GAO
Accountability * Integrity * Reliability

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

General Government Division

B-282765

July 20, 1999

The Honorable Dick Armey
Majority Leader
House of Representatives

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

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

Subject: Observations on the Department of the Treasury's Fiscal Year 2000 Performance Plan

As you requested, we have reviewed and evaluated the fiscal year 2000 performance plans for the 24 Chief Financial Officers (CFO) Act agencies that were submitted to Congress as required by the Government Performance and Results Act of 1993 (Results Act). Enclosure I to this letter provides our observations on the fiscal year 2000 performance plan for the Department of the Treasury. Enclosure II lists the GAO management challenges and the Treasury Inspector General's areas of concern that the agency faces and the applicable goals and measures in the fiscal year 2000 annual performance plan.

Our objectives were to (1) assess the usefulness of the agency's plan for decisionmaking and (2) identify the degree of improvement the agency's fiscal year 2000 performance plan represents over the fiscal year 1999 plan. Our observations were generally based on the requirements of the Results Act, guidance to agencies from the Office of Management and Budget (OMB) for developing the plan (OMB Circular A-11, Part 2), our previous reports and knowledge of Treasury's operations and programs, and our observations on Treasury's fiscal year 1999 performance plan. Our summary report on the CFO Act agencies' fiscal year 2000 plans contains a complete discussion of our objectives, scope, and methodology.[1]

As agreed, unless you announce the contents of this letter earlier, we plan no further distribution until 30 days from the date of the letter. This report was prepared under the

---

[1] Managing for Results: Opportunities for Continued Improvements in Agencies' Performance Plans (GAO/GGD/AIMD-99-215, July 20, 1999).

direction of Charlie W. Daniel, with assistance of Isidro L. Gomez and John M. Lord. Please contact Mr. Daniel or me on (202) 512-9110 if you or your staff have any questions concerning this report.

Cornelia M. Ashby

Cornelia M. Ashby
Associate Director, Tax Policy and
Administration Issues

Enclosures - 2

Observations on the Department of the Treasury's Performance Plan for Fiscal Year 2000

Treasury's fiscal year 2000 performance plan, which is integrated with its budget justification, provides a limited picture of intended performance across the Department, a limited discussion of the strategies and resources it will use to achieve its goals, and limited confidence that its performance information will be credible. Figure 1 highlights the plan's major strengths and key weaknesses.

Figure 1: Major Strengths and Key Weaknesses of Fiscal Year 2000 Performance Plan

Major Strengths

- Provides linkages between the annual performance goals and measures and the strategic goals in the bureau's offices' strategic plans,
- Shows trend data for past performance,
- Includes information on resources to achieve goals,
- Includes a section on departmentwide systems and capital investments.

Key Weaknesses

- Does not consistently identify programs that contributed to the same or similar results,
- Does not consistently discuss specific strategies for achieving goals,
- Does not adequately discuss procedures for verifying and validating performance data,
- Does not include performance goals to address all significant management challenges and high-risk areas.

Treasury's fiscal year 2000 performance plan recognizes the weaknesses that we identified in our assessment of the fiscal year 1999 performance plan and makes specific commitments or shows actual attempts to address those weaknesses. However, real progress is not yet evident. In reviewing Treasury's fiscal year 2000 performance plan, we observed that the weaknesses in the fiscal year 1999 plan generally applied to the fiscal year 2000 plan as well. For example, some measures in both plans were insufficient to adequately gauge progress toward meeting performance goals. On the positive side, unlike the fiscal year 1999 plan, the fiscal year 2000 plan has a section that briefly describes departmentwide systems and capital investment programs. The fiscal year 2000 plan also uses standard descriptions for assessing data accuracy across the Department.

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

Treasury's fiscal year 2000 performance plan provides a limited picture of intended performance across the Department. This is because some measures were insufficient to adequately gauge progress toward meeting performance goals; intermediate goals and measures were not used to convey annual results for multiyear goals; and performance goals and measures for mission-critical management challenges and high-risk areas were generally not included. In addition, the section of the plan on IRS, which accounts for about two-thirds of the Department's budget for fiscal year 2000, did not link performance measures with goals.

Insufficient Measures

In some instances, Treasury's plan contained measures that were insufficient to adequately gauge the Department's progress toward meeting its performance goals. FMS, for example, lists as a goal that by 2002, it plans to ensure that the federal government serves as a model for financial management. The measures for this goal include the "percentage of agency reports for the consolidated financial statements [that are] processed by FMS within the established range" and "percentage of days [that] the Daily Treasury Statement is released on time." While this goal supports FMS' mission to improve the quality of government financial management, the related performance measures appear to be insufficient to provide an adequate basis for assessing FMS' progress toward achieving this goal.

