United States General Accounting Office

GAO

Report to the Committee on Governmental Affairs, U.S. Senate

October 2002

PERFORMANCE AND ACCOUNTABILITY

Reported Agency Actions and Plans to Address 2001 Management Challenges and Program Risks

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GAO-03-225

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Highlights

Highlights of GAO-03-225, a report to the Committee on Governmental Affairs, U.S. Senate

PERFORMANCE AND ACCOUNTABILITY

Reported Agency Actions and Plans to Address 2001 Management Challenges and Program Risks

Why GAO Did This Study

In January 2001, GAO issued its special series of reports entitled the *Performance and Accountability Series: Major Management Challenges and Program Risks* which described major management challenges and high-risk areas facing 21 federal agencies. This report describes both agency-specific challenges and two governmentwide high-risk areas—strategic human capital management and information security—that were identified in our January 2001 reports and how agencies have reported responding to these challenges.

GAO was asked to review for each of the major management challenges discussed in our January 2001 series, the actions agencies reported in their fiscal year 2001 performance reports, and the goals, measures, and strategies agencies reported in their fiscal year 2003 performance plans.

We did not address the progress agencies may have made in addressing their management challenges during fiscal year 2002 because this information had not yet been published.

www.gao.gov/cgi-bin/getrpt?GAO-03-225.

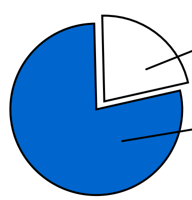
To view the full report, including the scope and methodology, click on the link above. For more information, contact Patricia A. Dalton at (202) 512-6806 or daltonp@gao.gov.

What GAO Found

Overall, 18 of the 23 federal agencies in our review reported in their fiscal year 2001 performance reports that they had taken action on all of the major management challenges. In their fiscal year 2003 performance plans, the agencies discussed, for the most part, performance goals and measures directly or indirectly related to the major management challenges. Specifically, 8 of the 23 agencies discussed directly related goals and measures for all of the challenges, and 8 others listed directly related goals and measures for most of the challenges.

The 15 agencies that did not provide directly related goals and measures for all of their challenges varied in the extent to which they did address the challenges. Nine of the 15 agencies discussed goals and measures that were indirectly related to at least one of their major management challenges. Nine of the 15 agencies discussed strategies for addressing at least one of the challenges, but did not provide goals or measures. Five agencies mentioned no goals, measures, or strategies for one or more challenges.

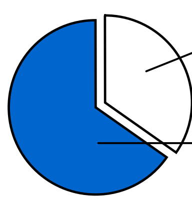
Most Agencies Did Report Progress on Management Challenges



22% of agencies (5) did not report progress on all the challenges in their fiscal year 2001 performance reports

78% of agencies (18) reported progress on all the challenges in their fiscal year 2001 performance reports

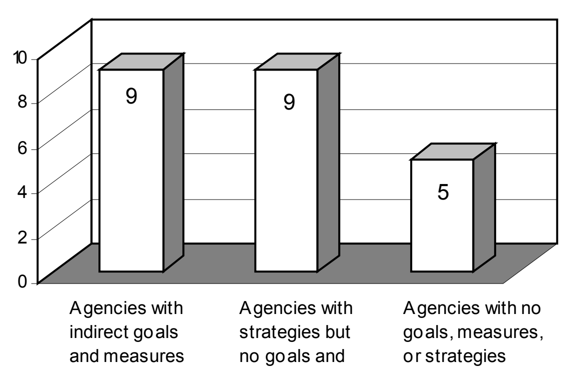
Most Agencies Did Not Provide Directly Related Measures for All Challenges



35% of agencies (8) provided directly related goals or measures for all of the challenges in their fiscal year 2003 performance plans

65% of agencies (15) did not provide directly related goals or measures for all of the challenges in their fiscal year 2003 performance plans

Agencies That Did Not Provide Directly Related Goals for All Challenges Varied in the Extent to Which They Address Them



Note: Agencies that have at least one challenge in category.

Source: GAO analysis.

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Abbreviations

ACF	Administration for Children and Families
ADAMS	Agencywide Document Access and Management System
ATF	Bureau of Alcohol, Tobacco, and Firearms
BIS	Bureau of Industry and Security
BLM	Bureau of Land Management
CARES	Capital Asset Realignment for Enhanced Services
CDR	Continuing Disability Review
CFO	chief financial officer
CIP	Critical Infrastructure Protection
CISSCO	Consolidated Information Support Services
COPS	Community Oriented Policing Service
CPO	chief people officer
CMS	Centers for Medicare & Medicaid Services
CSRIC	Computer Security Incident Response Capability
DDB	dependent database
DEA	Drug Enforcement Administration
DOD	Department of Defense
DOE	Department of Energy
DOT	Department of Transportation
EDA	Economic Development Administration
EDP	electronic data processing
EIE	Electronic Information Exchange
EITC	Earned Income Tax Credit
EOWS	Executive Office for Weed and Seed

EPA	Environmental Protection Agency
ETA	Employment and Training Administration
FAA	Federal Aviation Administration
FDA	Food and Drug Administration
FECA	Federal Employees' Compensation Act
FEMA	Federal Emergency Management Agency
FHA	Federal Housing Administration
FMFIA	Federal Managers' Financial Integrity Act
FMS	Financial Management Service
FR	Financial Report of the U.S. Government
FSS	Federal Supply Service
FTE	full-time equivalents
FTS	Federal Technology Service
FWS	Fish and Wildlife Service
GISRA	Government Information Security Reform Act
GPRA	Government Performance and Results Act
GSA	General Services Administration
HEU	highly enriched uranium
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development
IFS	Integrated Financial System
INS	Immigration and Naturalization Service
IRS	Internal Revenue Service
ISS	International Space Station
IT	information technology
ITA	International Trade Administration
MARAD	Maritime Administration
MBDA	Minority Business Development Agency
MIT	Management Improvement Team
NASA	National Aeronautics and Space Administration
NCLB	No Child Left Behind Act
NHC	National Hiring Center
NIF	National Ignition Facility
NIST	National Institute for Standards and Technology
NNSA	National Nuclear Security Administration
NOAA	National Oceanic and Atmospheric Administration
NSF	National Science Foundation
NRC	Nuclear Regulatory Commission
PBGC	Pension Benefit Guaranty Corporation
OASDI	Old Age, Survivors, and Disability Insurance
OGP	Office of Governmentwide Policy

OHREEO	Office of Human Resources and Equal Employment Opportunity
OIG	Office of Inspector General
OJP	Office of Justice Programs
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PKI	public key infrastructure
PRA	Probabilistic Risk Assessment
REAP	Resource Estimation Allocation Process
RHIIP	Rental Housing Integrity Improvement Project
SBA	Small Business Administration
SES	Senior Executive Service
SSA	Social Security Administration
SSI	Supplemental Security Income
SSBG	Social Services Block Grant
TANF	Temporary Assistance for Needy Families
TSA	Transportation Security Administration
USAID	U.S. Agency for International Development
USDA	Department of Agriculture
VA	Department of Veterans Affairs
WIA	Workforce Investment Act
WtW	Welfare-to-Work

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

October 31, 2002

The Honorable Joseph I. Lieberman
Chairman
The Honorable Fred Thompson
Ranking Minority Member
Committee on Governmental Affairs
United States Senate

This report is in response to your request that we examine the actions and plans agencies reported in addressing the high-risk areas and major management challenges that were previously identified by GAO in its January 2001 *Performance and Accountability* and *High-Risk Series*.[1] In fulfilling the request, except as otherwise noted, we reviewed the fiscal year 2001 performance report and fiscal year 2003 performance plan required by the Government Performance and Results Act of 1993 (GPRA) for 23 of the 24 Chief Financial Officers Act (CFO) agencies. The Department of Defense was not included in this review since it had not issued its combined performance report and performance plan.

Background

Since 1990, GAO has periodically reported on government operations that it identifies as "high risk." Historically, GAO has designated federal programs and operations, either at the agency level or governmentwide, as high risk because of their greater vulnerability to fraud, waste, abuse, and mismanagement. More recently, GAO has given added emphasis to identifying as high risk those major programs and operations that need urgent attention in order to ensure our national government functions in the most economical, efficient, and effective manner possible. GAO removes the high-risk designations when legislative and agency actions, including those in response to our recommendations, result in significant progress toward resolving a high-risk problem, or when other factors affect a high-risk area, such as the occurrence of a time-related event.

In January 1999, GAO first issued a special series of reports entitled the *Performance and Accountability Series: Major Management Challenges and Program Risks*. The reports in this series described the major

[1] *Performance and Accountability Series*, GAO-01-241 through 262 (Washington, D.C.: January 2001) and *High-Risk Series: An Update*, GAO-01-263 (Washington, D.C.: January 2001).

management challenges and high-risk areas that the agencies needed to address to improve their performance and accountability. Updated 2 years later, the 2001 *Performance and Accountability Series* covered 21 agencies, including each cabinet department, most major independent agencies, and the U.S. Postal Service.

This report describes agencies' reported progress in addressing the two governmentwide high-risk areas, information security and strategic human capital management, as well as in addressing the major management challenges and high-risk issues that GAO identified at each agency in the 2001 *Performance and Accountability* and *High-Risk Series*. Hereafter, we refer to the two governmentwide high risks, agency major management challenges, and agency high-risk issues collectively as "major management challenges."

In January 2003, we will issue our latest performance and accountability series, which will discuss agencies' progress and identify new management challenges and program risks.

Objective, Scope, and Methodology

The objective of this report was to review for each of the major management challenges we discussed in our January 2001 series actions agencies reported in their fiscal year 2001 performance reports, as well as the goals, measures, and strategies agencies reported in their fiscal year 2003 performance plans.

To assess agency responses to the management challenges, we reviewed the fiscal year 2001 GPRA performance report and fiscal year 2003 performance plan for 22 of the 24 CFO agencies. The Department of Education did not submit a performance report or performance plan; instead, it submitted a report of its Management Improvement Team, which we reviewed in lieu of the report and plan. As noted above, the Department of Defense did not submit a fiscal year 2001 performance report or fiscal year 2003 performance plan and was not included in our review. In evaluating agency responses to the information security management challenge, we also considered certain agency reports, including accountability reports, and prior GAO work. For each challenge, we evaluated whether the agency (1) discussed its progress in addressing its major management challenges and (2) had performance goals and measures directly or indirectly related to the challenge and, if not, whether it had management strategies to deal with the challenge. Unless otherwise noted, our review was based on the fiscal year 2001 performance reports and fiscal year 2003 performance plans. We did not include any changes or modifications the agencies may have made to the reports or plans after they were issued, except in cases in which agency comments provided information from a published update to a report or plan.

Although many agencies chose to discuss how they are addressing their management challenges, such as those identified by GAO, in their performance reports and plans, there is no legal requirement to do so. However, according to Office of Management and Budget guidance to agencies,[2] performance goals for management problems should be included in the annual plan, particularly for problems whose resolution is mission critical or which could potentially impede achievement of program goals. Also, that an agency chose not to discuss its efforts to address major management challenges in its performance reports or plans does not necessarily mean that the agency is not addressing the challenges. Furthermore, because of the scope and timing of this review, information on the progress agencies may have made on addressing their management challenges during fiscal year 2002 was not yet available.

We conducted our review from September through October 2002, in accordance with generally accepted government auditing standards.

Results in Brief

As shown in table 1, 18 of the 23 federal agencies in our review reported in their fiscal year 2001 performance reports that they had made progress on all of the major management challenges. For example, the Department of Energy, in response to the strategic human capital management challenge, reported that it held a human capital summit, and the Department of Housing and Urban Development, in response to an agency-specific challenge, discussed undertaking a number of initiatives to improve oversight of its single-family mortgage programs. However, 5 of the agencies did not discuss progress on one or more of the challenges.

In their fiscal year 2003 performance plans, the agencies discussed, for the most part, performance goals and measures directly or indirectly related to the major management challenges. Specifically, 8 of the 23 agencies discussed directly related goals and measures for all of the challenges, and

[2] Office of Management and Budget, Circular A-11, Part 6, *Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports*, Sec. 220.3(f).

8 others listed directly related goals and measures for most of the challenges.

The 15 agencies that did not provide directly related goals and measures for all of their challenges varied in the extent to which they did address the challenges. Nine of the 15 agencies discussed goals and measures that were indirectly related to at least one of their major management challenges. Nine of the 15 agencies discussed strategies for addressing at least one of the challenges, but did not provide goals or measures. Five agencies—the departments of Agriculture, Justice, Transportation, and the Treasury, and the United States Agency for International Development (USAID)—mentioned no goals, measures, or strategies for one or more challenges. However, as noted in appendix XI, a Justice official stated that Justice believes that those challenges are no longer significant enough to be addressed in their performance report or plan. Furthermore, as noted in appendix XXI, Treasury has made progress in addressing two challenges, improving performance measures related to criminal access to firearms and the management of its asset forfeiture program.

All 23 agencies in our review discussed progress in dealing with strategic human capital management, and 21 of the 23 agencies discussed information security. However, not all the agencies provided performance measures for evaluating progress on these challenges. For example, in the area of strategic human capital management, the Environmental Protection Agency reported having a specific target for fiscal year 2003 of having five offices use its newly developed workforce planning model. In contrast, the Federal Emergency Management Agency (FEMA) has goals of streamlining its organization and developing its workforce, but listed no measures to gauge progress for either goal. In the area of information security, the Department of the Interior reported it has a specific target of fiscal year 2003 for having its critical computer systems achieve compliance level 3 on the Federal Information Technology Security Assessment Framework,[3] and of fiscal year 2005 for achieving level 5, the highest possible. On the other hand, FEMA stated that information technology presented several management challenges, but did not present specific performance measures designed to measure the effectiveness of information security.

[3] The National Institute of Standards and Technology developed a security assessment framework and related tools that agencies can use to determine the status of their information security programs and that describe standards for five levels of information security status.

Table 1: Number of Management Challenges on Which Agencies Reported

Agency	Number of challenges	Challenges on which agencies reported progress in fiscal year 2001 performance reports	Fiscal year 2003 performance plan: Challenges with directly related goals and measures	Challenges with indirectly related goals and measures	Challenges with strategies but no goals or measures	Challenges with no goals, measures, or strategies
Agriculture	9	9	6	1	0	2
Commerce	6	6	6	0	0	0
Education	6	4	5	0	1	0
Energy	8	8	8	0	0	0
EPA	4	4	2	0	2	0
FEMA	5	2	3	2	0	0
GSA	2	2	2	2	0	0
HHS	7	7	5	2	0	0
HUD	5	5	5	0	0	0
Interior	4	4	2	0	2	0
Justice	14	10	9	1	0	4
Labor	5	5	5	0	0	0
NASA	5	5	4	3	1	0
NRC	6	5	2	0	4	0
NSF	2	2	2	0	0	0
OPM	2	2	2	0	0	0
SBA	6	6	1	1	4	0
SSA	6	6	5	0	1	0
State	7	7	6	1	0	0
Transportation	8	8	3	0	4	1
Treasury	7	7	3	2	0	2
USAID	5	4	1	2	1	1
VA	6	6	6	0	0	0

Note: The columns for fiscal year 2003 represent the number of challenges that agencies have addressed in each category and are not mutually exclusive. Therefore, the numbers in these columns may not add to the total number of challenges.

Source: GAO analysis.

Appendixes I through XXIII have detailed information for each of the agencies reviewed concerning the response to each agency's challenges.

Agency Comments

We sent drafts of all agency appendixes to the respective agencies for comments. The comments we received were largely of a technical nature, and these were incorporated where appropriate. The Department of Transportation (DOT) commented that it was not possible to address all of its management challenges in the 2001 performance report, since the 2001 performance plan, which served as the basis for the 2001 performance report, was published in March 2000—several months before we issued our management challenges report. While we agree that DOT could not predict all of the challenges we were to cite and develop related targets, there was nothing to preclude DOT from discussing in its 2001 performance report the progress it had made in addressing its major management challenges. DOT also commented that it has taken or is in the process of taking a number of actions not addressed in the plan to address concerns we raised under some of the management challenges. These actions address issues concerning the Deepwater Acquisition Project, information security, air traffic control modernization, aviation, and safety and security. As noted above, we recognize that agencies may have taken actions or made plans to address their major management challenges that were not discussed in their performance reports or plans.

As agreed with your offices, unless you announce the contents of this report earlier, we plan no further distribution until 30 days after its date. At that time, we will send copies to the President, the Director of the Office of Management and Budget, the congressional leadership, other Members of the Congress, and the heads of major departments and agencies.

If you have any questions about this report, please contact me or Elizabeth Curda on (202) 512-6806 or daltonp@gao.gov. Major contributors to this report are listed in appendix XXIV.

Patricia A. Dalton

Patricia A. Dalton
Director, Strategic Issues

Observations on the Department of Agriculture's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Department of Agriculture (USDA), including the governmentwide, high-risk areas of strategic human capital management and information security. The first column lists the major management challenges identified by our office. The second column discusses what progress, as discussed in their fiscal year 2001 performance report, the agency has made in resolving these challenges. The third column discusses the extent to which USDA's fiscal year 2003 performance plans include performance goals and measures to address the challenges that we identified.

We found that USDA's performance report discussed the agency's progress in resolving all of its challenges, except that USDA stated that it could not directly address GAO's recommendation to establish a single food safety agency because such an action is beyond the legal authority of any federal department.

Of the agency's nine major management challenges, its performance plan had

1. goals and measures that were directly related to 6 of the challenges,

2. goals and measures that were indirectly applicable to the one of the challenges, including

- strategic human capital management

3. no goals and measures related to two of the challenges, although USDA did discuss strategies to address the challenges, which were

- food safety and

- forest service performance accountability.

