United States General Accounting Office

GAO

Report to the Secretary, Department of the Treasury

June 1998

RESULTS ACT

Observations on Treasury's Fiscal Year 1999 Annual Performance Plan

GAO

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

General Government Division

B-280185

June 30, 1998

The Honorable Robert E. Rubin
The Secretary of the Treasury

Dear Mr. Rubin:

This report provides our observations on the Department of the Treasury's fiscal year 1999 annual performance plan that was submitted to Congress as required by the Government Performance and Results Act of 1993 (Results Act). As you know, we were asked by several Members of the House Majority Leadership to review the fiscal year 1999 annual performance plans submitted by the 24 federal agencies covered by the Chief Financial Officers (CFO) Act. In April 1998, we briefed the offices of our congressional requesters on Treasury's plan, and we agreed with them that it would be useful to provide our observations to you.

The Results Act requires federal agencies to prepare annual performance plans covering the program activities set out in the agencies' budgets, beginning with plans for fiscal year 1999. These plans are to (1) establish performance goals to define levels of performance to be achieved; (2) express those goals in an objective, quantifiable, and measurable form; (3) briefly describe the operational processes, skills, and technology and the human, capital, information, or other resources required to meet the goals; (4) establish performance measures for assessing the progress toward achievement of the goals; (5) provide a basis for comparing actual program results with the established goals; and (6) describe the means to be used to verify and validate measured values.

For purposes of our review, these six requirements of the Results Act for the annual performance plans were collapsed into the following three core questions:

- To what extent does the agency's performance plan provide a clear picture of intended performance across the agency?
- How well does the agency's performance plan discuss the strategies and resources the agency will use to achieve its performance goals?
- To what extent does the agency's performance plan provide confidence that its performance information will be credible?

These questions are contained in our February 1998 congressional guide and our April 1998 evaluators' guide for assessing performance plans, which we used to do our review.[1] These guides integrated criteria from the Results Act, its legislative history, the Office of Management and Budget's (OMB) guidance for developing performance plans (OMB Circular A-11, Part 2), a December 1997 letter to OMB from several congressional leaders, and our other guidance on implementation of the Results Act. We used the criteria and questions contained in the guides to help us determine whether Treasury's plan met the requirements of the Act, to identify strengths and weaknesses in the plan, and to assess the plan's usefulness for executive branch and congressional decisionmakers.

As requested, we reviewed the Department of the Treasury's annual performance plan for fiscal year 1999 that was submitted to Congress in February 1998. Treasury's annual performance plan and budget request for fiscal year 1999 has separate sections for each of the Department's bureaus and offices.[2] We conducted a more in-depth analysis of sections relating to the Internal Revenue Service (IRS); United States Customs Service; Financial Management Service (FMS); Bureau of Alcohol, Tobacco, and Firearms (ATF); Office of the Comptroller of the Currency (OCC); and Office of Thrift Supervision (OTS). These components, except for OCC and OTS, which do not receive appropriated funds, represent about 88 percent of Treasury's total budget request for fiscal year 1999.

We sent a draft of this letter to Treasury's Office of Strategic Planning for review and comment. On May 28, 1998, Treasury officials provided oral comments on that draft, which are discussed at the end of this letter. We did our work from February 1998 through June 1998, according to generally accepted government auditing standards.

Background

The Results Act is designed to improve the efficiency and effectiveness of federal programs by establishing a system to set goals for program performance and to measure results. Specifically, the Act requires executive agencies to prepare multiyear strategic plans, annual performance plans, and annual performance reports. The strategic plan serves as the starting point and basic underpinning of the performance-based management system and includes the agency's mission

[1]See Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking (GAO/GGD/AIMD-10.1.18, Feb. 1998, Version 1) and The Results Act: An Evaluator's Guide to Assessing Agency Annual Performance Plans (GAO/GGD-10.1.20, Apr. 1998, Version 1).