OCC's plan provides another illustration of measures that are not clearly related to the goals. The plan shows a set of six performance goals pertaining to administrative work processes, infrastructure, information, and information technology that has just one measure, which is, by December 31, 1999, design and implement a data warehouse with data from three departments. Among the goals related to this measure are "(1) administrative systems are reengineered and integrated; (2) budgeting and planning processes are integrated; and (3) internal communication means, methods, and strategies are evaluated." Although these goals may be related to the measure, it is not clear how the implementation of a data warehouse alone will lead to their accomplishment. Ideally, OCC should have produced measures for each performance goal that demonstrate results. Throughout OCC's plan, we noted many instances in which specific measures for individual performance goals were often not identified. We are aware that OCC is still in the process of developing and refining its measures. In a March 30, 1999, letter that OCC sent to Treasury along with an update of its plan, OCC stated that final adjustments to the 1999 measures are anticipated to be made in the June-July 1999 time frame.

One important way that IRS helps taxpayers understand and meet their tax responsibilities is through toll-free telephone assistance. In its plan, IRS included "toll-free level of access" as a servicewide performance measure for this important service. However, this measure does not adequately assess IRS' performance in providing telephone service to taxpayers. IRS' plan contains another measure—-level of service—-that would be a more appropriate indicator of how well taxpayers are being served through toll-free telephone assistance. The only difference between these two measures, and the reason we favor level of service, is the way in which abandoned calls are handled in computing the measures. Level of access considers abandoned calls as successful call attempts while level of service considers them unsuccessful. However, because level of access indicates the extent to which taxpayers are able to access IRS' systems, it does not indicate the extent to which taxpayers are successful in talking to someone in IRS.

Parts of Treasury's plan—IRS' information in particular—state that many measures are to be determined or were baseline measures in fiscal year 1999. In these instances, the plan cannot convey a clear picture of intended performance because the measures themselves are not yet developed or are baselines. IRS' examination activity is a case in point. Of its eight measures, all but one was a baseline for fiscal year 1999, and their target levels for fiscal year 2000 are to be determined. Treasury officials acknowledged that the Department's performance plan contains many new and baseline measures. They said that the new measures are an improvement over the former measures, and as a result, their future performance plans should better reflect intended results across the Department.

Lack of Intermediate Measures

Intermediate measures should be included in performance plans to convey the results for multiyear goals. IRS provides an example of a multiyear goal that should be included in the plan but was not. The plan states that the IRS Restructuring and Reform Act of 1998 requires that 80 percent of all tax and information returns that IRS processes be electronically filed by year 2007. IRS should have discussed this mandate in its plan along with intermediate measures to show its incremental progress toward achieving this goal. Congress will likely expect to receive information relating to IRS' progress in this area and IRS has requested funding for this goal. Although a number of annual measures in IRS' plan relate to specific types of electronic filings, they are not aggregated to the servicewide performance level and are not related to achieving a specific performance goal.

Mission-Critical Management Challenges Are Not Fully Addressed

The value of Treasury's performance plan could be enhanced by including performance goals for a brief description of how mission-critical management challenges, including high-risk areas, will be addressed. Critical management challenges and high-risk areas may include weaknesses in internal management processes and systems and areas identified by administrators as being priority management objectives. As in the fiscal year 1999 plan, Treasury's fiscal year 2000 performance plan briefly acknowledges some of the major management challenges and high-risk areas but does not include performance goals for all of them. Enclosure II, table I.1 shows in detail how Treasury's fiscal year 2000 performance plan addresses its critical management challenges.

IRS Did Not Link Performance Measures With Goals

The Act requires that performance plans have objective, quantifiable, and measurable performance goals to define the level of performance to be achieved and that performance measures be established for assessing the progress toward achieving those goals. While the other sections of Treasury's performance plan we reviewed linked performance goals and measures, the IRS section of the plan did not. Instead, IRS simply lists measures and indicators for each of its budget activities. Measures and indicators should relate to the achievement of specific goals to better define expected performance and show the level of results that is expected to be achieved during the fiscal year.