Table 2: Major Management Challenges for USDA

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.	USDA did not address strategic human capital management as a challenge in its 2001 performance report. USDA stated that it should ensure the department has a skilled, satisfied workforce and strong prospects for retention of its best employees. USDA concluded that it met its target for this outcome because a survey had found that 67 percent of USDA employees were satisfied with their work, exceeding the governmentwide result by 4 percent.	USDA's 2003 performance plan included a new departmentwide goal of improving organizational productivity, accountability, and performance. USDA included strategic human capital management within this goal. USDA also stated that it developed a Strategic Human Capital Management Plan, in line with the President's Management Agenda, which included a 5-year restructuring plan to enable USDA to deliver mission-critical services cost effectively. USDA stated that it faces a potential "brain drain" because by 2005, 77 percent of the department's senior executives will be eligible for regular retirement and another 17 percent could take early retirement. USDA further recognized that skill gaps are emerging in key areas, such as information technology, and that it needs to maintain and develop a talented, flexible, and diverse workforce that can thrive in the digital era.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, audits continue to show that federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both. GAO and USDA's Office of Inspector General (OIG) have identified significant weaknesses in the department's information security program and its two major data centers that place the department's computer systems, which support billions of dollars in benefits, at risk. USDA has taken positive steps to improve its information security by developing its August 1999 action plan to address vulnerabilities and potential threats. However, significant progress was needed to implement many components of the action plan that are critical to strengthening departmentwide information security. USDA also needed to develop and document a detailed strategy with time frames and milestones to fully implement the action plan. Because of this, we also recommended that USDA report information security weaknesses as a material internal control weakness under the Federal Managers' Financial Integrity Act (FMFIA).	USDA reported that reviews by GAO and others had documented that the integrity and availability of the department's critical information assets continued to remain at risk. As GAO recommended, USDA stated that these weaknesses were material. USDA also stated that it had made some progress in strengthening cyber security, and that it was revisiting its Cyber Security Action Plan. USDA's performance report indicated information security as a material weakness that includes shortcomings in entitywide security, access controls, segregation of duties, application controls, and service continuity. Reviews of the agency's security program have found integrity and availability of the agency's critical information assets to be a continued risk. USDA management also recognizes this risk and reports that the agency is continuously working to improve information security across USDA. The OIG similarly reported significant information security weaknesses, with inadequately restricted access to sensitive data being the most widely reported problem. The OIG identified widespread and serious weaknesses in the department's ability to adequately protect (1) assets from fraud and misuse, (2) sensitive information from inappropriate disclosure, and (3) critical operations from disruption. This and other types of weaknesses identified place critical departmental operations, as well as the assets associated with these operations, at great risk of fraud, disruption, and inappropriate disclosures.	USDA's plan recognized significant systemic information security issues. USDA adopted a new goal for 2003 to develop, implement, and maintain a secure information technology environment, and included four measures of performance. USDA reported on these measures and stated that it had (1) achieved 10 percent of its plan to implement information security architecture, and that its 2003 target was to complete this architecture, (2) achieved 5 percent of its plan to implement an information survivability program, and that its 2003 target was to achieve 50 percent implementation, and (3) achieved 5 percent of its goal to implement a system certification program, and that its 2003 target was to achieve 50 percent implementation; and (4) achieved 25 percent of its goal to implement a risk management methodology, which it planned to complete during 2002. USDA also stated that (1) it was developing standard risk assessment tools for use throughout the department, (2) risk assessment training was being provided to staff, and (3) risk-based facility reviews were under way to assess USDA's critical infrastructure. In addition to Government Performance and Results Act reporting, the Office of Management and Budget's guidance for fiscal year 2002 reporting under the Government Information Security Reform Act (GISRA) requires specific performance measures as well as corrective action plans with quarterly status updates.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	USDA's performance report outlined the following actions taken during fiscal year 2001 to help address information security problems: • developed model personnel position descriptions to be used in hiring cyber-security specialists. • trained security technicians and managers. • conducted onsite risk assessments at key USDA computer facilities. • developed training courses for USDA security technicians and managers. • engaged industry expertise to develop comprehensive risk assessment tools and procedures to provide agencies with standardized tools and techniques.	
GAO-designated major management challenge		
Farm Service delivery: USDA has an important role in distributing benefits and addressing farmers' concerns. Since 1995, USDA has been engaged in a reorganization and modernization effort targeted at achieving operational efficiencies and better customer service. While USDA has co-located its county field offices into service centers, USDA needs to improve how these centers deliver program benefits to their customers.	USDA stated that it was working to acquire the capability to offer electronic filing and other key improvements to farmers. It stated that the standardization of the information technology infrastructure for its county-based agencies was well under way and would be completed within the next 18 months.	USDA's plan stated that it would undertake a number of reviews aimed at improving service delivery to farmers. USDA said it would examine its office locations, and business processes, and accelerate its efforts to use business processes based on global information systems. USDA has three goals related to establishing an on-line electronic environment for the public that apply to all USDA agencies including agencies engaged in farm service delivery: (1) transition to a fully integrated e-government environment, (2) simplify and reduce financial assistance program forms (a new goal), and (3) improve electronic processes for USDA financial assistance programs (a new goal). However, USDA did not adopt a quantifiable measure for its efforts to transition to a fully integrated e-government environment, and USDA stated that targets for its other two measures are to be determined.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
The Food Stamp program: Food Stamp benefits are in the form of paper coupons or electronic benefits on debit cards. USDA needs to prevent improper payments to program participants, such as overpayments. States made $1.4 billion in erroneous Food Stamp payments to recipients in 2001. In addition, USDA needs to implement electronic benefit transfer nationwide and ensure adequate controls. Also, trafficking of food stamps continues to be a problem.	Based on fiscal year 2000 data, USDA reported that the accuracy rate of 91.1 percent that was achieved for making correct Food Stamp payments exceeded its target accuracy rate of 90.5 percent. USDA stated that the most important factor in maintaining improved performance in this area is the need for its state partners to continue and renew their commitment to using findings from the quality control system to improve payment accuracy. USDA reported that 82.8 percent of food stamps were issued through electronic benefit transfer, exceeding its target of 81 percent. USDA also stated that it expected to achieve its goal for the proportion of benefits issued by electronic benefit transfer by the end of fiscal year 2002. USDA's fiscal year 2001 Performance Report stated that it reported on corrective actions taken to address trafficking of Food Stamps as a material weakness in its *Financial Management Financial Integrity Act Report* for fiscal year 2001.	To address the complexity of the Food Stamp Program and its high error rate, the 2002 Farm Bill contained a number of administrative and simplification reforms, such as allowing states to use greater flexibility in considering the income of recipients for eligibility purposes and to extend simplified reporting procedures for all program recipients. USDA will need to respond to the statutory changes by modifying its performance goal and measures on improper payments, and especially overpayments. USDA's plan stated that it is exploring the feasibility of developing an outcome-based measure to better estimate the extent of Food Stamp trafficking.
Child and Adult Care Food Program: This program provides for the nutritional well-being of young children and adults in day care homes and centers and for teenagers in after school programs. USDA needs to improve state and local management and program controls to reduce fraud and abuse.	USDA reported that it did not meet its target of completing management evaluations of all state agencies administering the program—but that it did complete evaluations in all but three states. USDA also reported that unanticipated delays occurred in the publication of regulations implementing program administrative changes brought about by legislation.	USDA's plan adopted a revised goal of evaluating the management performance of half of the states each year with more in-depth management evaluations conducted on a 2-year cycle.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Civil rights complaints: There continues to be problems in the timely processing of discrimination complaints in USDA's Office of Civil Rights. Processing delays have caused a significant backlog in both program and employee discrimination complaints resulting in USDA's failure to comply with federal regulations that affect the livelihood and well-being of individuals who believe they have been discriminated against. Complaints involve the treatment of minority farmers when they applied for farm loans or loan servicing and employees' civil rights.	USDA reported that it had reduced the average processing time of civil rights cases by 1 percent in 2001, while it had a target of reducing processing time by 5 percent. Also, USDA reported that in October 2000, it had completed an improvement plan for its civil rights functions and for processing civil rights complaints. However, USDA cautioned that implementation of the plan began "so far as resources permitted," and that implementation would continue in fiscal year 2002 and beyond as resources permitted.	USDA's plan set a new target of reducing the average number of days it takes to resolve USDA civil rights complaints by 20 percent in fiscal year 2002. The report stated that the fiscal year 2003 budget was seeking an increase of $2 million to provide staffing and other resources needed to make substantial reductions in complaint processing time. In September 2002, GAO reported that although USDA's Office of Civil Rights had made some modest improvements, it was still not completing investigative reports in a timely manner. For example, the Office had reduced the average timeframe for completing investigative reports from 365 days in fiscal year 2000 to 315 days in fiscal year 2001, but this timeframe substantially exceeded the requirement to complete the reports in 180 days. In response to our report, USDA agreed to establish timeframe goals for all stages of its process for addressing civil rights complaints, and to address staff turnover and morale problems in its Office of Civil Rights. Also, the 2002 Farm Bill creates the position of Assistant Secretary for Civil Rights within USDA.
Financial management: USDA continues to lack financial accountability over billions of dollars in assets. As such, USDA does not have meaningful and accurate financial information with which to evaluate its financial performance and provide assurance that its consolidated financial statements are reliable and presented in conformity with U.S. generally accepted accounting principles. In addition, in 1999, GAO designated financial management at the Forest Service high risk on the basis of serious financial and accounting weaknesses that had been identified, but not corrected, in the agency's financial statements for a number of years.	USDA reported that it did not meet its goal of achieving a qualified opinion on its financial statements in 2001. Nevertheless, USDA also reported that (1) it had made significant progress in reconciling USDA's fund balance with Treasury, (2) the OIG had lifted its qualification on the Rural Development's financial statements, and (3) the Forest Service was working cooperatively with USDA to improve the reliability of its real and personal property accounting.	USDA's plan retained its goal of achieving a clean audit opinion on its financial statements. In addition, USDA stated that the Forest Service is the primary focus for corrective actions needed for obtaining a clean opinion on its departmental financial statements. In addition, USDA stated that its new accounting system—the Foundation Financial Information System—will provide auditable financial data that can be used to prepare USDA's consolidated financial statements. USDA stated that it decided to measure progress toward this goal by tracking the percentage of USDA's workforce that is served by the system. USDA's target is to serve 100 percent of its workforce with the Foundation Financial Information System in 2003.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Food safety: The number of food-borne illnesses has heightened concerns about the effectiveness of the federal food safety system. GAO has found that the current multi-agency federal food safety system needs to be replaced by a single food safety agency.	USDA reported that the creation of a single food safety agency is beyond the legal scope of USDA or any federal department. In addition, USDA stated that concerns about the need for fundamental changes in food safety programs and about overcoming perceived food safety fragmentation are being addressed through cross-departmental partnerships and program coordination activities.	USDA's plan reiterated the same observations as contained in its 2001 report—that USDA does not have the legal authority to create a single food safety agency and that USDA is addressing food safety fragmentation concerns by coordinating with other departments.
Forest Service—Improving performance accountability: GAO concluded that it is important for the Forest Service to provide Congress and the public with a better understanding of what is achieved with the funds that are being spent. The Forest Service is refocusing its activities, resulting in a significant change in its mission and funding priorities. The Service's fiscal year 2002 performance plan and the on-the-ground activities funded through the annual budget process.	USDA reported that the Forest Service continued to develop outcome-oriented performance measures and the baseline data needed to support the new performance measures. USDA did not specifically report on these measures in its performance report. It did state that new measures for Forest Service accomplishments were developed as part of a new budget formulation and execution system, which the Forest Service started during fiscal year 2001.	USDA's plan stated that in fiscal year 2001 and fiscal year 2002, the Forest Service would transition to a new, outcome-oriented budget and planning structure that will show links between resources, program activities, and results. USDA said that this process would debut during the fiscal year 2003 budget cycle. Also, USDA said that it would be driven by a performance plan that articulates annual performance targets that support the Forest Service's long-term objectives. Also, the Forest Service reported that (1) it will complete a strategic plan by September 30, 2003 and (2) it is developing a performance accountability system to integrate its annual budget plans with the accomplishment of strategic plan goals that will be implemented between 2002 and 2005.

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

The following table identifies the major management challenges confronting the Department of Commerce, which include the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, Commerce made in resolving its challenges. The third column discusses the extent to which Commerce's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified.

We found that Commerce's performance report discussed the agency's progress in resolving these challenges. For the most part, the progress was discussed either under the departmental management section of the performance report or in the sections detailing the progress of the Bureau of Industry and Security (BIS) (formerly called the Bureau of Export Administration), the Economic Development Administration (EDA), the International Trade Administration (ITA), the Minority Business Development Agency (MBDA), and the National Oceanic and Atmospheric Administration (NOAA).

The agency's performance plan has goals and measures that were directly related to all six of the major management challenges.

Table 3: Major Management Challenges for Commerce

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.	Under the Departmental Management section of the report, Commerce describes activities undertaken to address this departmentwide management challenge. To ensure that its workforce has the skills and competencies needed to carry out mission-critical activities over the long run, Commerce reports that it has combined efforts with its component bureaus to develop a common approach to analyze workforce needs, plan recruitment and outreach efforts, and modify how human resource professionals integrate policies and services. Other recent departmental efforts reported include completing a comprehensive workforce analysis; completing workforce restructuring plans during fiscal year 2002; improving an automated hiring system; reducing the time needed to advertise and fill vacancies; and, broadening outreach efforts to expand the pool of job applicants. Under the same section of the report, Commerce included a performance goal of "Strategic Management of Human Capital" accompanied by six performance measures. Commerce reported that it met or exceeded the targets for four of the six performance measures and did not meet the targets for two measures. For the targets that it met or exceeded, Commerce reported that it used automated workforce planning tools in three offices; sponsored 19 recruitment activities and marketed over 352 resumes with Commerce managers—more than twice the targeted number of resumes; designed a tracking system for aligning ratings with mission accomplishments or overall recognition; and completed two balanced scorecard systems that were to identify the strategic human resources functions that were most critical to management. (Note:	Under the Departmental Management section of the report, Commerce includes six performance measures related to the performance goal of managing human capital. The six measures reported include ensuring competency in leadership and in mission critical occupations; ensuring comprehensive training and development strategies; ensuring diverse candidate recruitment; efficiency and effectiveness of hiring systems; increasing the alignment of performance management with mission accomplishment; and implementing a telecommuting program. EDA included human capital issues in its priorities, but did not include specific performance goals or measures related to human capital management. For fiscal year 2002, MBDA included a new measure to track the employees training hours under its performance goal to "Improve Organizational Effectiveness, Responsiveness, and Efficiencies" and ITA included a new measure of employees' job satisfaction under the performance goal to "Improve Customer and Stakeholder Satisfaction."

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	Commerce reported that it plans to replace this measure with new or refined measures beginning with fiscal year 2002.) For the measures that it reported as not met, Commerce explained its performance. For example, Commerce reported that it filled vacancies in 38 days, which was 4 days more than its target of 34 days. Also, Commerce reported that its telecommuting policy is being developed and, thus, it could not determine whether it met the target of having 25 percent of the eligible workforce involved in telecommuting. Consequently, Commerce reported the target as unmet and noted that 13.5 percent of all employees were telecommuting. For each of its component agencies, Commerce provides a table of resource requirements, including full-time equivalent positions and summary of the skills needed in that component agency. For example, the skill summary for BIS includes having an extensive knowledge of the legislation and executive orders related to controlling dual-use commodities; knowledge of world political and economic systems, current trends in U.S. trade, and national security and foreign policy issues; and analytical abilities for complex licensing and policy decisions, as well as regulatory interpretations. EDA and MBDA included human capital management issues under their respective sections on priorities. Both EDA and MBDA discuss the importance of aligning resources, having a management process, hiring and retaining skilled employees, and having a competency based performance system. Neither EDA nor MBDA had specific performance goals or measures for fiscal year 2001.	

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
<u>Information security</u>: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America s cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	Under the Departmental Management section of the report, Commerce includes performance goals and measures related to information security. For example, under the goal to "Ensure Effective Resource Stewardship in Support of the Commerce Department's Programs," Commerce includes a performance measure called "Ensure a Secure Workplace for All Commerce Employees." Commerce says that it met all fiscal year 2001 targets for this performance measure since it conducted 32 inspections of classified systems, while the 2001 target was to conduct 10 inspections. In addition, under the performance goal to "Acquire and Manage the Technology Resources to Support Program Goals," Commerce includes a performance measure on information technology (IT) security program maturity. According to Commerce, it has met its target related to program maturity because 100 percent of the IT security programs at Commerce have documented policy and 60 percent have documented procedures, exceeding the goal of having documented policy and procedures for 50 percent of the programs. Commerce also reported that it met the 2001 target of having a documented policy for Commerce's systems. In Commerce's *FY 2001 Accountability Report*, the Inspector General identified weaknesses in information security throughout Commerce as a top management challenge. The Commerce Inspector General also said that "because information security has not received adequate attention in the past—and because of rapidly changing technologies, capabilities, and concerns—substantial efforts are required to develop and oversee an effective security program." While the accountability report does not list information security as a strategic goal for Commerce or include information security performance measures, the report does list acquiring and managing technology and related resources to support program goals as part of its Management Integration Goal.	In its 2003 performance plan, Commerce has four security-related measures. Commerce has set targets for performance measures that include planning and conducting compliance reviews of security programs and classified systems, documenting policies and implementing procedures and controls, completing IT system security plans, and limiting successful intrusion attempts. Commerce's measures may not specifically measure the effectiveness of information security and the agency's progress in implementing corrective actions. In addition to GPRA reporting, the Office of Management and Budget's guidance for fiscal year 2002 reporting under the Government Information Security Reform Act (GISRA) requires performance measures, as well as corrective action plans with quarterly status updates.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated major management challenge		
<u>The economy in distressed communities</u>: EDA works with local, state, and national organizations to help distressed communities compete in regional, national, and global markets. EDA provides grants for economic planning, technical assistance, research, and infrastructure improvements. These investments are intended to be catalysts to stimulate other public and private investments in distressed communities. Revolving loan funds help communities and businesses respond to severe economic dislocations caused by layoffs, plant shutdowns, trade impacts, natural disasters, and the closure of military bases and energy labs.	Commerce discusses this challenge under EDA's performance goal called "Promote Private Enterprise and Job Creation." Commerce lists two program outcome (long-term) measures and two interim and process measures for this goal and concludes that it met or exceeded the targets for all four measures. Specifically, Commerce reported that • private sector investments in distressed communities as a result of EDA's fiscal year 1998 investments totaled $971 million, exceeding the target of $130 million; • 12,989 jobs were created or retained in distressed communities as a result of EDA's fiscal year 1998 investments, exceeding the target of 5,400 jobs; • the ratio of state and local dollars committed per EDA dollar met the target of $1 to $1; and • 43 percent of EDA's investments were in areas of highest distress, exceeding the 40 percent target. Commerce also discontinued one interim measure that it did not meet—to reduce the processing time for applications—because it was not an outcome measure. Commerce reported that processing time increased from 72.5 to 82 days—missing the target of 68.1 days—due to the unavailability of funds, which kept it from obligating funds in a timely manner. Commerce plans to continue to monitor processing time for internal purposes.	Commerce discusses this challenge under EDA's performance goal called "Promote Private Enterprise and Job Creation." Commerce includes both program outcome (long-term) measures and interim and process measures for this goal. These include • private sector investments in distressed communities as a result of EDA's investments, • jobs created or retained in distressed communities as a result of EDA's investments, • the ratio of state and local dollars committed per EDA dollar, • percentage of EDA investments in areas of highest distress, and • the percentage of EDA dollars invested in technology-related projects in distressed areas, which will be assessed for the first time for fiscal year 2002.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Accurate and timely weather forecasts and warnings: NOAA is responsible for providing accurate and timely weather forecasts and warnings to protect human life and property. Every year hundreds of lives and billions of dollars are lost due to severe storms, floods, and other natural hazards. While preventing these occurrences is not possible, improved prediction capabilities can minimize impact.	Commerce addresses this challenge under the performance goal "Advance Short-term Warnings and Forecasts," which includes measures of lead time, accuracy, and false alarm rates related to warnings and forecasts. Of the 11 measures under this goal, Commerce reports that it met the targets for 7 measures and did not meet the targets for 4 measures. Specifically, Commerce reported • the false alarm rates for severe weather warnings for tornadoes and for aviation forecasts met the targets of 73 percent and 51 percent, respectively; • flash flood warnings had an average lead time of 46 minutes—longer than the 45-minute target—and an accuracy rate equal to the target of 86 percent; • winter storm warnings had an average lead time equal to the target of 13 hours and an accuracy rate of 90 percent, exceeding the target of 86 percent; and • marine forecasts had an accuracy rate of 52 percent, compared to a target of 51 percent. Commerce also reported that the lead time of 10 minutes and the accuracy rate of 67 percent for tornado warnings did not meet the respective targets of 13 minutes and 68 percent; and the accuracy of aviation forecasts, which was18 percent, and 3-day forecasts of precipitation, which was 19 percent, did not meet the respective targets of 21 percent and 22 percent. NOAA indicated that it has studied the data from these warnings and forecasts and plans actions that include refining its models and adjusting its targets.	Commerce addresses this challenge under the performance goal "Advance Short-term Warnings and Forecasts." Performance measures include targets for • lead times for severe weather warnings for tornadoes, flash floods, and winter storm warnings; • the percentages of accuracy for severe weather warnings for tornadoes and flash floods, for winter storm warnings, for 3-day forecasts of precipitation, and for aviation and marine forecast; • the percentages of false alarms for severe weather warnings for tornadoes and for aviation forecasts; and • the accuracy of hurricane track forecasts, which Commerce will measure beginning with fiscal year 2002.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Businesses' access to international markets: ITA works to promote U.S. foreign trade by monitoring the international exchange of goods and services and by helping U.S. companies export, partner with industry, and open markets. ITA also works with a variety of government agencies and other organizations to formulate policy and monitor market access to ensure that U.S. companies are competitive in foreign markets while protecting American security.	Commerce discusses this challenge under four of ITA's performance goals—"Increase trade opportunities for U.S. firms," "Broaden and deepen U.S. exporter base," "Ensure fair competition in international trade," and "Improve the U.S. competitive advantage through global e-commerce." Commerce includes 10 performance measures for fiscal year 2001 across these goals and reported that 5 of the targets were exceeded and 5 were not met. Specifically, Commerce reported the following targets that were exceeded: • As a result of ITA's involvement, 11,160 export transactions were made, exceeding the target of 9,253 transactions. • The number of new-to-market firms—those introduced to foreign markets—was 63,719, exceeding the target of 54,779. • The number of exporters entering a new market was 5,386, exceeding the target of 4,540. • The number of U.S. firms exporting for the first time was 742, exceeding the target of 679. • The value of gross exports supported was $12.5 billion, exceeding the target of $11 billion. ITA states that it is discontinuing the last two measures and replacing them with new measures such as the number of U.S. exporters entering a new market for the first time and the dollar value of completed advocacies. Commerce also reported that it did not meet the targets for five measures. These were the following: • The number of counseling sessions held was 138,165 compared with a target of 281,165. ITA reported that it will discontinue and replace this measure because it is not accurate or useful.	Commerce reports that in fiscal year 2001 ITA undertook a major effort to recast its mission statement, performance goals, and supporting performance measures. This effort resulted in identifying six performance goals and new measures related to this challenge. ITA's six performance goals are • increase trade opportunities for U.S. firms, • broaden and deepen the U.S. exporter base, • ensure fair competition in international trade, • advance the United States' international commercial and strategic interest, • improve customer and stakeholder satisfaction, and • improve the U.S. competitive advantage through global e-commerce. ITA reports that it has formulated new performance measures, which include the following • the percentage of undertaken advocacy actions completed successfully, • the dollar value of completed advocacies, • the percentage of antidumping or countervailing duty cases completed on time, • the number of market access and compliance cases initiated, • the dollar value of the trade barriers addressed, • dollar exports in priority markets, • customer satisfaction with and level of awareness of ITA's products and services, and • the percentage of ITA business processes provided electronically to external customers.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	• The number of new-to-export firms was 20,422 compared with a target of 30,336. ITA stated that the target was not met due to the significant economic downturn and overly optimistic projections. It plans to discontinue this measure and replace it with the number of firms exporting for the first time. • The number of antidumping/ countervailing duty cases processed was 136 compared with a target of 185. ITA plans to discontinue this measure because it is not under ITA's control. ITA plans to add a new measure on the timeliness of completing such cases. • The number of new subscribers using BuyUSA.com E-services, which was 338, did not meet the target of 5,000 due to a delay in the start of the Web site. • The dollar value of market openings of \$2.5 billion missed the target of \$4.1 billion due to the downturn in the economy and overly optimistic projections. ITA plans to discontinue this measure and replace it with a measure of the dollar value of trade barriers addressed.	

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Control of exports of dual-use commodities and chemical weapons: The United States controls the export of certain goods and technologies for national security and foreign policy (including nonproliferation) purposes. BIS issues licenses authorizing businesses to export certain dual-use commodities. Controls on dual-use items must balance the need to protect national security and foreign policy interests with the desire not to unduly hamper trade opportunities and competitiveness.	Commerce discusses this challenge under BIS's performance goals "Enhance the efficiency of the export control system while protecting U.S. national security interests," "Detect illegal export transactions and penalize violators," "Assist key nations to establish effective export control programs," and "The U.S. defense industrial base is healthy and competitive." Commerce lists 10 performance measures under these goals and reports that the targets were met for 4 measures and not met for 6 measures. For the targets that were met, BIS accepted 81 investigations for criminal or administrative remedies, exceeding the target of 70; conducted 693 end use visits, exceeding the target of 680; conducted 43 nonproliferation and export control international cooperative exchange activities, exceeding the target of 37; and conducted 1,046 enforcement outreach visits, exceeding the target of 1,010. BIS stated that it plans to discontinue the measure related to end use visits because those are largely outside BIS's control. It also plans to discontinue the enforcement outreach measure due to a policy decision to focus on developing criminal cases, rather than conducting outreach. For the targets that were not met, Commerce reported that • BIS processed export licenses in an average of 40.4 days compared with the target of 32 days. BIS noted that it depends on other agencies to act promptly in order to meet this measure and will continue to strive to reduce processing times. • BIS made 10,773 licensing decisions and missed the target of 14,000 due to U. S. policy changes. BIS plans to discontinue this measure and incorporate it into a measure of the timeliness of processing export licenses.	Last year, BIS refined its performance goals and measures by focusing on quality and exporter satisfaction, developing measures using "plain language," and developing new measures that accurately monitor BIS's program performance. These goals and measures relate directly to this challenge. The refined performance goals include • enhance the efficiency of the export control system while protecting U.S. national security interests, • ensure U.S. industry compliance with the Chemical Weapons Convention, • detect illegal export transactions and penalize violators, • assist key nations in establishing effective export control programs, and • coordinate activities for the protection of critical infrastructures and to ensure that the federal government continues to be able to deliver services essential to the nation's security, economy, or the health and safety of its citizens. BIS reports that it has formulated new performance measures such as • average processing time for commodity classification requests and for issuing draft regulations, • level of exporter understanding of BIS export control requirements, • number of site assistance visits conducted to assist companies preparing for Chemical Weapons Convention international inspections, • timely recommendations made on license applications, • number of targeted deficiencies remedied in the export control systems of key nations, and • the number of outreach conferences or seminars held.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	• The number of high-risk transactions that were deterred was 225, less than the target of 512. BIS attributed this performance to unforeseeable shifts in U. S. policy. It plans to discontinue this measure because of the difficulty in measuring certain aspects of deterrence and new measures developed for fiscal year 2003 are stronger performance indicators. • The export assistance seminars or conferences conducted totaled 106 instead of the 120 targeted due to program priority changes and staff shortages. BIS reported that it will discontinue this measure and will measure its outreach using the level of exporter understanding of BIS export control requirements. • BIS completed 1,181 export investigations and missed the target of 1,225 because of shifting focus on criminal cases. BIS plans to discontinue this measure and replace it with better measures of its enforcement effectiveness, such as the number of investigations accepted for administrative or criminal remedies. • The number of strategic industry analyses completed was 278 versus a target of 300. BIS attributed this performance to having fewer memoranda of understanding reviewed than anticipated. BIS also noted that this measure will be discontinued because it relies on the actions of others and other measures are stronger BIS performance indicators.	