[2]Seventeen Treasury bureaus and major offices have annual performance plans. Some smaller offices, including Joint Financial Management Improvement Program and Community Adjustment and Investment Program, also have plans.

statement and its long-term goals and objectives for implementing the mission. Treasury submitted its first strategic plan under the Results Act to Congress and the Director of OMB, as required, by September 30, 1997. The annual performance plan links the agency's day-to-day activities to its long-term strategic goals. The first plans, covering fiscal year 1999, were submitted to OMB in the fall of 1997 and to Congress after the President's budget in February 1998. Finally, the first annual performance reports for fiscal year 1999 are due to Congress and the President no later than March 31, 2000. Performance reports are to include, among other things, an evaluation of the agencies' progress toward achieving the goals in their annual plans. These reports are to provide feedback to federal managers, policymakers, and the public on the results achieved each year.

The Treasury Department has responsibilities in key governmental roles, including tax administrator, revenue collector, law enforcer, and financial manager. Treasury also formulates and recommends economic, financial, tax, and fiscal policies and manufactures coins and currency. To carry out its diverse responsibilities, Treasury houses more than a dozen bureaus and offices. For its fiscal year 1999 budget, Treasury requested about $12.301 billion and about 147,900 full-time equivalent (FTE) staff years.

Public sector organizations, like Treasury, are faced with demands to be more effective and accountable for the results of their programs. To meet such demands, Treasury began moving toward a performance-based approach to management before the Results Act requirements became mandatory. This is the third year that Treasury has included performance goals derived from its strategic plan in its budget request. Treasury's fiscal year 1999 performance plan under Results Act requirements is combined with its budget request and includes reports on performance goals for the past 2 fiscal years.

Results in Brief

Treasury's fiscal year 1999 annual performance plan partially meets the criteria set forth in the Results Act and related guidance. One of the strengths of the plan is that the annual performance goals and measures are linked to the strategic goals in the bureaus' and offices' strategic plans. Moreover, the plan generally provides a clear connection between its performance goals and the program activities in Treasury's budget request. With a few exceptions, the plan covers each of Treasury's program activities as required by the Results Act.

The plan could be improved to better meet the criteria set forth in the Results Act and related guidance by presenting information on performance goals and measures in a manner that would better reflect intended or expected performance and achievements. While we recognize that some output measures are necessary, we also believe the plan could define Treasury's expected performance better if it had more outcome goals and measures. Also, the plan does not consistently include information across Treasury's bureaus and offices on how the Department plans to coordinate its activities that share a common purpose with activities in other agencies. IRS, for example, is responsible for administering the tax code provisions relating to several billion dollars of tax expenditures, such as the earned income tax credit, the low-income housing credit, and the research credit.[3] However, there is no discussion of how IRS intends to coordinate with federal agencies that administer related direct expenditure programs to develop performance goals pertaining to its responsibilities.

The plan, which includes the budget justification, describes the resources for carrying out the strategies to meet the criteria set forth in the Results Act and related guidance. However, the information in the plan on how the strategies relate to achieving the goals did not always list strategies or adequately describe them.

Additional details on how Treasury plans to verify and validate performance data, along with some discussion of how the effects of data limitations are to be handled, would better assure Congress and other stakeholders that the intended performance or results, if achieved, are credible. We realize that developing measures and collecting reliable data for some important areas of Treasury's performance, such as taxpayer burden, are very difficult to do. However, Treasury's plan could be enhanced by explicitly discussing the Department's strategy to improve its performance measurement systems and data and by describing Treasury's interim plans to measure performance in critical areas.

We also believe that Treasury's plan would be more useful to Congress and other stakeholders if it included performance goals to address the significant management challenges and high-risk areas the Department faces. The plan briefly acknowledges some of the major management challenges and high-risk areas, but it does not have performance goals that adequately address all of them.

[3]Based on estimates by the Joint Committee on Taxation, the fiscal year effect of tax expenditures in 1999 is $543.7 billion.

Treasury's Performance Plan Provides a Partial Picture of Intended Performance Across the Department

As the Results Act requires, the annual performance plan is to provide a basis for an agency to compare actual results with performance goals. To do this, the agency needs to set goals and develop appropriate performance measures and show how it will use them to assess performance across the agency. By showing the relationship between the annual performance goals and the agency's mission and strategic goals, an agency's performance plan can demonstrate how the agency intends to make progress toward the achievement of its strategic goals. An agency's performance plan should also reflect and discuss the crosscutting nature of its programs and how they will contribute to achieving performance related to crosscutting functions.