It is important to note that Treasury's plan acknowledges that IRS is currently undergoing a major reorganization and restructuring as required by the IRS Restructuring and Reform Act of 1998. As a result, IRS is revising its strategic plan, and an interim update to its strategic plan was published as part of the fiscal year 2000 performance plan. The interim update to the strategic plan states that IRS has a new mission statement and new performance goals. The performance plan includes a table showing IRS' new mission statement and performance goals with the servicewide performance measures. However, except for this table, IRS' performance goals are not directly associated with its budget activities and measures. This omission makes the IRS plan fall short in illustrating how it is addressing program performance and implementing a results-orientation.

Comparison to Fiscal Year 1999 Plan

Treasury's fiscal year 2000 performance plan is similar to its fiscal year 1999 performance plan in format and content. Treasury's fiscal year 2000 plan recognizes the weaknesses that we identified in our assessment of its fiscal year 1999 plan as it relates to providing a clear picture of intended performance across the Department and makes specific commitments or shows actual attempts to address those weaknesses. However, real progress is not yet evident.

In reviewing the fiscal year 1999 plan, we observed that some of Treasury's performance goals were not measurable and the quality of some measures could be improved so that they directly relate to the performance goals. Also, the plan would have been more informative to Congress and other stakeholders if it included performance goals to address the significant management challenges and high-risk areas the Department faces. These observations also apply to Treasury's fiscal year 2000 performance plan.

Treasury's Performance Plan Provides a Limited Discussion of the Strategies and Resources It Plans to Use to Achieve Its Goals

Treasury's performance plan provides information that discusses some of the related strategies for achieving its goals and describes the resources it plans to use to achieve its goals. The plan is integrated with the budget justification, and such resource information such as staffing levels and budgetary amounts was usually shown for each program activity and, except for the IRS section, its related set of performance goals. The plan would be even more informative to stakeholders if the plan had also related strategies to performance goals, including a brief discussion of strategies that address crosscutting activities. Even though IRS plans to implement phases of its restructuring in fiscal year 2000, the plan does not specifically describe how strategies may be affected or how resources may be reallocated as restructuring changes occur.

Information on Resources

With a few exceptions, Treasury's plan adequately describes resources by relating requested funding levels—staff and budgetary dollars—to performance goals. When provided, this information shows that performance goals cover the program activities in Treasury's budget request, presents stakeholders with other information on the requested funding levels associated with achieving performance goals and identifies where the funding was included in the structure of the Department's budget request.[1] The plan contains trend information beginning with fiscal year 1996 and includes proposed amounts for fiscal year 2000. By relating its budget program activities to performance goals and including trend data and target levels of performance, Treasury's plan shows budget amounts that correspond with the performance reported as actually achieved for past years as well as expected for the future year.

The exceptions we noted were primarily in the OTS plan, which provides very limited budgetary information. The plan states that budgetary information for calendar year 1998 is not available and information for 1999 is to be determined. According to Treasury officials, such limitations relate to the fact that OTS operates on a calendar rather than a fiscal year. As such, OTS' operating year ends 3 months later than the fiscal year under which most other parts of the Department operate. OTS's plan does show the actual dollars and staff levels for 1996 and 1997 as well as planned levels for 1998.

---

[1]IRS links performance measures, but not performance goals, with budget program activities and measures. IRS' resources are shown by budget activities. OCC shows staffing and budgetary funding levels by strategic goals.

Another important dimension of program performance is cost. In drafting the Results Act, Congress expected that agencies, whenever possible, would develop performance measures that correlate the level of program activity and program costs. For those parts of Treasury's performance plan that we reviewed, we found that it did not include either the full cost of programs or cost-based performance measures. However, Customs had several goals to develop cost-based measures. Among them are goals to develop baseline data for per unit cost of trade compliance and per unit cost of its passenger processing measure.

In our audit of IRS' fiscal year 1998 financial statements, we reported that IRS does not consistently capture costs to permit it to routinely prepare reliable cost-based performance measures for inclusion in its annual performance plan as required by the Results Act. IRS does not provide measures that capture per unit cost for IRS to perform the basic tasks entailed in its mission. IRS' submission processing budget activity illustrates this point. This activity has 12 measures related to volume processed, timeliness, and accuracy. However, there were no cost-based performance measures relative to the effective and efficient use of budgetary resources. For decisionmakers to gain an understanding of how efficiently IRS is using taxpayer dollars, IRS needs to be financially accountable by providing reliable cost-based performance measures.

Information on Strategies

Treasury's plan did not consistently discuss strategies for achieving goals, including coordination with other agencies that play a role in achieving the goals. Both Customs' and IRS' plans state that new and expanded information technology is needed to support their goals. Although the plans discuss information technology strategies and programs that are proposed for fiscal year 2000, there is no explanation of how these strategies and programs are expected to help achieve the goals. OCC's plan contains a section describing the strategies to achieve its goals. However, this information is not linked to any specific goals. OCC's plan could better convey its strategies by relating information on strategies and resources to its performance goals.