Observations on the Department of Education's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Department of Education (Education), including the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office in 2001. The second column discusses the progress Education made in resolving its challenges, as reported in its Management Improvement Team (MIT) Accomplishments Report. Education did not submit a Government Performance and Results Act report for fiscal year 2001 because, according to agency officials, the department was revising its strategic plan. Instead, Education issued a MIT Accomplishments Report in October 2001 to reflect some of the department's progress in resolving its challenges.[4] The third column discusses the extent to which Education's 2002-2003 annual plan includes goals, strategies and performance measures to address the challenges that we identified[5].

We found that Education's MIT Accomplishments Report discussed the agency's progress in resolving many of its challenges, but it did not discuss the agency's progress in resolving the following challenges

- encouraging states to improve performance information and upgrade federal evaluations used to assess how well all children reach challenging academic standards and
- promoting coordination with other federal agencies and school districts to help build a solid foundation of learning for all children.

Of the agency's six major management challenges, its performance plan had

1. goals and measures that were directly related to five of the challenges and
2. no goals and measures related to one of the challenges, but discussed strategies to partly address

[4] In April 2001, the Secretary of Education established a Management Improvement Team (MIT) comprised of senior-level managers within Education to formulate strategies to address key financial and management problems.

[5] In March 2002, the Department of Education published its *Annual Plan: 2002-2003*. This document lists goals, measures, and strategies for the department over an 18-month period.

- promoting coordination with other federal agencies and
- school districts to help build a solid foundation of learning for all children.

Table 4: Major Management Challenges for Education

Major management challenge	Progress in resolving major management challenge as discussed in agency's Management Improvement Team (MIT) Accomplishments Report	Applicable goals, measures, and strategies as discussed in agency's 2002-2003 annual plan
GAO-designated governmentwide high risk areas		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.	The MIT Accomplishments Report discussed human capital management. The report refers to a workforce analysis and states that Education will be expanding its recruitment, retention, and training strategies to be able to compete for the highest quality employees and appropriately train and retain them. Further, the report provides specific actions taken to address leadership continuity and succession planning. The report states that Education launched a yearlong leadership development program and selected 24 professional staff as participants. This program will help participants develop their leadership skills and requires them to complete a project that addresses the Secretary's management improvement goals. The report also states that Education completed a training needs assessment and the results are being used to identify performance improvement areas to guide future training initiatives. However, the MIT report did not include information on long-term human capital planning and organizational alignment nor did the report discuss Education's progress in creating a results-oriented organizational culture.	In its 2002-2003 annual plan, Education reports the following strategies for improving the strategic management of the department's human capital: (1) developing a five-year human capital plan, (2) identifying and obtaining needed skills, (3) improving employee performance and accountability, (4) improving core processes related to human capital management, such as recruitment efforts and expanded personnel flexibility, and (5) improving the use of competitive sourcing. Education has developed some performance targets related to strategic human capital that include measures on employee satisfaction and workforce skill gap reduction. In addition, the department is addressing human capital management through its "One-ED" initiative. This initiative identifies four critical human capital strategies and several action steps for implementing them. The strategies are (1) provide leadership for improving performance and work processes, (2) align performance management systems, (3) improve employee skills, and (4) focus on current and potential leaders.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's Management Improvement Team (MIT) Accomplishments Report	Applicable goals, measures, and strategies as discussed in agency's 2002-2003 annual plan
Information security: Our January 2001 high-risk update noted that agency and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America 's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	Education continued to report information system controls as a material weakness in its Federal Managers' Financial Integrity Act report for 2001. To improve the department's information security program, Education reported in its MIT Accomplishment Report that it established a temporary off-site disaster recovery facility for the department 's computer network and financial records and accounting system. It also finalized plans for a permanent disaster recovery facility. In addition, Education developed an information technology (IT) security training curriculum for IT professionals and held initial classroom training. The department also reported that it performed security reviews of all IT systems and developed a plan to correct deficiencies.	In its 2002-2003 annual plan Education acknowledges that improved department accountability requires that it protect data integrity and confidentiality. Education identifies several strategies and action steps to help ensure the security of its IT infrastructure, such as: (1) all general support systems and major applications will be certified and accredited or receive interim approval to operate to ensure the safety of the IT infrastructure, (2) remedial actions will be completed on all problems identified in the Government Information Security Reform Act (GISRA) reviews and Critical Infrastructure Protection assessments, (3) the department's vulnerability and threat assessment will be completed and remedial action plans will begin, and (4) inform and train department officials on the new IT system. The department will also develop and test disaster recovery plans that are updated annually. However, these actions may not specifically measure the effectiveness of information security and the agency's progress in implementing corrective steps. While the department stated that it has taken steps to improve its security program modeled on guidance from the National Institute of Standards and Technology (NIST), its annual plan does not include specific information on performance measures the department is using to identify progress in improving information security. NIST developed a security assessment framework and related tools that agencies can use in determining the status of their information security programs. Also, Office of Management and Budget (OMB) guidance for fiscal year 2002 reporting under GISRA requires agencies to use tools developed by NIST for evaluating the security of unclassified systems or groups of systems. In addition, OMB's GISRA reporting guidance requires specific performance measures as well as corrective action plans with quarterly status updates.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's Management Improvement Team (MIT) Accomplishments Report	Applicable goals, measures, and strategies as discussed in agency's 2002-2003 annual plan
GAO-designated major management challenges		
Encouraging states to improve performance information and upgrade federal evaluations used to assess how well all children reach challenging academic standards.	This challenge was not addressed in the MIT Accomplishments Report.	In the No Child Left Behind (NCLB) Act, states are required to report their progress on a number of performance indicators annually. To help them meet their new requirements, Education states in its 2002-2003 annual plan that it will provide technical assistance to states on the utilization of online assessments. Education also acknowledges that there are steps the department can take to transform the field of education into an evidence-based field, such as developing and enforcing high standards for research initiatives that it funds. Education has set fiscal year 2003 performance targets related to this challenge, such as increasing the percentage of states with complete school accountability systems in place as required by the NCLB Act and increasing the number of projects and publications that are deemed to be of high quality by an independent group of scientists.
Promoting coordination with other federal agencies and school districts to help build a solid foundation of learning for all children.	This challenge was not addressed in the MIT Accomplishments Report.	While this challenge is not identified as a specific strategic goal in the 2002-2003 annual plan, Education acknowledges the need for building partnerships across the federal government. For example, the department discusses continuing its work with the Department of Health and Human Services to improve educational services to preschool children, especially those from underserved populations. The department does not discuss any specific efforts to coordinate with school districts nor does it identify any performance targets for this challenge.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's Management Improvement Team (MIT) Accomplishments Report	Applicable goals, measures, and strategies as discussed in agency's 2002-2003 annual plan
<u>**Improving financial management to help build a high performing agency**</u>.	Education identified several accomplishments related to this issue in its MIT Accomplishments Report. These accomplishments included: (1) implementing a payment system that checks incoming bills and permits only authorized officials to approve payments, (2) requiring appropriate review/approval of all purchases—ensuring appropriate separation of duties to minimize risk of fraud, waste and abuse, (3) establishing an Office of Chief Financial Officer group that promotes employee awareness of internal control, (4) beginning the process for implementing a new accounting system, and (5) for the first time, preparing interim financial statements on a quarterly basis.	In its 2002-2003 annual plan, Education lists strategies and action steps for how the department will develop and maintain financial integrity and management and internal controls. Education has listed the following strategies to meet this challenge: (1) update and integrate financial systems, (2) prepare financial statements to provide data on department performance, (3) analyze data to reduce fraud, (4) review existing internal controls and implement changes where necessary, and (5) increase the use of performance-based contracting. Education also intends to align its budget and planning process to ensure that effective programs continue to be funded. Education has set some performance targets for fiscal year 2003 related to improving the financial management of the agency. Measures include decreasing the number and amount of erroneous payments, decreasing the administrative cost per grant transaction, and decreasing the number of open audit recommendations remaining from the previous year's financial statement audit.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's Management Improvement Team (MIT) Accomplishments Report	Applicable goals, measures, and strategies as discussed in agency's 2002-2003 annual plan
Ensure access to postsecondary education while reducing the vulnerability of student aid programs to fraud, waste, error, and mismanagement.	The MIT Accomplishments Report states that the department is concentrating on removing the student financial aid programs from the GAO high-risk list. The report discusses Education's actions in addressing the problems with the department's student financial aid programs. For example, the department has been able to collect $153 million as a result of locating defaulted borrowers by matching with the Department of Health and Human Services "National Directory of New Hires" database. Education has also resolved 93 percent of school audits within six months.	In its 2002-2003 annual plan, Education outlines various activities to help ensure the removal of the Federal Student Assistance programs from GAO's high-risk program list. The department plans to continue improving and integrating its financial and management information systems and to improve program monitoring. In addition, Education plans to create a study group to examine the factors that contribute to the rising costs of postsecondary education and investigate postsecondary funding strategies. Education has set fiscal year 2003 performance targets for establishing effective funding mechanisms for postsecondary education by modestly decreasing (1) the average national increase in college tuition and (2) the unmet needs for cost of attendance for low-income students. Education has developed performance targets for fiscal year 2003 related to its Federal Student Assistance Program that include being removed from GAO's high-risk list, increasing the default recovery rate, and decreasing grant overpayments to students.

Observations on the Department of Energy's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Department of Energy (DOE), including the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, DOE made in resolving its challenges. The third column discusses the extent to which DOE's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found that DOE's performance report discussed the agency's progress in resolving its challenges.

The agency's performance plan had goals and measures that were directly related to all eight of the major management challenges.

Table 5: Major Management Challenges for Energy

Major management challenge	Progress in resolving major management challenges as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
<u>Strategic human capital management</u>: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staffing whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.	DOE's fiscal year 2001 report recognized human capital management as a departmental challenge. DOE reported progress in meeting this challenge in fiscal year 2001 through a human capital summit in July 2001 that identified concerns and possible solutions. In addition, DOE submitted a 5-year workforce restructuring plan to the OMB with the fiscal year 2003 budget submission. DOE reported that it met its human capital performance target by completing all scheduled milestones in its Corporate Training Plan and increasing the electronic transfer of documents in its personnel system to more than 49 percent. In addition, DOE reported that it met all but two of the fiscal year 2001 milestones in the Federal Managers' Financial Integrity Act (FMFIA) corrective action plan for the departmental challenge of human capital management. The two unmet milestones, developing a mechanism to forecast mission needs/project skills gaps and developing succession planning strategies have been extended into fiscal years 2002 and 2003 due to revised initiatives included in the DOE 5-Year Workforce Restructuring Plan. DOE claims to have completed these in fiscal year 2002. DOE's Science, National Nuclear Security, Environmental Quality, and Energy Resources business lines generally did not include specific goals or measures related to human capital. DOE's Science business line articulated a goal to provide extraordinary tools, scientific workforce, and infrastructure to support DOE's science mission. However, while the science line mentions it will continue the advanced education and training of young scientists we could only find one related performance target and	DOE's fiscal year 2003 plan lists one strategic objective to implement the President's Management Agenda initiatives on Strategic Management of Human Capital. In addition, the plan lists a strategic performance goal to implement DOE's 5-year workforce restructuring plan. The performance indicator for these goals will be achievement of established milestones in the plan. In addition, under the different business lines, the plan lists two more strategic performance goals. A goal to attract and retain the best laboratory and production workforce is listed under National Nuclear Security but no performance indicator has been developed. Energy Resources lists a goal to increase overall university enrollment for nuclear engineers and scientists by 3 percent per year over the next 5 years. Success will be measured by undergraduate and graduate enrollments in nuclear engineering. Indirectly related, Corporate Management lists promotion of inclusion and diversity in all aspects of human capital. Performance indicators include a comparison of workplace diversity with national and local populations and workplace satisfaction surveys.

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Major management challenge	Progress in resolving major management challenges as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	result. DOE reported recruiting 24 new fellows under its Computational Science Graduate Fellowship program.	

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Major management challenge	Progress in resolving major management challenges as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agency and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption.	In fiscal year 2001, DOE did not specifically identify information security as a departmental challenge. DOE did, however, recognize the management of information technology and the broader field of security as separate management challenges. DOE noted that it had created a focal point for information technology issues by moving the Office of Chief Information Officer to report directly to the Secretary of Energy. Although we did not evaluate DOE's efforts, DOE reported that it met seven of eight planned critical milestones contained in the FMFIA corrective action plan for meeting the challenge of information technology management. Under the goal of providing security and emergency operations, DOE reported that it is modernizing its information security program to allow for analysis and deterrence of major incidents involving the compromise of classified information. In this effort, DOE reported it had nearly met its goal but provided little detail on how it had done so. DOE also reported that its Office of Independent Oversight and Performance Assurance completed 17 cyber security inspections during fiscal year 2001. However, DOE did not report on the findings of these inspections. In addition, DOE reported that its counterintelligence program is developing an enhanced intrusion detection capability for DOE to address cyber threats. DOE reported it had nearly met its goal for fiscal year 2001 but, again, provided few details. Last, DOE's independent auditors' report for fiscal year 2001, included in the fiscal year 2001 performance report, identified unclassified information systems security as a reportable condition because of network vulnerabilities and access control weaknesses. Although this condition is not believed to be a material weakness, it was first reported in 1999. DOE reports	DOE discusses information security in a number of different places in its fiscal year 2003 performance plan. In the Corporate Management section, the plan lists a strategic objective to ensure the operation of secure, efficient, effective, and economical Information Technology Systems and infrastructure. Underneath this objective, the plan lists a performance goal to ensure that DOE's information assets are secure through effective policies, implementation, and oversight. The plan then lists three performance indicators: (1) number of employees trained in cyber security, (2) cyber incident response time, and (3) cyber intrusion detection and reporting efficiency. The plan also lists a strategic objective to reduce adverse security incidents through oversight of information assets. A related performance goal is the development of security policy and management of security operations for DOE facilities in the national capital area. Indicators include DOE findings specific to security policy and the number of incidents at headquarters facilities. Another performance goal is to provide inspections that contribute to the security of assets. Performance indicators include reportable events that impact national security and cyber attacks on information technology systems that lead to a breach in security. Finally, another performance goal is to increase the protection of sensitive and classified information against attempts by foreign intelligence organizations to acquire nuclear weapons information from the National Laboratories and other National Nuclear Security Administration (NNSA) facilities. However, no performance indicators have been developed. Under the National Nuclear Security business line, the plan lists a goal to protect classified information and assets. However, the plan notes that for all goals under National Nuclear Security, quantitative performance indicators are to be developed. DOE claims the performance indicators

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Major management challenge	Progress in resolving major management challenges as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	progress through security upgrades and development of a cyber security performance improvement plan. DOE did not explicitly state how all these various efforts will be integrated across business lines and organizational boundaries. While DOE believes this is an excellent idea and will look for opportunities to include this information, it must balance this with demands to streamline its report.	listed in the plan are deemed to be "sub-goals" and do not need any description. Like the fiscal year 2001 report, the fiscal year 2003 plan does not explicitly state how all these various efforts will be integrated across business lines and organizational boundaries.

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Major management challenge	Progress in resolving major management challenges as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated major management challenge		
Financial management: For the past 3 years, the independent auditor's report on DOE's consolidated financial statements has reported financial management concerns at the Western Area Power Administration (WAPA or Western). Western markets and transmits electric power and provides related services.	DOE's independent auditors' report for fiscal year 2001, included in the fiscal year 2001 performance report, identified financial management at Western as a reportable condition. The report noted that Western has made improvements over the past year but did not uniformly perform necessary reconciliations and could not promptly prepare account analyses. This reportable condition was not deemed to be a material weakness. The audit report recommended that DOE's Chief Financial Officer (CFO) monitor Western's management actions to improve Western's overall financial management. The CFO agreed with the recommendation and plans to oversee development of a corrective action plan and to monitor implementation. However, DOE did not list this as a departmental challenge in its fiscal year 2001 performance report.	DOE's fiscal year 2003 plan includes a strategic performance goal to manage financial resources and obtain an independent auditor's unqualified opinion on the department's annual financial statements. However, DOE did not address the reportable condition for financial management at Western as a performance indicator in its plan under this goal. Addressing the reportable condition would be an appropriate target to assist in meeting the objective of receiving an unqualified audit opinion in the future.

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Major management challenge	Progress in resolving major management challenges as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Nonproliferation issues: Achieving nonproliferation goals requires improved priority setting and program coordination. GAO identified three main challenges that DOE's nonproliferation programs face. These include obtaining better access to information and Russian nuclear weapons laboratories to better target program resources to the greatest risks, verifying the use of program funds, and coordinating several DOE programs involving the newly independent states to increase their effectiveness. Our reviews of DOE's nonproliferation programs recognize that there are inherent difficulties involved in working with Russia and the other newly independent states.	DOE reported on 26 performance targets related to reducing danger of global nuclear proliferation. Several of these measures addressed some aspects of the management challenges we identified for this area (see below). For example, DOE reported that its Initiatives for Proliferation Prevention projects and Nonproliferation and International Security institutes engaged over 5000 Russian and former-Soviet engineers and technicians in fiscal year 2001. In addition, DOE reported progress in monitoring the conversion of Russian highly enriched uranium (HEU) into low enriched uranium and in conducting special monitoring visits to Russian nuclear processing facilities. At the same time, DOE reported delays, for the second straight year, in installation of monitoring equipment at one Russian blending facility and delays in the negotiating the opening of a monitoring facility at another Russian processing facility. DOE did list U.S. and Russian surplus fissile materials as a management challenge. DOE's report contains 10 performance measures related to this challenge and continues to report that the department has made mixed progress in this area. For example, DOE reported that it had successfully completed most of the material control and accountability upgrades it had planned for Russian facilities for fiscal year 2001. However, some important activities, such as the installation of monitoring equipment at a Russian HEU facility, and the shipping of surplus HEU to the United States Enrichment Corporation, fell behind schedule. The department reported completion of the Title 1 design of the mixed oxide fuel facility for surplus U.S. plutonium. However, it did not report that completion of Title 1 design work for its Pit Disassembly and Conversion Facility had been delayed from the previous goal of fiscal year 2001 to fiscal year 2002.	Under the National Nuclear Security business line, DOE's plan lists a strategic objective to detect, prevent, and reverse the proliferation of weapons of mass destruction while promoting nuclear safety worldwide. Underneath this objective, the plan lists three performance goals related to nonproliferation including enhancing the capability to detect and prevent the proliferation of weapons of mass destruction as well as eliminating weapons and redirecting foreign weapons expertise to civilian enterprises. However, as mentioned before, the plan notes that for all goals under National Nuclear Security, quantitative performance indicators are to be developed. Indirectly, the plan lists a performance goal to deploy new business practices to create an integrated nuclear security enterprise-integrated information system; a new planning, programming, budgeting, and evaluation system; human capital initiatives, and efforts to increase accountability at all levels of NNSA. This may eventually help to verify the use of program funds, improve coordination, and establish priorities. However, no quantifiable performance indicators have been developed yet.

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Major management challenge	Progress in resolving major management challenges as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Nuclear weapons stockpile: GAO and others have found pervasive and long-standing problems with DOE's ability to address project management, planning and budgeting, organizational alignment, and human capital challenges, while effectively and efficiently maintaining nuclear weapons capabilities. DOE has sought to maintain through the Stockpile Stewardship Program, the safety and reliability of U.S. nuclear weapons under a nuclear testing moratorium in the post-Cold War era. The Congress created NNSA to deal with many of these problems.	DOE's report discussed three performance goals and eight performance measures involving DOE's Stockpile Stewardship Program. This small number of performance measures is disproportionate to the over one-third of DOE's budget that is spent on this business line. In addition, some of the measures are too highly aggregated to be useful. DOE reported that Stockpile Surveillance and Testing is a management challenge. Other areas that DOE recognizes as departmental management challenges – project management, managing physical assets, human capital management – also apply to the nuclear weapons stockpile program. DOE reported that it progressed in some stockpile areas, including certifying to the President that the nuclear weapons stockpile was safe and reliable for the sixth straight year. However, DOE noted that it had failed for the fifth straight year to meet its schedules for stockpile surveillance tests. In addition, DOE reported that it had not been meeting internally established time frames for initiating and conducting investigations into defects and malfunctions in nuclear weapons. Both activities are vital to ensuring the nuclear weapons stockpile remain safe and reliable. DOE also reported that it was addressing project management challenges for the stockpile (see discussion under the contract management challenge). DOE also said that it sought to ensure the availability of a workforce with the critical skills necessary to meet long-term requirements. It further said that it had completed some of the milestones listed in its FMFIA corrective action plan for managing physical assets. The goals and results of these initiatives, however, are so highly aggregated that it is difficult to discern where progress is being made.	Under the National Nuclear Security business line, DOE's plan lists a strategic objective to maintain and enhance the safety, security, and reliability of the nation's nuclear weapons stockpile to counter the threats of the 21st century. Under this objective, the plan lists two performance goals including conducting a program of warhead evaluation, maintenance, refurbishment, and production in partnership with DOD and developing science, design, engineering, testing and manufacturing capabilities needed for long-term stewardship of the stockpile. The plan also lists another strategic objective to ensure the vitality and readiness of the NNSA's nuclear security enterprise. Listed under this objective, two related performance goals are to attract and retain the best laboratory and production workforce and to provide state-of-the art facilities and infrastructure. However, as mentioned before, the plan notes that for all goals under National Nuclear Security, quantitative performance indicators have not been developed. Importantly, DOE offers no performance measures on how it intends to reduce the stockpile surveillance and testing backlog, an area that it recognizes as a management challenge. According to NNSA, the department plans to complete the remaining backlog by the end of fiscal year 2003, except for a few gas transfer systems. Indirectly, as mentioned earlier under nonproliferation, the plan lists a performance goal to deploy new business practices to create an integrated nuclear security enterprise such as a new planning, programming, budgeting, and evaluation system. This may eventually help to verify the use of program funds, improve coordination, and establish priorities. However, no quantifiable performance indicators have been developed yet.

