueprint for agency operations, and budgets are expected to be consistent with those plans. Agencies are further expected to produce detailed operating plans from their budgets and reports that show what is actually happening and, based on this information, exercise the discipline required to deal with failure as well as success.

While these reforms are designed to provide the information needed to monitor and evaluate agency performance, we cannot ignore the basic problem—a lack of senior political and career staff charged with responsibility for improving management and the willingness to hold operating agencies accountable.

Secretary Daley and I have discussed the need to improve the management of the Department, and I am certain that he will deal positively with the issue. He has indicated as much to me and to

the Chairman of the Appropriations Committee, I know, and will talk more in depth about that.

Under financial management, one major component of improving the Department's financial management system is the development and deployment of the Commerce Administrative Management System, or CAMS, which integrates a new Core Financial System with a complete set of functional systems, including any necessary interfaces with bureau-unique programs.

Two major departmental initiatives are placing pressure on the Department to complete CAMS prior to the year 2000. The 2000 decennial Census, of course, which GAO recently identified as one of the government's "high risk" programs, will need to be supported with an updated accounting system. Also, some of the Department's accounting and feeder systems use two-digit year dates that cannot function beyond December 31, 1999. Rather than undertake a costly and time-consuming reprogramming effort, the Department is relying on CAMS to replace these systems. The Department is developing cost containment plans for CAMS and is working to strengthen project management. However, without close departmental oversight, delays could extend the deployment scheduled even further.

Unqualified opinions on financial statements represent only the beginning. The real value of financial statements is to be found in the overviews and the coverage of performance measures. Meaningful analyses of performance data will provide useful information to enable the Congress, OMB and other external users to assess the efficiency and effectiveness of the Department.

We recently completed a general assessment of the overviews of the fiscal year 96 financial statements. The overviews provide a variety of information; however, many portions contains misleading or inaccurate information. We found that many performance standards and measures were not directly relevant to a bureau's activities, did not consistently portray a clear picture of the outcomes of activities, and did not include benchmarks to allow the reader to compare statistics and evaluate the results achieved by the bureaus.

On procurement management, as you are aware, many significant changes have been made to the procurement laws in recent years. Unfortunately, the Department has not provided strong central leadership or direction to ensure that departmental procurement operations incorporate these changes while maintaining appropriate management controls.

Since 1995, we have discovered a number of significant procurement abuses within the Department. In fact, some of the most troubling abuses we identified originated with departmental supervisor personnel. Such abuses would normally be discovered only through routine management review, engagement, and participation in the issues of each procurement, which does not now occur.

On facilities management, in recent years, the Department and its bureaus have been involved in numerous real estate activities involving millions of dollars. Moreover, there are plans to lease space or acquire or construct other multi-million-dollar facilities. Hence, we have increasingly examined how the bureaus and departmental managers have handled these activities. We have often

found recurring problems, indicating that the Department does not provide the involvement and oversight necessary to better ensure that the government's interests are protected.

On information resources management, Commerce spends more than $600 million a year—and that is not a high number. Since I have been with the Department, it has been at least $300 million a year—on information technology. It is in the midst of four costly, complex and critical modernization programs—the National Weather Service, the systems for conducting the 2000 decennial Census, the Department's accounting and administrative systems that I previously mentioned, and the Patent and Trademark Office.

However, Commerce, like many other civilian agencies, often does a poor job of planning, acquiring and managing its systems. As a result, there are serious problems in most of Commerce's major systems modernization programs, and pervasive inefficiency and mismanagement in planning and purchasing commercial systems and equipment.

Unfortunately, the Department has not provided the needed leadership, guidance and oversight to effectively address the information technology issues.

Now I want to spend a little time, Mr. Chairman, discussing the actual operations of programs. First, the 2000 decennial Census. Given the size, complexity, cost, and national importance of the decennial Census, as well as my longstanding concerns about Census Bureau management, we have made decennial planning oversight a top priority.

Over the past 18 months, we have issued reports, testified and briefed bureau, Department and congressional principals and their staffs on our concerns about the lack of adequate progress on major design components and inadequate decennial management. In addition, last fall, we recommended to the Secretary that decennial management be identified as a material weakness in the Departments 1996 year-end report to the Congress under the Federal Managers' Financial Integrity Act. This designation emphasizes the Department's recognition of the seriousness of the decennial management concerns. Demonstrating the same level of concern, GAO recently added the decennial Census to the Comptroller General's government-wide list of high-risk programs. This list identifies Federal programs identified as especially vulnerable to waste, fraud, abuse or mismanagement.

Next, the NOAA fleet. Since 1992, when NOAA began implementing a 15-year fleet replacement and modernization plan at an estimated cost of $1.9 billion, we, the Congress, OMB and others have repeatedly urged NOAA to explore alternatives to agency-designed, owned and operated fleet for acquiring marine data.

In our 1996 report on our program evaluation of NOAA's 1995 fleet operations and modernization plan, we 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.

Frankly, we believe that NOAA should not be in the business of designing, owning, maintaining and operating ships. Instead, NOAA should articulate its needs for ship services to the private

sector, academia, and other government ship operators who can provide more cost-effective and modern platforms.

Unfortunately, NOAA is not aggressively pursuing these kinds of changes and approaches necessary to achieve greater efficiencies and improved effectiveness. Instead, NOAA continues to plan investments of millions of dollars in its aging in-house fleet rather than using these funds for more cost-effective alternatives.

In summary, we continue to believe that most of NOAA's planned fleet investments and expenditures are wasteful and should not be made. We also continue to believe that NOAA can obtain better data collection and ship services at lower cost if it acquires such services from the private sector.

Outsourcing would give NOAA program managers greater access to the latest technologies and more cost-effective platforms. The private sector has both the capacity and interest in meeting this challenge. The National Science Foundation has had success in acquiring the services of new research ships by entering into long-term arrangements with private companies. It is time for the administration and the Congress to direct NOAA on the future of its fleet.

Next, the NOAA Corps. NOAA has drafted legislation and a transition plan to eliminate its Commissioned Corps. Both the Congress and the administration have provided direction on this issue. Traditionally, NOAA's Commissioned Corps has had three primary functions—operate and maintain NOAA's ships, operate and maintain NOAA's aircraft, and provide scientific and engineering support for NOAA's line offices, including temporary duties on hydrographic ships.

The draft legislation proposes to eliminate the Corps by converting 299 officer positions to civilian positions without any overall changes in NOAA's organizational structure. Very simply, we do not feel that this proposal complies with the intent of the Congress or the National Performance Review's suggestions.

The preliminary results of our ongoing review of the proposed elimination of the NOAA Corps suggest that greater efficiencies and economies can be achieved by outsourcing for ship operations and maintenance, eliminating aircraft activities that are not directly related to NOAA's mission, and converting to civilian status only those line officer billets that are fully funded by line offices.

We estimate that, at most, only 100 to 150 of the current NOAA Corps billets should be converted to civilian positions. By converting fewer officers, NOAA would have an additional $10 to $15 million available annually for acquiring ship-related and aircraft-related services from outside sources. As a result, NOAA's programs will have greater flexibility in the choice of platforms, will be able to increase the number of public-private and Federal-academia partnerships, and will avoid the need for additional capital investments in ships.

I am going to skip the polar satellite funding, Mr. Chairman, in order to save some time and get directly into your questioning, and I will move essentially into the Weather Service modernization.

Last August, because of serious defects with the contractor that developed AWIPS software, NOAA decided to abandon substantial portions of it and to use software originally developed by NOAA's

Forecast Systems Laboratory, WFO-Advanced, as a basis for continued AWIPS development. WFO-Advanced is a risk reduction project designed to evaluate meteorologic techniques. Forecast Systems Laboratory's system was deployed to the Denver Weather Forecast Office in May of 1996, and by August, it was effectively supporting forecast operations with meteorological capabilities that would not be available in the AWIPS for at least 2 more years.

The decision to use WFO-Advanced was a dramatic change in direction, leaving many questions to be answered regarding how further development would proceed, which AWIPS components would be retained and how they would be integrated with WFO-Advanced, and how the resulting system would perform.

Consequently, Secretary Kantor decided to delay Key Decision Point-IV, which was the milestone that would allow nationwide AWIPS deployment to begin. The decision point is now scheduled for December 1997. Meanwhile, Secretary Daley has authorized NOAA to procure and deploy 21 systems, with an option for 18 more contingent upon adequate development and deployment progress with the first 21 systems.

Because of its superior capabilities and performance, WFO-Advanced is crucial to making progress on AWIPS. However, as noted, serious issues and decisions remain. In particular, use of WFO-Advanced requires transferring most design responsibilities from the contractor back to the government; determining the respective technical responsibilities of the National Weather Service, Forecast Systems Laboratory, and the AWIPS contractor per se; and carefully planning the work needed to complete AWIPS development, and finally, revising the contract.

Although 6 months have passed since this decision, this planning is far from complete and, according to NOAA, may not be finished until this summer. NOAA lacks but must obtain a detailed definition of the work and has not yet identified organizational roles and responsibilities. Nevertheless, it has recently established a $550 million estimate for AWIPS development and deployment, an increase of $25 million since last year. This cost estimate, in our opinion, has significant uncertainties due to the lack of detailed planning to define development activities and responsibilities.

And one P.S., Mr. Chairman. I do support the decision to move to WFO-Advanced, and I do believe it was a very fortunate state that the Weather Service had worked with the Forecast Systems Lab to develop this system. IT is a better, more operationally ready system than AWIPS, and basically should be implemented as soon as the necessary sorting out of responsibilities is completed.

Thank you. I would be glad to answer any questions, Mr. Chairman.

[The prepared statement of Mr. DeGeorge follows:]

PREPARED STATEMENT OF FRANK DEGEORGE

Mr. Chairman and Members of the Committee, I am pleased to appear before you today to discuss management issues confronting the Department of Commerce and its major operating units, as highlighted in our recent audit and inspection reports, and to discuss progress the Department has made in implementing management suggestions and directives issued by the Congress, the OIG, and the National Performance Review.

I have been a senior government manager for over 25 years—at HEW, Energy, Social Security, and Commerce. Prior to that, I worked in the private sector for 18

years in both large and small companies. I began my career in the private sector as a cost accountant and was a Vice President of Operations for a major manufacturer of electronics components at the time I left the private sector to join the Federal Government. On the basis of this extensive experience, I consider myself a qualified financial and general manager in both the government and the private sector. I should add that throughout my Federal service I have been a constant critic of government management, or the lack thereof. Thus, before I discuss the specific management issues confronting the Department and its major operating units, I would like to briefly share with you my personal observations about management in the Federal Government in general and the Department of Commerce in particular.

Let me first discuss what is happening in government and why we should all be concerned. Available resources are decreasing. The emphasis on balancing the budget will make programmatic choices more difficult each year. Projected increases in the income transfer programs, such as Medicare, Medicaid, and Social Security, will only make the problem worse and the choices more difficult. Like all agencies, Commerce must review its programs to ensure that they represent the best possible investment of Federal dollars.

Audited financial statements are now required of all agencies. Strategic plans, along with performance indicators that provide the detailed measurements necessary to judge agency performance, are to become the blueprint for agency operations, and budgets are expected to be consistent with these plans. Agencies are further expected to produce detailed operating plans from their budgets and reports that show what is actually happening, and, based on this information, exercise the discipline required to deal with failure as well as success. While these reforms are designed to provide the information needed to monitor and evaluate agency performance, we cannot ignore the basic problem—the lack of senior political and career staff charged with responsibility for improving management and the willingness to hold operating agencies accountable.

Even if it had adequate financial and program reporting, the Commerce Department, over the past 15 years, has generally had other priorities. It has selected Deputy Secretaries, Under Secretaries, Assistant Secretaries, and other senior appointees for such reasons as their program expertise or policy background. I think it is fair to say that there is little departmental leadership or oversight in key administrative areas. Commerce is a complex Department, with a wide array of diverse programs and missions. It is therefore crucial that the Department have a strong central management team capable of providing the vision, leadership, and guidance necessary to ensure effective and efficient operations.

Indeed, much of the Department's oversight capability has been deliberately dismantled. The only effective departmental oversight capability remaining is in the Budget Office, which I think does a credible job with limited information. However, once the Department's budget is in place, all effective Department-level control and oversight cease. Secretary Daley and I have discussed the need to improve the management of this Department, and I am certain that he will deal positively with this issue.

We must hold managers accountable. Yet, how do we do this? First, let me commend this Committee for doing what I think should also be done by managers throughout the executive branch: Trying to find out what is going on and to understand what really is in the budget proposals and justifications. These budget documents contain much valuable information. However, all too often we don't read them, don't understand them, and don't really seek to get involved. I urge you to have your staffs address the issues discussed in these documents, understand them yourself, and demand answers to your questions. There are also other things you can do:

- Push the Department to appoint, at all levels, managers who accept the management responsibilities that go with their positions. This is particularly important for the positions of Deputy Secretary and Assistant Secretary for Administration/Chief Financial Officer. While I'm at it, let me add that the key position of the Department's Chief Information Officer should be separated from the position of Assistant Secretary for Administration/Chief Financial Officer.
- Support all efforts to improve the Department's financial management.
- Insist that the Department re-institute the departmental management controls and oversight capabilities that have been abandoned.
- Remove non-performers at all levels, both political and career employees, and take a tough look at the Federal personnel rules that make it so difficult to remove non-performers.

- Make all agencies live within their budgets. When development programs get out of hand, insist that agencies absorb the increased costs.
- Finally, find some way for the legislative branch to deal analytically with the system and program options that confound us all. In this regard, it would help if a way could be found to minimize the political partisanship that seems to consume so much energy. Start by asking the General Accounting Office and the Inspectors General for detailed answers. We all know the problems. What we need are specific solutions. Discuss your concerns with everyone involved, recognizing that we are all in this together. When appropriate, suggest meaningful alternatives to just saying "No."

The balance of my statement will discuss the specific management issues confronting the Department and its major operating units, and progress the Department has made in implementing management suggestions and directives issued by the Congress, the OIG, and the National Performance Review.

DEPARTMENTAL MANAGEMENT

Commerce bureaus unilaterally control most of their own administrative operations, regardless of the increased overall costs. The Department has provided insufficient leadership to the bureaus as they independently pursue their own information technology and systems development activities. Departmental managers have, for all practical purposes, abdicated their procurement and contacting oversight responsibilities, with dire consequences. The Department's financial managers lack systems that provide accurate and reliable financial and performance data. The Department's pursuit of franchising initiatives threatens to divert attention from other, higher priorities. I do not believe governmental administrative franchises are a viable option to competitive procurement. Despite the hundreds of millions of dollars being spent for the leasing, construction, and refurbishing of Commerce facilities, departmental managers have not provided the oversight, guidance, and direction needed to ensure that these projects are properly justified and completed. Because the Department stopped conducting internal personnel management evaluations several years ago, it has little assurance that the bureaus are complying with governing laws, regulations, and guidelines.

Financial Management

The Chief Financial Officers (CFO) Act of 1990 and the Government Management Reform Act of 1994 (GMRA) were designed to improve the overall financial management practices of Federal agencies. The acts require financial statements that present an entity's financial position and results of operation and provide other information needed for the Congress, agency executives, the public, and others to assess management's performance and stewardship. The overview section of the financial statements should relate financial data and other measures of performance, discuss trends in financial indicators, and make the Congress and other organizations with oversight responsibilities aware of future funding needs or other potential problems. The Government Performance and Results Act of 1993 (GPRA) further expands the use of performance information beyond the overview and presentation of critical performance data required in the CFO Annual Report. GPRA now involves managers, by requiring the development of a strategic plan by the end of fiscal year 1997, identification of performance indicators and performance plans by the end of fiscal year 1998, and annual performance reports by the end of fiscal year 2000.

We recently issued reports on our CFO/GMRA audits of FY 1996 financial statements for 13 Commerce bureaus and two departmental funds, as well as for the Department's first consolidating financial statements. Six bureaus (BEA, ESA, MBDA, NIST, NTIA, PTO), and the Department's Working Capital Fund received unqualified opinions. However, the Department received a disclaimer of opinion on its FY 1996 consolidating financial statements. This is mainly due to the disclaimer of opinion received by NOAA, which is by far the largest accounting entity in Commerce. EDA, ITA, and BXA also received disclaimers. Census, NTIS, and the Department's Salaries and Expenses Fund received a qualified opinion and TA an unqualified opinion on their balance sheets. There is a lot of work to be done if the Department and all of its bureaus' financial statements are to receive unqualified opinions.

The Department's current financial management structure has not proven to be effective in establishing adequate financial management systems and controls. Financial internal controls across most bureaus are not sufficient to preclude financial reporting problems. For example, internal reviews, audit surveys, and audits have found (1) inadequate accountability for capital assets; (2) inadequate controls over inventories; (3) deficiencies in accounting for disbursements and payables; (4) inad-

equate accountability over accounts receivable; (5) insufficient cost accounting; (6) insufficient procedures relating to administration of grants; (7) inadequate presentation of financial information on financial statements; and (8) weaknesses in automated data processing security. Without a comprehensive and coordinated effort, the Department's operations are likely to remain disjointed, with its bureaus continuing to operate their own independent financial management systems.

The Department's CFO and Deputy CFO need a strong cadre of CFOs in all of the major bureaus to provide candid assessments of business problems and unbiased and sound business advice to bureau heads and senior managers. Although some initiative has been taken, the positions remain unfilled in three of the eight bureaus we identified as needing CFOs.

One major component to improving the Department's financial management and achieving unqualified opinions is the development and deployment of the Commerce Administrative Management System (CAMS), which integrates a new Core Financial System (CFS) with a complete set of functional systems, including any necessary interfaces with bureau-unique program systems. CAMS is substantially over its estimated costs and continues to experience unanticipated performance shortfalls causing schedule slippage and placing the project in jeopardy. Originally $41 million, the cost estimate for the basic system has increased $15 million, about 37 percent, since FY 1992. Further, the original estimate did not include about $34 million in-house CAMS staff resources and earlier pre-development costs, which should be capitalized as CAMS development costs. In addition, the Department has been considering three CAMS-related initiatives projected to cost up to another $14 million, which would bring the total estimated cost of CAMS to more than $100 million. We believe these initiatives should be delayed indefinitely. Also, the CAMS deployment schedule has been significantly extended, with some Commerce bureaus adjusting their estimated deployment dates by 1 or 2 years.

Two major departmental initiatives are placing pressure on the Department to complete CAMS prior to the year 2000. The 2000 decennial Census, which GAO recently identified as one of government's "high-risk" programs, will need to be supported with an updated accounting system. Also, some of the Department's accounting and feeder systems use two-digit year dates that cannot function beyond December 31, 1999. Rather than undertake a costly and time-consuming reprogramming effort, the Department is relying on CAMS to replace these systems. The Department is developing cost containment plans for CAMS and is working to strengthen project management. However, without close departmental oversight, delays could extend the deployment schedule even further.

Unqualified opinions on financial statements represent only the beginning. The real value of financial statements is to be found in the overviews and the coverage of performance measures. Meaningful analyses of performance data will provide useful information to enable the Congress, OMB, and other external users to assess the efficiency and effectiveness of the Department.

We recently completed a general assessment of the overviews of the FY 1996 financial statements. The overviews provide a variety of information; however, many portions contain misleading or inaccurate information. We found that many performance measures were not directly relevant to a bureau's activities, did not consistently portray a clear picture of the outcomes of activities, and did not include benchmarks to allow the reader to compare statistics and evaluate the results achieved by the bureau. Further, many of the overviews were incomplete or insufficient, information was often inaccurate or inconsistent with information provided in the financial statements, and information was not consistently supported by a system of internal controls or appropriate documentation. The Department needs to take corrective action to ensure that the overviews and financial statements properly reflect its operations.

Procurement Management

As you are aware, many significant changes have been made to the procurement laws in recent years. Unfortunately, the Department has not provided strong, central leadership or direction to ensure that departmental procurement operations incorporate these changes while maintaining appropriate management controls. The departmental procurement oversight organization was disbanded and its personnel were relocated to the various bureaus. While the changes were intended to place the oversight function in direct, ongoing contact with procurement issues, its effectiveness has suffered. For example, although the deployed oversight personnel nominally report to the Department, the head of the contracting office to which they are assigned has direct input into their performance appraisals, thereby compromising their ability to remain independent.