Defining Expected Performance

Treasury's performance plan does not provide a succinct and concrete statement of expected performance for subsequent comparison with actual performance for several reasons. First, many of the annual performance goals in Treasury's plan are necessarily abstract and not directly measurable. IRS, for example, has established three performance goals—improve customer service, increase compliance, and increase productivity—for defining its intended performance. Each of these broad goals is complemented with program-level measures to assess progress toward achieving the three goals. IRS' performance goal relating to improving customer service is particularly difficult to quantify because achieving it implies that IRS can measure and reduce taxpayer burden. IRS currently does not know how to realistically measure taxpayer burden. Reliable data for measuring burden do not exist because taxpayers normally do not track the time they spend complying with their tax and filing obligations.

IRS recognizes the limitations of these goals on defining its performance and is looking for alternatives. Because reducing taxpayer burden affects IRS' ability to achieve its performance goals and IRS' measure of taxpayer burden is not based on reliable data, its performance measures based on burden may not be very useful. However, devising ways to measure the burden that IRS influences and developing reliable measures of taxpayer burden and the impact of IRS' programs on burden will be challenging. IRS is not alone; Treasury as a whole faces similar challenges.

Second, the quality of some measures in Treasury's plan could be improved so that they directly relate to the performance goals. The relationship between some measures and goals is not clear, making it difficult to define the level of expected performance. Also, the measures do not always appear to cover key aspects of performance. Examples from OCC's plan illustrate this.

- One of OCC's strategic goals is to "improve the efficiency of bank supervision and reduc[e] burden by streamlining supervisory processes." This strategic goal has three performance goals, and each has a single indicator or measure. One such performance goal is to "continue with the regulatory reinvention process to improve efficiency and reduce unnecessary burden." The single measure in the plan for this goal is "percentage [of] time meeting the application processing time frames," with a performance target of 95 percent in calendar year 1998.[4] This measure only addresses application processing time frames and does not clearly relate to the goal of continuing with the regulatory reinvention process.
- OCC has two measures for its performance goal to "support efforts to foster a national bank charter that will effectively compete with other financial service providers and continue to meet the financial service needs of all types of customers." However, these measures—"rating on customer satisfaction in connection with the licensing process" and "average processing time for analysis of customer complaints"—do not clearly relate to the performance goal.

Third, Treasury's plan is also incomplete in that some of the performance measures for its bureaus and offices are still being developed and defined. For example, many IRS measures are coded "TBD," or to be determined. For these proposed measures, IRS does not have complete information, such as definitions, data sources, level of detail, and data reliability. During fiscal year 1998, IRS is working with OMB, a contractor, and others to develop a balanced scorecard measurement system that is to evaluate IRS on customer satisfaction, employee satisfaction, and business results.

Finally, many of the measures in Treasury's plan are output measures. While output measures are expected to be in the plan, Treasury could better convey its expected results and show how goals are to be achieved by developing additional outcome measures and better explaining how the outputs that are measured relate to the goals.

Connecting Mission, Goals, and Program Activities

For the most part, the performance goals of the Department's bureaus and offices are connected to their missions, strategic goals, and program activities in the budget request. Specifically, the plan contains tables that

[4]OCC operates on a calendar year basis.

align the Departmentwide strategic goals, bureau missions and strategic goals, and performance goals and measures. However, the linkages between the program-level measures and performance goals are not consistently clear.

IRS, for example, has tables that show the linkage between its strategic goals or objectives and the Departmentwide strategic plan and its performance goals and annual performance measures. However, the plan does not discuss how the intended results of its many performance measures will be assessed to indicate IRS' success in achieving its performance goals. For example, the number of individual refunds issued, paper processing accuracy rate, and number of calls answered are 3 of the 19 performance measures under the goal to improve customer service. The plan does not explain how any of these measures should be rolled up to indicate progress toward achieving the customer service goal. We recognize the difficulty IRS faces in explaining this, especially since its performance goals are necessarily abstract and not directly measurable. However, some discussion of how IRS plans to evaluate progress toward achieving its performance goals would help explain how the results of its performance measures affect the attainment of its performance goals.