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Major management challenge	Progress in resolving major management challenges as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Contract management: Problems in contract management (which includes project management) place DOE at high risk for fraud, waste, abuse, and mismanagement. This has been a challenge for DOE since 1990, especially because DOE relies heavily on contractors to achieve most of its missions. DOE has begun a number of initiatives to improve contractor management, but it is too soon to tell whether the initiatives will be effective in the long-run. In addition, several Office of Inspector General (OIG) audits have found that many of DOE's contract reform goals have yet to be achieved.	DOE's report addressed contract/project management challenges under two business lines—Corporate Management and National Nuclear Security. In the Corporate Management overview section, DOE reported continuing improvement efforts aimed at implementing National Research Council recommendations to improve project management. To date, reforms reported as implemented include: a watch list of projects for stringent review, external independent reviews, and DOE-wide policy and operating procedures. Regarding contract management for 2001, DOE reported that it met the goal of converting all of its management and operating contracts awarded to performance-based contracts. As part of the department's ongoing effort to drastically change its contract management policies and practices for major facility contracts, DOE reported issuing final rules in fiscal year 2001 to overhaul its regulations and adopt the federal acquisition regulations for these contracts. Under the National Nuclear Security business line, DOE reported creating a new project management organization to assist in completing important projects. For example, the National Ignition Facility (NIF) was rebaselined in fiscal year 2000 because it was over budget and behind schedule. DOE reported developing a six point plan for NIF and certifying a new project baseline. DOE also reported that its tritium production program was on track. However, on some projects, schedule slippages and cost overruns still exist. For example, a recent DOE Inspector General's report found that the tritium production project was both behind schedule and over budget.	DOE's fiscal year 2003 performance plan continues to address contract management under the Corporate Management goal. The plan has a strategic objective to effectively manage DOE by implementing competitive sourcing. The plan has one strategic performance goal to improve DOE's contract management to become a model for government. The three performance indicators under this goal are: the percent of eligible service contracts that are performance-based, the status of contract management as a management challenge, and the percentage of new competitive awards made electronically. However, these limited measures do not directly address the challenges of the large management and operating contracts that have been the focus of outside criticism and contract reform. The plan includes other goals and measures that indirectly address the contract management challenge. For example, under a Corporate Management performance goal to conduct audits, the DOE Office of Inspector General has a target to ensure that at least 90 percent of its performance audits incorporate approaches to evaluate the use of performance measures —a fundamental tool of contract reform. Also, the Environmental Quality business line has a goal and related indicators that pertain to timely completion of cleanup projects at geographic sites. The plan lists two performance targets that address the project management component of the contract management challenge. Under Corporate Management, the department plans to pilot six courses on the Project Manager Career Development Program. Under National Nuclear Security, NNSA plans to meet established construction schedules to properly maintain needed facilities.

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Major management challenge	Progress in resolving major management challenges as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Security: Numerous studies have identified pervasive weaknesses in DOE's security controls. Our reports have highlighted weaknesses in computerized information systems, foreign visitor, and foreign travel programs. While DOE has responded to many recommendations, the department has not always followed through to ensure that improvements are consistently implemented. In addition, the September 11, 2001 terrorist attacks pose new challenges for DOE security.	Overall, the department reports that it is making progress in improving security. DOE says it is meeting most of its FMFIA milestones for the security management challenge and the security aspects of counterintelligence. DOE also reported that its Office of Independent Oversight and Performance Assurance met its goals for conducting safeguards and security and cyber security inspections. Nevertheless, while a variety of activities have been completed, DOE and NNSA are still developing methods for evaluating those activities' effectiveness in improving security. Until these methods are in place, DOE and NNSA cannot determine the impact of the individual initiatives or their effect on security.	As discussed under information security, DOE's plan lists a strategic objective to reduce adverse security incidents through policy development, counterintelligence, intelligence, and oversight of the nation's energy infrastructure, nuclear weapons, materials, facilities, and information assets. A related performance goal is the development of security policy and management of security operations for DOE facilities in the national capital area. Indicators include DOE findings specific to security policy and number of incidents at headquarters facilities. However, the plan goes on to list some different "proposed targets" under this goal including meeting FMFIA security milestones, improving headquarters security; centralized tracking of controlled nuclear material; centralized tracking of foreign national visitors to DOE facilities; and, completing the audit of classified materials at the National Archives and Records Administration. Another performance goal is to provide inspections that contribute to the security of assets. Performance indicators include reportable events that affect national security and cyber attacks on information technology systems that lead to a breach in security. Finally, another performance goal is to increase the protection of information. However, no performance indicators have been developed, although, as a proposed target, DOE indicates it will inspect a number of site counterintelligence programs in fiscal year 2003. Finally, under the National Nuclear Security business line, the plan lists a goal to protect classified information and assets. However, no quantitative performance indicators have been developed. Overall, in the fiscal year 2003 plan, neither DOE nor NNSA devotes much attention to the physical security challenges that have resulted since the terrorist attacks of September 11, 2001. While the fiscal year 2001 report notes that additional funding will

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Major management challenge	Progress in resolving major management challenges as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
		be needed to address physical security issues and the fiscal year 2003 plan discusses additional funding to provide for the continued safe and secure transport of nuclear material and weapons conducted by NNSA's Secure Transportation Asset, there appear to be few performance measures directly related to physical security.
Environmental cleanup: Over 50 years of nuclear weapons research and production have left a legacy of environmental contamination that poses unacceptable risks. The magnitude of the cleanup effort, which includes technical complexities and uncertainties at 44 remaining sites, ensures that it will remain a departmental challenge for the foreseeable future. The OIG reported that the department has made progress in defining the cleanup effort, estimating its scope, and prioritizing individual projects; however, increased management attention is needed to achieve intended environmental outcomes.	DOE continued to report progress towards most of the six general performance goals that address the environmental cleanup effort. Under these six goals, the specific performance targets continued to track the progress of measurable cleanup steps such as completing site remediation, disposing of radioactive wastes, and issuing a site suitability evaluation to support the recommendation of a site for geologic disposal of civilian radioactive wastes. The department's report also provides information on how much additional cleanup work remains, for example, by stating that the target of producing 225 canisters of high-level waste will complete about 7.4 percent of the total canisters that will be produced from fiscal year 1998 to life cycle completion. In addition to progressing toward its general performance goals, the department reported that it was conducting a top to bottom review of the environmental management program that will identify opportunities for achieving more and faster cleanup.	The department's fiscal year 2003 performance plan has a specific strategic objective to safely and expeditiously manage waste, clean up facilities and the environment; and stabilize and store nuclear material and spent nuclear fuel. Under this objective, the plan lists 4 performance goals: (1) to clean up specific sites, (2) to safely dispose of waste generated by DOE during past and current operations, (3) to stabilize nuclear material and spent nuclear fuel and reduce exposure risk, and (4) to deploy innovative cleanup and treatment technologies. The plan goes on to list 13 performance indicators for these goals, however, no indicators have been developed for the innovative technologies goal. DOE commented that it recognizes this problem; however, a top to bottom review of the entire program forced a delay in developing measures until the direction of the technology development program became clear. DOE states that appropriate measures will appear in future planning documents now that the review is complete. Some of the indicators include completion of environmental cleanup at one additional geographic site and disposal of an additional 80,000 cubic meters of low-level radioactive waste. The department made some changes to other strategic objectives and goals related to environmental cleanup. The fiscal year 2003 plan no longer specifically addresses the disposal of depleted uranium hexafluoride or excess natural uranium inventories—a goal that was not met during fiscal year 2001.

Observations on the Environmental Protection Agency's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Environmental Protection Agency (EPA), including the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, EPA made in resolving its challenges. The third column discusses the extent to which EPA's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found that EPA's performance report discussed the agency's progress in resolving all of its challenges.

Of the agency's four major management challenges, its performance plan had

1. goals and measures that were directly related to two of the challenges and

2. no goals and measures related to two of the challenges but discussed strategies to address the challenges, which were

- environmental and performance information management to set priorities and measure program results and

- working relationships with states.

Table 6: Major Management Challenges for EPA

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures. EPA has recognized that it must devote considerable attention to building a workforce with the highly specialized skills and knowledge required to accomplish its work or risk seriously weakening its ability to fulfill even the most basic of its legal, regulatory, and fiduciary responsibilities.	EPA's fiscal year 2001 performance report did not include any specific performance goals and measures associated with this management challenge. In the agency's discussion of its fiscal year 2001 performance, however, the agency stated that managing human capital was one of the overarching priorities it focused on in fulfilling its management commitments. In November 2000, EPA developed a human capital strategy, *Investing in Our People: EPA's Strategy for Human Capital, 2001-2003,* to refine its human capital policies and practices. This strategy identified the agency's vision and major objectives. It also included the development of a workforce planning system, implementation plans for achieving the objectives, and identification of the agency units responsible for carrying out the implementation plans. The agency reported that with its Human Capital Strategic Plan in place, it has a blueprint for the initial and long-term steps needed to begin addressing this issue. EPA reported that in fiscal year 2001 it had begun to implement its Human Capital Strategic Plan by initiating development of a competency-based workforce-planning model. Other accomplishments for 2001, as reported by the agency, included: (1) graduating a second class of interns and hiring another class, (2) launching a senior executive service candidate development program, (3) developing and launching a course for new supervisors and managers, and (4) beginning the rollout of courses created as part of the agency's mid-level development program. EPA further stated that it planned to dedicate additional resources to this effort in fiscal year 2002, including obtaining contractor support to develop a competency-based workforce-planning model and selecting candidates for	EPA reported that it is developing a comprehensive strategy to attract, develop, and retain a diversified workforce that is prepared to meet the agency's future challenges. To do this it will continue to implement its action plan in support of the agency's strategy for human capital. The agency's goals will focus on implementing a workforce-planning model, completing a comprehensive pay review, and developing delivery systems and processes to enhance the training and development of its workforce. EPA included the number of agency offices using the workforce-planning model, which identifies skills and competencies needed by the agency for strategic recruitment, retention, and development training, as a performance measure in its fiscal year 2003 plan. Its fiscal year 2003 goal is for five offices to use the model. In July 2001, GAO reported that, although the strategy represented a positive step, it did not (1) explain how achieving the human capital objectives would improve the agency's performance in meeting its strategic goals, (2) identify either the resources needed or the specific milestones for implementing the objectives, and (3) provide outcome measures to track the agency's progress and evaluate its success in achieving those objectives. We also reported that EPA did not know the appropriate size, skills, and deployment of staff needed to achieve its strategic goals; was unprepared for the potential loss in leadership and institutional knowledge that was likely to occur as more than half of its senior executives become eligible to retire by 2006; and had no systematic means to recruit and develop staff with the scientific and technical skills needed to effectively carry out environmental programs.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	its senior executive service development program. Finally, the agency stated that it planned to complete all corrective actions by fiscal year 2004.	
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect U.S. cyberspace against potentially disastrous cyber attacks—attacks that also could be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	EPA provided no information security performance goals or measures in its fiscal year 2001 performance report. The report, however, refers in general language to the agency's commitment to make "improvements in providing secure, cost-effective telecommunications and computing capabilities." The agency also reported that, in fiscal year 2001, it had improved its security measures for electronic information exchange with its external business partners by using virtual private network technology. More detailed information on agency actions to address risks to its information system security are discussed in the agency's fiscal year 2001 Integrity Act report included in its annual performance report. In this report, EPA stated that it had made substantial progress in strengthening its information security program by establishing a comprehensive strategy that addressed all security-related deficiencies. Corrective actions it reported included improving the agency's risk assessment and planning process, implementing major new technical and procedural controls, issuing new policies, and beginning a regular process of testing and evaluation. Specifically, the agency reported that during fiscal year 2001 it completed risk assessments for security-critical applications and systems, conducted training and awareness activities for information security officers and senior managers, and provided general awareness training for all agency employees. The agency also reported installing network intrusion-detection and monitoring controls on its centrally managed environment and plans to install additional tools on its distributed systems environment. It reported that all corrective actions are expected to be complete by the end of fiscal year 2002.	Strengthening and securing the agency's information infrastructure is one of eight specific activities EPA identified as a means for accomplishing its environmental information goal for fiscal year 2003. In the plan, EPA also recognizes that it must remain vigilant in maintaining a strong and secure information infrastructure that directly supports its mission and homeland security. Performance measures for information security are included in EPA's fiscal year 2003 performance plan. In the plan, the agency describes three objectives for the strategic goal "Quality Environmental Information," one of which is to improve the agency's information infrastructure and security. The performance goals and measures listed for this objective include (1) documenting critical infrastructure, financial, and mission critical environmental systems risk assessment findings to be completed in fiscal year 2002, (2) obtaining 75 percent compliance with the 13 criteria OMB uses to assess agency security programs, and (3) making sure that 75 percent of intrusion detection monitoring sensors are installed and operational. The last two performance measures and goals apply only to fiscal year 2003. GAO believes, however, that these measures may not specifically measure the effectiveness of information security and the agency's progress in implementing corrective actions.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated major management challenge		
Environmental and performance information management to set priorities and measure program results: In 2002, GAO reported that EPA needs high-quality scientific and environmental information to establish priorities that reflect risks to human health and the environment, and that compare risk reduction strategies across programs and pollution problems.[a] GAO found that, although the agency has collected a vast amount of scientific and environmental data, much of the data is not complete and accurate enough to credibly assess risks and establish corresponding risk reduction strategies. We reported, for example, that historically, EPA's ability to assess risks and establish risk-based priorities has been hampered by data quality problems, including critical data gaps, databases that are not compatible with one another, and persistent concerns about the accuracy of the data in many of its data systems.	EPA did not have any performance goals or measures to address this specific challenge in its fiscal year 2001 annual report. It did, however, describe and summarize agency activities to address "Data Management Practices," which is one of 13 major management challenges identified by GAO, OMB, the EPA Inspector General, and EPA. According to EPA, data management practices include the need to improve the management, comprehensiveness, consistency, reliability, and accuracy of its data to better measure performance and achieve environmental results. It also includes the need to develop error detection processes to make sure that errors in its databases are addressed appropriately and in a timely and documented fashion. The agency reported it was working both internally and with the states to address this challenge. EPA reported that in fiscal year 2001, it had promulgated six key data standards and their rules for implementation; and the Environmental Data Standards Council had developed four additional standards that are expected to be implemented in fiscal year 2002. It also reported that it was working to expand its implementation of an error correction process, which provides an effective feedback mechanism for reporting and resolving errors identified by the public on EPA Web sites. It also identified two activities the agency planned to complete in fiscal year 2002 -- a formal data architecture document and a strategic plan for addressing data gaps.	EPA's fiscal year 2003 performance plan includes a general objective to improve agency information infrastructure and security, but provides no specific performance goals and measures related to improving data quality. In discussing the means and strategy the agency plans to follow in meeting its quality environmental information goal, it states that strengthening its information infrastructure is fundamental to increasing the availability, usability, and reliability of environmental information.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Working relationships with states: GAO identified the need for EPA to strengthen its working relationships with the states. More recently, GAO has recognized that working relationships with states are hindered by the statutorily imposed regulatory framework under which EPA operates.[b] GAO has found that this framework, often criticized for being costly, inflexible, and ineffective in addressing some of the nation's most pressing environmental problems, has also constrained EPA and state innovation efforts. In 2002, GAO reported that to overcome the constraints on innovation imposed by strict interpretation of existing prescriptive regulations, EPA would need legislative changes providing the agency with broad statutory authority, or a "safe legal harbor," for allowing states and others to use innovative approaches in carrying out federal environmental statutes.[c] EPA has reported that it relies on state partners for successful completion of 8 of the 10 goals included in its strategic plan. The agency further states that during the past two decades environmental and human health protection programs have grown in size, scope, and complexity; many environmental problems transcend media and geographic boundaries and that solutions may require innovative, flexible, cross-media approaches. Thus, according to EPA, the agency and the states have realized that traditional arrangements for addressing environmental problems are not as effective and efficient as they need to be. EPA maintains that the National Environmental Performance Partnership System establishes a framework to build a result-based management system focusing on joint planning and priority setting and using environmental indicators and outcome measures for accountability.	EPA's 2001 performance report did not include any specific goals and measures to address this management challenge. The report, however, does discuss indirectly the agency's progress in addressing this challenge in both the general discussion of its "Effective Management" goal and as one of its 13 major management challenges. This information states that in August 2001, the EPA Administrator issued a major policy memo calling for senior leadership to advance the National Environmental Performance Partnership System through increasing the agency's flexibility for states to address the highest priority environmental problems, working with the states to improve performance measures, and generally increasing the incentives for states to improve results-based management under the system. The agency also reported that it had solicited formal input from the Environmental Council of the States and the Tribal Caucus on state and tribal priorities for the EPA budget at the beginning of its annual planning and budgeting process for fiscal year 2003 and that representatives of both organizations presented their recommended priorities for EPA's budget at its fiscal year 2003 annual planning meeting with senior management. It reported that these recommendations were considered as part of the budget decision-making process. To facilitate this process, EPA reported that it was developing tools that state and EPA regional partnership system negotiators can use to clarify the appropriate performance expectations. It also reported that the agency and the Environmental Council of the States had established an active joint working group to address continuing implementation issues and to identify and remove barriers to effective implementation of the partnership system.	EPA's performance plan for fiscal year 2003 does not include any specific performance goals or measures for this management challenge. However, in discussing its means and strategies for attaining its "Effective Management" goal, the agency states that developing partnerships with stakeholders to ensure that mutual goals are met is one of the strategies that cuts across all organizational boundaries and is a key to performing the agency's mission. Because existing environmental statutes do not contain explicit language authorizing the use of innovative environmental approaches in lieu of specific regulatory requirements, GAO has reported that EPA and its stakeholders should closely monitor the effectiveness of future innovative efforts to determine whether legislative changes are needed.[d]

[a]U.S. General Accounting Office, *Environmental Protection: Observations on Elevating the Environmental Protection Agency to Cabinet Status*, GAO-02-552T (Washington, D.C.: Mar. 21, 2002.)

[b]U.S. General Accounting Office, Environmental Protection: *Overcoming Obstacles to Innovative State Regulatory Programs*, GAO-02-268 (Washington, D.C.: Jan. 31, 2002.)

[c] GAO-02-552T.

[d] GAO-02-268.

Observations on the Federal Emergency Management Agency's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Federal Emergency Management Agency (FEMA), including the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, FEMA made in resolving its challenges. The third column discusses the extent to which FEMA's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found that the FEMA 2001 performance report discussed the agency's progress in resolving all its challenges. However, for three challenges, it is difficult to discern how FEMA addresses these challenges because they are not clearly linked to a specific goal, including

- strategic human capital management,
- information security, and
- reduce the cost of disaster assistance.

FEMA does not have a specific goal for strategic human capital management but does consider it a future management challenge that is discussed generally in the report.

Of the agency's 5 major management challenges, its 2003 performance plan had

1. goals and measures that were directly related to 3 of the challenges, including

- determine the cost-effectiveness of disaster mitigation efforts,
- reduce the cost of disaster assistance, and
- improve the financial condition of the National Floor Insurance Program (NFIP)

2. goals and measures that were indirectly applicable to 2 of the challenges, including

- strategic human capital management and
- information security.