OTS' plan provides a fragmented discussion of strategies and resources the agency will use to achieve its performance goals. Strategies and resources are addressed in two different parts of the plan. In the front section, strategies are discussed for each strategic goal, along with 1999 initiatives that also include strategies as defined by the Results Act. In another section of the plan, OTS describes organizational structure, operational processes, skills, and technologies that will be used to achieve its goals. These are similar to many of the strategies and initiatives described in the front of the plan. The OTS plan would be more improved if it consolidated the discussion of strategies and resources and more clearly linked performance goals.

At times, the achievement of performance goals is dependent on cooperation or coordination with external groups and partnerships with others. Performance plans would be enhanced by including a brief statement that discloses how external factors and coordination with others are being leveraged or mitigated to ensure the successful accomplishment of the goal. This is an area where Treasury’s plan showed inconsistencies. The following examples illustrate this point.

Coordination efforts were briefly discussed in several sections of Treasury’s plan.

• The Departmental Offices’ portion of the plan states that its annual performance goals are met through cooperative efforts among Treasury bureaus, other agencies and businesses, and the international community. In addition to naming some of the groups it coordinated with, the plan identifies specific measures and targets that were coordinated with others.

• Customs mentioned that it coordinated with the Office of National Drug Control Policy and the International Crime Control Strategy to develop its drug enforcement goals.

However, coordination efforts were not discussed in other parts of the plan.

• The Bureau of Public Debt’s section of Treasury’s plan lists the goal of meeting the borrowing needs of the federal government and identifies conducting marketable securities auctions without error, 100 percent of the time, as a performance measure associated with this goal. The Federal Reserve Banks are key to ensuring that auctions of marketable securities are conducted without error. The Federal Reserve Banks receive and process bids for bills, notes, and bonds and function as the frontline reviewer of all bids received from the public in such auctions. However, the bureau does not discuss the coordination or monitoring efforts that it must undertake to ensure that the Federal Reserve Banks are properly processing bids submitted in marketable security auctions. Also, the plan does not discuss performance measures that it or the Federal Reserve Banks will use to measure the performance of the Banks in this area. Without such efforts, it is unclear how the bureau could achieve the performance measure of error-free auctions.

• 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. However, there is no discussion of these crosscutting programs in Treasury’s plan IRS also shares responsibilities with other agencies, such as the Social Security Administration (SSA) in processing and reconciling information on employee wages and social security benefits. The plan does not include any information on planned coordination with SSA or other agencies.

Other Factors Affecting Resources and Strategies

Other organizational issues, such as spending on major capital investments, specifically information technology investments, and implementing a major reorganization, can affect resource utilization and the strategies an agency plans to use in achieving near-term and multiyear goals.

Treasury’s plan does address the major reorganization that is taking place at IRS in several sections. However, the plan does not fully address the ramifications of this reorganization on its budget justification and performance plan for fiscal year 2000, even though IRS has plans to implement phases of the reorganization in fiscal year 2000. The plan does not specifically describe those parts of the reorganization that are scheduled to be implemented in fiscal year 2000, how strategies may be affected, or how resources may be reallocated.

Treasury’s current plan contains a separate section that briefly describes departmentwide systems and capital investment programs. A number of recent efforts, including legislation and initiatives by the Office of Management and Budget, now require that agencies’ information technology plans and capital decisionmaking be linked to agencies’ missions and programmatic goals. The information in Treasury’s plan makes reference to projects such as completing all of the Department’s year 2000 conversion efforts, which is a high-risk area for the federal government, and modernizing the Department’s human resources systems. This section of the plan, which briefly discusses how the projects are to contribute to the efficiency and effectiveness of Treasury’s operations, would be more informative if it included summary information on the performance goals that the information technology and capital investment projects support.

Comparison to Fiscal Year 1999 Plan

The fiscal year 2000 performance plan indicates some degree of progress in addressing the weaknesses that we identified in our assessment of the fiscal year 1999 performance plan as it relates to providing a specific discussion of strategies and resources the agency will use to achieve performance goals. In reviewing the fiscal year 1999 plan, we observed that the portrayal of strategies was inadequate including descriptions of how strategies were coordinated with others to help ensure that goals could be achieved. These same observations generally apply to Treasury’s fiscal year 2000 plan. However, the separate section in the fiscal year 2000 plan that briefly discusses information systems and capital investment programs from a departmentwide perspective is an improvement.