Although Customs' plan provides information to align its strategic goals and performance goals, the information is not consistent. Customs' plan has a table that shows the linkage between its strategic goals and performance goals. Later in the plan, other tables show the exact same strategic goals as performance goals; and what are shown in the earlier table as performance goals are now called performance measures.

The Results Act requires that annual performance plans identify annual performance goals that cover all the program activities in the agency's budget. Treasury's plan complies with this requirement, as each component and major office generally has one or more performance goals for each of the budget activities in the budget request. For one new IRS budget activity relating to the earned-income tax credit compliance initiative, the plan listed one performance goal—overclaim rate—but the definition and targets for the goal have not yet been determined. Also, IRS' budget activity, "Modernization Investments," did not list any performance goals. However, the plan noted that the performance measures are discussed in a separate document relating to modernization proposals.

Recognizing Crosscutting Efforts

Treasury's performance plan could be improved if it better addressed the crosscutting nature of its programs and how they will contribute to achieving performance related to crosscutting functions. Specifically, we found that Treasury's annual performance plan generally did not identify performance goals that reflect activities being undertaken to support crosscutting programs, and the plan does not consistently address the crosscutting nature of its programs.

Treasury has responsibilities for functions and issues that involve other agencies. As such, its plan should indicate how Treasury will coordinate those programs with other federal programs having related strategic or performance goals. In crosscutting program areas, Treasury should present output goals and intermediate outcome goals that would clarify its contribution to the intended outcomes of the crosscutting program. This information would be helpful to Congress and other stakeholders in identifying areas in which agencies should be coordinating efforts to efficiently and effectively meet national concerns. A focus on results, as envisioned by the Results Act, implies that federal programs contributing to the same or similar outcomes should be coordinated to ensure that goals are consistent and that program efforts are mutually reinforcing.

Customs, for example, is involved in several crosscutting activities—drug interdiction, counterterrorism, and investigations of money laundering. These activities are recognized in Customs' plan as crosscutting activities, but there is no clear evidence in the plan that its fiscal year 1999 performance goals have been coordinated with other agencies. The plan does mention some past coordination efforts—such as between Customs and the Office of National Drug Control Policy to develop measures for a strategy to reduce the supply of narcotics. The plan did not clearly discuss the results of those efforts or indicate whether Customs' fiscal year 1999 performance goals were based on them. However, Customs' plan does mention coordination efforts with the Immigration and Naturalization Service and the Department of Agriculture in establishing performance goals to improve customer service when processing passengers through ports of entry.

ATF's plan recognizes the role of other law enforcement agencies in achieving the goals of contributing to a safer America, and the plan mentions partnerships with various law enforcement agencies to achieve its goals. However, the plan does not clearly indicate that ATF coordinated with the other agencies in setting its fiscal year 1999 annual goals or targets.

FMS states that one part of its mission focuses on efforts to increase the collection of delinquent debts owed the federal government and that its success is achieved through such activities as providing debt collection and management services to all federal agencies and developing and implementing governmentwide debt management policies. The debt collection program activity in FMS' plan, for example, has a measure on the percentage of market share of federal agencies with debt servicing requirements that have referred their debts to FMS as required by the Debt Collection Improvement Act of 1996 and another measure to increase governmentwide delinquent nontax debt collections over the fiscal year 1995 baseline. However, FMS does not provide any information to show how it plans to coordinate with other agencies to achieve these goals.

IRS plays a role in administering tax code provisions pertaining to several billions of dollars in tax expenditures, such as the earned-income tax credit, the low-income housing credit, and the research credit, and there is no discussion of these crosscutting programs. IRS, too, shares responsibilities with other agencies, such as the Social Security Administration (SSA), in processing and reconciling information on employee wages and social security benefits, but the plan does not explicitly discuss or describe whether any performance goals were coordinated with SSA or other agencies. Conversely, IRS' plan does state that its narcotics conviction rate is dependent upon prosecutions within the Department of Justice and that national priorities for criminal investigations are determined, in part, by Justice.