Table 7: Major Management Challenges for FEMA

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
<u>**Strategic human capital management**</u>: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures. FEMA's ability to attract and retain a qualified and motivated workforce and to provide employment opportunities to adequately respond to current and future organizational challenges is a major challenge facing the agency. This is critical since FEMA estimates that 70 percent of its workforce is from 40-59 years old, with about 17 percent of the agency's permanent full-time workforce eligible for voluntary retirement.	The report noted that the agency is working to develop a 5-year comprehensive enterprisewide human capital strategy that can be integrated with its mission, goals, operational requirements, and financial resources.	FEMA's fiscal year 2003 performance plan has two human-capital-related goals but no measures to quantify achieving the goals. The first goal—streamlined organizations—was established as an OMB universal government initiative. This goal calls for streamlining FEMA's workforce while focusing on the number of mission-related emergency management jobs. It will also enable FEMA to estimate the level of management needed to perform its mission, including the new emphasis on terrorism preparedness. Further, FEMA plans to establish criteria that will be used agencywide to meet approved management levels and set management authority levels. The second goal—workforce development—will include workforce planning and developing initiatives to address imbalances in staff talent and skill requirements in addition to addressing anticipated surges of voluntary retirements over the next 3 to 5 years and the attrition factors that normally affect the stability of the workforce. Through this goal, FEMA plans to initiate its comprehensive 5-year strategy to create a motivating and challenging performance-based, customer-focused work environment for employees. This strategy will address the important issues of retention and recruitment, professional development, employee performance, managerial performance, and a safe and healthy work environment.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
<u>Information security</u>: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show that federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America s cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	In its fiscal year 2001 performance report, FEMA reported that its antivirus software had scanned approximately 35 million messages and removed over 49,000 infections, and its capabilities allowed FEMA to restore all of its e-mail services in less than 24 hours after the agency was attacked by the NIMDA virus. While FEMA continues to progress in addressing its information technology management and performance challenges, its independent auditors continue to identify system deficiencies and vulnerabilities, such as poor authentication procedures and excessive user access and permissions, which undermine the security of FEMA's information management systems. Material weaknesses in internal controls over FEMA's financial management systems and processes, including information security controls for the financial systems environment, contributed to its noncompliance with the Government Information Security Reform Act (GIRSA), the Clinger-Cohen Act, the Federal Managers' Financial Integrity Act, and the Federal Financial Management Improvement Act. As part of FEMA's report, the Inspector General (IG) stated that the agency continued to lack an effective entitywide security program in fiscal year 2001. In response to major management and performance challenges identified by the IG under the Reports Consolidation Act, FEMA reported that it took the following actions to address some of its information technology (IT) security related challenges. Specifically, FEMA • conducted vulnerability assessments and prepared security plans for all of its Presidential Decision Directive 63 (PDD-63) critical systems;	In its fiscal year 2003 annual performance plan, FEMA stated that IT presented several management challenges; however, it did not present specific performance measures designed to measure the effectiveness of information security. The National Institute of Standards and Technology (NIST) developed a security assessment framework and related tools that agencies can use in determining the status of their information security programs. Also, OMB guidance for fiscal year 2002 reporting under GISRA requires agencies to use tools developed by NIST to evaluate the security of unclassified systems or groups of systems. In addition, OMB's GISRA reporting guidance requires specific performance measures, as well as corrective action plans with quarterly status updates. In its plan, FEMA acknowledged that the increasing connectivity between systems, especially through the Internet, and constantly changing and evolving technology and communications dramatically increase its security risks. FEMA's information management strategies included several high-level approaches for addressing these challenges but no specific performance measures. For example, in its plan, FEMA stated that it had initiated a major functional and organizational realignment of its IT operations to improve service delivery, provide better control over IT investments, and ensure that program and administrative requirements are fulfilled. In addition, FEMA indicated that it is reengineering its processes to ensure better control of its IT environment and increase the efficiency of its resources.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	• is drafting a comprehensive security plan and guidelines for both classified and unclassified systems so that system owners can assess, mitigate, and certify their systems. • tasked the newly organized Configuration Management Branch,[a] which reports directly to the Chief Information Officer, to develop and enforce security policy and conduct internal information systems security reviews and audits; • developed a three-phase remediation plan to address FEMA's noncompliance with the Federal Financial Management Improvement Act of 1996 and Office of Management and Budget (OMB) Circular A-11, which requires continual financial process improvement and system modifications (including implementation of system and data security elements); • published *FEMA Information Technology Architecture, Version 2.0: The Road to e-FEMA* in May 2001; and • began making several system improvements to increase the reliability and capability of its National Emergency Management Information System.	

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated major management challenge		
<u>Determine the cost-effectiveness of disaster mitigation efforts</u>: In August, 1999, GAO recommended that FEMA, among other things, establish an analytical basis to support the cost-effectiveness of acquiring substantially damaged properties in floodplains and conduct periodic reviews of projects after they have been implemented to determine whether they are cost-effective. To provide the best available data for analyzing the cost-effectiveness of proposed flood hazard mitigation projects, GAO also recommended that FEMA • conduct post disaster verifications of flood hazards for use in evaluating and possibly revising flood hazard map information and • make the agency's information on past insurance more readily available for FEMA staff conducting benefit-cost analyses.	The report contains the goal to "support the development of disaster resistance in communities and states." The goal indicates that FEMA has a number of mitigation efforts under way to reduce the risk of disaster damage. By reducing risk, FEMA would be able to reduce costs associated with disaster damage. For example, in concert with state and local governments, FEMA has acquired and shared risk management information and coordinated and supported community efforts to identify and assess potential risks, to develop plans and address the risks, and to take actions to reduce or eliminate the risks, according to the report. The report states that mitigation programs are aimed specifically at taking people and property out of harm's way to mitigate losses due to earthquakes, hurricanes, flooding, and other destructive events. The report also states that FEMA exceeded its measurable goals in support of the development of disaster resistance in communities and states. According to the report, FEMA reduced the number of lies, structures, and infrastructures at risk and increased the number of communities that have taken disaster resistance actions.	The fiscal year 2003 performance plan generally contains the same goals established in fiscal year 2002. FEMA's disaster mitigation efforts can be cost-effective by (1) reducing the number of lives, structures, and elements of infrastructure at risk, and by increasing the number of communities actively committed in fiscal year 2003 to building their disaster resistance programs, and (2) maintaining an estimated avoidance of approximately $1 billion in flood losses through FEMA's National Flood Insurance Program (NFIP) activities.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Reduce the cost of disaster assistance: One way to reduce federal disaster assistance costs is to change the eligibility criteria under the public assistance program. In 1996, GAO made several recommendations regarding changing the eligibility criteria. FEMA has since made changes to eligibility, but eligibility and oversight issues remain.	As a result of consolidating a number of goals, specifics to this challenge are spread throughout the report among various FEMA programs and are not linked to a specific goal. In fiscal year 2001, FEMA recalculated the projected $1 billion in savings from the reduction of flood losses. Using a new methodology, some prior year estimates were lower than originally reported but even with these revised figures all goals were met according to FEMA's annual report. During 2001, FEMA continued to update its aging flood map inventory that will involve a 7-year upgrade to the 100,000-panel flood map inventory and an enhancement of products, services, and processes that potentially reduce or eliminate disaster costs. On February 12, 2002, the FEMA Flood Map Store opened as part of its e-government initiative for the sale of flood maps products via the Internet.	The fiscal year 2003 performance plan contains three goals directly related to this management objective. (1) FEMA plans to maintain at least a 90 percent success rate in the return of equipment from field offices following disasters. By recovering and restoring used equipment, savings can be realized by avoiding the purchase of new items. (2) FEMA plans to establish on-line procurement and e-government services training to all contracting staff. (3) Under two disaster recovery programs—Individual Assistance and Public Assistance—FEMA plans to increase customer satisfaction by streamlining its recovery programs that provide a more efficient delivery of services.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Improve the financial condition of the NFIP: The program has had to borrow funds from the Treasury to cover operating losses resulting from heavy flooding in recent years that produced flood insurance losses exceeding the premiums collected from policyholders. Two major factors underlie financial difficulties—the program, by design, is not actuarially sound and it has experienced repetitive losses.	FEMA's report provides two performance goals related to this challenge (1) Operating the mitigation program for repetitive-loss properties and implementing measures to reduce the subsidy to pre-flood insurance rate map properties as measures to improve the Program's underwriting ratio. (2) Implementing and completing NFIP business improvements and information system studies. To address the first goal, FEMA has started to reduce the almost $200 million per year in losses to repetitive-loss properties. To decrease expenses, in 2001, the Federal Insurance and Mitigation Administration identified about 10,000 repetitive-loss properties that are most at risk. If FEMA could mitigate the risk to these properties, it could expect cost savings. To address the second goal, NFIP's Community Rating System (CRS) recognizes and encourages community floodplain management and related activities to exceed the minimum standards. CRS adjusts the insurance rates to reflect the reduced flood risk resulting from community and state activities that meet the goals of the system. In fiscal year 2001, the number of CRS communities increased to a total of 938 communities and another 119 improved their ratings.	FEMA's *Annual Performance Plan* for fiscal year 2003 calls for improving the NFIP's income-to-expense ratio by 1 percent in fiscal year 2002 and the four following years. To achieve this goal, NFIP will work to increase income, decrease expenses, and operate more efficiently by implementing business processes that improve the exchange of information, turnaround time, and reduce costs. Increasing income will be accomplished by FEMA's efforts to seek year-to-year increases in policies-in-force for the 5-year period from fiscal year 2002 to fiscal year 2007. To decrease expenses, the Federal Insurance and Mitigation Administration will continue to work to reduce the risk of repetitive loss properties to NFIP. As the number of these structures decrease, NFIP policyholders will save and NFIP will reduce repetitive flood losses.

[a]This Branch has been renamed the Office of Cyber Security.

Observations on the General Services Administration's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the General Services Administration (GSA), which include the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, GSA made in resolving its challenges. The third column discusses the extent to which GSA's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found that GSA's performance report discussed the agency's progress in resolving both of its challenges.

In addition, we noted that GSA's fiscal year 2003 performance plan had goals and measures that directly and indirectly related to both governmentwide management challenges.

Table 8: Major Management Challenges for GSA

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures. GSA's performance report and plan recognize that GSA has a human capital management challenge and state that GSA is prepared to meet this challenge. GSA recognizes that it has lost, and will continue to lose, significant knowledgeable staff and that staff have not been added to replace the voids left by these departures. Specifically, GSA has significantly downsized and restructured its organization since 1993. Much of the downsizing was accomplished through early retirements and buyout authority and by filling job vacancies sparingly. In addition, GSA recognizes that it has an aging workforce and faces the potential for significant loss of institutional knowledge in the coming years as these staff leave the workforce. In response to the challenge, GSA identified human capital planning and organizational alignment, leadership continuity and succession planning, and recruitment and retention of staff with the right skills as key areas needing attention.	GSA's performance report discusses the actions GSA is taking to address its human capital management challenge. Specifically, the report discusses a new strategic goal, a more effective human capital management process, and five categories in which human capital performance is intended to be measured. In addition, the report has seven specific performance goals addressing the human capital management challenge. GSA reported that its performance exceeded the targets for five goals and achieved success in two goals. GSA's performance report explained that GSA had added a new strategic goal--"Maintain a world-class workforce and a world-class workplace"--to reflect human capital's importance. Under this goal, GSA specified the need to recruit, hire, develop, and retain staff with strategic competencies for mission critical occupations; promote a knowledge-sharing culture and a climate for intellectual honesty; promote continuous learning and improvement; and ensure that agency leadership inspires, motivates, and develops staff, adapts to various situations, and models standards of honesty, integrity, trust, and respect. GSA's performance report also explains that GSA is developing a more effective human capital management process that is to be integrated with GSA's strategic goals and performance management process. The human capital management process is to address the need for specific recruitment, training, retention, and exit/succession planning that is required to maintain the skills and competencies needed to achieve high performance and continuous improvement at GSA. The report also states that GSA plans to focus on measuring human capital performance in five categories—strategic competencies,	GSA's fiscal year 2003 performance plan discusses general strategies and goals beyond those in the 2001 performance report that relate to its efforts to deal with its human capital challenges. The strategies are related to GSA actions on the President's governmentwide management agenda and sections specific to CPO, the Federal Supply Service (FSS), and FTS. The performance plan has eight goals—six for CPO and two for OGP—directed at the human capital management challenge. These goals primarily focus on recruiting, training, and retaining staff. The performance plan has a section that addresses how GSA stands on the human capital initiative, which was part of the President's governmentwide management agenda. Specifically, GSA states in this section that it has prepared an agencywide human capital strategic plan. This plan outlines the actions GSA expects to take to meet the challenges linked with an aging workforce, many of whom are eligible for retirement. CPO says in the performance plan that the workforce challenge has moved to the forefront of the federal government's and GSA's agendas. The plan says GSA is prepared for the challenge of keeping its human capital "need" from becoming a human capital "crisis." The GSA human capital management process is to address the need for specific recruitment, training, retention, and exit/succession planning. GSA plans to use a template designed by the Human Resources Management Council, which is made up of the human resource directors from major federal agencies and executives from the federal government's Office of Personnel Management (OPM), to help measure its success in human resource management.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	leadership, performance culture, learning, and strategic awareness—to measure success. The strategic competencies category is described as encompassing recruiting, developing, and retaining staff with the strategic competencies for mission critical occupations. The leadership category is to address ensuring that agency leadership inspires, motivates, and models high standards. The performance culture category is to focus on creating a culture that motivates staff while ensuring fairness in the workplace. The learning category is to be concerned with promoting knowledge sharing, intellectual honesty, and continuous learning and improvement. The strategic awareness category is intended to align human capital policies to support GSA's mission, values, and goals. In addition to the five categories for measuring human capital performance, GSA's performance report includes seven goals—three for GSA's Office of Chief People Officer (CPO) and four for the Office of Governmentwide Policy (OGP)—that relate to GSA's efforts to address its human capital management challenge. These goals generally focus on recruiting and training staff. CPO is responsible for providing GSA with workforce, organization, and workplace solutions. Efforts that CPO reported include an increased emphasis on hiring recent college graduates, improving the skills of current staff, and holding a series of meetings with managers to share best practices in the areas of recruiting, energizing staff, and developing leaders, contracting with the Office of Personnel Management to develop a succession plan for Public Buildings Service leadership, and hiring a private vendor to deploy additional training in GSA's Federal Technology Service (FTS). CPO had three human capital management performance goals. The goals were to increase customer satisfaction with filling vacancies, to improve the cycle time for	The FSS section of the plan also addresses the need to invest in and develop a world-class workforce. FSS reports that it implemented an initiative that places special emphasis on recruiting new staff, energizing the current workforce, and developing leadership skills. In addition, the plan states that FSS is focusing on recruiting new staff, determining how to reallocate existing staff to ensure they are deployed in a manner appropriate for mission accomplishment, and identifying areas where out-sourcing may be a useful way of offsetting shortages. To help improve its performance, FSS explains in the plan that it is implementing a performance management and incentives system to link performance and results. The intent is to reward FSS staff and programs that meet or exceed standards of high performance. In addition, the FTS section of the plan addresses human capital management. The plan states that FTS will strive to hire and retain staff that are highly trained in the acquisition, telecommunications, and information technology fields. FTS perceives this as critical to help achieve customer satisfaction and the effective procurement of technology. In addition, in order to foster a culture in which all staff can succeed and be respected, FTS states that it is implementing initiatives to increase internal communication, recognize and develop staff, and provide current technology so that its workforce excels at customer service. The CPO section of the fiscal year 2003 performance plan has six goals related to the human capital challenge. The goals generally focus on recruiting, training, and retaining staff. Two 2003 performance goals—(1) to improve cycle time for recruiting and (2) to increase the use of GSA online university as a cost-effective method to improve employee skills—were also included in GSA's 2002 plan. For the

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	recruiting, and to increase the use of its online university as a cost-effective method for improving staff skills. The 2001 performance report says CPO exceeded its targets for each of these goals. OGP, which is charged with shaping and maintaining a governmentwide framework that helps agencies better serve the public by improving management in the federal government, had two goals directly related to the human capital management challenge. The first goal was to invest in the competencies of its workforce to ensure that all OGP staff have the necessary knowledge and skills to support the organization's mission. Although data had not been developed to measure performance on this goal, OGP reported being successful. OGP cited results such as providing employees with continuing education opportunities, making additional funds available for the training budget, and using specialized software to assess the competence of some staff members as evidence of its success. The second goal, which was a new goal, was to increase the satisfaction and effectiveness of its workforce by encouraging innovation and increasing staff satisfaction with OGP-wide communications, cooperation, and information assets. Although OGP did not have a performance target for this goal, OGP reported that it had achieved success in that it had used a survey to assess impediments and then focused on addressing them. OGP also had two performance goals that were not directly related to training GSA's employees but to training employees of all agencies. Since GSA employees could take advantage of the offerings under these goals, we discuss them here. One goal was to establish and maintain a core curriculum of Internet-based courses and to increase the number of training instances. The other goal was to improve the professional skills of present and future federal information technology leaders. OGP reported that it exceeded its performance targets for both goals.	first goal, CPO will measure the days it takes to process relevant personnel actions. The basic strategy to achieve the target performance is to identify and encourage cost-effective methods to streamline the recruitment process. For the second goal, the measure is to increase the number of course registrations. CPO's strategy to meet this goal is to encourage online university use, promote the advantages of online over traditional training, and add quality courses to the curriculum. In addition, the 2003 plan includes four new human capital management performance goals. CPO has added two goals related to improving staff competencies needed in three job categories—acquisition, real estate, and technology. One goal is to increase the professional competency of GSA's acquisition workforce and the other is to develop competency models for key real estate and technology positions. The basic strategy for both goals is to develop information on the existing and desired competencies for staff in these areas and develop plans for improving the level of competencies where needed. CPO is examining ways to measure these goals. The third new goal is to identify high performing staff in GSA's critical job categories to enable GSA to improve its strategies to recruit and retain talented staff. CPO's approach is to develop strategies using financial and other incentives that will encourage high performing staff in critical jobs to stay with the agency. CPO reports that it is in the process of developing measures for this goal. The fourth new goal addressing the human capital challenge is to have GSA rank in the 75th percentile in the Gallup Q12 survey. This survey measures employee attitudes about their workplace environments. According to the plan, Gallup has

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
		determined that organizations in the 75th percentile are considered "World-Class Workplaces" and this is GSA's goal for fiscal year 2003. The strategy is (1) to use the results of this survey to identify employees' concerns and (2) to develop, measure, and implement action plans to improve in areas needing attention. The ultimate end is to attract and retain talented employees. OGP also had two human capital management goals in the performance plan. The fiscal year 2003 performance plan explained that OGP had consolidated, modified, and restructured its goals to make them more customer-focused and outcome-oriented. As such, the fiscal year 2003 human capital goals are different from those of the prior year. One goal is directly and the other is indirectly related to GSA's human capital management challenge. The first is to improve the overall score on the Gallup Q12 survey. This survey measures employees' satisfaction with their workplace environments, and OGP will use the results to help identify and improve the workplace and thus improve staff satisfaction, productivity, and retention. OGP will measure progress by monitoring improvement in its total mean survey score. The other goal—establish core technical and general competencies and governmentwide standards for program areas within OGP's responsibility—is aimed at the government in general and, as such, could indirectly be used to help GSA. Measures are yet to be developed for this goal, but OGP's strategy includes working with government and nongovernment entities to identify (1) competencies essential for federal workers to be successful and (2) ways to impart these needed skills to staff.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agency and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. The performance report and plan recognize that GSA's challenges in the information technology area continue to increase. Many of its systems process and store sensitive information. Specific to information security, GSA reported its major management challenge is to ensure that systems continue to operate as intended, agency assets are protected, and privacy is assured.	GSA's performance report discusses some general strategies related to the information technology security challenge and includes one goal related to it. In the report, GSA recognizes that its systems have had security vulnerabilities and weaknesses and outlined the following steps it took during fiscal year 2001 to help address these challenges: • development and funding of a new information technology center of expertise; • development and execution of an information technology security plan; • development and distribution of agencywide information technology security guidelines and procedures; • development and implementation of procedures for performing vulnerability and risk assessments; • monitoring of access attempts and security violations; • development and implementation of security training; and • monitoring and reporting of policies and guidelines for compliance by Services, staff offices, and regions. The Office of the Chief Information Officer (CIO) has a goal that directly relates to GSA's efforts to address this challenge. Specifically this goal is to resolve all high-risk vulnerabilities detected by information technology audits or reviews within 30 days of the findings and recommendations. CIO reports that in fiscal year 2001 four high-risk security vulnerabilities were identified and all were resolved within the 30-day time frame. In addition, the report says that all vulnerabilities found during testing were resolved in less than an hour.	The GSA fiscal year 2003 performance plan includes some additional discussion related to this management challenge that was not in the 2001 performance report and one direct and one indirect goal related to it. The performance plan's section on the President's governmentwide management agenda on E-government discusses how GSA stands on the information security initiative. This section states that GSA recognized that it has significant information technology security weaknesses and has submitted a report with plans to remedy them. The plan identifies two groups within FTS that provide governmentwide assistance in the area of information security. The Information Technology Solutions group specifically says that, among other things, it provides security solution services and the Office of Information Assurance and Critical Infrastructure Protection, among other things, helps federal agencies meet the challenges of securing operations in the Internet environment. The CIO continues its goal, which is directly related to the challenge, to resolve all high-risk vulnerabilities and conditions detected by information technology audits or reviews within 30 days of findings and recommendations. CIO measures its time frame to ensure its performance meets the 30-day standard. Basically, its strategy is to monitor reports of problems, monitor action plans to see if they seem responsive to the problem, and track the timeliness of corrective actions. Although not specific to GSA, the plan also has an information security goal that addresses the challenge governmentwide. Specifically, the FTS goal is to raise the level of awareness of information security across the federal government. As background, the plan explains that the Government Information Security Reform Act requests federal agencies to report

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
		computer security incidents to GSA. GSA's Federal Computer Incident Response Center is its focal point for computer security incident recognition, reporting, handling, and prevention. To assess awareness, GSA tracks the number of agencies who report incidents to the center. GSA's strategy for this goal is basically to interact with agencies and educate them on the importance of incident reporting.

Observations on the Department of Health and Human Service's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Department of Health and Human Services (HHS), including the governmentwide, high-risk areas of strategic human capital management and information security. The first column lists the major management challenges identified by our office. The second column discusses what progress, as discussed in their fiscal year 2001 performance reports, HHS and three of its component agencies—the Centers for Medicare & Medicaid Services (CMS)[6], the Food and Drug Administration (FDA), and the Administration for Children and Families (ACF)—have made in resolving these challenges. We chose to review these agencies' plans because they are the responsible agencies for addressing the five agency-specific management challenges. The third column discusses the extent to which HHS's, CMS's, FDA's, and ACF's fiscal year 2003 performance plans include performance goals and measures to address the challenges that we identified.

We found that all seven of the major management challenges identified by GAO were discussed, to some extent, in at least one or more of the agencies' fiscal year 2001 performance reports. Regarding how the department and its agencies addressed the government-wide challenge of strategic human capital in their fiscal year 2003 performance plans, we found that, although HHS and its component agencies did not directly address all four elements of the challenge, each had some goals that related to some aspects of human capital management. Regarding the government-wide challenge of information security, we found that HHS only referred to having goals to address this challenge and CMS had a specific goal that directly addressed it, but FDA and ACF did not. Because HHS and the agencies we reviewed were uneven in their approach to these government-wide management challenges, we considered them to have goals and measures indirectly related to these challenges.