Treasury's Performance Plan Provides Limited Confidence That Its Performance Information Will Be Credible

Treasury's performance plan provides limited confidence that its performance information will be credible because its does not consistently describe (1) efforts to verify and validate performance data, and (2) efforts to compensate for unavailable or low-quality data, and how these data limitations may affect its ability to achieve its goals.

Verification and Validation of Performance Data

Treasury's performance plan does not consistently describe efforts by its bureaus and offices to verify and validate performance data. OTS' section of the plan contains information that describes how data are verified and validated. The plan, for example, clearly states that quantitative values reported for OTS performance measures are accurate and auditable. In addition, the plan briefly discusses how data consistency is ensured among OTS' information systems.

Other parts of Treasury's plan, however, did not provide a comparable level of information on efforts to verify and validate performance data as OTS did. For example, OCC provides one short paragraph on verification and validation, which states that a corporate planning team is working with functional area representatives to develop a methodology for the verification and validation of new measures. Many of the measures appear to draw on information that is already collected through existing automated or manual systems that may or may not be verified or validated. IRS, which is developing new measures as part of its restructuring, states that oversight of all measures will be done by one new program office. The IRS plan generally describes the reliability of measures as being of "reasonable accuracy" and that program areas use various methods to check the accuracy of the data that are collected and reported. This information does not discuss procedures for determining accuracy and completeness that could increase the confidence that the performance data are credible.

To ensure consistency across bureaus and offices, Treasury adopted standardized language for describing the accuracy of performance data. Throughout the plan, data accuracy is described as reasonable, unknown, questionable, or to be determined. Data are reasonably accurate when a process or system is in place to verify and validate it. Although brief, these descriptions provide users of the plan with Treasury's overall assessment of the accuracy of the performance data.

Data Limitations

When performance data are unavailable or the available data are of low quality, a performance plan should discuss how the agency plans to deal with such limitations and their implications for measuring progress toward achieving agency goals. Treasury's plan was inconsistent in discussing data limitations and their implications. Although Customs does a good job of describing efforts to verify and validate performance data, it does not discuss the implications of data limitations. For example, Customs' plan discusses verification efforts for measuring the number of persons processed by Customs as they enter U.S. borders. The plan clearly states that the number of land passengers entering the U.S. is based on the number of vehicles entering the country through United States ports. This figure is then multiplied by an estimate of the number of passengers per vehicle. The plan describes the accuracy of these data as unknown because of its estimating technique. The plan, however, does not describe what the plans' strategy is to compensate for the questionable reliability of these data.

Our work relating to IRS' financial management has disclosed serious weaknesses in IRS' data relating to internal controls and financial reporting. Some of these data are described in IRS' performance plan. However, the plan does not discuss its data limitations or their implications on measuring results and achieving agency goals. For example, IRS has a performance measure on the total number of refunds issued, and without further explanation, IRS considers that the information it uses to assess this measure is reasonably accurate. However, in our recent review of IRS' financial statements, we reported that IRS does not have sufficient preventive controls over refunds to reduce to an acceptable level the risk that inappropriate refunds will not be disbursed.[2]

Comparison to Fiscal Year 1999 Plan

The fiscal year 2000 performance plan recognizes the weaknesses that we identified in our assessment of the fiscal year 1999 performance plan as it relates to providing full confidence that the agency's performance information will be credible and makes specific commitments or shows actual attempts to address those weaknesses. However, real progress is not yet evident. In reviewing Treasury's fiscal year 1999 plan, we observed that it did not adequately discuss procedures for verifying and validating performance information to ensure that it would be complete, accurate, and consistent. Also, the fiscal year 1999 plan fell short in identifying data limitations and their implications for the reliability of the performance data. These observations also generally apply to Treasury's fiscal year 2000 performance plan. An improvement in Treasury's fiscal year 2000 plan is the use of standardized descriptions of data accuracy across the Department.

[2]Financial Audit: IRS' Fiscal Year 1998 Financial Statements (GAO/AIMD-99-75, Mar. 1, 1999).