The methods used to conduct procurement oversight reviews also have drastically changed. Before 1994, departmental personnel routinely conducted acquisition management reviews (AMR) to evaluate the performance of the bureaus' procurement offices. AMRs used structured interviews and procurement file reviews to determine (1) whether acquisitions were made in accordance with applicable regulations, policies, and procedures; (2) whether socioeconomic goals were being met; (3) the efficiency and effectiveness of the office; (4) the soundness of business judgments made by contracting officers; and (5) the adequacy of management controls.

In 1994, the Department suspended the use of AMRs and adopted the Performance Measurement Assessment Tool (PMAT) as the primary method for assessing bureau procurement offices. PMAT was developed by the Procurement Executives Association to measure customer and employee satisfaction, management effectiveness, and productivity through the use of surveys and other statistical data obtained from the Commerce Procurement Data System. However, since PMAT is being used in lieu of structured interviews and file reviews, the Department can no longer determine whether statutory, regulatory, and socioeconomic requirements are being met, evaluate the adequacy of management controls, or assess the soundness of business judgments made by the contracting officer.

Nonetheless, the Department plans to create a new statistics branch to facilitate the collection of even more empirical data such as that used in the PMAT model. We believe this is a serious misuse of resources as it promotes measuring customer satisfaction at the expense of ensuring that the underlying procurement practices meet minimally acceptable standards. We recommended that the Department incorporate independent file reviews into PMAT. Although the Department agreed with our recommendation, it has not prepared a plan of action or assembled the personnel resources needed to conduct the reviews.

Since 1995, we have discovered a number of significant procurement abuses within the Department. In fact some of the most troubling abuses we identified originated with departmental supervisory personnel. None of these abuses would have been detected by PMAT. Rather, such abuses would normally be discovered only through routine managerial review, engagement, and participation in the issues of each procurement. Examples include:

- Our review of the ill-conceived CyberFile project involving the Department, the National Technical Information Service, and the Internal Revenue Service identified numerous procurement abuses, including issuance of verbal advance work authorizations to contractors without defining prices, deliverables, or statements of work; use of an SBA 8(a) contractor as a "front" to direct contracts to ineligible large firms; and improper use of interagency agreements, which avoided competition requirements and drove up costs.
- Contracts and interagency agreements also were used to shelter excess funds from budget scrutiny. In this manner, NOAA inappropriately obligated $90 million on a polar orbiter satellite interagency agreement with NASA. Similarly, NIST used several contracts to inappropriately obligate approximately $32 million in excess funds at a time when the Congress was scrutinizing unobligated funds.
- "Indefinite Delivery, Indefinite Quantity" contracts were issued without establishing ceiling values and other mandatory clauses, perpetuating sole-source contracting and raising costs to the government. In one case, an 8(a) computer services contractor was awarded a $720,000 contract for relatively simple support services. In practice, the contract was improperly used to purchase almost $5 million of computer hardware over a 3-year period. This phenomenal growth of the contract consisted exclusively of unauthorized sole-source procurement actions. Yet, this contract was administered by the Department and these abuses were undetected by the departmental procurement oversight personnel.
- Within NIST, we discovered that the acquisition plan for a large omnibus task order construction contract was ill-conceived. The contract went forward to the proposal phase despite indications that it would be wasteful. The acquisition plan allowed for the sole-source award of a $540 million, 10-year Indefinite Delivery, Indefinite Quantity cost-type task order contract for the construction of facilities. After the sole-source concept was criticized, NIST modified the solicitation to allow for the possibility of more than one award under the contract, in keeping with the Federal Acquisition Streamlining Act. The contract has since been suspended for lack of funding. We have discovered a lack of acquisition planning in other bureaus.
- Many Commerce bureaus either do not conduct or do not adequately document market surveys in determining the course of a procurement or in decid-

ing if prices paid are fair and reasonable. Greater emphasis is now placed on market prices and commercial off-the-shelf procurement actions, but procurement officials still have the responsibility to determine that prices to the government are fair and reasonable.

- Although there have been many changes in the procurement arena in the past few years, particularly in the use of commercial off-the shelf procurement actions, market surveys, and competition, we have not seen the Department take a strong lead in explaining these new rules to its many procurement professionals.

Facilities Management

In recent years, the Department and its bureaus have been involved in numerous real estate activities involving millions of dollars. Moreover, there are plans to lease space or acquire or construct other multimillion-dollar facilities. Hence, we have increasingly examined how the bureaus and departmental managers have handled these activities. We have often found recurring problems, indicating that the Department does not provide the involvement and oversight necessary to better ensure that the government's interests are protected.

The Department's CFO and Assistant Secretary for Administration, through his Office of Security and Administrative Services, is responsible for establishing Department-wide policy and procedures for, and overseeing the acquisition, management, and disposal of real property. However, in our recent reviews, we have often found that the Department has taken a "hands off" attitude toward oversight of space acquisitions. We have found also that the Departments real property guidelines and procedures are inadequate. A few illustrations follow:

National Institute of Standards and Technology

In a recent report on NIST's Capital Improvements Facilities Program (CIFP), we concluded that the Department was not sufficiently involved in the planning and implementation of this major construction effort to upgrade NISTs laboratory facilities in Gaithersburg, Maryland, and Boulder, Colorado. Nor did it stay abreast of key changes in the scope and funding of the CIFP that should have altered the Departments support for key components of the construction program. Consequently, the Department unwittingly assisted NIST in acquiring expensive leased space, with a likely $30 to $47 million price tag, that our office concluded was unjustified and unnecessary. The Department now agrees the space was not being used as construction "swing space," the purpose for which it was justified. We believe that if the Department had clear, written guidance and established procedures in place and had stayed more actively involved in the oversight of the CIFP, this procurement could have been avoided or significantly scaled back, thus freeing up funds for higher priorities, such as health and safety upgrades. Subsequently, the Department has agreed to strengthen its oversight procedures and involvement in major property activities.

In other reports involving the CIFP, we emphasized the need for NIST and departmental managers to work together to more effectively manage this large and expensive undertaking. We were concerned, for example, that the CIFP is being revised without first making some key adjustments. As might be expected, the CIFP will occasionally require revisions and adjustments to reflect significant changes in program direction and other circumstances. Based on our recent discussions with NIST officials, the agency is revising its CIFP to more accurately reflect the current thinking on its facilities improvement needs. However, at the time of our discussions, the revised plan still contained at least $212.7 million in unjustified or inadequately explained program elements. Specifically, the plan still includes:

- $92.7 million for the planned Advanced Measurement Laboratory in Boulder, which is not justified and should not be constructed. Rather, the modest needs for advanced space in Boulder should be merged with similar plans in Gaithersburg.
- $120 million for renovation of the some existing facilities in Gaithersburg, which have not been justified.

Moreover, there is recognition within NIST and the Department that its original $540 million plan cannot be completed within this estimate, due primarily to inflation of cost estimates for completing certain projects and additions to the original plan, such as the new chemistry building. The CIFP will cost, according to more recent estimates, at least $940.3 million, and will take at least 4 years longer than originally projected. Because of this, the Department must provide even closer scrutiny and oversight of the CIFP. We have emphasized the need for NIST and the

Department to have the most accurate, defensible, and fiscally responsible CIFP possible. Given the recent questions concerning NIST's management of its CIFP funds that surfaced as a result of an improper obligation, it is also imperative that NIST and the Department keep the Congress fully informed on its CIFP plans, justifications, and likely cost to the taxpayer.

National Technical Information Service

For more than 4 years, NTIS has spent a great deal of time and effort attempting to consolidate its operations at a better site. NTIS's efforts to relocate have been complicated by a number of factors, including GSA's slow pace in reviewing and addressing NTIS' request for space, and the Department's failure to adequately fulfill its oversight role in the acquisition process. And while there was a great deal of finger-pointing between NTIS and the Department about who should have done what, the result is nonetheless the same: NTIS is still in the same unacceptable facilities.

Other Facilities Initiatives

In the coming months, we plan to closely monitor some of the Department's key real estate activities, including:

NOAA's Proposed Operations and Research Center: NOAA has requested FY 1998 funding to begin planning for the design and construction of a $97 million research center to be located at the NASA Goddard Space Flight Center in Greenbelt, Maryland. The proposed new 350,000-square-foot facility will house 1,200 NOAA employees involved in satellite and weather services.

Census Bureau Nationwide Offices: The Bureau of the Census acquires short-term space to conduct its decennial Census. Since GSA has been reluctant to handle this effort, the bureau marshals its staff every 10 years to acquire the necessary space for the decennial Census. For the 2000 Census, the bureau will require between 3.9 to 4.3 million square feet of office and related space in 1,383 locations.

PTO's Headquarters Offices in Northern Virginia: PTO is seeking replacement space for 16 leases expiring between March 1996 and April 1997 and is working with GSA to obtain approximately 2.4 million square feet of replacement and expansion space. The Department estimates that the 20-year lease proposal will cost $26 million, with delivery beginning in 1998.

Information Resources Management

Commerce spends more than $600 million each year on information technology. It is in the midst of four costly, complex, and critical modernization programs—of the National Weather Service, of the systems for conducting the 2000 decennial Census, of the Department's accounting and administrative systems, and of PTO. However, Commerce, like many other civilian agencies, often does a poor job of planning, acquiring, and managing its systems. As a result, there are serious problems in most of Commerce's major systems modernization programs, and pervasive inefficiency and mismanagement in planning and purchasing commercial systems and equipment. Unfortunately, the Department has not provided the needed leadership, guidance, and oversight to effectively address the information technology issues.

Because of the importance of information technology to the Department's many critical missions and its poor track record, we are pleased that the Congress has given information technology reform high priority. *A key part of such reform establishes the position of Chief Information Officer at Executive Level IV in the executive agencies.* The size, diversity, complexity, and difficulty of Commerce's systems make the CIO position extremely important. As we reported in our March 1996 *Semiannual Report to the Congress,* to be effective, the position should have organizational stature, responsibilities, expertise, and resources commensurate with its importance. As such, we believe that the CIO should report directly to the Secretary and that information resources management should be the CIO's only duty. We do not believe that this job can be performed adequately if the CIO is also the CFO or has other duties. We also believe that the CIO should be highly experienced in the planning, development, acquisition, and operation of complex systems; should be supported by a staff also having significant experience in these areas; and should have authority over significant budget and policy decisions involving information technology.

The new CIO position offers the Department a good opportunity to improve the planning, acquisition, and management of information technology. With the combination of the appropriate technical and management experts; a proactive approach; and the ability to set policy and provide leadership, assistance, and consultation based on experience, the CIO and his staff can identify the high-leverage

issues and offer practical, timely, and effective solutions to problems. However, the Department has not yet established the organizational capability to perform effective information technology oversight. That is why the choice, placement, and support, as well as the timely selection, of the CIO are so critical. We believe that an important goal of a new CIO should be to improve the capabilities and understanding of agency and program managers and staff with regard to the acquisition and management of information technology. Oversight is extremely important, but improvements in information technology planning, acquisition, and management cannot be obtained without improvements in the bureaus as well. A highly skilled systems management workforce is vital.

Human Resources Management

We believe that the Department's managers should routinely ensure that the bureaus' numerous human resources operations are functioning as expected. Historically, the Department has used the Personnel Management Evaluations (PMEs) as its primary tool for assessing human resources office operations. However, these evaluations were terminated several years ago, in the name of streamlining. Among other benefits, PMEs helped support the bureaus by examining their compliance with applicable personnel laws, regulations, and guidelines. Moreover, PMEs help determine whether the bureaus are properly exercising their fundamental responsibilities by identifying and seeking correction of improper personnel actions, as well as regularly providing information on the status of internal personnel programs to the senior departmental and bureau officials. We have discussed our concerns with the Director of Human Resources. She advised us that an individual was recently hired by the Department to help fill this oversight void. Nonetheless, a great deal needs to be done to regain the necessary level of departmental oversight of human resources offices.

We are also concerned that although the Department, with its bureaus, has embarked upon a number of human resources automation initiatives, it needs to do more to ensure that it has the necessary systems capability to properly handle these initiatives. We learned, for example, that the deployment of the Electronic System for Personnel, an important human resources automation initiative, had been stalled due to the Department's inability to provide appropriate technology links. The Department also needs to take greater measures to upgrade its ability to provide adequate telecommunications and computers systems support as new automation initiatives are implemented.

Franchising Initiatives

The Department has received approval to be one of six franchise pilot programs government-wide. Commerce has been working to implement its franchise program through its Springfield, Virginia, Computer Center and the four Administrative Support Centers. We have previously reviewed the Computer Center and the ASCs and found major problems with their operations. Hence, we question whether these entities—from an overall efficiency and effectiveness perspective—are ready for the expected levels of franchising. The franchising concept poses many potential problems and obstacles that could jeopardize these entities' ability to fulfill their primary responsibilities to the Commerce Department and its bureaus. We have found, for example, that both the Department and the ASCs already have difficulty delivering administrative services to Commerce clients in a cost-effective manner and that many changes are needed to streamline and improve ASC services. Similarly, their antiquated accounting and financial systems would make effective franchise operations difficult.

Before proceeding further on its franchise plan, Commerce needs to thoroughly address a number of questions: (1) Should NOAA be encouraging expanded use of its outdated computer systems and adding personnel to support non-Commerce bureaus? (2) How will the ASCs fare under franchising if the bureaus can come and go from the ASCs at will? (3) Will the new franchise efforts divert the ASCs' attention and services away from improving their support of Commerce agencies? (4) How effectively can Commerce and the ASCs compete with other potential providers of service? Other issues that need to be addressed are the eventual number of service delivery points, the types of services to be centralized or outsourced, and the impact of the transition to full electronic support on the ASCs and their customers. There is also the more fundamental concern of how aggressively the ASCs should be pursuing and working for external clients when they still need to do a better job of handling their primary responsibilities to efficiently and effectively serve Commerce agencies.

We believe that departmental officials must address these problems and issues before sanctioning expansion of franchising. A decision to go forward with franchising

should be based on sound, calculated business reasons that involve in-depth analysis of the market, costs, and business competitors.

Administrative Support Centers

In a study underway of the Administrative Support Centers, which provide administrative services and support to Commerce's field offices, we have found that departmental managers have been lax in directing and monitoring the delivery of administrative support to Commerce field offices. By essentially ceding complete responsibility for the ASCs to NOAA, the host management agency for ASCs, the Department has allowed NOAA to constrain the ability of ASCs to adequately support Commerce field units. This has fostered inefficiencies, weakened the centers, and even resulted in one major bureau, Census, abandoning the ASCs. Another large bureau, the International Trade Administration, is on the verge of doing the same.

2000 DECENNIAL CENSUS

Given the size complexity, cost, and national importance of the decennial Census, as well as my longstanding concerns about Census Bureau management, we have made decennial planning oversight a top priority. Over the past 18 months, we have issued reports, testified, and briefed bureau, departmental, and congressional principals and their staff members on our concerns about the lack of adequate progress on major design components and inadequate decennial management. In addition, last fall we recommended to the Secretary that decennial management be identified as a material weakness in the Department's FY 1996 year-end report to the Congress under the Federal Managers' Financial Integrity Act. This designation emphasizes the Department's recognition of the seriousness of decennial management concerns. Demonstrating the same level of concern, GAO recently added the decennial Census to the Comptroller General's government-wide list of high risk programs. This list identifies Federal programs identified as especially vulnerable to waste, fraud, abuse, or mismanagement.

We have developed a wide range of concerns—policy and programmatic, technical and statistical, and organizational and fiscal. Let me explain each of these areas, beginning with the policy and programmatic concerns. To date, major design decisions remain incomplete, with those concerning statistical sampling being the most visible. Members of Congress, among others, have expressed concern about the bureau's plans and their implications, yet the bureau has not provided them with satisfactory responses to their inquiries. The bureau's failure to effectively select, communicate, and defend a complete 2000 Census design has contributed to serious congressional concerns about the use of statistical sampling.

Technical and statistical concerns also are numerous. While we certainly believe that increased reliance on technology, automated systems, and statistical methods is appropriate and necessary for 2000, their inclusion creates a more interdependent environment that requires a new level of rigor and planning not needed in a "lower tech" environment. We are concerned because we do not see in the bureau an appreciation of the need for such rigor and planning. The large number, diversity, and complexity of automated systems needed to support the various decennial processes present management and technical challenges beyond the bureau's experience. Further, the bureau will be relying on state-of-the-art imaging technology to capture Census data from over a billion pages of questionnaires. There is a significant amount of development work to be completed on this technology, and other agencies, such as the IRS, have encountered problems and delays in developing their imaging systems. We support the bureau's move from its antiquated data capture system to electronic imaging, but we are concerned about the limited time-remaining to develop, integrate, test, and correct problems.

As for statistical issues, our primary concern is not bureau scientific capability. Rather, the results of a tremendous amount of pending critical research are needed soon to address important questions about how sampling will affect apportionment and redistricting. Until these questions are adequately answered, the controversy over sampling, and hence the overall 2000 Census design, will remain unresolved.

Finally, organizational and fiscal concerns also needed to be addressed. In a 1995 report, we recommended that the bureau organize the decennial area to create a central integrating function reporting to a manager with adequate authority to coordinate the entire complex, interdependent enterprise. We hoped such a change would, among other things, clarify how, by whom, and on what basis decisions are made. Almost 2 years later, the bureau is taking a step in the right direction, but the adequacy of its actions at this late date is unclear.

As for the fiscal concerns, the estimate projected by the bureau's cost model has remained unchanged for 3 fiscal years despite only partial appropriations. This incongruence with actual funding has hindered the model's potential use as a manage-

ment tool. Currently, the bureau is in the process of updating the model, which, hopefully, will improve its usefulness. Further, until recently, decennial managers responded to funding cuts by deferring work to later fiscal years, rather than scaling back or eliminating low priority items in order to adequately advance high priority items. We believe that theme conditions have contributed to the appearance that the decennial is proceeding in a somewhat *ad hoc* fashion, with attention given on a component-by-component basis, rather than in the context of a focused, coherent design based on priorities and budgets.

The problems that I have discussed are being exacerbated by an alarming loss of experienced senior and mid-level managers and staff. At this time, none of the senior decennial managers have broad operational experience. Further, two senior agency officials are leaving the bureau. Several decennial line managers with substantial decennial experience have left their positions, leaving at least one vacant. Likewise, staffing levels for key activities, such as sampling and estimation, seem inadequate. Finally, in part because of the staffing shortage, the bureau has moved away from in-house development efforts to increased dependence on contractors. Consequently, managers with little or no procurement experience are having to build a procurement organization from scratch. What all this means, of course, is that the decennial Census is facing obstacles and risks on every front. The challenge before the bureau is to take immediate steps to understand, reduce, and manage risk more effectively.

There is some good news. First, the Census Bureau does have a cadre of talented staff with a proven track record of conducting the decennial under difficult and, in the case of 1990, nearly impossible, circumstances. Second, it has selected some promising methods and initiatives that still hold great potential. Third, it has at its disposal potentially powerful project management tools, such as its management information system's decision path (which provides an integrated view of design components, relationships, and decision points) and an updated decennial cost model that accurately reflects costs and budgets. My hope is that fuller use of those tools will enable managers to make better decisions, and to do so swiftly and confidently.

We are working on three major fronts to address these issues. First, we will encourage the bureau to adopt the discipline of completing, then using, these management tools. Second, we will work with senior managers as both advocates and critics with regard to departmental policies, management support, and funding levels. Finally, we will conduct focused major program area reviews to work with bureaus managers to reduce risk, contain costs, and simplify their plans.

NOAA FLEET

Since 1992, when NOAA began implementing a 15-year fleet replacement and modernization plan at an estimated cost of $1.9 billion, we, the Congress, OMB, and others have repeatedly urged NOAA to explore alternatives to an agency-designed, owned, and operated fleet for acquiring marine data. In our 1996 report on our program evaluation of NOAA's 1995 fleet operations and modernization plan, we 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. Frankly, we believe that NOAA should not be in the business of designing, owning, maintaining, and operating ships. Instead, NOAA should articulate its needs for ship services to the private sector, academia, and other government ship operators who can provide more cost-effective and modern platforms.

Unfortunately, NOAA is not aggressively pursuing the kinds of changes and approaches necessary to achieve greater efficiencies and improved effectiveness. It is, in large part, for this reason that the Congress recently divided the former NOAA-wide marine services budget category into three separate "acquisition of data" appropriations. In doing this, the Congress made clear its intention that NOAA seek alternatives to meeting its data collection needs, that NOAA program offices determine how to meet their operational needs, and that this funding not be used simply to support the status quo.