Treasury's Performance Plan Does Not Completely Discuss How the Department's Strategies and Sources Will Help it Achieve its Goals

The Results Act requires that annual performance plans briefly describe the strategies and resources the agency intends to use to achieve its performance goals. We found that Treasury's performance plan adequately discusses, with some exceptions, the resources to support the achievement of its performance goals. The usefulness of the plan, which includes the budget justification, would be enhanced with a fuller description of how its strategies relate to achieving the goals.

Connecting Strategies to Results

Strategies to facilitate achieving performance goals include activities such as administrative processes, training, and the application of technology and efforts to improve efficiency and effectiveness through approaches such as reengineering work processes. We found that the information in Treasury's plan on how strategies were connected to results did not always list strategies and, in other cases, did not adequately describe the strategies. The plan also does not consistently discuss how the strategies will help the Department achieve its goals.

IRS provides an example where strategies relating to its goal to "improve customer service" were clear and complete. The plan lists nine strategies to enhance customer service and eight customer service standards for related products and services. The strategies and standards include improving the clarity of notices, forms, and tax publications; increasing the hours for its telephone service; opening district offices on Saturdays during the filing season; providing additional telephone assistance to small businesses; and creating citizen advocacy panels. The descriptions of the strategies are succinct; and they outline methods that, if followed, should enhance customer service.

In contrast, Customs' plan provides only a partial description of the strategies it expects to use in fiscal year 1999 to achieve its projected results. For example, Customs indicates that it plans to improve drug interdiction results by focusing attention on areas of increased vulnerability, exploiting intelligence leads, and improving technology. However, Customs offered no strategies for its goals in the revenue-producing and antimoney-laundering areas.

In addition, OCC's plan does not fully describe strategies to achieve its performance goals. Those goals included general references to an approach, such as streamlining, but OCC did not provide detailed strategies for achieving the goals. In some cases, regulatory requirements were mentioned as a means for achieving goals.

Although the Act does not require agencies' annual performance plans to disclose how external factors might affect performance and results, including this information in the plans would enhance their overall usefulness as it would more fully describe Treasury's potential to achieve the expected performance. Treasury's strategic plan did mention some of the external factors that may affect its ability to achieve its strategic goals. In our opinion, Treasury's performance plan could be improved by more explicitly addressing how external factors may affect strategies and intended results and discussing how it will mitigate or use the identified conditions to achieve its performance goals.

Connecting Resources to Strategies

With some exceptions, the Treasury plan adequately discusses the resources the Department will use to achieve its performance goals. In addition to information on dollar amounts and staffing levels, the plan frequently explains how the resources that Treasury is requesting specifically contribute to one or more performance goals. For example:

- The IRS plan notes that its goals for improving the accuracy and timeliness of tax return processing depend largely on the agency's ability to use or acquire four specific information systems.
- The IRS plan also notes that the accomplishment of its performance goal of "$290 million in increased collections" is contingent upon completing the rollout of the Integrated Collection System to its district and international offices and obtaining an additional 57 FTEs to expand office hours and conduct problem-solving days.
- The Customs plan explains that continuing the acquisition and installation of the Land Border automation equipment is needed to allow inspectors to perform more careful screening and questioning of vehicle occupants, which should help to achieve Customs' goal of improving its efficiency at targeting arriving vehicles for enforcement purposes.
- The ATF plan explains that expanding its youth crime gun interdiction initiative, including providing additional agents for the program, would (1) "provide comprehensive crime gun tracing by State and local law enforcement"; (2) "provide rapid, high volume crime gun tracing and crime gun market analysis by the National Tracing Center (NTC)"; and (3) "train ATF, State, and local law enforcement personnel." As described, the requested dollars and staffing would seem to contribute to achieving ATF's performance targets for the number of persons trained, the number of traces, and the average trace response time.

Treasury's plan could be improved in some areas, however, with a more thorough discussion of the resources required to achieve its performance goals. For example, in the FMS plan, the resources needed for accomplishing the performance goals are not always evident. One of the measures in the "Payments" program activity, for example, relates to increasing the number of states in which the direct federal electronic benefits transfer system is available. However, the FMS plan does not indicate the resources FMS intends to use to accomplish this measure.