Other Observations on Treasury's Implementation of Performance-Based Management

As the information shown in enclosure II, table I.1 highlights, Treasury needs to do more to develop ways to address the implications that its mission-critical related challenges have on its ability to measure performance and increase accountability. We believe that Treasury's senior managers are committed to implementing performance management principles throughout the Department. Treasury's plan also briefly refers to the Department's performance management strategy of aligning budget, performance measurement, and accounting data to produce a cohesive financial information framework that integrates departmental performance management and allows budget and cost data to support decision-making. However, many of the issues affecting Treasury's ability to implement performance-based management involve its mission-critical challenges, particularly those challenges relating to information systems and internal controls. Treasury is aware of this and is attempting to address these challenges, but even optimistically, overcoming them may take several years.

Agency Comments

On June 14,1999, we met with the Director of Treasury's Office of Strategic Planning and Evaluation and members of his staff to obtain oral comments on a draft of this report. The officials generally agreed with our analysis and provided some technical comments which we incorporated as appropriate. They also said that Treasury is continually trying to improve its strategic and performance plans. Among other things, Treasury plans to ensure that updates to its bureaus' and offices' strategic plans include goals for high-risk programs and major management challenges. In addition, Treasury's Office of Inspector General plans to work with the bureaus and offices to help improve their capacity to provide confidence that the performance data used to measure progress are verified and validated.

Management Challenges

Under the Results Act, agencies can use the annual performance planning process to present goals and strategies for addressing their major management challenges. The identification of major management challenges in the table below is based on our work on federal performance and accountability issues and that of the Treasury Office of Inspector General (IG).[1] We reviewed Treasury's fiscal year 2000 annual performance plan to determine whether it had goals and strategies for the major management challenges the Department faces. It is important for Treasury to address these challenges because of the pivotal role they play in guiding the Department's efforts to become more performance-based and more importantly, using the Department's performance, financial, and program cost information as a basis for decisionmaking.

Table II.1: Management Challenges in Treasury's Fiscal Year 2000 Performance Plan

Management challenges	Applicable goals and measures
Departmentwide	
The need to effectively manage information technology (IT) investments. (Treasury's IG identified this area as a management challenge.)	Treasury's performance plan makes several references to the need to effectively manage IT investments. The Departmental Offices' section of the plan has five related performance goals. Two of the goals deal with accomplishing the year 2000 date change for Treasury's critical and noncritical IT systems. The other three goals and related measures are as follows. —Ensure IT investments improve program performance and facilitate mission goals. The measure for this new goal is the percent of new IT investments that are within costs, on schedule, and meeting performance targets. —Establish a certification program for procurement professionals in compliance with the Clinger-Cohen Act which aims to improve the acquisition, use, and disposal of IT resources. The measure for this goal is that 100 percent of the procurement personnel be certified. —Implement a new performance evaluation model to improve acquisition practices. The measure for this goal is a 5-percent increase in total Treasury cost avoidance realized based on models implemented in all bureaus.

[1] See Performance and Accountability Series: Major Management Challenges and Program Risk-A Governmentwide Perspective (GAO/OCG-99-1, Jan. 1999) and Performance and Accountability Series: Major Management Challenges and Program Risks-Department of the Treasury (GAO/OCG-99-14, Jan. 1999).

Management challenges	Applicable goals and measures
Treasury's financial management systems are not integrated and cannot be relied on to provide complete and accurate budget, financial, and performance information without extensive manual procedures, analysis, and reconciliation.	Treasury's fiscal year 2000 performance plan contains a financial systems strategy of creating a fully integrated financial system by standardizing core data elements departmentwide and developing uniform integration policies to enable all key bureau financial data to be aggregated for improved analysis and decision-making. This is linked to a goal of the Departmental Offices to ensure strong financial management of Treasury accounts and its related measure to establish a financial systems integration framework for key Treasury systems.
The need to address weaknesses in Treasury's process used to prepare departmentwide financial statements. Specifically, problems related to inconsistent and inaccurate financial data reported by bureaus, intradepartmental account balances and transactions that were out of balance, and inadequate supervisory review of the draft 1997 Accountability Report.	None. Treasury has a strategic goal to ensure strong financial management of Treasury accounts; however, Treasury's performance plan does not have any specific goals or measures to address this.
Treasury financial management systems are not in compliance with federal requirements. Several of the Department's financial management systems did not substantially comply with requirements of the Federal Financial Management Improvement Act of 1996.	None. Treasury's fiscal year 2000 plan contains the strategic goal of managing the federal government's accounts. The departmental summary of the plan states that Treasury supports the governmentwide implementation of accounting standards and plans to increase efforts to modernize central accounting systems. FMS has a goal to ensure that the federal government serves as a model for financial management in adhering to standards of compliance but does not make specific references to ensuring that Treasury's systems meet federal requirements.
The need to address weaknesses in Treasury's asset forfeiture program specifically, (1) the Department's accountability and reporting of seized and forfeited property, and (2) internal controls over financial accountability.	Although there are no direct goals or measures, this is related to the Treasury Forfeiture Fund's goal of ensuring that revenues are maximized to cover the costs of seizure and forfeiture. A related goal focuses on internal controls to eliminate weaknesses that can result in lost revenue to the fund, however, the plan does not list any performance measures. Although the Forfeiture Fund's plan specifically mentions that the fund received an unqualified opinion for its fiscal year 1997 financial statements, it does not discuss three material weaknesses in its internal controls that the Treasury IG identified in connection with the financial statement audit.