However, despite this specific guidance from the Congress, and similar recommendations from our office and prestigious scientific panels, NOAA continues to plan investments of millions of dollars in its aging in-house fleet rather than using these funds for more cost-effective alternatives. It should not be surprising then that we continue to challenge many of NOAA's actions and plans. We question, for example, NOAA's current plans to spend money in fiscal years 1997 and 1998 to design six new fishery research vessels. Likewise, we believe that it is inappropriate for NOAA, as currently planned, to (1) use $2 million of carryover funds to invest further in the *Oregon II* this year, (2) spend $4.5 million to extend the service life of

the *Miller Freeman* in fiscal year 1998, and (3) spend millions of additional dollars on the *David Starr Jordan* in fiscal year 1999, without having first explored creative build/lease and other charter options. In addition, we do not agree with NOAA's plan to spend $6 million over a 4-year period to buy hydrographic survey and data processing equipment, which would further position NOAA to compete, unwisely, with private sector surveyors. Moreover, our concerns extend to NOAA's request for funds to conduct extensive, but narrowly-defined, A–76 cost comparison studies on specific vessels. Rather than comparing the costs of operating individual ships, NOAA should, as we recommended over a year ago, be evaluating the costs of alternative means of obtaining the same services from private industry through long-term leases and other arrangements.

In summary, we continue to believe that most of NOAA's planned fleet investments and expenditures are wasteful and should not be made. We also continue to believe that NOAA can obtain better data collection and ship services at lower cost if it acquires such services from the private sector. Outsourcing would give NOAA program managers greater access to the latest technologies and more cost-effective platforms. The private sector has both the capability and interest in meeting this challenge. The National Science Foundation has had success in acquiring the services of new research ships by entering into long-term lease arrangements with private companies.

If you were to ask NOAA why it has not followed our recommendations or the Congress's direction, it might claim that it has made progress, and then provide a few isolated examples of movement in this direction, such as:

- Chartering private fishery vessels—but only when a NOAA ship is unavailable.
- Contracting for hydrographic data—but for far less than the $6 million that the Congress directed.
- Planning to use up to one-half year of University-National Oceanic Laboratory System vessel time in 1997—but far less than what NOAA could use.
- Exploring private sector interest in bringing a deactivated NOAA hydrographic survey vessel back online and operating it for NOAA—but without having first explored whether private hydrographic survey firms would think it makes sense to use such an expensive ship to collect the same data.

I do not believe that NOAA has adequately explained:

- Why it decided to spend millions during the current and next 2 years investing in existing deteriorating ships without first fully exploring private build/lease or charter options like those we recommended in our March 1996 report.
- Why it needs to buy new cutting-edge hydrographic survey technology and data processing equipment when the private sector is quite capable of doing the work for NOAA—at a lower cost.
- Why it already is spending appropriated money to prepare designs for six new fishery research vessels before first having (1) asked the Congress for the money to do so, (2) completed an independent analysis of the performance requirements and ship support or data required by each program mission, or (3) described its performance specifications to the private sector.

We believe that NOAA's very costly plans to continue to build, acquire, and modernize its own in-house fleet would ensure that NOAA will:

- be the only logical user of the vessels for their entire life and the vessels will have no significant future market value,
- have to pay the full capital cost of the vessels,
- be tied for 30-plus years to vessels that may soon become technically outdated,
- be precluded from using creative build/lease and charter arrangements that rely on the private sector to provide platforms based on science and mission performance specifications, and
- expose its research and data collection efforts to the unnecessary risks associated with prolonged reliance on its aging fleet.

It is time for the Administration and the Congress to direct NOAA on the future of its fleet.

NOAA CORPS

NOAA has drafting legislation and a transition plan to eliminate the NOAA Commissioned Corps. Both the Congress and the Administration have provided direction on this issue. Traditionally, NOAA's Commissioned Corps has had three primary

functions: (1) operate and maintain NOAA's ships, (2) operate and maintain NOAA's aircraft, and (3) provide scientific and engineering support for the line offices, including temporary duties on hydrographic ships. The draft legislation proposes to eliminate the Corps by converting 299 officer positions to civilian positions without any overall changes in NOAA's organizational structure. We believe such a one-for-one conversion is unnecessary since many of these positions will be eliminated when NOAA eventually follows congressional guidance by outsourcing for more of its ship-related services. Very simply, we do not feel that this proposal complies with the intent of the Congress or the National Performance Review suggestions.

The preliminary results of our ongoing review of the proposed elimination of the NOAA Corps suggest that greater efficiencies and economies can be achieved in the following ways:

- *Outsourcing for ship operations and maintenance.* This recommendation is based on the results of our 1996 program evaluation of the NOAA fleet and 1995 modernization plan. NOAA's programs can stagger the implementation of our recommendations and still achieve full outsourcing within 3 years. For example, the National Ocean Service can begin outsourcing immediately, the Office of Oceanic and Atmospheric Research can merge its ships with the University-National Oceanographic Laboratory System fleet by FY 1999, and the National Marine Fisheries Service can have long-term leases in place by FY 2000.
- *Eliminating aircraft activities that are not directly related to NOAA's mission.* NOAA's 14 aircraft are used for unique scientific missions, routine operational missions, and reimbursable missions. We believe only unique scientific missions must be retained in-house. Routine and reimbursable missions can be outsourced. Our preliminary recommendation is based on our ongoing analyses of in-house costs, in-house utilization rates, private-sector costs based on historical data, and other agencies' contracting practices.
- *Converting to civilian status only those line-office billets that are fully funded by the line officers.* To accommodate the NOAA Corps rotation policy, up to 200 shore side billets are assigned to NOAA's line offices: the National Marine Fisheries Service, the Office of Oceanic and Atmospheric Research, the National Ocean Service, the National Weather Service, and the National Environmental Satellite, Data, and Information Service. According to NOAA data, fewer than 100 of these line-office billets are funded from line-office appropriations; the remaining funds are primarily from the "acquisition of data" appropriation, formerly "marine services." We believe that only the positions currently funded by the line offices should be converted. Otherwise, funds will have to be taken from future "acquisition of data" appropriations to pay for the additional converted positions.

Based on these preliminary findings, we estimate that, at most, only 100 to 150 of the current NOAA Corps billets should be converted to civilian positions. Our office will have a more precise number when our review is completed. By converting fewer officers, NOAA will have an additional $10 to $15 million available annually for acquiring ship-related and aircraft-related services from outside sources. As a result, NOAA's programs will have greater flexibility in the choice of platforms, will be able to increase the number of public-private and federal-academic partnerships, and will avoid the need for additional capital investments in ships.

EXCESS POLAR SATELLITE FUNDING

NOAA manages two weather satellite programs: Polar Orbiting Environmental Satellites and Geostationary Operational Environmental Satellites. NOAA determines the general requirements for new satellites and operates them once they are in orbit. The National Aeronautics and Space Administration (NASA) handles the acquisition and launch of the satellites. Our recent work on the polar satellite program discovered poor financial management and budgeting practices in acquiring new satellites.

In our recent review of the polar satellite program, we found about $90 million in excess funding. In fiscal years 1994 through 1996, NOAA received more funding than it needed for acquiring new polar satellites because it failed to adequately reduce its budget requests to reflect slowed spending in the program. By sending the excess funds it received to NASA, which then obligated them to its various polar satellite contracts, NOAA avoided having to identify the unspent funds as unobligated carryover. These actions enabled it to escape the scrutiny such funds receive from the Department, OMB, and the Congress. Included in the $90 million was

$28.1 million unrelated to the NASA satellite acquisition that NOAA transferred to NASA because it was unable to immediately use the funds.

In response to our findings and recommendations, the Department took immediate steps to eliminate the excess funding and strengthen management controls by:

- Assigning a full-time analyst to work directly with NASA staff to obtain better funding information,
- Reporting unobligated carryover funds and making plans to provide decision-makers with better program performance and spending information, and
- Agreeing to limit transfers to NASA that are not needed for forward funding and monitoring fund transfers to ensure that funding is being used for its intended purpose.

We have also found indications of excess funding in some of NOAA's other satellite budget accounts that we are reviewing. We are continuing to work with the Department and NOAA to strengthen management controls.

The current series of NOAA polar satellites will be the last. We will also be involved in reviewing the replacement program, which is in the early stages of development, by an integrated DOD, NOAA, and NASA team. This program is expected to save $1.3 billion by consolidating the number of U.S.-owned operational satellites from four to two while increasing the operational life span of each satellite. Our work in this area is not new. In the early 1990s, we recommended that OMB initiate a government-wide study to help identify opportunities for consolidating environmental satellite programs and avoid unnecessary duplication. We were pleased to see the convergence concept endorsed in the National Performance Review and adopted as a Presidential Initiative in 1994.

GEOSTATIONARY SATELLITES

NOAA operates a two-satellite configuration of Geostationary Operational Environmental Satellites (GOES) that constantly view weather patterns affecting the United States and neighboring countries. The ability of GOES to provide the National Weather Service with data for advance warnings of severe storms, such as tornadoes and hurricanes, has been credited with reducing the lose of life and property.

However, in developing the current series of replacement satellites, called GOES–Next, NOAA and NASA have been unable to maintain the required two-satellite coverage or adequately control development costs. From 1989 to 1993, NOAA had just one operational GOES and was under a serious threat of completely losing GOES coverage because of a 5-year delay in developing GOES–Next. GAO has reported and we agree that the delay and a fourfold increase in GOES–Next development costs are attributable to inadequate management, poor contractor performance, and the complexity of the satellite design. The first two GOES–Next satellites, GOES–8 and GOES–9, have now been launched, and are providing high quality meteorological data.

In our current inspection of the GOES program, we found that NOAA's plans for acquiring satellites to follow the GOES–Next series were flawed. NOAA management seemed more interested in maintaining the status quo—buying the follow-on series from the current GOES–Next contractor and continuing to use a cost-reimbursement contract—than in focusing on controlling costs and requirements growth, and taking advantage of an invigorated, competitive satellite industry. We were concerned that without a more controlled procurement, NOAA would repeat the mistakes of the GOES–Next program, and we have issued a draft inspection report with recommendations for avoiding these problems.

NOAA was slow in selecting an appropriate acquisition strategy—i.e., a competitive fixed price procurement—for the follow-on series and only did so after pressure from the Congress, NASA, the satellite industry, and our office. Because of NOAA's delay in agreeing to a competitive procurement and the reliability problems with GOES–8 and 9, additional measures are needed to insure against a coverage gap projected for early next decade. Accordingly, NOAA is also purchasing an additional satellite from the current GOES–Next contractor. The satellite will be built and bought in stages, contingent upon the health of GOES–8 and 9 and the remaining GOES–Next satellites. While the need to purchase this satellite is inescapable at this point, we believe that it might have been avoided had NOAA management been willing to pursue a suitable procurement approach sooner.

NOAA plans to launch GOES–K in April 1997, 2 years earlier than previously scheduled, and store it in space to ensure continuity of coverage now that GOES–8 and 9 are experiencing reliability problems. While early launch is a reasonable contingency for insuring continuity of coverage in this instance, we do not believe

that NOAA and NASA have demonstrated that launching a satellite early for storage in space as a backup is a cost-effective policy for insuring continuity in the future. Although the agencies cite numerous cost and risk advantages to storing satellites in orbit rather than on the ground, we believe NOAA should develop more complete analyses of costs, benefits, risks, and backup alternatives. Also, NOAA should develop firm criteria for when to activate the instruments on GOES–K.

NATIONAL WEATHER SERVICE MODERNIZATION

We have performed continuing oversight of the NWS' $4.5 billion program to modernize its observing and information systems and to reduce more than 250 field offices to 119. We have been heavily involved in trying to improve the planning and management of the modernization and in securing improvements in a number of areas. We fostered the establishment of a management organization, the Systems Program Office (now the Systems Acquisition Office), with the objective of having a qualified and experienced acquisition workforce acquire the modernized systems. That office was effective initially, reversing the substantial cost growth, schedule delays, and technical performance problems of the new radars (NEXRAD) and satellites (GOES–Next), although it no longer has the influence, authority, or resources that were intended.

At this point, many of the problems of the modernization have been largely overcome. With the exception of three systems that need to be added because of coverage concerns, NEXRAD is fully deployed and operating throughout the country. However, there have been many difficulties in achieving this result, including the need to renegotiate the prime contract in order to correct numerous cost, schedule, technical, and legal problems. In addition, through our oversight efforts, we discovered that poor planning, neglect of cost issues, and lax contract administration by NOAA resulted in the government's being overcharged for certain spare parts. As a result of our inspection, and with the cooperation of NOAA, an improved spare parts procurement plan was developed, resulting in a $39 million savings and an independent determination by the NEXRAD contracting officer that the government had been substantially overcharged for spare parts.

Although NOAA expected the contract for the Automated Surface Observing System (ASOS) to be completed this year, work will continue into next fiscal year, requiring a contract extension. The extension is needed, in part, to complete ASOS deployment, as well as for modification and evaluation of sensors, which have had continuing problems with accuracy and reliability. Initially, ASOS was intended to monitor a specific domain of meteorological conditions without the intervention of human observers. However, human observers are needed to augment ASOS due to numerous sensor malfunctions and the need to monitor meteorological conditions that ASOS was not designed to handle in order to ensure aviation safety at airports with control towers.

The most troubling aspect of the modernization that remains is the Advanced Weather Interactive Processing System (AWIPS), which has continued to experience serious difficulties. AWIPS will provide the capability to acquire data from the advanced observing systems coming on-line and to provide forecasters with tools to rapidly analyze the data, integrate it with the information provided by the weather service guidance centers, and prepare timely and accurate warnings and forecasts for dissemination to the public and the media. AWIPS is the key integrating element of NWS's modernization program and is essential to achieving operational improvements and staff reductions.

However, as we have noted in previous reports and testimony, AWIPS development has been characterized by continual cost growth, schedule delays, management instability, and sluggish technical progress. In 1986, NWS estimated that the program would cost $350 million and be completed in 1995. The latest estimate is $550 million, with a 1999 completion date. Since 1992 alone, AWIPS has had four different program managers and is in the midst of its third major restructuring. We have conducted three inspections of AWIPS and are currently working on our fourth. We have found that the problems on AWIPS have occurred for a variety of preventable reasons, including inordinate self-imposed schedule pressure; an incomplete, disorganized, and ambiguous solicitation and contract; the need for improved management and engineering expertise at senior levels both by the contractor and NOAA; and the need for clear lines of authority and responsibility within NOAA. Although we made numerous recommendations to NOAA to help solve these problems, it has never been able to effectively take command of this project.

Consequently, last August, because of serious defeats with the contractor-developed AWIPS software, NOAA decided to abandon substantial portions of it and to use software recently developed by NOAA's Forecast Systems Laboratory (FSL),

called WFO-Advanced, as the basis for continued AWIPS development. WFO-Advanced is a risk reduction project designed to evaluate advanced meteorological techniques. FSL's system was deployed to the Denver weather forecast office in May 1996, and by August it was effectively supporting forecasting operations with meteorological capabilities that would not be available in AWIPS for at least 2 years. The decision to use WFO-Advanced was a dramatic change in direction, leaving many questions to be answered regarding how further development would proceed, which AWIPS components would be retained and how they would be integrated with WFO-Advanced, and how the resulting system would perform. Consequently, Secretary Kantor decided to delay Key Decision Point–IV, the milestone that would allow nationwide AWIPS deployment to begin. The decision point is now scheduled for December 1997. Meanwhile, Secretary Daley has authorized NOAA to procure and deploy 21 systems, with an option for 18 more contingent upon adequate development and deployment progress of the first 21 systems.

Because of its superior capabilities and performance, WFP-Advanced is crucial to making progress on AWIPS. However, as noted, serious issues and decisions remain. In particular, use of WFO-Advanced requires transferring most design responsibilities from the contractor to the government; determining the respective technical responsibilities of NWS, FSL, and the AWIP contractor; carefully planning the work needed to complete AWIP development; and revising the contract. Although six months have passed since the decision to use WFO-Advanced, this planning is far from complete, and, according to NOAA, may not be finished until the summer. NOAA lacks a detailed definition of the work and has not yet identified organizational roles and responsibilities. Nevertheless, it has recently established a $550 million estimate for AWIPS development and deployment, an increase of $25 million since last year. This cost estimate, in our opinion, has significant uncertainties due to the lack of detailed planning to define development activities and responsibilities.

This completes my statement. A listing of the reports discussed in my statement is included as an attachment. Mr. Chairman, I would be happy to answer any questions you and other Members of the Committee may have.

ATTACHMENT

OIG REPORTS DISCUSSED IN FRANK DEGEORGE'S STATEMENT

DEPARTMENTAL MANAGEMENT

Financial Management

1. *Department of Commerce's Consolidating Financial Statements Fiscal Year 1996,* FSD–9355–7–0001, March 1997.
2. *General Administration's Working Capital Fund and Salaries and Expenses Fund Financial Statements Fiscal Year 1996,* FSD–8873–7–0001, February 1997.
3. *Bureau of Export Administration Financial Statements Fiscal Year 1996,* FSC–8834–7–0001, February 1997.
4. *Bureau of the Census Financial Statements Fiscal Year 1996,* FSC–8836–7–0001, February 1997.

Procurement Management

5. *Management and Procurement Deficiencies Related to the CyberFile Project,* IPE–9364–7–0001, February 1997 (draft).
6. *Office of Acquisition Policy and Programs Needs to Reevaluate its Mission and Organization,* EDD–8279–7–0001, December 1996.

Facilities Management

7. *Continued Progress of NIST's Capital Improvements Facilities Program Endangered by Certain Inadequately Justified Plans and Decisions,* IPE–837–3, January 1997.
8. *$32 Million in NIST's Capital Improvements Facilities Program Funds Improperly Obligated,* IPE–8377–6–0002, July 1996.
9. *Continued Progress of Capital Facilities Improvement Program Endangered by Certain Inadequately Justified Plans and Decisions,* IPE–8377–7–0003, January 1997.

2000 Decennial Census

11. *Inadequate Design and Decision-Making Process Could Place 2000 Decennial Census at Risk,* OSE–7329–6–0001, November 1995.

NOAA Fleet

12. *NOAA Should Decommission Its Ships and Terminate the Recent Billion-Dollar Fleet Modernization Plan,* IPE–7794–6–0001, March 1996.

Excess Polar Satellite Funding

13. *Excess Funding in Polar Orbiting Satellite Program,* OSE–8797–7–0001, November 1997 (draft).

Geostationary Satellites

14. *National Strategy for Remote Sensing Is Needed,* AIS–0003–0–006, February 1991.
15. *Geostationary Satellite Acquisition Strategy Improved, But Store-in-Orbit Approach Needs Re-evaluation,* OSE–8784–7–0001, January 1997 (draft).

NWS Modernization

16. *Missed Opportunities for Significant Savings in the Acquisition of NEXRAD Spare Parts,* SED–5579–4–0001, December 1993.
17. *AWIPS Re-Baselining and Associated Issues,* SED–4585–2–0001, May 1992.
18. *Management and Engineering Problems Halt AWIPS Progress,* SED–6623–4–0001, September 1994.
19. *Unrealistic Schedule and High-Risk Decisions Continue to Jeopardize AWIPS Success,* OSE–7355–6–0001, February 1995.

Senator BROWNBACK. Thank you for your statement and for your written statement.

To start off, overall, you have been the Inspector General for the Department since 1988?

Mr. DEGEORGE. Yes, sir.

Senator BROWNBACK. And you have seen how many Secretaries come and go?

Mr. DEGEORGE. Seven or eight.

Senator BROWNBACK. Seven or eight; you have lost count?

Mr. DEGEORGE. Six actual, a couple acting.

Senator BROWNBACK. You have noted management problems previously in the Department of Commerce, and my guess is that you have had talks with previous Secretaries about some of the deficiencies in the agency; is that correct?

Mr. DEGEORGE. That is correct.

Senator BROWNBACK. As a matter of fact, I even see reports here from 1992, citing some of the same things that you have cited today as problems—is that correct? It is the GAO study in 1992.

Mr. DEGEORGE. Well, I guess the best way to put it, sir, is that when Mr. Brown came on board 4 years ago, we discussed in detail what some of the problems in the Department were, and some of them are still there. You cannot really point to one person. Commerce is a very large agency with many operating problems, and some of them have been solved while others have not.

Senator BROWNBACK. Did you have the same conversation with Secretary Kantor as well about some of the management problem areas?