Treasury's performance plan does not consistently address the use of information technology (IT) resources to achieve performance goals across its bureaus and offices. The Departmental Offices' performance plan includes a goal to "pursue and maintain fully integrated financial systems

Departmentwide by standardizing core financial information into a Departmental data warehouse." However, the plan does not include any strategy or approach to achieve this goal. Similarly, one of Customs' goals is to "maximize trade compliance through a balanced program of informed compliance, targeted enforcement actions, and the facilitation of complying cargo." However, in its description of its strategy to meet this goal, Customs does not mention its major initiative to automate its commercial operations, known as the Automated Commercial Environment, or describe how this system will help achieve the goal.

Treasury's Performance Plan Does Not Provide Sufficient Confidence That the Department's Performance Information Will Be Credible

Treasury's performance plan does not provide sufficient confidence that its performance information will be credible because it does not adequately describe procedures for verifying and validating performance data or sufficiently discuss the ramifications of known data limitations. The Results Act requires performance plans to describe the procedures an agency will use to verify and validate its performance measures. The descriptions of the procedures should also identify any significant data limitations and discuss the impact they may have on the credibility of the performance information.

Verifying and Validating Performance

Treasury's performance plan does not adequately discuss procedures for verifying and validating performance information that will ensure that it is sufficiently complete, accurate, and consistent. Several of Treasury's bureaus propose to use data from various information systems to measure performance; but the plan does not adequately discuss system controls or procedures for ensuring the reliability, integrity, and security of the data.

Specifically, IRS often uses short descriptions, such as "excellent," "good," and "low," to describe the reliability of data for its performance measures. These descriptions and other information on IRS' measures do not adequately explain what general procedures are to be used to control data quality and ensure accuracy. For example, IRS describes the reliability of data it plans to use from its Criminal Investigation Management Information System to determine its narcotics and fraud conviction rates as "excellent." However, IRS' performance plan does not describe procedures for verifying the accuracy and completeness of the data. IRS indicates that the data needed to determine the narcotics and fraud conviction rates come from the Department of Justice, an external source, but it does not comment on the credibility of Justice's data or its own data even though it is aware that the credibility of the IRS data has been questioned by a private research group.

In the past, we have identified obstacles IRS and Customs face as they attempt to measure the performance of their programs. One area of concern has been IRS' inability to adequately measure the performance of some of its programs because of the lack of reliable data to measure such key indicators as taxpayer compliance and burden.[5] We have raised concerns that some of IRS' program-level performance indicators need to be balanced with indicators designed to measure whether taxpayers are treated properly.[6]

Concerning Customs, we have pointed out that the agency has traditionally measured the success of its drug interdiction efforts by the resulting number of seizures, arrests, indictments, and convictions.[7] These measures do not sufficiently cover key aspects of performance. In addition, it is not clear whether an increase in seizures indicates that Customs has become more effective or that the amount of smuggling has increased and Customs is still seizing the same percentage of drugs.

Recognizing Data Limitations

Data limitations can affect the credibility of performance information. Treasury's performance plan falls short in identifying data limitations and their implications for the reliability of the performance information. The Departmental Offices propose to use the dollar value of U.S. exports of goods and services to measure progress toward a goal to "facilitate legitimate trade, enhance access to foreign markets, and enforce trade agreements," but the plan does not acknowledge any limitations in the data from the Department of Commerce.

Customs' plan does not discuss additional efforts that are needed to ensure the credibility of the data by which Customs' performance is to be judged. This is important in several of Customs' programs because one of its performance measures is the accuracy of key trade statistics, and we have noted Customs' inability to generate reliable trade data.[8] Customs has

[5] Tax Administration: Taxpayer Rights and Burdens During Audits of Their Tax Returns (GAO/T-GGD-97-186, Sept. 26, 1997).

[6] Tax Administration: IRS Faces Challenges in Measuring Customer Service (GAO/GGD-98-59, Feb. 23, 1998).