Management challenges	Applicable goals and measures
Financial Management Service	
FMS needs to address issues related to preparing reliable consolidated financial statements (CFS) for the government. As preparer of the CFS, FMS has a key responsibility to work with agencies to address problems, including the government's inability to (1) properly account for billions of dollars of basic transactions, especially those between governmental entities; (2) ensure that the information in the CFS is consistent with agencies' financial statements; and (3) ensure that all disbursements are properly recorded.	Treasury has a strategic goal to manage the government's accounts. This is linked to FMS' strategic goal to ensure that the federal government serves as a model for financial management in its adherence to standards of compliance and its ability to provide useful information by fiscal year 2002. Although FMS' performance plan lists four measures for this goal, they do not fully support the goal or address the related management challenge. The measures are —Percentage of agency reports for the CFS processed by FMS within standard ranges. —Decrease in unresolved prior-year recommendations and audit findings that prevent a clean opinion on the audit of the CFS. —Percentage of days the Daily Treasury Statement is released on time. —Percentage of government on-line accounting link applications redeveloped to upgraded applications.
The need to improve computer security controls. Computer security control weaknesses over FMS' computer systems place the data maintained in the financial systems at significant risk of unauthorized modification, disclosure, loss, or impairment, and place billions of dollars of payments and collections at risk of fraud. (Treasury's IG also identified this area as a management challenge.)	None. However, the plan acknowledges that FMS has responsibility for ensuring the security of its automated systems and developing and enforcing information technology policies and standards.
FMS needs to effectively implement the Department's responsibilities under the Debt Collection Improvement Act of 1996 (DCIA) that relates to the collection of delinquent nontax debt. FMS' systems development problems have resulted in the slow implementation of DCIA's debt collection provisions. (Treasury's IG also identified this area as a management challenge.)	Treasury has a strategic goal to collect revenue due to the federal government by improving federal nontax debt collection. This is linked to FMS' strategic goal that, by fiscal year 1999, FMS will consolidate the management of all federal delinquent debt collection efforts and show improvements. FMS' performance plan revised the date to fiscal year 2002 and has two measures addressing debt collection, which are —By fiscal year 2000, increase collection of debts referred to Treasury (from fiscal year 1998 baseline data) by adding more payment types to the centralized administrative offset program. —Increase the amount of delinquent debt that is referred to Treasury for collection, as compared to the amount of delinquent debt that is eligible for referral.
The need for FMS to effectively and timely implement the provisions of DCIA that require FMS to provide electronic transfer accounts (EFT) to persons without bank accounts. (Treasury's IG identified this as a management challenge for FMS.)	None. FMS' performance plan does not discuss this management challenge or how the agency plans to meet the EFT requirement for individuals that do not have bank accounts.