Mr. DEGEORGE. Yes, sir. We discussed three problem areas, specifically. Mr. Kantor was only there for 8 or 9 months, but early on, I discussed with him and his chief of staff the Bureau of the Census and the preparation for the decennial, the AWIPS redesign for part of the Weather Service modernization, and other issues as well.

I do not think there has ever been a lack of interest at the Secretarial level. The problem is really that we either have not had Deputy Secretaries, or we have not had Deputy Secretaries who ac-

cept as an active role the day-to-day operations of the agency. And since Secretaries by nature travel a lot, particularly Mr. Brown and others, you really need strong in-house management in the number two job.

Senator BROWNBACK. Have we not had enough Deputy Secretaries or Assistant Secretaries at the Department of Commerce to manage the agency?

Mr. DEGEORGE. The best way to answer that, sir, is that the Deputy Secretary left over a year ago and has not yet been replaced in the Department of Commerce. He went to General Services Administration and was Acting Administrator over there. I think with the changes, the shutdown and all the other problems of last year, there may be other acceptable reasons for the lack of management.

The problem for a long time has been that you really need to look at agencies as if they do not run themselves. You really have to look at it from the departmental level and see what kind of oversight is necessary. Management, in my mind, is not simply issuing orders; it is holding managers accountable, and we do not do that very well.

Senator BROWNBACK. What seems to be the problem? Why aren't people being held accountable?

Mr. DEGEORGE. I do not know that there is any easy answer. It is a combination of a lot of things. The first problem is that as we move more and more away toward a thesis under the National Performance Review that in effect says delegation is the better technique, we concentrate on placing the authority and responsibility at the levels of the operating agencies.

The second point is that normally, under-Secretaries are not picked because they are managers, they are picked because they are policy experts, people who know the programs. So, at the Secretarial, Deputy Secretary or under-Secretary level seldom pick the type of general management people they should.

I want to point out that this is not unique to the Department of Commerce, and it is not unique to this Democratic administration. I have had these kinds of discussions with Secretary Bob Mosbacher and Secretary Barbara Franklin as well. The issue is really accepting the premise that beyond obtaining a budget, there is a necessary responsibility to manage the budget, and I don't think that premise has been implemented very well.

It is not a very sexy subject, if I can put it this way, sir. I mean, most committees and oversight committees are very interested in programs, very much interested in policy issues. Issues are dealt with at the authorization level and the appropriations level, and on the budget formulation side, but there are not normally critiques or reviews at the Senate or House levels, the oversight levels; Government Reform and Governmental Affairs have not normally dealt with such management oversight, either.

There are a lot of players here, and without throwing rocks at anyone, management has generally not been on the agenda. Maybe that is because budgets have not been as difficult to obtain in the past years, but as they have gotten much more difficult to obtain, management as an issue has not been looked at in the way that I think it should be.

Senator BROWNBACK. And you have been in the agency since 1988 as Inspector General, and you have been looking at it and probably commenting since then that it has not been run well or efficiently under Republican or Democrat administrations.

Mr. DEGEORGE. That is correct.

Senator BROWNBACK. What do we need to do to get at this? I read through your report, just some highlighted portions of it, and at page 7, you say: "Since 1995, we have discovered a number of significant procurement abuses within the Department. In fact, some of the most troubling abuses we identified originated with departmental supervisor personnel." And you state some pretty strong language in here in several areas of management oversight. I mean, it seems like somebody or a lot of us are not quite doing what we should to make sure this agency is managed properly.

Mr. DEGEORGE. Well, the Department, starting several years back, decided that the preferred place to have the management presence was at the agency level. And they deliberately dismantled, as I say in my statement, some of the oversight capabilities in the Office of Systems Evaluation, the Office of Procurement Oversight.

Not Mr. Kammer, the gentleman behind me, but his predecessors deliberately decided in many cases that they would be better served by giving the agencies those responsibilities. Unfortunately, the agencies in many cases did not pick up the oversight responsibilities.

We did not have financial statements, or even the requirements for them, 5 years ago. We did not have performance results. We did not have standards by which to measure performance then. The only measurement government has had is the budget formulation process, and if, on some occasion, an agency had anti-deficiencies, someone would yell about it.

And I want to reemphasize, Mr. Brownback, that I really do not think this is limited to the Department of Commerce. I think a lot of civilian agencies, if you talk to the deputy secretaries, their assistant secretaries, CFOs and others, would say that there are missing pieces.

The way I am trying to look at it is how can we get it fixed from here on out, and I think this Subcommittee and others who accept the responsibility are saying, "If I am wrong, please tell me I am wrong; but if not, let us get on with fixing it."

Senator BROWNBACK. And that is what we are all after, is how do we fix these kinds of management problems that are identified here. And we want to hold some hearings on some of the other agencies as well and take a look at where we have management deficiencies taking place there as well, and how do we fix those in this time of budgetary constraints.

It seems to me that one of the key ways that we can go forward in solving some of our own budgetary problems, is to make sure we are spending our resources wisely.

Mr. DEGEORGE. I agree with you, Mr. Chairman. I think that oversight on the part of this Subcommittee and others would be useful, and I think that begrudgingly, we are all being dragged into the 21st century as far as accounting systems go, and what they tell us about where we are going. I think that that is part of the movement for government corporations, that is part of the move-

ment on loosening up the procurement authority so we can go outside. But I do not think going outside is a substitute or any proxy for replacing what you expect of a Deputy Secretary.

As I said, I have discussed with Secretary Daley, and I know he would be the first to tell you that he is looking for a Deputy Secretary who accepts those oversight responsibilities, and I think that that is probably the way it is going to come out, and you will have to ask them what they expect to change.

As we get performance requirements over time, as we get data that we can all look at, as we get some kind of plans to measure it against—in other words, what we expect to achieve—then I think we will make more progress than we have lately.

Senator BROWNBACK. On page 8 of your testimony, you talk about the Department assisting "NIST in acquiring expensive leased space, with a likely $30 to $47 million price tag, that our office concluded was unjustified and unnecessary." Could you speak to that a little more, please?

Mr. DEGEORGE. NIST has the responsibility, which I accept of remodernizing the laboratories in Gaithersburg. Over the past 3 or 4 years, they have put together a very large, comprehensive plan which involved various replacements of old buildings and building of new buildings.

There were several changes in their planning depending on the funding that was received from Congress, etc., but during that process, they decided to have a leased building built to their specifications to provide turnaround space.

Subsequent reviews by my office concluded that, in effect, there was no need for that space and we recommended that they move as fast as they could to give it away or turn it back or lease or sublet it to someone else.

In another case, there was no pressure on the agency once they had the money to spend, once it was in their budget, not to do it. They do not normally go out of their way to tell you that their plans have changed. In this case, plans had changed, and they should not have gone ahead and leased that space, but by the time we heard about it, it had been done. We wrote a report that strongly suggested that they not utilize that space, or that they back out of the lease as soon as possible.

Senator BROWNBACK. And have they done that?

Mr. DEGEORGE. The commitment we have from the Department is that as soon as they finish the present chemistry building, they will backfill into that building, which I presume will be completed in the next year or 18 months. They now plan to get out of that building during that period of time, yes, sir.

Senator BROWNBACK. So you are satisfied they are going to make progress on that particular issue?

Mr. DEGEORGE. The commitment as I understand it—and I will have to verify this—is that the Department has indicated that they will move out of the leased building into the chemistry building and backfill as soon as they can, which I guess will be when the chemistry building is completed.

Senator BROWNBACK. On departmental management, you note on page 3 of your testimony that the Department stopped conducting internal personnel management evaluations several years ago. Why

was that move made to not do personnel management evaluations—apparently, at all?

Mr. DEGEORGE. Well, they do some. I hold Liz Stroud, the director of the office, in high regard, but there were substantial cuts in the Department, and each agency also has its own operating personnel department.

I will tell you that they have committed to reinstate a limited evaluation program within the last 6 months, and are moving in the direction of holding the personnel staffs accountable. They have backtracked somewhat on that commitment.

Senator BROWNBACK. So are we going to be seeing internal personnel management evaluation, then, in the future?

Mr. DEGEORGE. I fully expect to, yes, sir.

Senator BROWNBACK. But that has not been going on for the past several years; is that correct?

Mr. DEGEORGE. That is correct.

Senator BROWNBACK. Do you think if they had done that over the past several years, some of these issues would have come up sooner, or we would have noticed some of the problems that you have noted here sooner?

Mr. DEGEORGE. Well, in the personnel area, the process, fortunately or unfortunately, is pretty much procedurally bound. I am less concerned in the personnel area as I am in systems oversight and procurement oversight.

Senator BROWNBACK. Which you have trouble with, both the systems and procurement oversight.

Mr. DEGEORGE. Yes, sir. As of now, I feel the Department does not have an active role in those areas and should have.

Senator BROWNBACK. And you have made recommendations internally in the Department, as well, for ways that they can have that oversight?

Mr. DEGEORGE. Yes, sir.

Senator BROWNBACK. Good.

Mr. DEGEORGE. Several years back, they decided that the Office of Information Resources Management, which is the large systems oversight organization, would be dismantled, and that they would hold agencies accountable for their own large systems acquisitions. I have had many discussions with departmental management then and since, saying that I thought that was inherently the wrong way to go; that that is where we have had numerous problems. And I do not know what they are going to do now, except the Secretary has talked to me—or, rather, his staff has, about separating the new Chief Information Officer job from the Assistant Secretary, CFO position, which I think would create a presence reporting directly to the Secretary in a way that I think would be positive.

Senator BROWNBACK. Now, if I have it correct here, you cite within the agency the problems that you see, just going through the testimony, as financial management, procurement management, just as an overview area, and facilities management. You have direct concerns about what is going on in each of those three areas that are of substantial nature——

Mr. DEGEORGE. Yes, sir.

Senator BROWNBACK [continuing]. And that have been ongoing for some period of time.

Mr. DEGEORGE. Yes.

Senator BROWNBACK. For years?

Mr. DEGEORGE. Yes, sir.

Senator BROWNBACK. Since 1988?

Mr. DEGEORGE. No, not all of my concerns go back that far. The Office of Information Resources Management was—maybe Ray would remember—abolished about 3 years ago; Systems Management, 2 or 3 years ago. Space Management has always generally accepted agencies' requirements without scrutiny. I do not think there has been real active oversight in that area for some time, but I could not tell you how long.

Senator BROWNBACK. Those are three big areas, though, for overall management problems, it seems to me.

Mr. DEGEORGE. I agree with you.

Senator BROWNBACK. You have stated that you think it is not necessarily a well-run agency, and you have cited problems in these areas over the years, and yet we have not been able to get anywhere on making those changes.

Mr. DEGEORGE. Well, let me give you one positive note, Mr. Chairman. I think that whenever we have come across one of these problems, the Department has reacted positively in effect to each of our reviews or sets of questions. But I do not think management should be initiated only when the IG looks at it; I think it ought to be an ongoing management prerogative; indeed, a responsibility.

Senator BROWNBACK. But you paint the picture of an overall agency from 1988 that has had significant major management problems.

Mr. DEGEORGE. I think that that is a fair evaluation from my perspective, yes, sir.

Senator BROWNBACK. Let me talk for a minute with you about the NOAA fleet, because this is an issue I worked on on the House side, and I see it coming up again and again.

As I understand, there are 18 vessels in the NOAA fleet; is that correct—or, maybe it is 17—didn't one of them sink in the harbor?

Mr. DEGEORGE. I do not know the number, sir; it is in the middle teens, 15, 16, 17 right now, yes, sir.

Senator BROWNBACK. Didn't one of them sink in the harbor?

Mr. DEGEORGE. Yes. One recently acquired vessel did sink at dockside; but I think they retrieved it.

Senator BROWNBACK. What happened to it?

Mr. DEGEORGE. I really do not know, sir. Apparently, it—I really do not know. I have some of my staff here who could probably answer the question in detail. What I do know is that it was recently acquired from another government agency, and that when they transported it to one of the Great Lakes, it had a problem, but I do not know what the problem was.

Senator BROWNBACK. It is an antiquated fleet, though.

Mr. DEGEORGE. The fleet, by and large, is fairly old, and the Congress and the administration have got to make a decision whether to buy the services or upgrade the fleet. That is the decision that I have been trying to push the Department into making. You really cannot continue to limp along with the present fleet; that is not a viable option.

The question is do you buy the services from others, or do you spend a lot of money, maybe billions of dollars, for new ships or do you let some third party provide the services from universities or from outside firms or other privately-owned ships. There are alternatives.

I presume you have seen our report that we issued last year which says NOAA should decommission its ships and terminate the recent proposed billion-dollar fleet modernization plan. We have made it very clear that that is a more viable option, that you get better services, and that those services cost less, and the Congress has not funded the ship modernization. We are in the worst of all worlds right now. NOAA is not getting the money to modernize its fleet, yet, despite a requirement to buy services, they are not buying them.

Senator BROWNBACK. I noticed, going through some of the appropriations language last year, the Senate Appropriations Committee report urged NOAA to take action now to find creative alternatives to a NOAA owned and operated fleet.

Have proposals been forthcoming?

Mr. DEGEORGE. A draft plan has been submitted to the Department—as to how NOAA proposes to address the fleet.

Senator BROWNBACK. So the agency is now engaged in selling the fleet and——

Mr. DEGEORGE. I do not know that for a fact. I know that NOAA has presented a draft fleet plan to the Department. I think it envisions building some new ships. How many, I am uncertain. You had better ask the Department.

Senator BROWNBACK. We will ask the Department about that.

But you have no doubt in your mind, or the Inspector General's Office, that the Commerce Department should not have a fleet of ships for the NOAA service; is that correct?

Mr. DEGEORGE. That is correct, yes, sir.

Senator BROWNBACK. And you have held that opinion for some period of time.

Mr. DEGEORGE. Yes, I have.

Senator BROWNBACK. And that there are less expensive ways to procure the information that NOAA seeks, rather than operating 17 or 18 ships.

Mr. DEGEORGE. Yes. sir.

Senator BROWNBACK. OK. And that would, then, also deal with the NOAA Corps as well; correct?

Mr. DEGEORGE. Yes, sir. If you do not have a fleet, there is a real question if you need the NOAA Corps.

Senator BROWNBACK. Why has there been any hesitation about this one? I mean, this seems to me to be a no-brainer. Have we just been caught in this netherland between Congress not appropriating the moneys to decommission the ships, or has there been hesitancy on the agency's part? This one just baffles me.

Mr. DEGEORGE. Well, I think there is an honest disagreement. It is the Inspector General's job to write reports, do the analytical work and come to conclusions. NOAA does not agree with us. The NPR decided the NOAA Corps would go away by 1999—in other words, there would be no more uniformed services—and there is

draft legislation also within the Department to deal with that issue.

As far as the fleet goes, Congress has asked for revised plans. They have told NOAA to maximize the purchase of services and through leased contracts while they are doing their plan, and that plan is due, or was due, to the Department, and you will have to talk to the Department, sir; I do not know exactly what approach the Department is going to take.

Senator BROWNBACK. And I apologize. I am not trying to quarrel with you at all. It is just that some of these things are striking to me, and I do not understand why it is not happening. I do not know if it is our fault for what we have not appropriated or what we have not told the Department to do. I am just trying to get at the root of that.

Mr. DEGEORGE. Well, all the IG can do, sir, is propose, and sometimes the IG is not right—certainly from the agency's viewpoint, we do not always come to the right conclusions. But I feel very strongly that there is no longer a continuing need for a NOAA Corps and a NOAA fleet, and we are not refinancing the fleet. The fleet is getting older. The fleet cannot continuing the way it is going. You will either have to spend a couple billion dollars to purchase new ships, or someone else is going to have to provide the services.

I think everyone recognizes that, and everyone is trying to deal with that, but it has not yet come to any conclusion.

Senator BROWNBACK. Let me direct your attention to something that was not in your testimony, if I could, and this is from prior Appropriation Committee language and direction on the Minority Business Development Administration.

There were suggestions in both Senate and House appropriation language last year that it and the SBA look at consolidating, merging offices and functions. Are you familiar with that?

Mr. DEGEORGE. I am familiar with the requirement, yes, sir.

Senator BROWNBACK. What progress has been made along that line?

Mr. DEGEORGE. Well, Congress also cut the MBDA administrative budget quite severely, so the Minority Business Development Agency is looking very intensely at how it will continue doing business and providing services to the minority community.

I know there have been discussions between the director of Minority Business Development and the Small Business Administration, and there have been several changes in both of those positions, and I really do not honestly know, sir, what the current status is.

Senator BROWNBACK. Is that something that you have cited in prior IG reports?

Mr. DEGEORGE. I have cited in prior IG reports that I thought all the bits and pieces of Minority Business Administration should be put together in one agency.

There are other agencies in addition to SBA and Commerce that spend money in the same area—Defense does, Energy, and other agencies. We have issued reports two or three times over the years saying that in effect we thought all of those pieces should be consolidated, and the placement was not nearly as important to me as

eliminating the redundant overheads that went with five or six agencies doing business essentially with the same clientele.

Senator BROWNBACK. Yes. Something I hope we can push in the Congress as well, is getting some of that pulled together, because as we go into times of tighter budgets, we need to make sure that our dollars are stretching as far as they can and that we do not have the redundancies that are just not necessary.

Mr. DEGEORGE. I think that that is a place where you can look at all the programs and actually increase the amount of services that people receive by consolidating.

Senator BROWNBACK. Now, on the 2000 Census, as I look at your testimony—and I understand your concern—you are saying there have been a number of needed decisions that have been put off regarding choices that need to be made regarding the Census?

Mr. DEGEORGE. I would put it slightly differently. There are two basic problems—the senior management team that has deteriorated at the Census, plus the need to make design decisions in order to arrive at a sampling base and a sampling plan that would be acceptable to Congress and to the agency, and that would produce a better decennial at lower cost, higher efficiency, and greater accuracy.

The issue is that if you send out 100 million forms, you can expect to get only 55 to 60 percent of them back. The question is how do you count the remaining people? Census did it in 1990 by knocking on doors and trying to count and recount. I have been a strong supporter of statistical sampling, mainly because if Census conducts the 2000 Census the way it did the 1990 Census, it is going to cost a great deal more money and would, in my judgment, be less accurate.

So finishing the design for the statistical sampling, convincing Congress of its necessity, and basically, getting some kind of consensus as to how the 2000 Census is going to proceed, is one issue that needs to be addressed.

The second issue is that we have lost a lot of senior people in the decennial area, and this decennial is much more complex than any of the previous Censuses. We need a lot more technical people to help bring it together. We need procurement, contracts, financial management, and program management staff, and that team has not yet been assembled. On one hand, we are proposing a statistical sampling technique that is more efficient; on the other hand, we have not yet built the technical team that is needed to implement it.

So while we are trying to convince Congress of the need for statistical sampling, which I think is vital, and the bureau of the need to design decisions, we also need to build the kind of technical team needed to run a program of this complexity, and we are behind on that as well.

Senator BROWNBACK. Let me direct your attention to something that you raised here and also in your written testimony. You said, "There has been an alarming loss of experienced senior and mid-level managers and staff" for the Census, and a lot of big decisions are made off of that Census. Why are we losing that sort of management and staff, and are there things that we should be doing to see that they stay for such a monumental task?

Mr. DEGEORGE. Well, there is no easy answer. A lot of people have reached normal retirement age—that is one answer—but the more important answer is that the Census traditionally has been run in a more collegiate, university-type atmosphere. It has not been run—and I hate to use this term again—in a more business-oriented way.

So you really have three things going on at once. Very capable technical people, statistical people and economists, are leaving, the bureau does not have the necessary systems people to evaluate large data-handling equipment or to enter into large, sophisticated contracts for mapping, geographical mapping and other aspects, and it has unnecessarily delayed putting together this technical team.

I do not know why the middle-level people have left. I do know that some of the senior people are getting ready to retire—that is a normal occurrence. However, several of the other people in the office—both the chief financial officer and the systems manager, have recently resigned. You would have to talk to them. But they need to be replaced quickly, and that is the important thing—whether it is a coincidence, or they feel troubled by some aspect of the present situation, they need to be replaced.

Senator BROWNBACK. Because key decisions need to be made and moved forward with.

Mr. DEGEORGE. Absolutely.

Senator BROWNBACK. I am sorry to keep questioning you on this, but you have put a lot of time into looking at this, and you have put nearly 10 years into looking at this agency, and I want to get as much of your expertise and knowledge as I can.

Rank your priority concerns as the Inspector General for the Department of Commerce. If you were to look at where you are going to succinctly focus your time to get at most of the problems, to hoe where most of the weeds are, what are the top three areas that are your biggest concern as the IG looking at Department of Commerce?