[7] Customs Service: Drug Interdiction Efforts (GAO/GGD-96-189BR, Sept. 26, 1996).

[8] Automated Export System: Prospects for Improving Data Collection and Enforcement Are Uncertain (GAO/NSIAD-98-5, Nov. 14, 1997).

also expressed concerns about its ability to generate reliable trade data. Its fiscal year 1997 trade compliance measurement report states that "Concerns remained for the improper classification of goods by importers potentially hindering enforcement activity and skewing trade statistics."[9] Because some of Customs' measures depend on narrative assessments based on input from informant or intelligence operations (e.g., money-laundering systems disrupted and changes in drug-smuggling organizations' behavior), the plan could be improved by briefly describing efforts to ensure that the data are credible.

Further, Customs' plan does not specifically mention weaknesses related to ensuring that sensitive data maintained in its automated systems are adequately protected from unauthorized access and modification and that its core financial systems capture all activities that occurred during the year and provide reliable information for management to use in controlling operations. These weaknesses could affect the reliability of Customs' performance data.

The FMS plan does not adequately identify weaknesses in computer controls that could affect the reliability of data used to measure performance. For example, based on our ongoing work on the central banking function of FMS, which includes the payment and collection activities, we identified weaknesses in the general controls over some of FMS' computerized information systems that process receipts and disbursement information for the government. These controls did not provide adequate assurance that data files and computer programs were fully protected from unauthorized access and modification.

Other Observations

When we commented on Treasury's strategic plan, we said that it could be improved by explicitly addressing the Department's capacity to measure progress toward achieving its goals.[10] We also said that developing measures and collecting reliable data for some important areas of Treasury's performance, such as taxpayer burden, are very difficult to do. These issues are still concerns to us as Treasury's performance plan does not adequately discuss the strategies the Department plans to use to ensure that its measures of program performance are reliable and that they will improve accountability and support decisionmaking. These are

[9]U.S. Customs Service, Trade Compliance Measurement Report (Jan. 1998).

[10]Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges (GAO/GGD-98-44, Jan. 30, 1998).

challenges that Treasury faces as it strives to better meet the criteria set forth in the Results Act and related guidance.

We realize that these challenges are difficult and that some measures and data, such as those pertaining to burden and compliance, will take more time than others to develop. However, in such instances, Treasury may need to devise and communicate the interim plans it will use to measure performance in these critical areas. We believe that Treasury's plan could be enhanced by explicitly discussing the Department's strategy to improve its performance measurement systems and data.

Treasury's plan should also include annual performance goals for efforts to address its major management challenges. We believe that Treasury's plan could be improved by including performance goals to address the significant management challenges and high-risk areas the Department faces. We found that the Treasury plan does not have performance goals that adequately address the eight high-risk areas we previously identified that affect Treasury operations.[11] For example, one governmentwide high-risk area for Treasury is ensuring that its computer systems will function properly after the century date change, yet only two bureaus—OCC and OTS—include specific performance goals related to the year 2000 computer date-change issue. The Departmental Offices' plan has a year 2000 goal for Treasury's systems in general and IRS' and FMS' plans did acknowledge that the computer date change is a management issue.

Some of the other major management challenges that Treasury faces are briefly acknowledged in the bureaus' and offices' plans. Treasury's plan mentions the need to implement the Clinger-Cohen Act requirements.[12] To fulfill these requirements, the Departmental Offices' plan has a Treasurywide goal that calls for establishing IT investment controls. The plan has one related "measure" for the goal, which is "establishing IT investment controls and ensuring [that] Treasury and all bureaus have established investment review boards with defined, repeatable processes for project selection." However, the plan does not include any discussion

[11] High-Risk Series: An Overview (GAO/HR-97-1, Feb. 1997).

[12] The purpose of the Clinger-Cohen Act (P.L. 104-106, Div. E) is to improve the productivity, efficiency, and effectiveness of federal programs through the improved acquisition, use, and disposal of information technology resources. Among the act's requirements are that agencies base decisions about IT investments on quantitative and qualitative factors associated with the costs, benefits, and risks of those investments and use performance data to demonstrate how well the IT expenditures support improvements to agency programs through measurements such as reduced costs, improved employee productivity, and higher customer satisfaction.

of strategies for achieving this goal or how performance data will be used to demonstrate improvements to agency programs.