Management challenges	Applicable goals and measures
Internal Revenue Service	
The need for restructuring IRS' organization and business practices to better balance its efforts between taxpayer assistance and enforcement. (Treasury's IG also identified this area as a management challenge.)	The departmental summary of the performance plan as well as the section on IRS acknowledge that IRS is in the process of a major reorganization and restructuring. As part of this process, IRS is revising its strategic plan and has a new mission statement and new performance goals. The new performance goals are (1) service to each taxpayer, (2) service to all taxpayers, and (3) productivity through a quality work environment. However, these performance goals are not directly associated with IRS' budget activities and measures. The plan also states that IRS is developing a balanced measurement system in conjunction with restructuring and that changes to measures are expected to occur as a result.
The need to correct management and technical weaknesses in systems modernization efforts. (The Treasury IG cited significant revisions in IRS' modernization project as an indication of a system development capability weakness.)	None. IRS' performance plan describes IRS' modernization activities in general terms. However, the plan does not provide performance goals, indicators, or measures that specifically address IRS' modernization.
Weaknesses in internal controls over taxpayer receipts and sensitive taxpayer data. These controls do not reduce to an appropriate level the risk that taxpayer receipts will be lost or stolen, and that taxpayers will be exposed to diversion and inappropriate use of personal taxpayer data in schemes such as identity fraud.	None. IRS' plan does not address these weaknesses including IRS' plans to strengthen efforts to ensure that taxpayer receipts and data are securely transported (i.e., prohibit, among other things, the use of bicycle or other unarmed vehicle couriers).
Weaknesses in internal controls over unpaid tax assessments. IRS does not have a subsidiary ledger or record of unpaid tax assessments that tracks and accumulates unpaid tax assessments on an ongoing basis. This has resulted in delayed and missapplied payments and assessments, which have caused unnecessary taxpayer burden. (The Treasury IG also identified this area a management challenge.)	None. IRS' plan would be more useful by delineating goals and measures for addressing this challenge and, if necessary, developing interim measures to show IRS' near-term progress toward achieving this goal.
The need to address problems relating to IRS' ability to collect federal tax receivables and other unpaid assessments. Striving to close the gap between the tax revenue owed the government and the amount likely to be collected is a major challenge for IRS. As of September 30, 1998, IRS expected to collect $26 billion (32 percent) of the $81 billion in tax receivables.	None. There are no program-level measures in IRS' plan for addressing this challenge. Treasury has a strategic-level goal to collect revenue due the government and IRS' reorganization and restructuring is listed as being an initiative toward that goal.
The IRS is unable to rely on its general ledger to support its financial statements owing to significant deficiencies. As a result, it relies on extensive ad hoc procedures to enable it to prepare auditable financial statements.	None. IRS' plan would be more useful if it included goals and measures for this challenge. By doing so, decision-makers would be better informed of IRS' plans and progress to address this material internal control weakness in the financial management area.

Management challenges	Applicable goals and measures
The need to assess the impact of various efforts IRS has under way to reduce filing fraud.	None. For the third year, IRS' plan has funding outside the discretionary caps to improve compliance and reduce overclaims and erroneous filings associated with the earned income credit—a primary source of filing fraud. The plan includes a separate budget activity for the earned income credit and states that IRS is working to develop a performance measure and baseline against which improvement would be measured.
The need to improve security controls over information systems to address weaknesses that place taxpayer data at risk to both internal and external threats. (The Treasury IG also identified this area as a management challenge.)	None. IRS' performance plan has no performance goals or measures for information security. There is no discussion of efforts under way to improve information security.
The need to ensure that information systems properly function in the year 2000. (The Treasury IG reported that each Treasury bureau is on target to reach its conversion goal. However, more work needs to be done on contingency planning.)	The performance plan discusses the activities IRS plans to complete as part of its Year 2000 conversion, but offers no specific performance goals, indicators or measures to which IRS can be held accountable.
U.S. Customs Service	
Customs faces challenges primarily related to controlling access and physical security over sensitive data maintained in its automated systems including maintaining complete and reliable information in its core financial systems.	None. Treasury's plan contains the strategic goal of managing the federal government's accounts and proposes implementation of enhanced security procedures related to financial information. However, the plan does not discuss specific measures or strategies. Customs' plan did not specifically mention weaknesses related to ensuring that sensitive data maintained in its automated systems are adequately protected from unauthorized access and modification.
Improvements are needed in Customs' accountability over seized and forfeited property including the reliability of information on seized property.	Customs has a goal of identifying, disrupting, and dismantling the systems and criminal organizations that launder the proceeds generated by drug smuggling, trade fraud, and export violations. Two performance measures for this goal are (1) total monetary assets seized, and (2) increase the value of property seized. Also, Customs has a goal of reducing the flow of drugs across the U.S. border and disrupting and dismantling drug smuggling organizations through unified intelligence, interdiction, and investigative efforts. This goal's performance measures include the number of narcotics seizures; and narcotics seizures in pounds for cocaine and heroin. Vulnerabilities in Custom's automated systems could affect the reliability of information on seized assets. The fiscal year 2000 plan did not mention these issues.

Management challenges	Applicable goals and measures
Customs has not effectively managed the development of its Automated Commercial Environment (ACE) system. Incomplete systems architecture and limitations in its plans for enforcing compliance with an architecture have hindered Customs' ability to efficiently and effectively develop or acquire operational systems and to maintain existing systems.	None. ACE is a major system development effort for which Customs has not secured funding. The plan proposes establishment of a Customs' systems use fee for funding. The plan does not discuss goals or measures that specifically address ACE development.

PRINTED ON RECYCLED PAPER

(268884)