Mr. DEGEORGE. Well, if I had to list five, I would say the first three are the Census, to give you some sense of proportion. But certainly, completing the Weather Service modernization and certainly, rebuilding the Department's management capabilities at the Secretarial level, and finally, whether or not we make the transition of the Patent and Trademark Office to a government corporation, and all the other open issues as to the type and methodology in the change of the patent process, would also be important.

I am less concerned about the trade relationship problems, export licensing, economic development, or the laboratory structures, which I mention just to point out the complexity of the Department. There are many other management issues that, while less important, still need to be corrected.

To summarize, I think the Census, the Weather Service modernization, the Corps, and the fleet are the big four that we need to deal with because they are all expensive, they are all vital, they all have to continue because they all provide services that are not going to go away, whether or not you have a Department of Commerce, and the Census is most important.

We are only 1 year away from the Census demonstration, and 2 years after that is the actual Census. I have heard that 500,000 people, maybe a million people will need to be hired, if you want to go back to actually trying to count households the way we did in 1990. With more sophisticated systems, I do not know that we could find half a million people who could operate laptops or were not employed 3 years from now.

So you have got technological change, you have the need to upgrade the way we look at the Census, and you have a lot of management vacancies. I know the Secretary is meeting with people on the Hill this week, and both Appropriations Committees, House and Senate, will be talking with him. I know he feels intensely about the need to deal with the Census.

Senator BROWNBACK. Hiring a million people, so it would be, obviously, just going out and head-counting people.

Mr. DEGEORGE. I misstated—interviewing a million people in order to hire 300,000 or 400,000 people is more likely.

Senator BROWNBACK. Still, that is a number of people to be hiring. But it would be going out and actually physically counting people.

Mr. DEGEORGE. Yes, sir.

Senator BROWNBACK. That would be tough.

Mr. DeGeorge, thank you very much for preparing your testimony and for answering the questions. I certainly do not want to appear antagonistic on this, but I am concerned that we get to the bottom of some of these issues that you have raised of a very troubling nature, so I want to try to inquire as I could.

We may ask you back at some time when we bring forward other ideas or to inquire of you or your office for further information. So I appreciate your participation here, and we will be contacting you again in the future.

Mr. DEGEORGE. Thank you, Mr. Chairman.

Senator BROWNBACK. Thank you.

The next presenter will be Raymond Kammer, who is the Acting Chief Financial Officer and Assistant Secretary for Administration at the U.S. Department of Commerce.

Mr. Kammer, I appreciate very much you joining us today. I think you have heard all of the testimony and statements of Mr. DeGeorge and undoubtedly you are familiar with some of those. I want to give you an open floor to answer those issues. You can present your written testimony if you would like to. We do have that. And then I will be asking you some questions that are much along the same lines as those that I asked Mr. DeGeorge so that we can try to get to the bottom of some of these issues that have been raised, as best I can tell from the documentation, since 1988, at least since then. So I want to see if we cannot start to get some focus on that.

So with that, thank you for being here, and I look forward to your presentation.

TESTIMONY OF RAYMOND G. KAMMER, JR., ACTING CHIEF FINANCIAL OFFICER AND ASSISTANT SECRETARY FOR ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE, WASHINGTON, DC.

Mr. KAMMER. Thank you, sir. What I think I would like to do is just call out some of the high points from my statement and then go from that directly to questions.

Senator BROWNBACK. OK, fine.

Mr. KAMMER. The President has issued a challenge to us all to do more with less and to do it better. I would like to share some of our efforts to reduce costs and to work smarter.

We have reduced the costs of the Department of Commerce while we have maintained our core mission. In May of 1996, when Secretary Mickey Kantor came on board, he set a challenge to us to reduce the total size of the staff by 5 percent; this was in addition to the 7.5 percent reduction that Secretary Ron Brown had already brought to the Department. We met that goal by September of 1996. We also, since 1994, have been able to reduce headquarters staff by 20 percent and supervisors across the Department by 18 percent.

Recently, Secretary Daley set a goal of reducing the number of political appointees by 100, from a base of 256 to 156 by the end of this calendar year. We currently have about 202 on board, so we are about halfway there.

We have also proposed termination of 17 programs in the 1998 budget. These programs include two in the International Trade Administration, the National Textile Center and the Tailored Clothing Technology Center, and one in the National Telecommunications and Information Administration, the Public Broadcasting Facilities Planning and Construction Program. The remaining program terminations are in NOAA, and the value of these terminations on an annual basis would be $61.202 million if we actually were to terminate them all.

We are also, as Inspector General DeGeorge mentioned, in the process of disestablishing the NOAA Corps, and we expect to both save FTEs and save money there. I might add parenthetically that the current state of analysis is that we expect that there would be about 170 converted, not 299.

Senator BROWNBACK. So 170 would actually stay on in a civilian-type role.

Mr. KAMMER. And the rest would be retired and some of those positions would be filled by civil servants.

Senator BROWNBACK. From about 300 currently?

Mr. KAMMER. Currently about 300, and in 1994 when this discussion started, there were 425, so actually, quite a bit of progress has been made simply by not hiring anybody new in and by letting people retire.

We have done a lot to try to streamline the Department of Commerce regulations and the like. In fact, in the last 12 months, the Department eliminated two regulations for every single new one that had to be imposed. This initiative alone has been of tremendous assistance to the business community.

The Bureau of Export Administration and the Economic Development Administration have totally revised their regulations. EDA

eliminated 62 percent of its regulations; NOAA has eliminated 35–40 percent of its regulations. The Bureau of Export Control has changed the export controls on computers and telecommunications equipment in such a way as to eliminate the requirement for prior approval before export on over $32 billion worth of exports annually.

We are also working with the Defense Department and with NASA to try to converge what are now two separate polar orbiting weather observation programs, one run by the Department of Defense and one run by NOAA, into one civilian-run program.

NOAA is also closing about 200 Weather Service field stations for a savings over a 5-year period of about $275 million. They are also streamlining their field structure.

In response to the National Performance Review, Commerce shifted significant resources into the field to better serve our customers. Mr. DeGeorge alluded to the Minority Business Development Agency. They have had a reduction in force of 56 headquarters positions, and in the process, they have changed from two people at headquarters to one person in the field operation and now one person in headquarters to every two people in the field operation.

By the end of 1997, EDA will have reduced its staffing level by 28 percent from a high of 357 in 1995 to 256.

We are also a key participant in the Performance-Based Organization Initiative, which is designed to make Federal agencies more flexible and autonomous and make managers more accountable for measurable results. We hope to shortly submit legislation both to convert the Patent and Trademark Office to a PBO and also within the National Oceanic and Atmospheric Administration, we have a voluntary fee-paid seafood inspection program which we think could also become a PBO.

Senator BROWNBACK. Are you also proposing on Patents and Trademark that it be put into a private government-sponsored corporation, or just performance-based?

Mr. KAMMER. It would be a performance-based organization, incorporating many features if a wholly-owned government corporation, and the notion is that the vast majority of the activity is very businesslike. It is paid for with fees. It is very production-oriented. You give money. There is a patent examination process or trademark examination process. We call that "the factory." And of the maybe 5,500 people, 5,400 of them do that. And then there are perhaps another hundred who are focused on intellectual property, negotiating international agreements for exchange of patents and things like that.

We think that those two functions can be separated, and one can be run in a very businesslike fashion; the other is clearly a governmental function and requires policy and political decisions.

Senator BROWNBACK. So you are not proposing that it be spun out into a government-sponsored corporation?

Mr. KAMMER. No, it would not. It would be a Government Performance-Based Organization.

Senator BROWNBACK. OK. Now, you do—and I am sorry to get you off the testimony, but while we are on it——

Mr. KAMMER. That is OK. Go right ahead.

Senator BROWNBACK [continuing]. In your proposed budget, you are proposing reducing the budget for Patent and Trademark substantially.

Mr. KAMMER. Right.

Senator BROWNBACK. Where are you gaining those resources, then?

Mr. KAMMER. The way the Patent and Trademark Office is financed is very unusual. There are fees paid—the whole organization is paid for by fees—however, a part of those fees, roughly 20 percent, as a result of a budget negotiation in 1990, is not available to the Patent Office unless it is appropriated. So $119 million out of the total fees collected, which would be roughly $700 million that are collected, has to then be appropriated. And historically, what has happened is the administration would propose that the $119 million—or, a smaller number each year, but getting larger because it actually is a percentage of the total collected—would be made available to the Patent Office, and Congress has considered this and typically decided that out of the roughly $110, $120 million, maybe $80 million would be made available.

Last year in the budget negotiation process, about $62 million was made available rather than $80 million, and this year in the review process, OMB decided that it would only be $27 million and that the other 90-some-odd would just stay in the Treasury as an offset to the deficit. With that $27 million and the other fees that are available PTO actually will be operating at $656 million.

Senator BROWNBACK. OK. Please proceed.

Mr. KAMMER. We are also reengineering our procurement system. We have been trying to make improvements to create a more open system of communication with potential contractors, to automate the listing of contract opportunities in the Commerce Business Daily, and to shorten cycle times. For instance, the cycle time for acquiring computer hardware has been reduced from 12 to 15 months to less than 6. EDA now processes completed grant applications in 60 days.

In response to the 1996 Clinger-Cohen Act, which is the Information Technology Management Reform Act, Commerce is using the best practices of private firms to improve information management technologies.

Some of our accomplishments here include creating a Census Web Site that makes all of the publicly available information that Census has available over Internet; Weather Service modernization—in 1998, the Weather Service will complete the facility modernization program; the modernized weather service, including the Advanced Weather Interactive Processing System, and new supercomputers—which will help provide greater advanced warning of weather events.

An example of that was actually just presented to us as the tornadoes passed through Arkansas in the last couple of weeks. You can get an example of the vast improvement that we have been able to get. Ten years ago, forecasters could not issue a tornado warning until the twister was actually on the ground. This time, the first warning by the National Weather Service that a tornado was imminent provided lead times of 18 to 32 minutes in the coun-

ties around Little Rock, and 10 to 31 minutes in parts of northern Mississippi and western Tennessee.

We have also reengineered the year 2000 decennial Census. We are trying to use a simple new machine-readable questionnaire, coupled with sampling techniques that will complete enumeration without requiring the vast army that Mr. DeGeorge alluded to that we would otherwise have to have if we did traditional enumeration.

We recently received a copy of a February 25th letter from House Speaker Newt Gingrich to OMB Director Frank Raines regarding this year's implementation of the Government Performance and Results Act. Among others, this letter, of course, was also signed by Senator Fred Thompson, the Chairman of this Committee. I want to assure you that the Department will work with OMB, our stakeholders, and Congress in developing an effective, forward-looking Commerce Strategic Plan. We plan to come back later this spring to consult with Congress on our draft Strategic Plan.

We actually began working to implement GPRA 3 years ago when we began pilot tests under the Act. One of our pilots, NOAA's, was judged to be among the 10 best out of the 75 developed government-wide. And 2 years ago, we began initial performance measures in our budget request. Last year we developed a Strategic Plan which OMB said was among the very best they saw government-wide.

I would like to just give you a brief outline of the general structure of the plan. As the mission of the Department of Commerce, we "promote job creation, economic growth, sustainable development, and improved living standards for all Americans by working in partnership with business, universities, communities and workers." The strategic themes are economic infrastructure, science, technology and information, and resource management and stewardship.

Secretary Daley has called out seven specific priorities within that that he intends to focus on. The first is aggressive export promotion; second, technology for economic growth; third, expanding opportunity for all Americans and communities; fourth, performing the best Census in our Nation's history; fifth, resource management and environmental stewardship; sixth, accountability and results-oriented management; and seventh, building partnerships with America's businesses and communities.

I think the biggest challenge under the GPRA is developing meaningful, outcome-oriented performance measurements. In some areas such as PTO, the Import Administration, and the National Weather Service, we really have excellent measures. In other areas, especially the research-intensive and policy-intensive areas, I do not think the measures really yet relate that well to output, and they are not that good an indication, so that needs more work.

As part of our commitment to make government cost less and work better, we work very closely with the IG. We consider the IG audit recommendations, and we develop appropriate follow-up plans. We view this as a central management tool. We also work closely with the IG in our management control program, overseeing the Federal Managers' Financial Integrity Act.

On December 31, 1996, Secretary Kantor was able to report that, with the exception of four material weaknesses—one of which was

Census, as we discussed earlier—reasonable assurance could be provided that the objectives of the FMFIA have been achieved.

Finally, I want you to know that we take very seriously the guidance we receive from Congress, and I have instituted a system to track the status of all Appropriations suggestions and requests. I know your staff has inquired about a number of such directives, and I would be happy to provide a copy of the report for the record if that would be useful.

Thank you.

[The report referred to follows:]

OFFICE OF BUDGET REPORTS AND STUDIES STATUS SHEET

Completed Report Issues

Bureau	Subject	Due Date (Freq.)	OB/Bureau Contacts	Date Submitted
97 House				
PTO	Report on amount of resources spent to date on agreement with People's Republic of China to share the US patent database and the status of its implementation	11/01/96 one-time	Rosanne Greene - x4600	11/21/96
ITA	Report on decision not to initiate an anticircumvention investigation on standard pipe orders.	09/15/96	Noemi Neville - x5981 Marie Tilden - x1780	Draft received on 02/21/97. Final report sent to House under CFO's signature on 02/28/97.
97 Senate				
NOAA	Report on AWIPS status and budgetary needs for FY 97.	11/15/96	Charlie Murray - x1169 Michael House - x2277	9/96 - Completed with submission (and rejection) of the NOAA reprogramming. CFO letter to Congress on 02/13/97 provides the latest update on the program and the Secretary's LDD. First regular monthly briefing held 02/28/97.
	Report on several National Research Council Studies published in 1995 on the hatchery system in Pacific Northwest. Identify administrative changes planned and taken. Recommend policy and legislative changes.	01/31/97 one-time	Linda Trageser - x5990 Chuck Walker - x4482	Report drafted by NMFS under review by NOAA management. Report findings not controversial. Delayed due to routine report clearance processing. Cleared OMB on 03/13/97. Sent to the Hill 3/18/96.

OFFICE OF BUDGET REPORTS AND STUDIES STATUS SHEET

Completed Report Issues

Bureau	Subject	Due Date (Freq.)	OB/Bureau Contacts	Date Submitted
98 OMB Passback				
Census	Submit Continuous Measurement proposal with details on all activities conducted so that the decennial census long form can be eliminated for the 2010 Decennial Census.	12/11/96 one-time	Doug Allis - x5985 Nancy Potok - 301-457-2473	12/10/96
NOAA	Develop FY 98 appropriations language to modify the "no degradation of services provisions" of P.L. 102-567.	Immediately	Charlie Murray - x 1169 Michael House - x2277	Included in 98 President's Budget.
	Submit FY 98 President's budget with enough time for OMB review.	Completed.	Kurt Hahn - x 2447 Pete Olivere - x4635	01/21/97
	Submit plan detailing how NWS will live within final FY 1998 Presidential allowance.	01/15/97 one-time	Charlie Murray - x 1169 Michael House - x2277	02/13/97
	Develop a plan for disestablishing the NOAA Corps.	No Date	Kurt Hahn - x 2447 Rosanne Greene - x4600	Submitted to OMB on 03/10/97.
BXA	Draft seizure and foreiture authority appropriation language.	February	Noemi Neville - x5981 Bob Kugleman - x1900	12/12/96

OFFICE OF BUDGET REPORTS AND STUDIES STATUS SHEET

1997 House Report Issues

Bureau	Subject	Due Date (Freq.)	Status	OB/Bureau Contacts	Date Submitted
NOAA	Report progress of development of revised budget structure	08/15/97 one-time	New budget structure overtaken by "Fixed Assets" requirements by OMB. Need to coordinate this with Hill staff. Probably no action this year. Possible 98 report language subject.	Kurt Hahn - x2447 Pete Olivere - x4635	
	Status of NWS headquarters and support operations restructuring.	11/01/96 one-time	Report submitted to Congress. House and Senate Appro.staffs briefed on 2/14. House Appro. staff requests hold on implementation pending clearance of Chairman. Concerns about Southern Regions headquarters closing by Texas Delegation. Briefing. for House 3/11 & 3/12. Senate Auth. staff also briefed. RIF announced 3/21/97. Buyout authority requested from OMB 3/19/97. Approved by OMB 3/26/97.	Charlie Murray - x 1169 Michael House - x2277	
	Status of possible transfer of FAIRWEATHER to the private sector.	02/01/97 one-time	Submitted to OMB on 2/26/97. Pending 35 days at OMB.	Charlie Murray - x 1169 Michael House - x2277	03/18/97
ITA	Modify EAC structure to include one additional EAC in each region.	10/15/96 one-time OVER-DUE	ITA must ask Congress for another extension. Still in ITA.	Noemi Neville - x5981 Mitch Luxenburg - x3788	

OFFICE OF BUDGET REPORTS AND STUDIES STATUS SHEET

1997 House Report Issues

Bureau	Subject	Due Date (Freq.)	Status	OB/Bureau Contacts	Date Submitted
ITA	Review Canadian lumber producer transportation practices.	05/01/97 one-time	Response being drafted.	Noemi Neville - x5981 Lisa Raisner - x1780	
	Recommended options to promote US company participation in the US-Japan Technology Village Partnership project.	Report due on completion of report.	ITA is preparing the report. Letter sent to Congressman Regula 1/15/98.	Noemi Neville - x5981	

OFFICE OF BUDGET REPORTS AND STUDIES STATUS SHEET

Completed Report Issues

Bureau	Subject	Due Date (Freq.)	OB/Bureau Contacts	Date Submitted
97 Conference				
GA	Staff reductions to be preceeded as required by reprogramming notification. Reduction to be applied to executive direction.	As required.	Cecilia Fletcher - x5988 Tom Jones - x4458	Faxed to Jennifer Miller on 02/25/97
EDA	Reorganize EDA	one-time	Linda Trageser - x5990	11/27/96
MBDA	Submit report on MBDA committment to the Entrepreneurial Technology Apprenticeship Program.	12/1/96 one-time	Michael Tyler - x5980 Rudy Fuentes - x5061	12/6/96
ITA	Submit report in 30 days with State on use and location of facilities upgrades funded with counter-terrorism funds.	10/30/96	Mark Brown - x4648 Noemi Neville - x5981 Mitch Luxenburg - x3788	Sent to State Department and Appropriations Committee 01/9/97.
NOAA	Submit report on completion of the multi-purpose land information system project	08/15/96	Kurt Hahn - x2447 David Belt - x4600	08/15/96
	Provide independent peer review of the NMFS 11/14/94 and subsequent Biological Opinions on sea turtle conservation.	No Date	Linda Trageser - x5990 Chuck Walker - x4482	09/96
97 House				
Census	A plan allocating the cost of the long-form among the federal users of the data.	09/01/96	Doug Allis - x5985 Nancy Potok - 301-457-2473	8/28/96
Census	A plan of a number of questions proposed for elimination and the necessary statutory changes required.	09/01/96	Doug Allis - x5985 Nancy Potok - 301-457-2473	8/28/96
	Plan for streamlining programs and implementing improvements in national economic statistical programs.	11/01/96	Doug Allis - x5985 Nancy Potok - 301-457-2473	12/17/96
	Plan for privatizing and/or eliminating low-priority programs other than the decennial census.	11/01/96	Doug Allis - x5985 Nancy Potok - 301-457-2473	12/17/96
	Plan for expenditure of funding increases (2000) prior to expenditure of such funds.	N/A	Doug Allis - x5985 Nancy Potok - 301-457-2473	12/17/96
NOAA	Report on funds identified and provided to complete MPLIS projects for Orleans Parish and the City of Sulphur.	08/15/96 one-time	Kurt Hahn - x2447 David Belt - x4600	08/15/96
	Operating plan for expenditure of funds based on the Committee's distribution and subsequent report on a quarterly basis on the status of obligations.	01/15/97 one-time	Charlie Murray - x 1169 Michael House - x2277	Sent to Hill on 03/18/97.
	Report on proposal to seek cooperative arrangement with private or academic sector to operate new AGOR-26 vessel.	02/01/97 one-time	Kurt Hahn - x2447	House requirement for report on AGOR-26 superseded by stated Conference intent for NOAA to home port and operate the vessel.

[The prepared statement of Mr. Kammer follows:]

PREPARED STATEMENT OF RAYMOND G. KAMMER, JR.