Of the agency's seven major management challenges, its performance plan had

1. goals and measures that were directly related to the five agency-specific challenges and

[6] In this appendix, we refer to the Centers for Medicare & Medicaid Services (CMS), formerly known as the Health Care Finance Administration (HCFA) as "CMS" throughout the text because that is how the agency referred to itself in its Performance Report and Plan.

2. goals and measures that were indirectly applicable to both of the governmentwide management challenges, including

- strategic human capital management and
- information security.

Table 9: Major Management Challenges for HHS

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
<u>**Strategic human capital management**</u>: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.	HHS's report did not address departmental performance relating to the four key elements of this challenge. However, CMS, FDA, and ACF did report on some human capital activities, which were related to some aspects of this challenge. For CMS, see discussion below under the management challenge "Provide current and future generations with a well-designed and administered Medicare program." FDA reported that its strategic goal was to provide a streamlined and efficient hierarchy within the agency that aligned itself with HHS's guidelines for consolidating administrative functions. FDA's fiscal year 2001 performance goal was to increase the number of employees per supervisor to one supervisor to every 7.28 employees. FDA reported that it exceeded its goal by obtaining a ratio of 1:7.69. Although FDA did not establish a performance goal to consolidate administrative functions in the agency until fiscal year 2002, FDA merged its management information systems and evaluation staffs in fiscal year 2001. ACF reported that it has tracked its efforts to develop and retain a highly skilled, strongly motivated staff since fiscal year 2000, but its performance report does not include any data that show progress it has made. In fiscal year 2001, ACF had only one performance measure related to strategic human capital management, that each ACF staff member have at least one training opportunity directly related to increasing job skills. ACF reported that data were not available to assess whether this goal was achieved, but it reported developing an agency training strategy to increase and broaden technical and nontechnical training opportunities for all employees.	Overall, the fiscal year 2003 performance plans for HHS, CMS, FDA, and ACF did not directly address all four key elements of this challenge. However, each plan contained some goals that are related to some aspects of this challenge. HHS's main human capital management goal is to reduce unnecessary layers and develop a more efficient organizational structure. To achieve this, it plans to consolidate its management layers, reduce the number of personnel offices, and consolidate the public affairs and legislative affairs functions. For CMS, see discussion below under the management challenge "Provide current and future generations with a well-designed and administered Medicare program." FDA's fiscal year 2003 performance goals include developing and implementing a plan to reduce organizational layers in all of FDA's components. In addition, FDA plans to review 15 percent of its full time equivalents that are in functions that might be candidates for outsourcing to determine if additional opportunities for outsourcing exist. FDA did not retain a goal for its supervisor to employee ratio. ACF's fourth strategic goal is to build a results-oriented organization. Two objectives under this goal relate to strategic human capital management and are major administration initiatives: (1) develop and retain a highly skilled, strongly motivated staff and (2) streamline ACF organizational layers.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
		In fiscal year 2002, ACF reinstated a fiscal year 1999-2000 performance measure to increase ACF's staff relative to the number of its managers. In addition, ACF is in the process of developing a restructuring plan and analyzing information gathered for workforce planning purposes in order to identify additional performance measures in this area.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
<u>Information security</u>: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show that federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America 's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	Overall, only CMS's fiscal year 2001 performance report discussed steps it took that were directly related to this management challenge. HHS's fiscal year 2001 performance report did not provide information on steps the agency had taken to improve information security. CMS had three objectives related to its goal of improving information security in fiscal year 2001. First, CMS met its objective to increase by one-third the proportion of Medicare contractor sites whose information security practices were reviewed. However, it did not meet its second objective of eliminating the material weakness found in the fiscal year 2001 CFO audit related to information security. Auditors of HHS's fiscal year 2001 financial statement noted numerous problems with the security of Medicare information systems, which had also been noted in prior CFO audits. These audits stated that these problems could result in unauthorized access to sensitive Medicare data. CMS's report did not address the nature of these problems or whether the problems were corrected. In its technical comments to this appendix, CMS reported that it implemented a control to address this weakness. Finally, CMS did not meet its objective of providing security awareness training to 95 percent of its workforce; it trained only 20 percent of its workforce on this topic. In its technical comments, CMS reported that it implemented computer-based security awareness training in late 2002 and that approximately 70 percent of CMS employees had completed the training. FDA's fiscal year 2001 report did not generally address information security, except in how the need to increase security requirements contributed to missing a target to implement an adverse event reporting system for medical devices.	Overall, HHS's fiscal year 2003 performance plan only referenced the fact that the department had goals related to the information security challenge. However, of its component agencies, only CMS's plan contained a specific goal relating to this challenge. HHS states in its plan that it has added information security goals as a result of our January 2001 report. It does not address them further. For fiscal year 2003, CMS has four objectives related to its goal of improving information security. These include • eliminating all material weaknesses in information security, as measured by the CFO audit; • implementing an improved access control management system to prevent unauthorized access; • continuing contractor security reviews; and • conducting penetration testing and vulnerability assessments at a subset of Medicare contractors and CMS service providers. In its technical comments, CMS reported that it has now revised its fiscal year 2003 information security objectives by eliminating the latter two objectives. FDA did not generally address information security in its fiscal year 2003 plan. While ACF has an objective to improve automated data and management systems, the objective does not specifically address issues related to information security.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	ACF's fiscal year 2001 performance plan did not provide information on steps the agency had taken to improve information security.	
GAO-designated major management challenge		
Provide current and future generations with a well-designed and administered Medicare program: GAO has identified a number of human capital challenges facing CMS. First, despite Medicare's size and complexity, there is no official whose sole responsibility is to run the program. In addition to Medicare, CMS's Administrator and top-level management have oversight and administrative responsibilities for other major health-related programs and initiatives, such as Medicaid, the State Children's Health Insurance Program, and nursing homes. Second, frequent changes in leadership have inhibited the implementation of long-term Medicare initiatives and the pursuit of a consistent management strategy. Third, CMS's staff lacks the experience and training to deal with some of the complex new responsibilities mandated by the Balanced Budget Act of 1997. Finally, with one-third of its staff eligible to retire within the next 5 years, CMS faces the loss of valuable institutional knowledge.	CMS's fiscal year 2001 report indicated that it took some steps to address the human capital aspects of this management challenge even though CMS did not draft its goals relating to our strategic human capital management challenge until its 2002 and 2003 plans. First, CMS began implementing a four-phase process to systematically assess its workforce needs. As part of this process, CMS identified gaps in staff skills and knowledge by using a voluntary, agencywide assessment process. Second, CMS initiated the design of an intranet-based system to house workforce planning data. Third, CMS continued implementation of competency-based recruitment and selection for non-SES managers. Fourth, in fiscal year 2001, it offered continuous learning courses in core management skills. CMS reported that it intends to make some of these courses mandatory for newer managers. However, the CMS report did not address the lack of a single individual overseeing Medicare or frequent changes in agency leadership.	For fiscal year 2003, the CMS plan outlines three goals to improve human capital management. By fiscal year 2003, CMS anticipates fully implementing an automated workforce planning system for all employees and a performance-based management system and award and recognition program for non-SES managers. Additionally, CMS plans to consolidate administrative functions and reduce FTE usage through other administrative initiatives. However, the CMS report addresses neither the lack of a single individual overseeing Medicare nor the frequent changes in agency leadership.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
<u>Better safeguard the integrity of the Medicare program</u>: Because of the program's vast size and complexity, Medicare is at risk of considerable losses from waste, fraud, abuse, and mismanagement. As a result, we have designated it a high-risk program and identified several management challenges, which are outlined below. First, in Medicare's fee-for-service component, there are several weaknesses in CMS's monitoring of contractor claims review and payment. Second, CMS faces challenges in establishing appropriate prices to pay for covered services through its prospective payment methods. Third, Medicare's managed care component, known as Medicare+Choice, is subject to improper payment problems, such as overpayment and failure to deliver necessary services. Finally, a major problem underlying CMS's effort to ensure proper claims payment is that its information systems are outmoded and many of its financial management procedures are not yet in order.	In fiscal year 2001, CMS had eight goals relating to the program integrity management challenge. CMS met six of these goals; did not meet one; and, pending final data, expects to meet another. These goals partly addressed the management issues we identified. However, CMS changed some of its program integrity goals from prior years, making it difficult to assess CMS's progress in addressing the challenge we identified. First, CMS sought to reduce the percentage of improper payments made under the fee-for-service program to 7 percent. The agency met this goal. For fiscal year 2001, the HHS Office of Inspector General estimated that 6.3 percent of fee-for-service claims were paid improperly. Second, in fiscal year 2001, CMS reported meeting its goal to implement initiatives for measuring program integrity outcomes. These included taking steps to implement the Comprehensive Error Rate Testing program. CMS anticipates that the program will serve to provide ongoing measures of improper payments. Third, CMS reported that, pending final data, it expected to meet its goal of implementing the Comprehensive Plan for Program Integrity. This plan outlined the agency's overall program integrity strategy and 10 specific short-term initiatives that addressed certain vulnerable areas, such as effectiveness of medical review of claims, efforts to safeguard payments, and provider integrity and benefit areas including inpatient care, managed care, community mental health, and nursing homes. Fourth, regarding its goal to increase Medicare secondary payer liability and no-fault dollar recoveries, in fiscal year 2001, CMS changed its focus from no-fault dollar recoveries to increasing Medicare secondary payer credit balance recoveries	CMS has 10 goals for fiscal year 2003 related to the program integrity challenge. First, it plans to reduce the percentage of improper payments made under the Medicare fee-for-service program to 5 percent. In conjunction with this goal, CMS expects to have fully implemented the Comprehensive Error Rate Testing program, which is expected to produce a more accurate Medicare fee-for-service error rate than current estimates. Second, to increase Medicare secondary payer credit balance recoveries and decrease the time to collect improper payments, CMS plans to implement and monitor the use of revised credit balance instructions by its regional offices, fiscal intermediaries, and providers. Third, CMS plans to develop a goal to measure and improve beneficiary and provider satisfaction with the way the agency and its contractors conduct program safeguard activities. Fourth, CMS plans to improve the provider enrollment process by implementing the Provider Enrollment Chain Ownership System, which will create a centralized depository of information on Medicare providers. In conjunction with this goal, CMS also plans to revalidate its current information on 20 percent of Part A providers. Fifth, CMS plans to continue development of its information technology architecture and develop architectural support services for the agency. Sixth, CMS's objective for its financial statements is to maintain an unqualified opinion. Seventh, CMS plans to implement an integrated general ledger accounting system. The system is currently in the pilot

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	and decreasing recovery time. CMS reported that it met its target by hiring a consulting firm to gather information on provider credit balance identification, the submission and resolution process, and contractor monitoring and resolution of credit balances. Fifth, CMS continued to develop an information technology architecture to help it plan and develop an information systems environment that is more responsive to current and future business demands, less expensive to maintain, and better able to support program operations and policy decision making. However, CMS did not meet all of its fiscal year 2001 targets in this area, which it attributed to budget and staffing shortfalls. Sixth, HHS met its goal of maintaining an unqualified, or "clean," audit opinion of its fiscal year 2001 financial statement. In other words, HHS's financial statements fairly presented its financial position, including net costs, changes in net position, budgetary resources, and financing. However, the agency continued to have a material weakness related to its financial processes and controls, in addition to the weakness related to information systems security. As a result, the agency has taken steps to strengthen financial management. Seventh, as required by the Social Security Act, CMS exceeded its goal of paying 95 percent of Medicare electronic claims on time. Finally, CMS met its goal of improving the oversight of Medicare fee-for-service contractors. With the objective of national uniform contractor evaluation, CMS conducted on-site reviews using standardized review protocols.	design, development, and implementation phase. In its fiscal year 2003 performance plan, CMS stated that it expected to complete implementation by fiscal year 2006. However, in its technical comments, CMS stated that it now expects to complete implementation by fiscal year 2007. Eighth, in order to meet the requirements of the Debt Collection Improvement Act of 1996, CMS has a goal to increase referrals of eligible delinquent debt to the Department of the Treasury or to a Treasury-designated debt collection center. In fiscal year 2003, CMS plans to refer all eligible delinquent debt and improve the procedures for identifying, monitoring, and tracking these debts. Ninth, with respect to timeliness of payment, as required by the Social Security Act, CMS plans to continue to meet the Act's requirement of paying at least 95 percent of its electronic claims within 14 to 30 days of receipt. Finally, in fiscal year 2003 CMS plans to continue its goal to improve its oversight of Medicare fee-for-service contractors, but did not set a fiscal year 2003 target to measure performance.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Improve oversight of nursing homes so that residents receive quality care: Citing complaints of harm to residents, in our January 2001 report, we identified two challenges. First, CMS needs to address weaknesses in federal and state oversight of nursing homes. Second, to improve oversight, CMS needs to better use management information to verify and assess states' oversight activities and analyze and monitor nursing home performance.	In fiscal year 2001, CMS had three goals that relate to improving oversight of nursing homes and ensuring quality of care. CMS did not meet its target for its first goal—decreasing the prevalence of restraint use in nursing homes. Its target was 10 percent, and interim data indicated that restraint use was at 10.2 percent. In the text of its report, CMS did not adequately explain how it measured restraint use. With respect to its second goal—to decrease the prevalence of pressure ulcers in nursing homes—CMS reported that, based on interim data, it did not meet its target of 9.6 percent. Here, as with restraint use, the text of its report did not adequately explain how CMS measured pressure ulcer prevalence. CMS was unsure of the cause for the increase in pressure ulcers and was examining the data. However, its report did not address what measures it would take in response to an actual increase in the incidence of pressure ulcers. CMS reported that it met the objectives of its third goal—to improve the management of the survey budget process. It increased budget allocations to states within a specific threshold and developed performance measures and baselines for the quality of survey work performed.	For fiscal year 2003, CMS's plan has the same three quality of care goals as it did in fiscal year 2001, which are to • decrease the prevalence of restraints in nursing homes, • decrease the prevalence of pressure ulcers in nursing homes, and • improve the management of the survey budget process. With respect to the latter, CMS states in its plan that it will use the performance measures and associated baselines to measure the quality of the survey work performed. However, its plan does not indicate what action it intends to take if state agencies fall below the baselines.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
<u>Ensure the safety and efficacy of medical products</u>: Our January 2001 report noted two major management challenges for FDA in this area. First, FDA's efforts to monitor medical product manufacturing needed improvement. Specifically, the number of inspections completed by FDA had been far fewer than the number required by statute. Second, FDA's risk-based inspection strategy for foreign pharmaceutical manufacturers did not ensure timely follow-up.	FDA reported that it met or exceeded seven of the nine goals that we identified in its fiscal year 2001 performance report that related to this challenge. FDA reported meeting or exceeding its fiscal year 2001 goals for • inspecting 9 percent of foreign device manufacturers, • assuring that 90 percent of the domestic drug industry conformed with FDA requirements, • assuring that 90 percent of domestic biologics industry conformed to FDA standards, • assuring that 90 percent of the domestic medical device manufacturers conformed to FDA requirements, • inspecting 17 percent of domestic medical device manufacturers, • ensuring at least 97 percent of mammography facilities met FDA standards, and • inspecting 50 percent of blood banks. FDA did not address the progress it made in inspecting 50 percent of source plasma operations and biologics manufacturing establishments. In its technical comments, FDA stated that it reported meeting this goal in its fiscal year 2002 Congressional Justification. FDA reported not meeting its goals for • inspecting 26 percent of registered domestic human drug manufacturers, • inspecting repackers, relabelers, and medical gas repackers, and • assuring that 80 percent of plasma fractionator establishments remain in compliance with FDA requirements. In its technical comments, FDA acknowledged that it did not meet statutory inspection levels for product manufacturers but stated that the agency is operating with limited resources and must focus those on inspections of facilities posting the greatest risk.	FDA established fiscal year 2003 goals to inspect • 9 percent of foreign medical device manufacturers, • 26 percent of registered domestic human drug manufacturers, repackers, relabelers, and medical gas repackers, • 20 percent of domestic medical device manufacturers, • mammography facilities to ensure that at least 97 percent of the facilities meet inspection standards, and • 50 percent of blood banks, source plasma operations and biologics manufacturing establishments. FDA has eliminated its performance goals to assure that domestic drug, biologics, and medical device industries conform to FDA requirements. According to FDA, these goals are routinely being met by industry and are no longer needed. FDA did not establish a performance goal for the percentage of plasma fractionator establishments that should be in compliance with FDA requirements. According to FDA, it combined its performance goal for plasma fractionators with its goal to inspect 50 percent of registered blood banks, source plasma operations, and biologics manufacturing establishments.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Enhance the economic independence and well-being of children and families: Our report identified two management challenges in this area. First, changes in social support programs due to welfare reform have heightened the importance of HHS, its component agencies, and partners, such as states, having adequate information systems in place to manage programs and provide data to determine the effectiveness and efficiency of program approaches. Second, with major programs for low-income children and families in the hands of so many state and local agencies, HHS and its component agencies face the challenge of holding its partners accountable for their use of funds to ensure the well-being of children and families.	As in past years, ACF reported that it lacked fiscal year 2001 performance data for most measures linked to reaching this key outcome. ACF was unable to obtain these data due to the time lag in receiving and validating data reports from states, localities, and other program partners. Of the 35 measures listed in the fiscal year 2001 performance report related to the Temporary Assistance for Needy Families (TANF), Child Support Enforcement, Child Care, Social Services Block Grant (SSBG), Refugee Resettlement, and Developmental Disabilities programs, data on only two performance measures related to the Developmental Disabilities programs were available for fiscal year 2001. Performance data were available on 20 of the 24 measures used to assess progress for fiscal year 2000. ACF reported that it achieved or exceeded its targets for 5 of the 20 measures for which data were available for fiscal year 2000, and did not meet its performance targets for 15 of the 20 measures. Specifically, ACF reported that it met three of its targets related to its Developmental Disabilities programs and one target associated with its Child Support Enforcement program, increasing the number of paying child support cases. ACF reported that it also met one target related to TANF; in fiscal year 2000 all states met the TANF work participation rates for families. As we reported last year, some target performance levels may be set beyond what ACF can reasonably hope to achieve. For example, the employment retention and earnings gains rates under TANF and the employment-related performance measures for the refugee resettlement program have ambitious targets that may not be met in fiscal year 2002 or in fiscal year 2003. With regard to its information technology performance, the ACF fiscal year 2001 performance report noted that the agency replaced its audit resolution tracking process	The first strategic goal in ACF's plan—to "increase economic independence and productivity for families"—corresponds most closely to this management challenge. The ACF goal has the following four objectives: • increase employment, • increase independent living, • increase parental responsibility, and • increase affordable child care. Each objective has a number of related performance measures associated with specific programs. In addition, to improve program effectiveness and assist states in reaching desired outcomes, ACF plans to continue to support training and technical assistance, share best practices, and sponsor research. The ACF performance plan for fiscal year 2003 briefly discusses strategies to eliminate time delays in reporting data where appropriate for the TANF, Developmental Disabilities, Refugee Resettlement, SSBG, Child Support Enforcement, and Child Care programs. These strategies include training, technical assistance, and additional communication with program partners. However, the plan does not include any goals or indicators related to these strategies. CMS reports setting goals for fiscal year 2003 that partly address this management challenge. As part of a new goal for fiscal year 2003, CMS plans to begin working with states on the Performance Measurement Partnership Project. The purpose of this project is to use performance measures to improve the delivery and quality of health care for Medicaid and State Children's Health Insurance Program populations.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	in August 2000. Enhancements to the system were planned for 2001. The report did not discuss any efforts to work with states and grantees to improve information systems nor any progress made in developing a plan to reduce delays in receiving state administrative data. Finally, although we recommended that ACF work with other federal agencies to address issues surrounding state automated data systems, the report did not include information on progress made in this area. In fiscal year 2001, CMS reported taking some steps to address each of the management challenges we outlined. In the area of information systems, CMS met its target to provide 56 states and territories with linked Medicare and Medicaid data files for dually eligible beneficiaries. This allowed states to have Medicare utilization data and link it with their Medicaid files. In the area of program effectiveness and accountability, CMS worked with states to develop a methodology, baselines, and performance measures for state- specific immunization rates of 2-year-old children enrolled in Medicaid. However, CMS's progress in addressing this accountability challenge was limited to one specific aspect of its program, rather than the Medicaid program as a whole.	

Observations on the Department of Housing and Urban Development's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Department of Housing and Urban Development (HUD), including the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, HUD made in resolving its challenges. The third column discusses the extent to which HUD's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found that HUD's performance report discusses actions the agency has taken to address all of the management challenges we identified in January of 2001.

In its performance plan, HUD reported that it fully focused on resolving the remaining high-risk issues and management challenges. The agency's performance plan had goals and measures that were directly related to all five of the challenges.