Further, none of the bureaus' plans we reviewed in depth had related performance goals for establishing IT investment controls. This is a very important element of any investment strategy and the purpose for establishing it at the Department level. To ensure that all ongoing and new IT projects are considered by the investment review boards, each of Treasury's bureaus and offices should have performance goals that address IT investment controls in their respective plans.

Treasury's plan also mentions the requirement in the Government Management Reform Act of 1994 (P.L. 103-356) that the Secretary of Treasury is to prepare audited consolidated financial statements (CFS) of the federal government beginning in the spring of 1998. FMS, which is responsible for preparing the audited cfs, revised the program activities in its fiscal year 1999 budget creating one on governmentwide accounting and reporting that covers the cfs requirement. For this activity, FMS' has one goal—to make the federal government a model for financial management—and four related measures such as the percent of agency reports for the cfs processed by FMS within the established range for accuracy. However, there is no discussion of how the 1999 proposed targets for the four performance measures relate to being a model for financial management.

Conclusions

The Results Act seeks to improve the management of federal programs by shifting the focus of decisionmaking from staffing and activity levels to the results of federal programs. Annual performance plans, as required by the Act, should establish linkages between the long-term strategic goals outlined in agencies' strategic plans and their day-to-day program activities. Treasury's annual performance plan appropriately links its annual performance goals and measures to its strategic goals. Although, the plan provides useful information for congressional decisionmakers and other stakeholders, it did not fully present information that reflects the intended performance across the Department, describes how strategies relate to attainment of goals, and assures readers that performance results and data are credible.

The plan we reviewed was Treasury's first one under the Results Act. Developing a plan that fully meets all the criteria of the Act and related guidance will be a challenge because developing measures and collecting reliable data for some important areas of Treasury's performance, such as taxpayer burden, are very difficult to do. Treasury's plan could be enhanced by explicitly discussing the Department's strategy to improve its performance measurement systems and data and by describing Treasury's interim plans to measure performance in critical areas.

Agency Comments and Our Evaluation

On May 28, 1998, we obtained oral comments from Treasury's Director of the Office of Strategic Planning and his staff on a draft of this report. They said that Treasury generally agreed with our analysis and provided comments to clarify its position. The officials said that Treasury's fiscal year 1999 performance plan—the first such plan required by the Results Act—is not its first plan. According to the officials, Treasury has published performance plans in the past and has publicly reported its performance results against the plans for fiscal years 1996 and 1997, ahead of the Act's requirements.

Treasury agreed with our concerns about the validity of its performance data. Treasury pointed out that the validity of its performance data and its capacity to regularly and accurately report on performance are key challenges it needs to address. To this end, they said Treasury's Office of Inspector General is planning to identify critical information systems for inclusion in its annual evaluation work plans; Treasury's bureaus are continuing to identify and report where data are of questionable reliability; and the Department is developing a performance reporting system to routinely report the results of performance.

In the draft of this report that Treasury reviewed, we said that a fuller description of strategies to achieve goals would be beneficial. Treasury said that to keep the plan focused and useful, a balance is needed on the amount of detailed information provided in the plan. Further, Treasury said that since its plan is incorporated in its budget request, congressional stakeholders can explore specific strategies of interest during hearings and follow-up questions. We agree that balance is needed in the amount of detailed information provided in the plan. At the meeting, we clarified that the plan did not always list strategies or adequately describe them. We revised our report to reflect this, and we also made other technical changes on the basis of Treasury's comments where appropriate.

We will send copies of this report to the Chairman and Ranking Minority Members of interested congressional committees; the Director, Office of Management and Budget; and other interested parties. Copies will also be made available to others on request.

This report was prepared under the direction of Charlie W. Daniel, Assistant Director. Please contact me or Mr. Daniel on (202) 512-9110 if you or your staff have any questions concerning this report.

Sincerely yours,

James R. White
Associate Director, Tax Policy
and Administration Issues

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