Mr. Chairman, Members of the Committee, thank you for the opportunity to appear before you today to present highlights of the Department of Commerce's management reforms. The Department of Commerce has been very fortunate in that we have already had two very experienced and effective leaders during the Clinton Administration—the late Secretary Ron Brown and former Secretary Mickey Kantor. Their dedication to the goals and mission of the Department and to promoting American businesses by creating a culture that encourages innovation never wavered. Under their stewardship, the Department has become more streamlined and results-oriented. It is on this foundation of management reform and improvement that Secretary Daley will continue to lead the Department of Commerce.

The President has issued an awesome challenge to us all—do more with less and do it better. This is an on-going challenge—and one we will never complete. Today, I want to talk to you about what we have done so far at the Department of Commerce to improve our performance in a balanced budget world. I would like to start by sharing with you our efforts to reduce costs and work smarter. I will describe our specific strategies and techniques and will end by telling you what we are doing to help restore public confidence in government.

A Commerce Department that Costs Less

Today, Commerce is a reinvention success story. Many of our efforts, such as reducing the workforce and eliminating activities and programs which do not support our core mission, have resulted in a government that costs less. Here are some of our accomplishments.

- *Reducing the Workforce.* In May 1996, former Secretary Kantor set a goal of reducing employment by an additional five percent beyond what both the Congress and this Administration called for. We met that goal in September 1996. We are also pleased to report that since FY 1994 headquarters staff has been reduced by 20 percent and supervisors 18 percent.

  Secretary Daley has set a goal of reducing the number of political employees by 100 from a base of 256 by the end of 1997. With 202 currently on board, we are over halfway to that goal.
- *Terminating Programs.* We look forward to working with the Congress to terminate 17 programs in three of its bureaus in the FY 1998 budget. These programs include two in the International Trade Administration—the National Textile Center and the Tailored Clothing Technology Center; one in the National Telecommunications and Information Administration—the Public Broadcasting Facilities Planning and Construction program; and 13 in the National Oceanic and Atmospheric Administration. Examples of programs eliminated in NOAA are the Regional Climate Centers, the Charleston Fisheries Lab Repairs program, the Alaska Fisheries Center and the New Hampshire Environmental Technology Facility. These terminations will result in an FY 1998 savings of $56,202,000.
- *NOAA Corps.* We are disestablishing the NOAA Corps. This action is expected to provide more efficient and effective service at a lower cost.
- *Finding Other Savings.* Every dollar counts at Commerce, and so we continue to look for ways to find administrative savings. For example, the Department has seen a savings of $57,856 in the last 6 months in its travel fund by taking advantage of frequent flier miles resulting from official trips. We believe these little savings can add up and we believe the taxpayers will agree.

A Commerce Department that Works Better

Today, Commerce works better for its customers because we have: reduced red tape; improved customer service; tapped into emerging technologies for service delivery; and formed alliances and partnerships to better serve the American public. Here are some of our accomplishments.

- *Eliminating Regulations.* During the past 12 months, the Department eliminated two existing regulations for every single new one imposed. This one initiative alone has provided tremendous assistance to the business community. In addition, we have undertaken thorough revisions of key sets of regulations. The Bureau of Export Administration and the Economic Development Administration have totally revised their regulations, and NOAA has eliminated or streamlined 20 percent of its regulations.

- *Creating One Stop Shops.* To better meet our customers' needs the Department, working with the Trade Promotion Coordinating Council, created the Export Assistance "One Stop" Centers to help business people seeking information and guidance on exporting. Historically, business people have had to go to several Federal agencies to get the information and guidance they needed to export goods. These centers provide a single office that brings together in one location information and often staff from Commerce, the Small Business Administration, the Export-Import Bank and State or local agencies. This initiative proved to be such a success that the original four pilot centers have been expanded to 19 located throughout the country.
- *Using Emerging Technologies for Service Delivery.* We are using emerging technologies to make government information readily accessible and easier to find. For example, the National Technical Information Service (NTIS) currently operates *FedWorld*, an on-line system that provides effective and comprehensive access to government information. *FedWorld* connects users to hundreds of agency resources and information—from Federal job opportunities, to automobile emission system repair instructions, to information on starting a small business. NTIS will continue to operate and enhance the system using earned revenues.
- *Easing the Burden on the Business Community.* Besides reducing staff, streamlining operations, and cutting regulations, we have also taken initiatives to ease the burden on the business community. Activities here include: changing export controls on computers and telecommunications equipment, thus eliminating requirements for prior approval on over $32 billion worth of exports; reducing grant processing time across the Department by 25 percent; simplifying forms, encouraging electronic filings, and coordinating data sharing with other statistical agencies to reduce respondent burdens.
- *Core Activities.* The Department has learned several valuable lessons from the business community in its efforts to improve management. These efforts include:

  —*Tri-Agency Convergence Program:* We are working with the Defense Department and NASA to establish a civilian operational environmental polar satellite program that will converge current polar-orbiting satellites. This Tri-Agency (NOAA, DOD, and NASA) effort is designed to integrate the polar-orbiting satellite programs into a more effective and efficient means of providing data to scientists, the maritime industry, and coastal zone managers.

  —*Weather Service Stations:* Weather service modernization is a reinvention in the making. NOAA has closed about 200 National Weather Service field stations for a savings of $273 million over the next 5 years and is realigning its field structure to take advantage of emerging new technologies.

Commerce Strategies and Techniques—Our Toolkit

Our strategies for a Commerce Department that works better and costs less fall into four broad categories: restructuring; reforming Federal procurement; becoming more entrepreneurial; and following private sector best practices in using information technology.

- *Restructuring.* Our efforts have centered on changing the way government operates. We are doing this by creating more flexible, decentralized structures and creating more efficient, performance based organizations.

  —*Decentralized Structures:* In response to the National Performance Review, Commerce shifted significant resources into the field to better serve our customers. In the first quarter of FY 1997, the Minority Business Development Agency headquarters staff were pared back. This reduction-in-force affected 56 headquarters positions. Additionally, two Office of Inspector General field offices have been closed or collocated, and administrative staff at headquarters have also been reduced. The Bureau of Export Administration closed two field offices—Nashua, New Hampshire and Santa Clara, California. The Economic Development Administration has taken efforts to streamline and simplify its management structure, more closely align similar functions, and implement a geographic team-based approach by aligning and integrating field and regional staff. The results of this reorganization are: reduced funding levels, improved operational efficiency, and reduced staffing levels. By the end of FY 1997 EDA will have reduced it staffing level by 28 percent—from a high in FY 1995 of 357 to 256 by the end of FY 1997. The International Trade Administration's U.S. and

Foreign Commercial Service transferred several headquarters staff personnel to the Export Assistance Center field offices.

—*Performance Based Organizations:* The President has labeled the creation of Performance Based Organizations (PBOs) a priority for his second term. Commerce is a key participant in the PBO initiative which is designed to make Federal agencies more flexible and autonomous, and make managers accountable for measurable results. As in a private business, a PBO is designed to delineate clear accountability for operating results. A key PBO characteristic is that the agency is granted considerable administrative and regulatory flexibilities in return for increased measurable performance. We are in the final stages of preparing legislation to convert both the Patent and Trademark Office and the National Oceanic and Atmospheric Administration's seafood inspection program into PBOs, and we are looking at additional PBO opportunities in other bureaus.

- *Reforming Federal Procurement.* Previous efforts for reform were often thwarted by the government's heavily rule-driven acquisition system. The National Performance Review challenged us to make dramatic improvements in our service delivery practices. In response, Commerce is focusing special attention on our acquisition process. Following expensive review of private and public sector acquisition practices, a business process reengineering team proposed dramatic streamlining for the Department's current procedures. Under the new system, empowered project teams responsible for acquisition are formed around program objectives identified through the strategic planning process. Improvements include a more open system of communication with potential contractors, automated listings of contract opportunities in the *Commerce Business Daily,* and shorter cycle times. For example, the cycle time for acquiring computer hardware has been reduced from 12–15 months to less than 6.
- *Becoming More Entrepreneurial.* The Administration believes that competition will spur efficiency, and we at Commerce agree. We have undertaken several efforts to expand competition and improve services. We believe these efforts will ultimately reduce costs to the taxpayer. Some of efforts include the following:

—*Privatizing Weather Services:* NOAA has privatized specialized NOAA weather services. This will result in commercial weather services playing a bigger role in providing information to marine and agriculture users and a savings of $44 million by the year 2002.

—*Creating Franchise Activities:* The Government Management and Reform Act authorized six franchise fund pilots to provide common administrative services on a competitive basis to other government agencies. Commerce is one of the six agencies approved by OMB to participate in the program. As in the private sector, if Commerce's franchise pilots fail to provide excellent products and services, they will be driven out of business. We have two franchise pilot activities currently underway: NOAA's Administrative Service Centers and the Office of the Secretary's Office of Computer Services.

- *Following Private Sector Best Practices.* Under the 1996 Clinger-Cohen Act (previously the Information Technology Management Reform Act), the Department will use the "best" practices of private firms to improve information management technologies. These "best" practices such as reengineering, buying and managing smart, and integrating information ensures that the technology provides a workable solution to real problems at a reasonable cost. Some of our accomplishments here include:

—*Census Web Site:* The Census Bureau moved its information to the World Wide Web to let researchers draw from the vast stores of Census data.

—*Weather Service Modernization:* In FY 1998, the National Weather Service will complete a major facility modernization program. This initiative involves restructuring the duties of its forecasters, using advanced workstations to increase their productivity, and the accuracy and timeliness of weather forecasts. This modernized weather service—which includes doppler radars, automated surface observation systems, Advanced Weather Interactive Processing System (AWIPS), new supercomputers, etc.—will help provide greater advance warnings for tornados, giving communities more time to take appropriate precautions, such as moving children off playgrounds, and giving business and industry more time to protect valuable property and resources.

The tornadoes that destroyed parts of Arkansas, unfortunately and fortunately, provide the perfect example of the importance of timely weather service warnings. A decade ago forecasters weren't able to issue tornado warnings until a twister was actually spotted on the ground. The first warning that a tornado was imminent was issued provided lead times of 18 to 32 minutes in surrounding counties of Little Rock, Arkansas, and 10 to 31 minutes in parts of northern Mississippi and west Tennessee.

—*2000 Decennial Census:* Commerce is reengineering the year 2000 decennial Census by using a simple new machine-readable questionnaire, coupled with sampling techniques to complete the enumeration. Additionally, in cooperation with the private sector, the Census Bureau will market custom tabulations, with copyright protection, of decennial Census data. We project that this venture will yield a revenue of $50 million through the year 2000.

—*Commerce Administrative Management System:* Under the Chief Financial Officer's Act, Commerce began to overhaul its financial management systems, developing a program to link all bureaus around a common accounting system. The Commerce Adminsitrative Management System (CAMS) will replace existing financial and administrative systems, and will provide the Department with an integrated, user-friendly, and flexible financial and administrative system to support program managers, improve productivity, and reduce costs. In August 1996, the Department took delivery of the central part of the system—a new off-the-shelf Core Financial System (CFS). In October, we marked a key milestone in our implementation efforts when the Census Bureau began operating several components of the CFS. NOAA began using a critical component of the CFS in August 1996, and they plan to begin implementing other parts of the CFS in their Washington-based offices this summer. We expect full NOAA-wide implementation by FY 1999.

Rebuilding Public Confidence in Government

We believe that public confidence in government can be rebuilt in two ways. First, we need to show the public that the programs actually accomplish what they are meant to accomplish. This means becoming more accountable and focusing on outcomes. Second, we need to assure the public that there is adequate oversight of their programs.

—*Implementing the Results Act.* We recently received a copy of a February 25 letter from House Speaker Newt Gingrich to OMB Director Frank Raines regarding this year's implementation of the Government Performance and Results Act (GPRA). Among others, the letter was also signed by Senators Trent Lott and Fred Thompson, Chairman of this Committee. I want to assure you that the Department will work with OMB, our stakeholders and Congress, in developing an effective forward-looking Commerce Strategic Plan. We plan to come back here later in the Spring to consult with the Congress on our draft Strategic Plan. This Strategic Plan will give the Department an opportunity to further focus our mission, long-term goals and strategies, and performance measures and to document the benefits they provide for American businesses, communities, and families.

Our work to implement the GPRA began 3 years ago when we began pilot tests under the Act. One of our pilots—NOAA's—was judged to be among the 10 best out of 75 developed government-wide. And 2 years ago we began including initial performance measures in our budget requests. Last year, we developed a draft Strategic Plan which OMB said was among the very best they saw, government-wide.

To assure you of our commitment, I would like to briefly lay out the general structure of the Department's strategic plan. It will include a mission statement and three strategic themes.

The *mission statement* states: "The Department of Commerce promotes job creation, economic growth, sustainable development, and improved living standards for all Americans, by working in partnership with business, universities, communities, and workers."

The *Strategic-Themes* are to:

—Build for the future and promote U.S. competitiveness in the global marketplace, by strengthening and safeguarding the Nations economic infrastructure. We call this the *Economic Infrastructure* theme, and it addresses our trade development and export control programs, much of our economic

and businesses development efforts, weather service activities, and the job-creation results of our technology program.

—Keep America competitive with cutting-edge science and technology and an unrivaled information base. This is the *Science Technology and Information* theme, and it includes the bulk of our technology and scientific programs, our Census and economic data efforts, and our intellectual property programs.

—Provide effective management and stewardship of our Nation's resources and assets to ensure sustainable economic opportunities. This theme is called *Resource Management and Stewardship,* and it includes (but goes beyond) hands-on management of fishery or endangered species resources, and covers areas such as the Federal portion of the radio frequency spectrum, and intellectual property rights.

Further, the plan will contain a comprehensive set of goals and objectives which links these Strategic Themes to the program activities of specific bureaus.

Each year, we will reflect on our Mission Statement, Strategic Themes, and goals and objectives, and determine the program priorities for the year that will enable us to make progress on reaching our goals and objectives. Our seven priority areas for the coming year are:

—aggressive export promotion,
—technology for economic growth,
—expanding opportunity for all Americans and all communities,
—performing the best Census in our Nation's history,
—resource management and environmental stewardship,
—accountability and results-oriented management, and
—building partnerships with America's businesses and communities.

We believe our draft Strategic Plan is a good one because the Mission Statement it is based on, and the three inter-dependent Strategic Themes it includes, provide an effective way to link all of Commerce's programs together. The framework that this linkage establishes, and the ways it will facilitate our increased focus on program performance and results, are GPRA's short-term benefits for Commerce. In the longer run, GPRA will enable the American people to have a clearer understanding of the ways in which Commerce programs measurably help them, every day.

All of Commerce's bureaus have already begun to prepare for the law's full implementation next year. Our programs—trade development, economic and business development, statistical analyses, science and technology—are developing program-specific goals and ways to measure performance against them. Some of these are simple to establish and are already available, such as workload indicators or other output measures. But Commerce and all other agencies are now focusing on the more complex issue of developing *outcome* measures—these tell us the results or impacts of our activities, not just how much of the activity we conducted. This process is complex: there may be factors beyond our control that effect outcomes; it may take years for program results (such as long-term R&D) to be seen; numbers alone might not tell the whole story, or; the information we need simply may not be available. In this year prior to full GPRA implementation, we are inventorying our measures and are determining which additional ones we will need for next year's major GPRA analysis.

- *Working with the Inspector General.* We are fully committed to making our government cost less and work better. In this endeavor, we value the role of the Inspector General in helping us to save money, improve the quality of government services and improve productivity. We consider the Inspector General audit recommendations and appropriate follow up to be an important management tool and are committed to using the audit process to strengthen our programs. In the audit follow up area, we have an effective system in place and report to Congress semiannually on our progress. Here, we believe our track record is good. In our last semiannual, we reported our cooperative effort with the IG as a success—with very few exceptions, the outstanding IG audits were resolved.

We are also working closely with the IG in our management control program, overseeing the Federal Managers' Financial Integrity Act (FMFIA). Last year we reengineered our management control program allowing our operating units to tailor specific strategies for meeting FMFIA requirements. On December 31, 1996, Secretary Kantor was able to report that, with the excep-

> tion of four material weaknesses, reasonable assurance could be provided that the objectives of FMFIA had been achieved. In 1997, we will continue to work closely with the IG to resolve our outstanding material weaknesses and strengthen our management.

I again thank you for this opportunity to share with you a few of our successes and examples of our accomplishments. We are fully prepared to meet the President's challenge to work better and cost less. I believe we have made great strides but know that our greatest work is ahead of us. We look forward to the continuing challenges and opportunities and hope to work closely with you.

Finally, I want you to know that we take very seriously the guidance that we receive from Congress and I've instituted a system to track the status of all Appropriations suggestions and requests. I know your staff has inquired about a number of such directives and I would be pleased to provide a complete report for the hearing record.

Mr. Chairman, this completes my remarks. I will be glad to answer any questions you may have.

Senator BROWNBACK. Thank you, Mr. Kammer. I appreciate the testimony and your statement.

Mr. DeGeorge identified a number of longstanding management problems at the Department of Commerce. He has been there since 1988 and has observed the agency for a long period of time. And I cannot help but comment that hearing his testimony and reading it, and then hearing your testimony and reading it, it looks like we are looking at a different agency. I mean, they do seem to go different, counter ways on this.

Particularly, he notes financial management, information system problems, procurement problems that have been of a longstanding nature. And then, Mr. Kammer, you say here that with very few exceptions, the outstanding IG audits were resolved.

Well, it looks like we have had some longstanding systemic problems. How do you reconcile his testimony with that statement?

Mr. KAMMER. My recollection of our last—we do a quarterly review of unresolved audit issues, and I believe there are only six unresolved issues in the entire Department.

I think that what Mr. DeGeorge was doing was trying to take a step back and make more of a perspective, and there is a piece of information that may help eliminate some of this. The central leadership of the Department of Commerce is funded in something called the general administration appropriation. In the last 2 years, that appropriation has been cut by about 25 percent, and there has had to be a substantial RIF as a result of that, and that has reduced the amount of central analytical capacity that is available to us. And, at least in the current budget environment, I worry a lot about the ability to grow it back.

Senator BROWNBACK. But his testimony is that we have ongoing financial, procurement, information systems problems in the agency, and you heard his testimony; he said this is not a well-run agency.

Mr. KAMMER. In the case of the financial management, we are in the midst of creating a centralized single accounting system. We do have very antiquated accounting systems in the Department right now; some of them are quite unsatisfactory in my opinion. So we have set ourselves the objective of creating something called the Commerce Administrative Management System, and it is on track. We do expect to have it fully implemented before the decennial Census and before the year 2000 computer problem comes to pass.

Indeed, I just hired one of Mr. DeGeorge's senior people to run the project because I wanted to be sure we had the best leadership we could get.

Senator BROWNBACK. His testimony, though, is not of a well-run agency, Mr. Kammer, and I do not mean to put you on the spot about that, but that is clearly what he States in both his written and his oral testimony, and he cites those generalized areas, which are pretty broad—financial, information, and procurement.

Mr. KAMMER. Well, the IG is sort of in the bad news business, if you will. There are a lot of things that are going well in the Department of Commerce, too, in some cases extraordinarily well. With all the vexing problems we have had doing the modernization of the Weather Service, the results are pretty magnificent. The change that I was alluding to on warning time for tornadoes is extraordinary; it has gone from almost no warning—visual sighting—all the way to now we are having experiences all the way up to half an hour. Now, they are not all going to be half an hour, but that is still pretty wonderful. And our standard is to try to get to 11 minutes.

Senator BROWNBACK. But you cannot be satisfied at all with the sort of statements that he made here today regarding the operation, the management and the oversight of the Department of Commerce.

Mr. KAMMER. Some of them come from a philosophical disagreement as well. Mr. DeGeorge feels very strongly that centralized management is the appropriate way to go, especially with respect to procurement, and that was what he was alluding to earlier.

With centralized management come very slow cycle times, a very rule-driven system that sometimes cannot respond to the needs of the programs. With decentralized systems comes the potential for abuse, for people going off in directions and doing things that would drive you crazy if you knew about them.

It is a tradeoff. At the moment, the government is trying very hard to experiment with a less centralized system. I think it is fair for me to—I do not want to speak for Mr. DeGeorge—but I think he would say that that is a mistake, that we would be better off with a centralized system.

Senator BROWNBACK. Well, we can go through some of his statements, but I am perplexed. You basically do not see a management problem of any major scope existing in the Department of Commerce today.