Table 10: Major Management Challenges for HUD

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
<u>**Strategic human capital management**</u>: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures. As we reported in July 2002, human capital management is the most pressing crosscutting management challenge facing HUD. The need for HUD to recruit and hire is exacerbated by the upcoming wave of potential retirements that HUD faces. More than half of HUD's professional workforce (staff in grades GS 9 through 15) will be eligible to retire by August 2003. HUD has done little outside hiring in the past decade.	The performance report discusses steps HUD is taking to improve its human capital management under the strategic goal to "ensure public trust." Most significantly, the report states that HUD adopted and implemented a Resource Estimation and Allocation Process (REAP) by December 2001 and started secession planning through development of an intern program. HUD has also developed new appraisal standards for senior executives, managers, and supervisors. The report also discusses HUD's organizational realignment that, among other things, was intended to reduce reporting layers and increase program oversight and accountability. However, HUD has not achieved the targets set for the specific performance measures that relate to its human capital activities. The report states that HUD plans to use a survey to measure its process toward achieving a workforce that is empowered, capable, and focused on results, but the survey results will not be available until next year. HUD also has not met its objectives to increase the number of Hispanics and white women in the department which was part of its measure to increase the representation of underrepresented groups. We have reported that HUD needs to develop a comprehensive human capital strategy to address this management challenge.	The performance plan includes five measures directly related to HUD's human capital activities: • The REAP will be fully implemented and will establish a baseline for managing resource requirements and prioritizing staffing allocations by program and office. • HUD will continue implementing its 5-year plan to reduce the number of managers and supervisors and organizational layers. • HUD will pursue training and development and recruitment strategies designed to ensure that critical positions are filled. • HUD will increase the representation of underrepresented groups by 0.3 percent. • HUD employees will become more satisfied with the department's performance and work environment.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show that federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both. We have reported since 1994 on open recommendations on computer security at HUD.	HUD reports highlights major accomplishments during 2001, including identifying all major application and general support systems, developing security plans for these systems, identifying all sensitive and critical applications systems for critical infrastructure protection, implementing access control software, and initiating the planning and development of an entitywide security awareness and training program. Ongoing initiatives include developing security policies and procedures, assigning security responsibilities to appropriate personnel, requiring completion of background investigations for individuals who have access to HUD's critical and sensitive systems, and reporting and correcting unauthorized penetration attempt incidents. HUD also identifies improvements and planned actions to correct long-reported control weaknesses in its procedures for managing and controlling changes to work products and systems' hardware and software (configuration management). Office of Inspector General (OIG) reports recognize some improvements in HUD information security, but emphasize that HUD has still not placed adequate emphasis on information security. In its evaluation of HUD's security program and practices required by the Government Information Security Reform Act (GISRA), the OIG reported that HUD's information security program lacks executive-level leadership and direction, with weaknesses identified in many important aspects of HUD's information security program, including the lack of a risk management program to assess and mitigate risk, system security plans not updated and completed, and inadequate computer access controls. Also, in its audit of HUD's financial statements for fiscal years 2001 and 2000, the OIG reported that while HUD actions had significantly strengthened general controls for the UNISYS mainframe-computing environment, controls for HUD's computing	To address information security, the performance plan includes a measure that identifies five milestones to be completed during fiscal year 2003. HUD will • prepare its annual GISRA report; • verify its list of sensitive systems; • complete a review of access rights to sensitive data and systems to identify individuals who need background investigations; • conduct an external penetration test; and • provide enterprise security awareness training to all employees in all four critical infrastructure protection areas—data, people, facilities, and systems. However, these measures may not specifically assess the effectiveness of information security and the agency's progress in implementing corrective actions. In addition to the Government Performance and Results Act reporting, the Office of Management and Budget's guidance for fiscal year 2002 reporting under GISRA requires specific information security performance measures as well as corrective action plans with quarterly status updates.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	environment were a reportable condition with improvements needed in configuration management, network access controls, and physical access. It also reported personnel security as a reportable condition with weaknesses including a continued backlog in obtaining background investigations for users granted access to HUD's critical and sensitive systems. Corrective actions for these weaknesses did not address physical security weaknesses at two of its computer facilities, such as the lack of barriers around the building and magnetometer and X-ray screening of incoming personnel. HUD reported that the cost and practicality of changing the facilities outweighed any advantages and also that it is recompeting the contract that provides the computing services at these facilities.	
GAO-designated major management challenges		
Continued improvements needed to reduce HUD's single-family mortgage insurance risk: To reduce financial risks, HUD's Federal Housing Administration (FHA) needs to continue to improve its management over home mortgage loans made by private lenders that it insures against nearly all losses. While FHA has accumulated capital reserves of about $16.6 billion on insured home loans valued at about $454 billion, we estimate that FHA lost about $1.9 billion during fiscal year 2000 on the sale of foreclosed loans that it had insured. We reported that HUD has opportunities to strengthen FHA's management and internal controls that include strengthening the loan origination process; promoting better monitoring of lenders, appraisers, and property management and marketing contractors; and ensuring that sufficient staff with the right skills are available to carry out FHA's home loan mission.	HUD reports that it has a number of initiatives in process or under development to improve oversight of its single-family programs, including enhancing qualifications for lender participation, implementation of an accelerated claims demonstration as an alternative to traditional note servicing and property disposition activity, and several proposed rules on appraisers, excessive fees, and property flipping. The report includes three measures related to its efforts to reduce single-family mortgage insurance risk, and HUD met or exceeded its goals for all three. HUD increased the share of FHA mortgage defaults resolved by loss mitigation by 12 percentage points, exceeding its goal by 10 percentage points. The FHA Mutual Mortgage Insurance Fund exceeded congressionally mandated capital reserve targets. HUD reports it also achieved a net recovery of FHA real estate owned sales of 65.5 percent, 4 percentage points above fiscal year 2000, exceeding the goal to increase recovery by 1 percentage point.	The plan includes nine performance measures related to HUD's single-family programs, four of which are directly related to issues that GAO has raised about the need to improve the control environment in HUD's single-family mortgage insurance programs. The plan includes three new measures for 2003: • By the end of fiscal year 2003, FHA will prevent the issuance of FHA mortgage insurance on properties that have been transferred within 6 months. • FHA will exceed the rate of net recovery received on the sale of property through the Accelerated Claim Program Demonstration (Section 601). • HUD will implement procedures to hold lenders accountable for the selection and performance of FHA-insured mortgages.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
<u>Continued improvements needed to ensure that HUD's rental housing assistance programs are used effectively and efficiently</u>: Because HUD is able to serve fewer than half of the households that are eligible for assisted housing, it is essential that it ensure that its programs are used efficiently and effectively to maximize the number of households that can be assisted. Significant opportunities still exist to reduce excess subsidy payments, estimated to total over $5 billion for the last 5 years, by ensuring that only eligible families occupy units and that they pay the correct rents; ensure that providers of rental housing maintain housing that is decent, safe, sanitary, and in good condition; and be certain that HUD has the capital resources and controls needed to detect and address problems that exist in its rental housing assistance programs.	The plan describes HUD's strategy for resolving inaccurate subsidies using the Rental Housing Integrity Improvement Project (RHIIP), established in 2001. RHIIP was developed to resolve the management control weaknesses in HUD's rental assistance programs by focusing on front-end controls (at the time beneficiaries apply for housing subsidies) to address the root cause of error and improper payments. HUD reports success in improving the physical conditions of HUD-supported public and assisted housing projects, as reflected in the percentage of projects or units that met HUD's physical condition standards. The report includes 16 measures (1 of which was used under two goals) that directly relate to the issues associated with this management challenge—improving the quality of housing and ensuring that accurate subsidies are paid to eligible persons. HUD reported that it did not meet 5 of the stated goals or that the data were not available; set baselines for two measures; and met 9 of the performance goals.	The plan includes 24 measures on various aspects of ensuring that quality housing is provided to eligible households that pay the correct amount of rent. These measures include the following: • The high incidence of program errors and improper payments in HUD's rental assistance housing programs will be reduced. • The unit-weighted average Public Housing Assessment System score increases by 5 percent. • The household-weighted average Section 8 Management Assessment Program score increases. • The share of public housing and assisted multifamily units that meet HUD-established physical standards increases by 1.5 percentage points. • The share of HUD-Assisted Properties observed with exigent health and safety or fire safety deficiencies decreases by 1.0 percent for public housing and 0.6 percentage points for assisted multifamily housing. • As part of the effort to eliminate 100,000 units of the worst public housing, demolish 13,000 units during fiscal year 2003. • The Departmental Enforcement Center will complete three enforcement milestones to improve management practices of multifamily housing partners and reduce fraud, waste, and abuse.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Resolution needed for programmatic and financial management information systems and human capital issues: HUD has determined that its financial management systems do not meet all of its needs and has plans under development to address this issue. We reported that HUD must continue to focus on improving its information technology management processes to help ensure success in systems initiatives across the department. HUD must also resolve a number of human capital issues, such as adjusting workload to consider implementation of the new centers, completing actions to measure workload, and staffing its programs adequately.	HUD reports considerable achievements in addressing its programmatic and financial management information systems management challenge. HUD has developed an Enterprise Architecture model that expands upon core elements included in the framework developed by the Federal Chief Information Officer Council, initiated a data quality improvement program, and addressed two of the Inspector General's previous management concerns about the reliability and security of its financial systems and controls over fund balances with Treasury reconciliations. The report includes measures that address certain aspects of the systems management challenge and HUD reports that it achieved its targets for these measures. Under its performance measure to have data systems that are rated highly for usefulness and reliability, HUD reports it successfully completed a pilot project to develop a performance measurement methodology for its information systems. HUD reports that this effort resulted in establishing performance measures for the entire information technology (IT) portfolio. Under another measure to earn data quality certifications, HUD reports that two mission-critical data systems, which it reports are crucial to HUD's financial management, earned data quality certifications. A third measure from the 2001 plan, that the Office of Housing would review a sample of transactions for compliance with data quality standards, is not reported in the 2001 performance report. However, under the data quality certification measure, HUD states that it completed data quality assessments for seven mission-critical systems. It is not clear whether this refers to the third measure that is no longer included in the performance report. As discussed under the governmentwide challenge, HUD reports it has made progress on addressing its human capital issues. Although it has not met its targets, HUD reports on two measures related to the	The performance plan continues the emphasis on addressing these management challenges as part of HUD's strategy to improve HUD's management and internal controls, including strategies to train employees, improve equipment, and develop a long-term staffing strategy to deal with expected retirements. The plan includes 14 measures related to the programmatic and financial management information systems and human capital challenges. For example, • FHA will address financial management and system deficiencies through the phased implementation of an integrated financial system to support FHA functions, which will be completed by December 2006; • the number of noncompliant financial management systems will be reduced from 17 to 14; • during fiscal year 2003, eight additional mission critical data systems will be certified, increasing the total number of certified systems to 15; • REAP will be fully implemented and will establish a baseline for managing resource requirements and prioritizing staffing allocations by program and office; • HUD will continue implementing its 5-year plan to reduce the number of managers and supervisors and organizational layers in the department; and • HUD will pursue training and development and recruitment strategies designed to ensure that critical positions are filled.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	human capital management challenge. HUD does not yet have results for one measure—whether HUD's workforce is empowered—because the results of that measure will be determined from a survey that will be conducted in fiscal year 2002. HUD has not met its targets for increasing the representation of underrepresented groups, because it did not meet its objectives for increasing the number of Hispanics and white women in the department. While HUD did not achieve its specific performance measures, it reports that the final stages of REAP were completed in December 2001. The results were used to support the development of HUD's fiscal year 2002 staffing plan and fiscal year 2003 staffing budget request. As part of ongoing efforts to improve its resource allocation activities, HUD reports it will validate the results of the REAP during 2002 using the Total Estimation and Allocation Mechanism.	

Observations on the Department of the Interior's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Department of the Interior, including the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, Interior made in resolving its challenges. The third column discusses the extent to which Interior's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified.

We found that the Department of the Interior's performance report discussed the agency's progress in resolving all of its challenges. Of the agency's four major management challenges, its performance plan had

1. goals and measures that were directly related to two of the challenges

- improve management of national parks and
- improve management of ecosystem restoration efforts

2. no goals and measures related to two of the challenges, but discussed strategies to address the challenges, which were

- address persistent management problems in Indian trust programs and
- address challenges in managing an expanding land base.

Table 11: Major Management Challenges for Interior

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures. In September 2002, Interior issued its 5-year Strategic Human Capital Management Plan for fiscal years 2003 through 2007. The plan identified technical skill gaps in nine areas, including three areas that are receiving special attention due to their extreme urgency and importance—Indian trust fund management, wildland fire management, and law enforcement and security.	Interior achieved its goal of completing the departmentwide Workforce Planning Policy. In fiscal year 2001, Interior's Office of Personnel Policy led the development of the department's first workforce analysis, which was submitted to the Office of Management and Budget (OMB) on June 30, 2001. The workforce analysis addressed numerous strategic human capital management issues facing the department over the next 5 years. The Office of Personnel Policy also completed the development of the departmentwide Workforce Planning Policy. The policy was completed in early September; however, events on September 11, 2001, delayed the actual policy issuance until October 30, 2001.	The departmental Workforce Planning Policy requires that all bureaus develop comprehensive 5-year workforce plans by the end of fiscal year 2003 to support the President's Management Agenda, the department's Strategic Plan, and future budget submissions. The plans will address all areas of strategic human capital management and will include information on critical mission skills and competencies; retirement and attrition projections; workforce shaping requirements; and budgetary projections on required recruitment, intern, retention, training and development, and relocation programs.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show that federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	Interior continues to report information security controls as a material weakness on its Federal Managers' Financial Integrity Act report for 2001. To improve its information security program, Interior achieved its goal of completing a National Critical Information Technology Infrastructure Protection Plan. The plan was completed and implemented in September 2001. Interior also reported that it met its goal of achieving compliance level 1 on the Federal Information Technology Security Assessment Framework for all of its national critical infrastructure systems, all of its national security information systems, and all of its mission-critical systems. Achieving level 1 compliance requires establishing documented security policies and standards.	Interior's fiscal year 2003 performance plan includes a goal to achieve compliance level 3 on the Federal Information Technology Security Assessment Framework for all of its national critical infrastructure systems, all of its national security information systems, and all of its mission-critical systems. Achieving level 3 compliance requires that security policies and procedures are adopted, system certification procedures are established, and a security awareness program is in place. Interior's overall target is to achieve compliance level 5 by fiscal year 2005, the highest level achievable in this assessment framework. To meet the compliance requirement for this level, an agency must establish an enterprisewide security program. In addition to Government Performance and Results Act reporting, the Office of Management and Budget's guidance for fiscal year 2002 reporting under the Government Information Security Reform Act (GISRA) requires specific performance measures, as well as corrective action plans with quarterly status updates.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated major management challenge		
<u>**Improve management of national parks**</u>: The National Park Service needs to (1) place a higher priority on gathering more scientific information on the condition of natural resources, (2) gather more accurate data on its maintenance backlog, (3) improve park managers' accountability, (4) address management problems with its concessions program, and (5) ensure the safety of park visitors and employees.	The Park Service reported meeting its goal of developing or acquiring 30.4 percent of the 2,527 data sets needed for natural resource inventories for all parks. In addition, the agency reported exceeding its goal of having 5 percent of the 270 parks with significant natural resources identify their vital signs for natural resources monitoring—13 percent of the parks accomplished this in fiscal year 2001. The Park Service reported that it is developing the capability to determine and monitor the physical condition of its facilities. It plans to use facility condition as a performance indicator beginning in 2003. The Park Service did not have a fiscal year 2001 goal for this activity, thus there was no associated performance to report. The Park Service no longer reports on this specific issue since it no longer has a specific goal linked to this challenge. Instead the agency states that it will use goal achievement as an element of park managers' performance evaluations. The Park Service reported meeting its goal of having concession contracts average a 7.3 percent return to the government for fiscal year 2001. The agency does not have specific goals related to concessions management issues. The Park Service reported exceeding its goal to reduce visitor accidents to 8.72 per 100,000 visitor days. Actual visitor accidents for fiscal year 2001 were 8.64 per 100,000 visitor days. In addition, the agency reported exceeding its goal of reducing the employee lost time injury rate in 2001—its goal was 4.67 per 200,000 hours worked; it achieved a rate of 3.67 per 200,000 hours worked.	The Park Service plans to develop or acquire 59.3 percent of its 2,527 data sets needed for natural resource inventories in fiscal year 2003. In addition, the agency plans to identify vital signs for 40 percent of the 270 parks by the end of fiscal year 2003. By the end of fiscal year 2003, the Park Service's goal is to deploy a new facility management software system at each park and to complete the initial annual facility condition assessments at all parks. According to the Park Service's fiscal year 2003 performance plan, all seven regions in the Park Service are using goal achievement as an element in park managers' performance evaluations. Full implementation of accountability will improve the Park Service's ability to achieve all of its goals. The Park Service revised its goal for concessions contracts for fiscal year 2003. Essentially, it redefined how the rate of return to the government is calculated. This change led to changing the performance goal from 7.3 percent of gross concessioner revenue to 4 percent. There are no specific goals related to concessions management issues. The Park Service's goal is to continue to improve visitor and employee safety, lowering the visitor incident/accident rate to 8.29 per 100,000 visitor days, and the employee lost time injury rate to 3.312 per 200,000 hours worked.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
<u>Address persistent management problems in Indian trust programs</u>: Interior needs to ensure that Indian trust assets are well managed. Interior cannot do this currently, although it is updating its trust fund management systems.	Interior reported that the Office of the Special Trustee did not achieve its goal of completing 64 milestones of the 11 subprojects in the High-Level Implementation Plan. Only 47 milestones were reported completed. The Office was created in fiscal year 1996 specifically to reform Interior's Indian trust management. Reform plans, consisting of 11 subprojects to improve trust management, are contained in the *High Level Implementation Plan*, which was updated in February 2000. The Office is currently deeply involved in responding to court orders relating to a class-action lawsuit over trust fund management and reports quarterly to the court. The Office did not prepare a separate fiscal year 2001 performance report. The goal to complete 64 milestones was in Interior's fiscal year 2001 overview plan.	The Office did not prepare a separate fiscal year 2003 plan. In addition, Interior's fiscal year 2003 overview plan does not have any annual performance goals on Indian trust fund reform. In January 2002, in Interior's eighth quarterly report to the court, the Secretary of the Interior announced that the High-Level Implementation Plan, which has guided trust reform activities since 1998, was obsolete. The Secretary concluded that the plan did not reflect an adequately coordinated and comprehensive view of the trust reform process. Fiscal year 2002 was the beginning of a transition from a narrow, nonintegrated, task-oriented set of activities related to trust reform, to an integrated, goal-focused approach to managing and accounting for Indian trust assets. Interior's senior management team will coordinate the development of a new management strategic plan to replace the *High Level Implementation Plan*.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Improve management of ecosystem restoration efforts: Interior needs to improve its management of ecosystem restoration efforts by working to develop plans and strategies; coordinating with the multiple entities involved, such as states and tribes; and preparing for the attrition of key personnel related to ecosystem restoration efforts, such as fire managers.	Interior has a departmentwide long-term goal of maintaining healthy natural systems. As part of this long-term goal, Interior has annual performance goals dealing with the South Florida Ecosystem Restoration Program, the California Desert Project, and wildland fire management. Interior reported that it did not have a fiscal year 2001 performance target for the South Florida ecosystem restoration effort. However, Interior and its partners in the South Florida ecosystem restoration effort constructed 18,088 acres of stormwater treatment areas and acquired 28,917 acres of land for habitat protection. Interior and its partners in the California Desert Project—which seeks to restore the population of the federally listed desert tortoise—reported meeting their goals of developing protocols for identifying and counting tortoises and assessing populations in five recovery units. With regard to wildland fires, Interior reported that it did not meet its goal of treating 1.4 million acres (it treated 728,000 acres). According to Interior's report, several factors contributed to the lower than anticipated fuel treatment levels. For example, drought conditions in many parts of the country forced agencies to postpone treatments or to accomplish treatment by more costly means (mechanical and chemical treatments), rather than by prescribed methods.	Interior has a departmentwide long-term goal of maintaining healthy natural systems. As part of this long-term goal, Interior has annual performance goals dealing with the South Florida Ecosystem Restoration Program, the California Desert Project, and wildland fire management. For fiscal year 2003, Interior and its partners in the South Florida ecosystem restoration effort plan to build 4,100 acres of stormwater treatment areas for a total of 28,438 acres constructed. They also plan to acquire 40,000 acres of land for habitat protection purposes. For the California Desert Project, Interior and its partners plan to remove 1,000 wild burros from tortoise habitats, clean up five illegal dumps on public lands, and install 40 miles of fence along highways to prevent tortoises from being hit on these roads. With regard to wildland fires, Interior plans to contain 95 percent of fires in the initial attack, provide assistance to 33 percent, or 1,085, rural fire departments to improve safety, training, and equipment standards; complete 9 percent of the highest priority community-at-risk projects; build or improve 15 fire facilities; and treat 1.1 million acres of land with accumulated fuels.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Address challenges in managing an expanding land base: Interior oversees many land transactions. In particular, the Bureau of Land Management (BLM) needs to ensure that the lands are needed and are exchanged for approximately equal value. Once Interior gets new land, either through exchange or acquisition, it needs to highlight the need for increased funding to operate and maintain those lands. In particular, the Fish and Wildlife Service (FWS) needs to include operations and maintenance information in its budgets when it establishes refuges.	Interior did not have any departmentwide performance goals or measures, and BLM did not have any performance goals or measures, applicable to this challenge for fiscal year 2001. However, BLM's fiscal year 2001 performance report did discuss how the agency had addressed this challenge. According to the report, BLM has incorporated new requirements into its *Appraisal Manual* for improving the appraisal process for land exchanges, developed appraisal training, and revised its *Land Exchange Handbook* to incorporate revised policies and guidance to ensure that land exchanges are in the public interest. Furthermore, the report indicates that the National Land Exchange Evaluation and Assistance Team continues to conduct technical review and oversight for all land exchange feasibility reports and decision documents. Interior did not have any departmentwide performance goals or measures, and FWS did not have any performance goals or measures, related to reporting operations and maintenance funding needs for fiscal year 2001. However, FWS's fiscal year 2001 performance report did discuss how the agency had addressed this challenge. According to the report, beginning in fiscal year 2001, FWS included in its budget a table of land that will be added during the year, including the operation and maintenance costs needed.	Interior's fiscal year 2003 overview plan and BLM's fiscal year 2003 plan do not have any goals or measures related to this challenge. According to BLM's fiscal year 2003 plan, the necessary actions to address this challenge have been completed. Interior does not address the need for operations and maintenance fund information in its fiscal year 2003 plan. FWS does not have a goal to address this, but plans to maintain an inventory of unmet operating needs and to request funding for them.

Observations on the Department of Justice's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Department of Justice's (Justice) including the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, Justice made in resolving its challenges. The third column discusses the extent to which Justice's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found that Justice's performance report discussed the agency's progress in resolving many its challenges, but it did not discuss the agency's progress in resolving the following challenges, including

- Asset Forfeiture Program,
- program management weaknesses remain in Weed and Seed Program,
- internal control weaknesses at the Drug Enforcement Administration (DEA), and
- efforts to reduce unauthorized employment face impediments.

Of the agency's 14 major management challenges, its performance plan had

1. goals and measures that were directly related to 9 of the challenges
2. goals and measures that were indirectly applicable to the 1 of the challenges, including

- strategic human capital management and

3. no goals, measures or strategies to address four of the challenges, including

- Asset Forfeiture Program,
- program management weaknesses remain in Weed and Seed Program,
- internal control weaknesses at DEA, and
- efforts to reduce unauthorized employment face impediments.