Mr. KAMMER. I would be much happier if we had more centralized analytical capability. The Office of the Secretary, the general administration of the Department of Commerce has been very dramatically reduced in the last few years. That was a decision that was made, and we are doing our best to implement it and give the government and the people the best management we can for the money that is available to us. I can only work with what is there.

Senator BROWNBACK. Yes, but you do not see major management problems existing in the Department of Commerce today?

Mr. KAMMER. Yes, I do. I think the accounting system, if it is left as it currently is, is quite unacceptable, but we are not going leave it as it currently is.

I have a fundamental disagreement with Mr. DeGeorge on procurement. I think that a decentralized system can be made to work with a good enough information system.

Senator BROWNBACK. But the information system, he has a problem with, too.

Mr. KAMMER. That is the accounting system; that will also include the other kinds of management information, and we are working real hard to get it done.

Senator BROWNBACK. Well, let us delve into some of these particulars that he had identified. The Census is obviously at the top of his list from his statements; it has got to be at the top of yours, or near the top of yours, I guess.

Mr. KAMMER. It is at the top, it is at the top.

Senator BROWNBACK. There is concern about people leaving in that particular area, and if decisions are being made in a timely fashion to prepare for that. What are you doing to address his concerns on the Census?

Mr. KAMMER. We have recruited to replace one of the key personnel who is leaving, the career Deputy Director of the Census Bureau. We have recruited who I view as a topflight individual from elsewhere in government to come in and be that deputy, and he will be prepared to tell his bosses when he will be available pretty shortly, but we hope to have him in at the end of March.

It is an interesting phenomenon, and I will speculate a little bit because I have talked with the people out at Census about why so many are leaving. There are many people in the same age group who have done two prior decennial Censuses, and they are now in their mid-60's or early 60's, and they are suddenly looking up and asking, "My God, do I have another Census in me?" "No." "I do not want to do it." And we are just at that point where if you stayed another year, you would be jumping ship if you left. And these are people that this has been their career, and they are very committed to it. So we are suddenly seeing a lot of them walk out the door, and we are going to have to fill those positions quickly with quality people in order to make this Census work.

But I do not think there is any deeper issue than that. They are just sort of the age that they decided not to do yet another Census. When you are in the midst of doing the Census, you work 80-hour weeks, and that last year is just an unbelievably strenuous year.

In terms of making the management decisions, there was a time when I feel that Mr. DeGeorge is correct, that we were pushing a bunch of the decisions off. I think most of them have been made now, and indeed, most of the remaining ones will be announced in the next few days.

There is one decision that is controversial, though, and could become, I think, part of why GAO continues to worry about this as a major issue, and it is certainly why I do. If you were not to go to a sampling approach with the Census, if you were to try to directly enumerate everybody, two bad things would happen. One is that you would probably get a less accurate result. The 1990 Census was the first time in recent history that a Census had ever been run that was less accurate than the previous decennial Census, and it was just because the nature of our society has changed in the ways it has, and there are many people whom you cannot

find and do not want to be found. In addition to that, it would cost more.

But there are people who worry about whether or not sampling is a good idea, and that has been a controversy that has been sort of ongoing. We have been questioned a lot in congressional hearings. Indeed, there is a hearing tomorrow that will have this as one of its central issues.

The GAO worries that if that decision is made at the last minute, if sampling is prohibited, and they do support sampling and, which the IG also supports—that it may not be feasible even to conduct a very good decennial Census. That is a real fundamental issue, and it is why we all would say Census is number one on the hit parade.

Senator BROWNBACK. Let me direct you to NOAA—and I am sure you are going to agree with Mr. DeGeorge and with me and with the GAO and the NPR and any other alphabet you can come up with that we ought to privatize this operation, ought to sell the fleet off and contract out for that service.

Mr. KAMMER. Well, I can agree with parts of it. Abolish the NOAA Corps, yes. And as I mentioned in the midst of my overview of my testimony, when this first started, we were about 425 officers; we are currently at about 300, and what we see happening is converting about 170 of them to NOAA—civilians. If you will, with the rest being retired and their positions filled by civilians. I think we are all on the same page there.

With respect to the fleet, there are three different functions that the fleet fulfills. One of them is research, one of them is mapping and charting of the ocean floor, especially harbors, and the third is estimating fish populations, and these fish populations become the basis for deciding how many fish can be taken in our $25 billion a year fishery that surrounds the United States.

For the first function, research, I think NOAA, the Department, and the IG are all in agreement—and I suspect you are, too—that we can collaborate with universities and rent/lease our time for research. That is a very flexible function.

For mapping and charting, it appears that there is adequate commercial support, bottoms and equipment, to do mapping and charting for the lower 48 States. There are people who profess to be willing to do it, who already have ships. This seems reasonable to us all, and indeed, NOAA is committed to doing an advertisement and seeing what turns up.

It does not appear that there are going to be commercial bidders, although we are more than willing to try, for mapping around Alaska. It is a very adverse environment that requires special, rather expensive ships that are heavy-duty, if you will, and it also requires being out of port for 6 months at a time, which is not very popular either.

If we are able to get people to bid on that, we would be thrilled; we have no problem with it. NOAA says there will not be bids, that they have talked enough with the industry, and they do not think there will be, and that they have to plan accordingly. My view is let us try it; let us do the advertisements, run the experiment and see what happens. And NOAA is in accord with that.

The third function, which is fisheries population counting, is a very odd, specialized kind of function. There are certain kinds of nets that have to be dragged behind vessels that are traveling at a certain rate of speed and creating certain known characteristics in the water so they are not scaring the fish away in order to do a statistically significant population estimate. And this has to be done just at the time when normal fishermen would be preparing their vessels to take that fish, because you go out and sample the population just ahead of the fishing—naturally, that makes sense. So the kinds of vessels that might possibly be available are otherwise engaged—or so I am advised by NOAA. And I am in the process of analyzing that. They have submitted that to me, and I have just given you kind of a thumbnail sketch of what they wrote. And I am in the process of thinking it through and trying to put it through some plausibility tests.

So yes on research, yes on most mapping and charting, maybe yes on all of it if we can get people to bid; and I am not sure what the right answer is yet on fisheries vessels. But that does not mean we have to have a uniformed corps to operate them.

Senator BROWNBACK. Or that we are going to need 18 ships, or I guess——

Mr. KAMMER. No.

Senator BROWNBACK [continuing]. We lost the one in port. Did we really lose a ship at port?

Mr. KAMMER. Yes, sir. It was taken over from the Navy, and it appears that it was not particularly rigorously maintained once the prior owners knew that they had no future for it; it was a surplus ship to them. And when it was towed to another port to be assessed, to see what work had to be done and the like, it took on water and went to the bottom. They brought it back.

Senator BROWNBACK. It does not endear much confidence when you——

Mr. KAMMER. I pretty well decided not to go on that boat. I do not think you will get many on that one.

Senator BROWNBACK. So there is a chance that you will work with us on decommissioning the entire fleet, but you have questions about mapping and charting around Alaska and the fisheries population.

Mr. KAMMER. Yes, sir.

Senator BROWNBACK. You are going to look at that——

Mr. KAMMER. Yes, sir.

Senator BROWNBACK [continuing]. Because you are basically left standing alone on this one now. I mean, as far as IG, congressional statements, GAO, and National Performance Review have all suggested that we move forward on decommissioning this fleet.

Mr. KAMMER. The NOAA folks who operate the vessels and are responsible for the fisheries estimation also, of course, have a point of view. They do not really care whether we own them or not; their concern is getting the information and getting it at the right time. And if they can get it by renting, that is fine, not a problem.

Senator BROWNBACK. I am just reminded that NOAA's proposal is to invest in more ships, though. I believe they are asking for an additional six ships.

Mr. KAMMER. They have come forward with a variety of proposals, as a matter of fact. The view that I just gave you is the result of discussions that I have had with the senior leadership of the agency and suggesting that maybe there was a better way to go, and they are in agreement with me now.

Senator BROWNBACK. About not asking for additional ships?

Mr. KAMMER. They estimate that they need the work of six vessels for fisheries, but they do not now claim that they have to own them. That is what we need to determine.

Senator BROWNBACK. All right. I think this is one we have got to resolve this year.

Mr. KAMMER. It is pretty interesting.

Senator BROWNBACK. I have statements here that I could read to you from the appropriators from the Senate and from the House saying, look, we have got to do this. Your IG has been on you for a long time. This one seems pretty clear, and I would hope we could get this one resolved.

I want to look with you quickly, if I could, at SBA/Minority Business Development Agency and their consolidation of those two functions. Where is the Department on working together with SBA in consolidating those two areas?

Mr. KAMMER. We have had discussions with SBA. Indeed, the leader of MBDA is meeting the new leader of SBA this week sometime. There has not been agreement by the administration that consolidating the two programs was a good idea. There has been agreement that we will work to avoid duplication. There has been strong policy support in the past for maintaining MBDA as a separate operation simply because it does focus uniquely on minority business development, unlike everyone else, who has other missions. Those discussions have yielded a report that was requested by the House Appropriations Committee and is one of the ones called out in the attachment to your letter inviting me here. And we have submitted that report to the Appropriations Committee.

Senator BROWNBACK. So there has been no proposal to consolidate SBA and its 8(a) program on minority procurement with MBDA?

Mr. KAMMER. Right; not by the administration. And at least as I have understood it so far, neither has there been by the appropriations committees. They have simply asked us: Is there duplication? Show me that there is not.

Senator BROWNBACK. Overall, there have been other GAO studies that have been critical of redundancies that exist in the Department of Commerce. Let me in particular point to the trade development area, where there have been 19 different trade development programs within the Federal Government in one place or another. What is Commerce doing to deal with these issues of redundancies through the Federal Government? It seems as if you have a particularly high number of programs that are duplicated somewhere else in the Federal Government—if not in complete duplication, at least the circles overlap quite a little bit between what you and other agencies are doing.

Surely, you have got to be focusing on getting at those so we can get more yield for the taxpayers' hard-earned dollars.

Mr. KAMMER. The Secretary of Commerce, Secretary Daley, is chairman of the Trade Promotion Coordinating Committee, and there are 19 members of that committee which represent all of the major trade entities in the government. Through that, Secretary Ron Brown, Secretary Kantor, and now Secretary Daley are able to reach out to the other agencies, and they have had some real successes. I think probably the single most interesting one to me is they have been able to identify kind of trade-distorting package deals that other countries sometimes offer—if you buy airplanes from us, we will give you very cheap financing—and they have been able to back off quite a few other countries from doing that. In fact, the number for last year was $5 billion worth of package deal subsidies that they were able to back off. They have liberalized export controls, which is obviously an interagency issue where the interests of national security have to play against our interest in selling products, and they have actually been able to ease controls on exports amounting to about $42 billion.

Senator BROWNBACK. That group has had an impact on policy within the administration——

Mr. KAMMER. Yes. It is a big deal.

Senator BROWNBACK [continuing]. And I am familiar with that group. But what has happened as far as consolidating some of these pieces within the Federal Government so that we do not have 19 entities that are playing in the trade field?

Mr. KAMMER. Each of the entities has its own following. I think this is an issue that the Department has been very open to discussing, historically. But you find that within each of the entities, there is a reason, there is a history, and there are people who feel very strongly about it.

Through the TPCC, at least we can try to keep the policy message on the same page, and I think they have been successful. From a management point of view, I think the Department of Agriculture, for instance, has a very large trade program, and they feel very strongly that it needs to remain with the Department of Agriculture. One would never imagine Agriculture driving the trade policy of the country; on the other hand, they do sell a heck of a lot of agricultural products overseas.

So that you do come to reasons that make sense when you look into it.

Senator BROWNBACK. But 19 does not seem to make sense with that many, particularly when we are so tight on budgets.

Mr. KAMMER. Well, I am not the expert on it, but the experts do get together, and when they do, they seem to agree that this is a good way to go.

Senator BROWNBACK. But the agency itself, the Department of Commerce, is open to consolidation discussions on that, so——

Mr. KAMMER. Of course we would be.

Senator BROWNBACK [continuing]. Maybe you would not have to do so much negotiating internally in the administration and could do more negotiating externally with the other folks on the other side.

You have been very patient and very kind with your time with us today. We have cited and the IG has cited a number of really tough management problems that he says are systemic and have

been ongoing for some period of time within the agency. You have some quarrel with that, saying that, well, we are reducing some of the employment too much, as I understand.

Now, the figures that I see show that you have a considerable number of managers at the Department of Commerce, and you correct me if these figures are wrong—that 54 percent of Commerce's employees are GS–12 or higher, whereas the Federal Government averages about 36.5 percent, and that has actually increased since 1992, when your percentage was 46 percent. It looks like you have a lot of managers.

Mr. KAMMER. Well, we have a lot of specialists. For instance, at NIST, there are almost 900 Ph.D.s, very few of whom I would advise you to have as managers, but they are good scientists, and that is what you have to pay to get a good scientist.

In the Census Bureau, we have many economists, and in the Bureau of Economic Analysis, we have many economists; they all have advanced degrees, and again, we have to pay.

A lot of our grade structure is driven not so much by management as it is by having to pay specialist categories. Since 1994, my understanding is that the total number of supervisors has gone down 18 percent in the Department.

Senator BROWNBACK. Now, you are going to reduce your political appointees 100, from a base of 256——

Mr. KAMMER. To 156.

Senator BROWNBACK [continuing]. To 156.

Mr. KAMMER. We currently have about 202 on board.

Senator BROWNBACK. You are already at 202. I believe you were at 202 when Secretary Daley took over.

Mr. KAMMER. Pretty close. It was a number very near that, maybe 206, but yes.

Senator BROWNBACK. So that actually, you will just be removing 50 people who are currently in positions, not 100. I remember looking at that number, and you actually have more political appointees, though, than the Department of Transportation and higher than the average throughout the administration. So you ought to have plenty of managers there, apparently, to take care of what have been a lot of management problems.

Mr. KAMMER. The focus of the political appointees—most people come to Washington to do policy, not to do management. And it has been my experience that it is exceedingly hard to get our political officers to focus on management. I believe Secretary Daley will be an almost unique exception to that. When I was calling out the seven priorities that Secretary Daley has identified, one of them is management and accountability; those came right from him as he walked in the door. I know he has a strong focus. The IG was alluding earlier to Deputy Secretaries often having a policy focus as well, wanting to look outside the Department. Secretary Daley has sort of recited the criteria he has in mind for a Deputy Secretary, and what he wants is someone who is far less interested in policy and far more interested in management and willing to focus internally. And we are all looking forward to that.

Senator BROWNBACK. Well, I would suggest that that would be a good place to be looking, because with that kind of IG's report that is there—and it has been there for a number of years, that

same sort of report, Republican and Democrat administrations alike—it just looks like this agency has had a lot of longstanding management problems. I would hope that you would focus and get right at those issues.

Mr. KAMMER. I must point out, though, that IGs all over the United States are in the bad news business; they do not write happy talk.

Senator BROWNBACK. I recognize that, but that is an awfully condemning evaluation that he has put forward here, and you can look at GAO studies on the agency and others. So I do hope you will get at those particular issues, and we can move forward together in solving some of those.

Mr. Kammer, we will be submitting some questions to you in writing, if you will allow us that opportunity, and if you would like to clarify any of your statements here today in writing, we would be happy to receive those as well.

In budget submissions, you are asking for additional resources this upcoming year; is that correct?

Mr. KAMMER. Yes, sir; it is for the 13 percent increases. There are three major things. In fact, almost entirely what it is is the growth for the Census, which is very important, and $312 million of the increase is for two Census items. One is the decennial Census, and that is about $278 million; the remainder is for what are called the quinquennial Censuses, which are the Censuses that provide the basis for the Gross Domestic Product estimates, so those are critical also.

There is about $78 million in NOAA, mostly for weather modernization, and there is about $112 million in NIST, $28 million of which is for taking financial responsibility for manufacturing extension partnership facilities that were created under a Department of Defense program and have been transferred to the Department of Commerce, and the remainder, about $75 million—$50 million—is for an increase in the advanced technology program.

We are pretty flat other than that—puts and takes of a million here and there—so the overwhelming influence is the Census, of course, as you would expect.

Senator BROWNBACK. As I have it, that is a 13 percent increase over the 1996 budget.

Mr. KAMMER. We were at about $3.6 billion in 1996. That sounds about right.

Senator BROWNBACK. OK.

Thank you very much, Mr. Kammer, for your time and your preparation of the testimony and for taking our questions, and we will submit some more in writing.

Thank you very much. The hearing is adjourned.

[Whereupon, at 3:07 p.m., the Subcommittee was adjourned.]

APPENDIX

LETTER FROM RAYMOND G. KAMMER, JR. TO SENATOR BROWNBACK

U.S. DEPARTMENT OF COMMERCE
April 30, 1997

The Hon. Sam Brownback, *Chairman,*
Subcommittee on the Oversight of Government
Management, Restructuring and the District of Columbia
Committee on Governmental Affairs
U.S. Senate
Washington, D.C. 20510-6250

DEAR MR. CHAIRMAN: Thank you for your recent letter regarding the changes made to the uncorrected transcript from the March 10 hearing at which I testified. I viewed the edits we made as "minor clarifying changes," not as an important change in context.

However, let me make clear our plans. The Administration will soon submit a plan and implementing legislation to disestablish the National Oceanic and Atmospheric Administration (NOAA) Corps of Commissioned Officers. Since 1994, the Corps has been reduced by 25 percent, from 415 officers to the 299 positions authorized in the Department's FY 1997 Appropriations Act. There are currently 299 officers on-board. These reductions are but a part of the overall NOAA streamlining plan which has reduced the FTE levels in the agency from 14,309 in FY 1993 to 13,244 this year. The President's FY 1998 budget proposes a further reduction to 13,023.

The legislation will terminate the uniformed service Corps, provide for the retirement of those eligible to do so, and enable the conversion to civilian employment of those current officers not eligible to retire (those with less than 15 years of service). There are approximately 170 officers in this latter category. That is the number referred to in my testimony—the paragraph on page 58 referenced in your letter.

My edit was intended to make clear that there will be a number of vacancies in the agency then existent—all within the agency's budget and personnel ceiling. These critical vacancies will include pilots, hydrographers, fisheries biologists, and hazardous materials response specialists. NOAA intends to fill these critical vacancies; retired Corps Officers would be eligible to apply for the vacancies as would other eligible applicants. It is feasible, therefore, that some vacancies would be filled by retired NOAA Corps Officers. We have no idea at this time how many that would be. But the Department has no intention of maintaining a Corps—no longer commissioned "of more than 170 positions and potentially as many as 425" as referenced in your letter.

The current on-board count in the NOAA Corps is 299. For FY 1998, the NOAA request of 13,023 FTE is for all of NOAA. The assumption is that in FY 1998, there will be no distinction between former Commissioned Corps FTE and other NOAA FTE. Although the FY 1999 process is just beginning, NOAA plans to reduce its workforce by 12 percent from 1993 levels. The FTE planning ceiling is 12,623, which again assumes nothing specific for the Corps.

I hope this clarifies the matter and reassures you about our intent. Alan Balutis, the Department's Director for Budget, Management and Information, is available to meet with your staff if any further clarification is necessary. He may be reached at (202) 482-3490.

Sincerely,

RAYMOND G. KAMMER, JR.
Acting Chief Financial Officer and
Assistant Secretary for Administration

QUESTIONS FOR THE DEPARTMENT OF COMMERCE FROM SENATOR BROWNBACK

Q: What do you know about a ship in NOAA's fleet sinking recently?

A: The *Halcyon,* a 60-foot twin-hulled swath vessel, is a "small craft" that NOAA acquired from the Savannah District of the U.S. Army Corps of Engineers in 1996. There was no direct cost for the vessel, and its intended use was to support the Great Lakes Environmental Research Laboratory based on Ann Arbor, Michigan. The NOAA Corps sailed the *Halcyon* from Savannah, Georgia, to Norfolk, Virginia, where the craft spent 2 months being prepared for its upcoming trip through the Great Lakes. The vessel later made a scheduled repair stop in Monroe, Michigan, for additional repairs and modifications to its hydraulic stabilization system. The vessel's new civilian crew then sailed the vessel to Muskegon, Michigan, and began winterizing it for expected freezes. The *Halcyon* was found dockside sinking by her stern early on the morning of December 2, 1996.

NOAA has not yet released its final report on the cause of the *Halcyon's* sinking, though the U.S. Coast Guard reported that the sinking was caused by a combination of human errors and vessel flaws. According to the Coast Guard investigation report, contributing factors included several small fractures and an improper weld below the waterline, the forward ballast tanks having been pumped empty, several 55-gallon drums placed on the stern, bilge overboard connections not properly tightened, unfavorable wave/weather action, unsecured watertight inner hatch covers, and missing stuffing around cable and piping penetrations in bulkheads.

Q: How many ships are in the NOAA fleet?

A: NOAA owns about 26 ships. However, since NOAA decommissioned four ships in fiscal years 1989 and 1990, it has never allocated days-at-sea to its prograins on more than 18 of its ships in any given fiscal year. With additional decommissioning at the end of fiscal years 1995 and 1996 in conjunction with the recent additions of the *Ronald Brown* and *Ka'imimoana* to the fleet, NOAA has allocated days-at-sea to 15 vessels in fiscal years 1996 and 1997.

QUESTIONS AND RESPONSES SUBMITTED TO RAYMOND KAMMER, JR.

Question 1: Aside from nautical charting, which Mr. Kammer indicated could be contracted in the lower 48 states, there are other mapping, charting and geodesy activities in NOAA that are commercial in nature and are candidates for contracting to the private sector. Does NOAA agree that increased contracting can occur in aerial photography, geodetic field surveys, photogrammetry, GIS services and satellite image processing and value added services?

Answer: NOAA's policy is to contract for mapping, surveying and geodesy services when qualified commercial sources exist, and when such contracts are the most cost effective method of conducting these functions. NOAA recognizes that qualified commercial sources can provide competent, professional, cost effective surveying and mapping services. NOAA already contracts with commercial sources for many of these services. We intend to increase the availability of funds necessary for contracting, however, funding levels are dependent upon annual appropriations and reimbursable funds provided by other agencies.

Question 2: NOAA has used the Army Corps of Engineers as a contract manager for mapping related work. Its experience has been that the Corps can select contractors, negotiate contracts and deploy contractors considerably faster than NOAA. Does NOAA intend to continue to utilize this service of the Corps? If so, how much will the Corps be used versus NOAA's own contracting? What strategy does NOAA have on using the Corps contracting capability?

Answer: In the past, NOAA's National Geodetic Survey has used the Army Corps of Engineers (Corps) as a contract manager for some types of mapping related work due to the Corps' authority to use "Brooks Act" procedures. The Brooks Act enables the government to contract for surveying and mapping services on the basis of demonstrated competence and qualifications for the type of professional services required, and at fair and reasonable prices. Surveying and mapping services are of a highly technical nature, and it is critical that all activities, from collection through compilation be performed to high standards of accuracy and quality control to meet the NOAA mission of accurate, reliable products.

In general, it is NOAA policy to award contracts for surveying and mapping services in accordance with the Brooks Act. NOAA was provided temporary authority to use the Brooks Act in FY 96 and FY 97, and is currently seeking permanent authority. Under this temporary authority, NOAA's Coast Survey is currently soliciting proposals for three hydrographic survey contracts in the Gulf of Mexico.

If permanent Brooks Act authority is enacted, NOAA will re-evaluate using the Corps as a contract manager for some types of mapping related work performed for the National Geodetic Survey. NOAA may, however, determine to continue the Corps' use as a contract manager, as the Corps has proven to be a cost effective and timely method for NOAA to procure these types of highly specialized services.

Question 3: In your testimony, you indicated that of nearly 300 on board today, only approximately 170 NOAA officers will be converted to civilian status next year. How will the reduction of approximately 130 NOAA Corps members be achieved next year? Given this projected reduction in Corps size, how many ships does NOAA anticipate decommissioning next year?

Answer: Since FY 1994, the Corps' streamlining efforts have reduced the number of officers by approximately 25 percent and the Corps is on target to be at or below the current fiscal year-end authorized strength of 299 positions. The Corps performs services essential to NOAA's mission which must continue to be performed after disestablishment. To meet this need, NOAA will: (1) offer approximately 170 officers ineligible to retire the opportunity to convert to civilian NOAA positions that perform such functions; and (2) recruit civilians, who may include some of the retired Corps officers, for essential positions which are not filled by the converted officers.

The disestablishment of the NOAA Corps and the number of ships to be operated by NOAA in the future are not directly correlated. NOAA's Fleet Replacement and Modernization plan carefully considers the appropriate mix of government-owned versus leased or chartered vessels and the best means for operating the NOAA fleet. The fleet's size reflects NOAA's data collection and research needs and the cost effectiveness of the alternatives for meeting these needs. As a consequence, NOAA has decommissioned 10 vessels over the last several years and maintains a 15 vessel fleet. At this time, no further decommissionings are anticipated during the next 3 years.

Question 4: In your testimony, you pointed out that this year's budget included 17 program terminations totaling $56 million. Could you provide a list of these programs, including the 1996 funding level for each?

Answer: The Commerce Program Termination list was revised after the hearing to correct an error in the dollar value of the programs terminated. The revised total value of the 17 program terminations is $61.202 million. A list of the specific programs is provided below.

Commerce Program Terminations

($ in Thousands)

	1996 Appropriations	1997 Amount
ITA:		
National Textile Center (NTC)	$7,000	$7,000
Tailored Clothing Technology Center (TC2)	3,000	3,000
NOAA:		
Hawaii Stock Management Plan	500	500
Bluefish/Striped Bass	0	785
Gulf of Mexico Mariculture	0	300
Fishery Observer Training	417	417
Hawaiian Fisheries Development	750	750
Regional Climate Centers	2,000	2,000
Honolulu Fish Lab	500	2,000
Alaska Fisheries Center	0	6,000
Charleston Fisheries Lab Repairs	0	5,000
Pribiloff Islands Cleanup	10,000	5,000
Newport Marine Science Center	500	3,500
National Estuarine Research Reserve	0	1,000
New Hampshire Environmental Technology Facility	0	8,500
Fishing Vessel and Gear Damage Compensation Fund	250	200
NTIA:		
Public Broadcasting Facilities Planning and Construction (PBFPC)	15,500	15,250
Total Program Terminations	$40,417	$61,202

Question 5: In your testimony, you stated that senior Department management has abandoned NOAA's plans to invest $6 million in designing new vessels which

would compete with private sector surveyors. Has NOAA been notified of the Department's decision on this matter and will NOAA's FY 1998 budget request be revised to reflect this change?

Answer: The FY 1998 NOAA budget includes $11.8 million for Fleet Maintenance and Planning. Included in this amount is $2.1 million for design of intermediate endurance fisheries research vessels. These designs would be used by either a contractor or NOAA to construct vessels to meet data collection requirements. The determination on how to proceed would be based on cost effectiveness and programmatic efficiency studies that will be conducted in the future. This does not represent a change in policy, and NOAA is fully cognizant and supportive of this approach.

Question 6: The CFO Act of 1990 directs Chief Financial Officers to provide policy guidance and oversight of agency financial management personnel and operations. Yet in testimony before the Subcommittee, Mr. DeGeorge stated "there is little departmental leadership or oversight in the Department's key administrative areas. Indeed, much of the Department's oversight capability has been deliberately dismantled." What measures has the Department taken or will take to address these deficiencies?

Answer: The Department's CFO does provide policy guidelines and oversight of agency financial management personnel and operations and has issued detailed financial management handbooks providing guidance on accounting, credit and debt management, and cash management. The Department also has been working closely with bureau financial management personnel to provide policy guidance and assistance in preparing audit action plans to resolve financial statement audit findings and implement audit recommendations. We provide ongoing assistance at the bureau level in correcting problem areas and will continue this close working relationship while maintaining our focus on audited financial statements.

With regard to Mr. DeGeorge's comments, the Department has provided a number of delegations to our bureaus in key administrative areas. These delegations were done in keeping with the administration's NPR initiative to reduce unnecessary controls and empower the frontline workers. We have not, however, delegated our leadership or oversight roles. Quite to the contrary, we have undertaken a number of initiatives to strengthen the Department's oversight efforts in key administrative areas. One such example is in the procurement arena. In 1994, we re-engineered our policy and oversight functions. We developed a strategic plan for the Commerce acquisition community and have been working to identify areas where our procurement managers need assistance to improve the effectiveness and efficiency of their operations. By partnering with our operating units up-front in the acquisition process, we assist them in acquiring their goods and services, while complying with applicable regulations, policies and procedures and meeting socioeconomic goals.

To replace our procurement management reviews, we developed the Performance Measurement Assessment Tool (PMAT). The new PMAT is done annually, makes better use of our resources, and is much more effective. Our PMAT methodology has been endorsed by the President's Management Council and is being used by a number of Federal agencies.

Question 7: Before the Subcommittee, the Inspector General stated that "The overviews [of the Department of Commerce's FY 1996 financial statements] provide a variety of information; however, many portions contain misleading or inaccurate information. We found that many performance measures were not directly relevant to a bureau's activities, did not consistently portray a clear picture of the outcomes of activities, and did not include benchmarks to allow the reader to compare statistics and evaluate the results achieved by the bureau." What measures have been or will be taken to address these concerns raised by the Inspector General?

Answer: Each bureau in Commerce develops its own performance measures under the CFO Act and GMRA requirements. These measures must meet bureau standards for relevance and appropriateness. However, both the bureaus and the Department acknowledge that performance measurement is a new science for many programs, and many agencies with long experience at performance measurement have found that several years' cycles are required to develop and implement an optimum set of measures and data.

The performance measures used in the FY 1996 financial statements will evolve as our bureaus learn what is most meaningful and relevant, yet is still measurable. Our bureaus and the Department have agreed that it is best to use a single set of measures for both GPRA and CFO Act requirements. GPRA requires performance plans beginning with FY 1999. Commerce will submit its plan in September 1997, as part of the FY 1999 budget cycle. We are and will be working with the bureaus to improve these measures. The refinement of relevant outcomes will continue as our bureaus track and review their performance measures for FY 1999. By March 2000, Commerce will report on program performance for FY 1999, the first year of

the annual reporting requirement of GPRA. As the bureaus come closer to implementing final measures, comparative benchmarks will be sought and used where applicable.

Question 8: In your testimony, you stated "since 1994, headquarters staff has been reduced by 20 percent and supervisors by 18 percent." Please provide the Subcommittee with an explanation of how, for the purposes of this analysis, supervisors are defined, and the actual number of headquarters staff and supervisors for 1994 and 1997.

Answer: The definition of supervisors used for our analysis is as follows: "Employees, including any SES identified as a supervisor or manager in FPM letter 298–46 (dated October 26, 1993) and reported in Central Personnel Data File codes 1, 2, or 3." This is the definition, developed by the National Performance Review and the Office of Management and Budget, which agencies were instructed to use for streamlining purposes. Our actual number of supervisors in September 1994 was 4,643; for March 1997, this figure is 3,765 (a 19 percent decrease).

In 1996, we reported a figure of 3,647 for headquarters staff—representing a 20 percent reduction from the 1994 baseline figure of 4,550. We do not have a headquarters staff figure for 1997 to report to you at this time. Because the headquarters staff definition provided by the NPR and OMB is complex and not tied directly to a geographical location (such as Washington, D.C.), we do not have the capability to produce the headquarters staff figure quickly through our automated information systems. (For example, one criterion is that employees be located in "organizations where more than 25 percent of the work of the organization is involved in management or direct support functions.") To obtain the headquarters staff number for the Department, we must request each operating unit to compile the figure and provide it to us. In the very near future, we plan to issue a call to our operating units requesting these data. We expect our analysis to show an even larger decrease since 1994 because our Minority Business Development Agency earlier this year reduced its headquarters staff and the National Weather Service plans a significant reduction of their headquarters staff. When we have our data for 1997, we will provide it to the Subcommittee.

Question 9: In what year did NOAA discontinue performing specialized aviation, marine and agricultural weather forecasts?

Answer: All specialized forecasts or services provided at the local level for special events were discontinued in 1996.

All marine products prepared today relate directly to the National Weather Service (NWS) mission of safety to life and property and to the fulfillment of the U.S. obligations under the International Convention for Safety of Life at Sea. With regard to marine warnings and forecasts to ships at sea, an appeal was made to the private sector to develop a plan to assume the responsibility of disseminating these specialized forecasts. Since no such plan came forward and because of the critical requirement for weather information to support operations of its cutter fleet, in FY 1996, the U.S. Coast Guard assumed the costs of transmitting charts from the NWS to U.S. Coast Guard marine weather facsimile broadcast stations.

Specialized agricultural weather forecasts were discontinued in 1996. The private sector has been given the opportunity to expand its "value-added" services to growers; however, many growers have not opted to purchase those services (e.g., in the recent Florida freeze, most growers who suffered heavy losses said they could not afford to pay for private weather services). Some information such as minimum/maximum temperatures, winds, frost/freeze warning remain as NWS-provided services as part of its basic public warning and forecast programs. However, the more detailed humidity forecasts may not be readily available.

Specialized aviation forecasts were also discontinued in 1996.

Question 10: Congress has repeatedly directed the Department of Commerce to seeks ways to downsize and reduce costs through privatization. Apart from discontinuing specialized aviation, marine and agricultural weather forecasts in competition with private industry, what additional privatizations have been undertaken?

Answer: Rather than pursuing additional privatization efforts beyond those involving specialized aviation, marine and agricultural weather forecasts, the Department is seeking to convert some operations into performance based organizations (PBOs). A PBO is designed to achieve clear accountability for operating results using the best of business practices. Our PBO initiative will reinvent operations at two bureaus into more flexible and autonomous units and make managers accountable for measurable results. The status of our efforts for Commerce's two PBO candidates is:

- *Patent and Trademark Office.* The revised strategy for this PBO is the immediate transitioning to an interim PBO through reorganization. A reprogramming package has been submitted to our Appropriations Committee to reorganize PTO operations and functions. Final conversion to a full fledged PBO will be accomplished through passage of a new legislative package which will provide the requisite legislative flexibilities.
- *NOAA's Seafood Inspection Program.* Revised legislation to convert the seafood inspection activity into a PBO has been drafted and will be submitted to OMB in early April 1997. A draft prospectus, spelling out the seafood inspection service's business plan and rationale for why they believe the PBO can operate successfully, has been prepared and shared with representatives of industry, consumers and employees.

Question 11: The National Technical Information Service produces a product called *World News Connection* which competes with products produced by private concerns. Because revenues for *World News Connection* do not cover development or translation costs or overhead such as rent, equipment and personnel, this product benefits from a Federal subsidy. Does the Department plan on continuing *World News Connection? How much of the total cost of producing World News Connection*, including development, translation and overhead, does the NTIS recover in sales of the product?

Answer: The information made available through the *World News Connection* is collected and translated by the intelligence community to aid Federal policymakers. This information is often important for exporting, investment, and other private sector activities which the Department of Commerce serves. Therefore, to further the Commerce Department's mission, NTIS has distributed this information in paper form for more than 25 years. We are not aware that these daily reports were ever viewed as a competitor with private sector products. Indeed, if any information product of the depth and scope of the daily reports had existed from the private sector, the government would not have had to collect and translate it independently.

The intelligence community has decided that, because of printing costs and changes or securing copyright law, it could no longer make the product available to the public in printed format. NTIS agreed to convert it to electronic format and secure the necessary business agreements with the several thousand foreign sources to allow continued distribution to the public. This meant that an important product that is compiled and translated by the intelligence community at considerable expense, could continue to be made available to the taxpayers with no additional tax dollars.

NTIS receives no annual appropriated funds with which to subsidize the *World News Connection* or any other product or service. It has to operate on a self-sufficient basis. It is recovering all of the operating costs associated with this product. NTIS bears no costs associated with translation. Most of the material is acquired in English or has been translated by the intelligence community. Opportunities are available for commercial sub-leases of the data stream for repackaging and distribution in niche markets.

Question 12: The Inspector General has questioned "from an overall efficiency and effectiveness perspective" whether the Department of Commerce should begin franchising its services to other government agencies. The IG notes that "the Department and the ASCs already have difficulty delivering administrative services to Commerce clients in a cost-effective manner and that many changes are needed to streamline and improve ASC services. Similarly, their antiquated accounting and financial systems would make effective franchise operations difficult." In light of this assessment, why is the Department still proceeding with its franchising pilots?

Answer: The Administrative Support Centers have played and will continue to play a vital role in helping the Department contain administrative overhead costs. As the Administration and Congress increasingly look to Federal agencies to pare back costs and staff, operations such as the Administrative Support Centers will play a critical role in ensuring the ability of the agency to fulfill its mission.

We believe it to be in the best interests of the Department to fully support the Administrative Support Centers in their endeavors as a franchise operation. The Department of Commerce is one of the agencies approved to establish a pilot Franchise Fund as authorized by the Government Management and Reform Act of 1994 (P.L. 103–356). In March 1995, Secretary Brown submitted a proposal to the Director of OMB asking that Commerce's Administrative Support Centers be included under the Franchise Fund Pilot Program. Commerce's application was endorsed by the Chair and Ranking Member of the Appropriations Committees and the Senate Governmental Affairs and the House Government Reform and Oversight Commit-

tees, and on May 20, 1996, Commerce was designated a Franchise Fund pilot agency.

We have made a commitment to the Chief Financial Officers Council, the Administration, and these Congressional committees to participate in the Franchise Fund. We will proceed cautiously, and feel that built-in control and guidance mechanisms of the franchise fund will provide the necessary structure. The tenets and policies of the Federal franchise principle indeed go a long way toward responding to many of your concerns and will likewise serve as a solid base from which to revitalize the organization.

Question 13: Please provide to the Subcommittee the number of employees dedicated to legislative and governmental affairs, computers and information resource management, budget and financial management and personnel management for each Department of Commerce agency.

Answer: Please see the figures provided below.

Operating Unit	Legislative and Governmental Affairs	Computers and Information Resource Management *	Budget and Finance	Personnel Management
Office of the Secretary	24	67	57	62
Office of the Inspector General	0	4	2	4
Economics and Statistics Administration	1	2	1	0
Bureau of the Census	0	940	134	120
Bureau of Economic Analysis	0	50	0	0
Bureau of Export Administration	0	13	4	0
Economic Development Administration	0	10	3	0
International Trade Administration	5	34	34	40
Minority Business Development Agency	1	1	4	0
National Oceanic and Atmospheric Administration	40	981	338	176
National Telecommunications and Information Administration	0	32	4	0
Patent and Trademark Office	36	200	53	84
Technology Administration	0	0	0	0
National Institute of Standards and Technology	0	176	86	43
National Technical Information Service	2	46	32	0
Total	109	2,556	752	529

*There are no distinct occupational series attributed to information resource management, these figures reflect employees in occupational series for computers.

Question 14: What is the current projection for the total cost of the Commerce Administrative Management System including all in-house and pre-development costs, and when is it projected to be completed?

Answer: The Commerce Administrative Management System (CAMS) program is an outgrowth of a Department-wide effort to acquire and implement a standard Core Financial System (CFS) for use by all the Department's bureaus and agencies. Over time, the scope of the CAMS program has grown significantly to include other requirements for procurement, travel, budget formulation, personal property, real property, grants, bankcards, sales order entry, inventory, and labor cost reporting. As a result, the cost estimates for CAMS have also increased.

The Department is now facing the Year 2000 with many of its existing financial systems incapable of handling Year 2000 processing requirements. This has caused the Department to reassess the CAMS program, and to focus attention on Year 2000 issues. To address the Year 2000 problems with the existing financial systems, the Department will now place top priority on implementing the new CFS, and only its modules for bankcards, labor cost reporting, and small purchases throughout the Department by October 1998. We will be reassessing the bureaus' CFS implementation strategies, schedules and cost estimates over the next 90 days to reflect this change in priorities. The plan will be provided to you upon its completion.

We are also contracting with an Independent Verification and Validation vendor to evaluate bureau strategies, schedules, costs, and progress towards implementing

the CFS. We will continue to monitor schedules and progress at the Bureaus over the course of the CFS implementation.

Question 15: Please provide the Subcommittee the current number of political appointees in each Commerce agency.

Answer: We currently have 200 political appointees within the following operating units:

Office of the Secretary	74
Office of the Inspector General	0
Economics and Statistical Administration	7
Bureau of the Census	5
Bureau of Economic Analysis	0
Bureau of Export Administration	7
Economic Development Administration	6
International Trade Administration	50
Minority Business Development Agency	5
National Oceanic and Atmospheric Administration	23
National Telecommunications and Information Administration	5
Patent and Trademark Office	7
Technology Administration	10
National Institute of Standards and Technology	1
National Technical Information Service	0
Total	200