A Justice official stated that it did not address these challenges because Justice believes that those challenges are no longer significant enough to be addressed in their performance report or plan.

Table 12: Major Management Challenges for Justice

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.	Justice's performance report did not specifically address its progress toward resolving this management challenge. However, it had one performance measure that addressed part of this challenge—the number of border patrol agents on board at the Immigration and Naturalization Service (INS). For fiscal year 2001, the performance target was 9,807 border patrol agents on board and the actual number was 9,859 agents. Justice's 2001 performance report states that Justice has given priority attention to the recruitment of border patrol agents and that it has been quite successful. Further, the report states that INS will continue improvements in this area through the implementation of the following five initiatives: (1) increase the Internet recruiting system that involves 12 sites, (2) establish overseas testing involving military bases around the world, (3) develop the capacity to conduct walk-in testing or mobile testing, (4) revise the compressed testing process to allow on-site drug testing, and (5) initiate an integrity interview and full field investigation prior to the oral board. Justice believes that valuable staff hours and resources will be saved by utilizing the Internet and walk-in testing. Justice's performance report does not discuss how it is addressing this challenge for any of its other agencies	Relative to this management challenge, Justice's 2003 performance plan has a performance target of 10,974 border patrol agents on board for fiscal year 2003. Justice's 2003 performance plan also states that the ability of INS to hire up to the full complement of border patrol agents (and other occupations) that are authorized and funded by Congress means that the mission of INS can expand as intended. INS projects that new border patrol agents will be deployed in key operational zones along the southwest border and at northern border sites. The National Hiring Center (NHC) will continue as the centralized processing facility for entry-level hiring for border patrol agents. NHC assumes full responsibility for the Border Patrol Registry, oral board scheduling, preappointment processing, entry-on-duty and attendance at the Border Patrol Academy, and the Border Patrol Reinstatement Program. Justice's performance plan does not have any goals, measures, or strategies for addressing this challenge within its other departments.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show that federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	In Justice's fiscal year 2001 financial audit, the department's Office of Inspector General (OIG) reported information security weakness in access controls, segregation of duties, system and application software controls, service continuity, and entitywide security program management. Justice acknowledged that it has information security weaknesses and reported information system controls as a material weakness in its Federal Managers' Financial Integrity Act report for 2001. To improve the department's information technology (IT) security program, Justice reported in its performance report that it issued a new security policy, continued to verify and accredit its key systems, and integrated IT security into its capital planning and investment controls process. Further, Justice reported that it will continue its program of penetration tests and independent assessments, develop remedial plans for identified vulnerabilities, and reevaluate and assess the department's critical infrastructure and planning initiatives. Justice's 2001 performance report indicates that it did not meet its fiscal year 2001 performance target of 100 percent for certifying and accrediting its information systems by department components. The department reported that the target was not met (83 percent certified and accredited) due to resource constraints in two bureaus.	Justice's 2003 plan includes management performance goals, which focus on (1) meeting an ongoing requirement to certify department networks and systems and (2) testing major systems contingency plans. These goals are measured based on the percentage of information systems that are certified by the department components (100 percent) and major systems with tested contingency plans (85 percent). While these measurements provide an indication of progress in these two areas, they may not specifically measure the effectiveness of information security and the agency's progress in implementing corrective actions. NIST developed a security assessment framework and related tools that agencies can use in determining the status of their information security programs. Also, OMB guidance for fiscal year 2002 reporting under the Government Information Security Reform Act (GISRA) requires agencies to use tools developed by NIST for evaluating the security of unclassified systems or groups of systems. In addition, OMB's GISRA reporting guidance requires specific performance measures, as well as corrective action plans with quarterly status updates.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated major management challenge		
Asset Forfeiture Program: Justice needs to address weaknesses in its asset forfeiture program, specifically, its management and accountability of seized and forfeited property. GAO has designated Justice's asset forfeiture program as high-risk since 1990 because (1) over the years, neither Justice nor Treasury adequately focused on managing and accounting for seized and forfeited items and (2) Justice and Treasury had not formed a plan to consolidate postseizure administration of certain properties to eliminate duplication of resources and reduce administrative costs. In recent years, Justice has taken many actions to improve the management and disposition of seized and forfeited property. However, challenges remain to address the program's inadequate information systems and financial management weaknesses, including accountability over seized assets.	Progress in resolving this management challenge was not discussed.	The 2003 performance plan had no goals, measures, or strategies directly related to this management challenge.
Program management weaknesses remain in the Weed and Seed Program: While Justice has made some progress toward addressing administrative and management weaknesses, challenges remain related to developing better performance measures for the Weed and Seed program. We recommended that Justice's Executive Office for Weed and Seed (EOWS) develop additional performance measures to track program outcomes, noting that indicators would help EOWS make more informed program decisions, such as whether to continue existing funding.	Progress in resolving this management challenge was not discussed.	The 2003 performance plan had no goals, measures, or strategies directly related to this management challenge. The fiscal year 2001 performance report and 2003 performance plan merely state that EOWS helps communities build stronger, safer neighborhoods by implementing the Weed and Seed strategy, a community-based, multidisciplinary approach to combating crime.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Police Corps program had a slower than expected start, due to funding and staffing limitations: While Justice has made some progress toward addressing administrative and management weaknesses, challenges remain related to increasing states' participation in the Police Corps program. We reported in February 2000 that the majority of participant slots for the Police Corps program, under the Community Oriented Policing Service (COPS), remained unfilled.[a] Several states indicated that participation in the program and reasons for the program's slow growth were related to the Police Corps statute (42 U.S.C. 14091-14119) not providing funding to pay states for program administration or for recruitment and selection of participants. We also reported that according to federal and state officials, a factor contributing to unfilled positions was that COPS dedicated insufficient staff to the program, which led to delays in providing program guidance, processing program applications and payments, and answering participants' questions about the program. In December 1998, the Police Corps program was transferred from COPS to the Office of Justice Programs (OJP). We reported that OJP had made significant progress in obligating funds and establishing interagency agreements with participating states and providing program guidance. However, at the time of our review, it was too soon to tell whether OJP would succeed in filling empty participant slots promptly.	The fiscal year 2001 performance report had two performance measures associated with this management challenge, both under the COPS initiative. Regarding the Police Corps Program, Justice had a performance measure—the number of Police Corps graduates serving in 1-year community patrols—in its fiscal year 2000 performance report. But this measure was discontinued because of streamlining the departmental plan and was not specifically discussed in the context of achieving any of its goals. However, in its discussion of discontinued measures in an appendix, Justice's performance report states that the fiscal year 2001 target was 490 and the fiscal year 2001 actual was 470. The report also noted in the appendix that the fiscal year 2001 target was not met because the Office of Police Corps and Law Enforcement Education encouraged states to use a more selective recruitment process to reduce the number of resignations and removals. Regarding COPS, Justice's performance report had two performance measures—the number of new police officers funded and on the street and the number of school resource officers funded/hired. COPS fell short of the target for officers funded (targeted performance was 116,299 and actual performance was 114,124), and for number of officers on the street (targeted performance was 91,000 and actual performance was 83,024). However, COPS exceeded the number of school resource offices funded and hired. The targeted performance was 4,511 funded and 3,078 hired while the actual performance was 4,532 funded and 3,191 hired.	The 2003 performance plan has goals and measures directly applicable to the management challenge. Justice's performance plan had a performance target of 117,901 officers funded and 100,000 on the street. The plan also noted that the number of officers funded may be inflated, as discretion exist to use this additional funding for equipment as well as officers. Justice reports that COPS grants have funded more than 114,000 officers in more than 12,400 police and sheriffs' departments. According to Justice, independent studies have proven that the hiring initiatives resulted in significant reductions in local crime rates in cities with populations greater than 10,000. With over 90 percent of the U.S. population living in areas of this size, the COPS hiring and innovative grant programs appear to have had a significant crime-reducing effect on the vast majority of the United States. Justice's performance plan also states that OJP will continue to support existing grants and evaluate the effects of community policing on crime, fear of crime, and trust in law enforcement among its grantees. COPS will also continue to support the advancement of community policing through training and technical assistance, community policing innovation conferences, development and sharing of best practices through publications and Web sites, and pilot community policing programs. To meet critical law enforcement needs, the OJP will continue to work in partnership with law enforcement agencies to enhance police integrity. While Justice's performance plan indicated that school resource officers assist schools and communities in ensuring a safe environment for students and staff by acting as problem solvers and liaisons to the community, safety experts and law enforcers, and educators, there was no performance target set because the program was not funded for fiscal year 2003.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Develop measurable DEA performance targets to determine progress in reducing the availability of illegal drugs: Consistent with the Office of National Drug Control Policy strategy to reduce the supply of illegal drugs to our nation, one of Justice's strategic objectives is to reduce the threat and trafficking of illegal drugs by identifying, disrupting, and dismantling drug trafficking organizations that are international, multijurisdictional, or have an identified local impact. Despite progress that DEA made in developing strategic goals and objectives and in enhancing its programs and initiatives, which are consistent with the National Drug Control Strategy, limitations in DEA's performance measures make it difficult to determine its progress in reducing the availability of illegal drugs.	Justice's performance report had two performance measures associated with this management challenge. According to Justice's performance report, a new performance measure, reduction in the supply of drugs entering the United States, is being established and will be baselined during fiscal year 2002. DEA, in conjunction with the Office of National Drug Control Policy and an interagency group, is developing national estimates for the amount of cocaine, heroin, methamphetamine, and marijuana available for consumption in the United States each year. The second performance measure in Justice's performance report was the number of priority drug trafficking organizations to be targeted and dismantled/disrupted. According to the report, the fiscal year 2001 performance target was 538 such organizations targeted and 27 dismantled/disrupted, a 5 percent reduction. The actual performance measure was reported as 632 organizations targeted and 66 dismantled/disrupted, a 10 percent reduction.	The 2003 performance plan has goals and measures directly related to this management challenge. Justice's performance plan has a fiscal year 2003 performance target of 5 percent for the reduction of the supply of drugs entering the United States. According to the plan, a reduction in the availability of drugs entering the United States will strengthen our communities, improve our economy, and reduce violent crime and the profits of terrorist organizations. The performance plan has a fiscal year 2003 performance target of 7 percent reduction (45 organizations) in the number of priority drug trafficking organizations to be dismantled/disrupted. According to the plan, as these organizations are disrupted and dismantled, America's communities will become safer, due to less drug-related violent crime. The expected long-term benefit is that, as those arrested cooperate and identify their sources of supply, DEA will be able to identify, target, disrupt, and dismantle higher-level priority drug trafficking organizations (e.g., those operating out of Colombia and Mexico) that supply the drugs to the violent street trafficking organizations.
Internal control weaknesses at DEA: Although DEA obtained an unqualified opinion on its fiscal year 1999 financial statements, the number of reported internal control weaknesses at DEA increased from fiscal year 1998 to 1999. These material weaknesses include, among other things, information system controls, the lack of a system to accurately and completely account for property and equipment, and a weak financial reporting process.	Progress in resolving this management challenge relative to DEA was not specifically addressed in Justice's performance report. It was, however, covered indirectly under the departmentwide focus on financial statements and systems, which is discussed later in this table.	The 2003 performance plan had no goals, measures, or strategies to address this challenge. However, as previously noted, this management challenge is addressed indirectly under the departmentwide management challenge on financial statements and systems.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
INS's organizational structure remains undecided: Proposals to restructure INS have been issued as a result of several critics' conclusion that "mission overload" has impeded INS from succeeding at either of its primary functions. To remedy problems identified, various entities and several members of Congress have proposed a wide range of reorganization options.	Justice's performance report had a performance measure to streamline selected agencies and programs by delayering management levels. As this was a new initiative, there was no specific performance target set for this measure for fiscal year 2001. The report also indicated that INS proposed reorganizing itself into two separate but connected bureaus, one to handle enforcement of immigration laws and one to provide services and benefits to immigrants. According to the report, this reorganization would address systemic problems related to INS's dual missions of service and enforcement by creating two separate chains of command and accountability, reporting to a single policy leader. INS's restructuring would also address the need to streamline the organization to emphasize frontline enforcement and service delivery functions.	Justice's performance plan indicated that INS would begin implementing its reorganization in fiscal year 2002, continue implementation in fiscal year 2003, and complete the restructuring in fiscal year 2004.
Efforts to reduce unauthorized employment face impediments: The effectiveness of the verification process has been undermined by aliens' use of fraudulent documents. In addition, employers face little chance of being investigated by INS, in part because resources for worksite enforcement have been relatively small. Furthermore, INS issued an interior enforcement strategy that called for INS to pursue the criminal investigation of employers who are flagrant or grave violators. However, the strategy left unclear what was meant by a flagrant or grave violation, what criteria would be used for opening investigations of employers suspected of criminal activities, and how INS would measure the effectiveness of its strategy.	Specific progress in this area was not discussed. In its performance report under the discussion of efforts to reduce the number of illegal aliens, Justice limited its discussion to noting that the reduction in the illegal resident population reinforces immigration laws and reduces the supply of illegal aliens for unauthorized employment.	The 2003 performance plan had no goals, measures, or strategies to address this management challenge. Justice's fiscal year 2002 performance plan stated that the measure related to employer sanctions was a discontinued measure. However, under program evaluations for one of its strategic goals, Justice notes that Employment Verification Pilots, which were begun in fiscal year 1999 and include statistics and interpretation of the impact of the pilot in providing alien status verification services for employers, will be evaluated in fiscal years 2002 and 2003. Moreover, one of the strategies listed under the strategic objective addressing criminal aliens is to block and remove employers' access to undocumented workers and help reduce worker exploitation.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Shortcomings in programs to control alien smuggling: The country's ability to combat the significant and growing problem of alien smuggling is hampered by management and operational problems at INS, such as fragmented and uncoordinated investigative efforts and lack of staff to perform intelligence functions.	Justice's performance report had two performance measures associated with this management challenge. The first performance measure was to identify, disrupt, and dismantle targeted alien smuggling and trafficking organizations. There was no specified performance target set for fiscal year 2001, but the performance report indicated that the actual numbers achieved were five such organizations identified, one disrupted, and one dismantled. The second performance measure was the number of interceptions of mala fide and offshore travelers en route to the United States. The fiscal year 2001 performance target was 9,324 and the actual report number was 34,594. The report noted that INS overseas offices significantly exceeding their goal was due to a pilot in INS's Mexico City office established in cooperation with the governments of Mexico and Guatemala, Operation Bus Bound. The pilot involved the interception and repatriation of Central American and third-country nationals.	The 2003 performance plan has goals, measures, and strategies to address this management challenge. The performance target for the number of targeted alien smuggling and trafficking organizations identified, disrupted, and dismantled was three, zero, and zero respectively. According to Justice's performance plan, zero targets were set for the number of organizations to be disrupted and dismantled as a result of the changes in enforcement priorities since the recent terrorist attacks. The performance target for the number of interceptions of mala fide and offshore travelers en route to the United States was set at 20,000 for fiscal year 2003.
Financial statements and systems: Achieve excellence in financial management, including, but not limited to, a departmentwide unqualified opinion for fiscal year 2000 and beyond.	Justice's performance report had a performance measure associated with this management challenge. Justice's targets were to receive an unqualified opinion on all statements and to resolve one material weakness. According to the report, actual fiscal year 2001 performance was an unqualified opinion on all statements, and three material weaknesses were corrected. The report also noted that Justice received its first fully unqualified audit opinion on all six of the financial statements for fiscal year 2001. Further, Federal Prison Industries corrected one material weakness and implemented improvements that resulted in two material weaknesses being reclassified as nonmaterial.	The 2003 performance plan has a goal and measure related to this management challenge. Justice has set a goal to achieve a departmentwide, unqualified audit opinion on all statements and to resolve six material weaknesses. According to Justice's performance plan, the department and its components will focus on continuing substantive progress in improving financial operations and financial systems. The Chief Financial Officer will continue to closely measure component progress in reducing internal control weaknesses and in making improvements to financial systems. To facilitate achievement of the department's goal, a unified financial system will be implemented to replace three systems currently requiring replacement and replace the other systems when new systems are required.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information systems planning and implementation: Justice's mission-critical computer systems were poorly planned, experienced long delays in implementation, or did not provide timely, useful, and reliable data.	The performance report discussed Justice's efforts to implement disciplined IT investment processes with the issuance of an IT investment management policy and guide in fiscal year 2001. Justice also reported revising its system development life cycle to align with the IT investment management process. The report also noted INS's continued move towards a strategic approach to managing IT. The report states that management approaches to IT planning and implementation are still undergoing significant long-term changes.	Justice's 2003 performance plan discusses the department's strategy for meeting this challenge. Specifically, Justice plans to continue investing in an IT management framework built around a capital programming process that is closely aligned with its enterprise architecture. The 2003 plan also has goals and measures for Justice that are directly related to this management challenge. The plan establishes a measure for the number of systems that will be managed according to its approved IT investment management processes, with a target of 100 percent in fiscal year 2003. However, the plan does not indicate if the measure will apply to all Justice systems or simply new IT investments. The 2003 performance plan discusses INS's strategy for meeting its goal, stating that INS will use its newly developed enterprise architecture to guide and justify its use of resources. The 2003 plan also has goals and measures for INS that are directly related to this management challenge. Specifically, the plan includes a performance goal to provide an adequate, cost-effective, and compliant IT environment. This goal will be measured by the percentage of IT systems that comply with security requirements and system development life-cycle standards, and are supported with technologically adequate workstations. However, the 2003 plan does not specifically describe the system development life-cycle standards.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
INS southwest border strategy: Although INS generally allocated newly hired border patrol agents in accordance with its strategy, INS was not able to meet its goal of increasing its onboard strength of border patrol agents by at least 1,000 in fiscal year 1999. INS saw an increase of only 369 agents in fiscal year 1999 due to recruitment and retention problems. INS lacks performance information to determine the overall impact of its strategy to reduce the illegal alien flow across the border, reduce flow to the border, and reduce the number of illegal aliens who reside in the United States.	Justice's performance report had a performance measure to have eight high-priority corridors demonstrating optimum deterrence. The report indicated that the performance target of eight such corridors was met for fiscal year 2001. According to Justice's performance report, the primary indicator of successful deterrence is the significant reduction and leveling off of attempted entry. *Optimum deterrence* is defined as the level at which applying more border patrol agents and resources is no longer justifiable considering the areas current or future potential to facilitate successful illegal entry.	According to Justice's performance plan, the performance target for the number of high-priority border corridors demonstrating optimum deterrence was set at nine corridors for fiscal year 2003.
Removal of illegal aliens: We found that for fiscal year 1999, 43 percent of the aliens released from detention prior to determination of their asylum status had not appeared for subsequent removal hearings. We recommended that INS analyze the characteristics of those aliens who appeared and those who did not appear for their removal hearings and use the results to reevaluate its policy for when to release aliens in cases when an asylum officer determined the aliens to have a credible fear of persecution or torture.	Justice's performance report had a new performance measure—to reduce the annual entries of illegal aliens residing in the United States. Since it was a new measure there was no performance target for fiscal year 2001, but the report indicated that the actual number of new entrants was estimated at 625,000.	Justice's performance plan had a performance target of 510,000 new entrants for the number of annual entries of illegal aliens residing in the United States for fiscal year 2003.

[a] U.S. General Accounting Office. *Police Corps: Some Problems Resolved, But Most Positions Remain Unfilled*, (GAO/GGD-00-69, Washington, D.C.: Feb. 22, 2000).

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Observations on the Department of Labor's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Department of Labor (Labor), which include the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, Labor made in resolving its challenges. The third column discusses the extent to which Labor's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found Labor's performance report discussed the agency's progress in resolving its challenges.

The agency's performance plan has goals and measures that were directly related to all five of the major management challenges.

Table 13: Major Management Challenges for Labor

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures. In addition, our January 2001 report[a] on major management challenges and program risks at the Department of Labor identified human capital management issues at the Pension Benefit Guaranty Corporation (PBGC). PBGC had not adequately linked its decisions to contract out for services to longer-term strategic planning considerations; as a result, PBGC could not be assured that it had a cost-beneficial mix of contractor and federal employees, and risked being unprepared for future workload changes. We recommended that PBGC conduct a comprehensive review of its human capital needs. Our subsequent work has also identified human capital management issues at Labor's Pension and Welfare Benefits Administration that could undermine the continuity and effectiveness of its enforcement programs.	Of its four human capital performance goals, Labor reported that it achieved two goals and did not achieve two goals. Labor reported it achieved its goal to recruit, develop, and retain a highly competent and diverse workforce; and exceeded its goal to comply with applicable civil rights laws and achieve equal opportunity workplaces. Labor did not achieve its goals to reduce the rate of lost production days; and reduce the injury/illness rate, and improve the timeliness of filing injury claim forms.	In its fiscal year 2003 performance plan, Labor has three human capital performance goals rather than the four goals reported in fiscal year 2001. The performance goal related to complying with civil rights laws and equal opportunity workplaces was discontinued in Labor's fiscal year 2002 performance plan because Labor had been achieving this goal since fiscal year 1999 and needed to redirect resources to other activities. The other three performance goals are generally the same as the 2001 goals. To meet its human capital performance goals, Labor's significant, new, or enhanced efforts include • using workforce projection tools to refine Labor's 5-year workforce planning and restructuring efforts, • identifying gaps for mission-critical occupations based on core competencies, and • using OMB's human capital scorecard. The human capital scorecard focuses on 5 important dimensions of human capital management: strategic alignment, strategic competencies, leadership, performance culture, and learning. Using the fiscal year 2001 scorecard results for ten of its agencies as a baseline, Labor found that one agency met the standard, four agencies had mixed results, and five agencies were unsatisfactory. Although Labor plans to use the 2001 scorecard results as its baseline and as a data source, Labor does not have any targets listed in its 2003 performance plan.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption.	Labor reported in its 2001 performance report that it had taken steps to strengthen its information security. For example, it reported that it had developed computer security guidance and issued a computer security handbook, established an emergency incident response team, installed an intrusion detection system on the department's core network backbone, upgraded the firewall on its core network, and conducted risk assessments of key systems.	Labor's fiscal year 2003 performance plan noted that the department established a performance goal to improve organizational performance and communication through effective information management and deployment of IT resources. To meet this performance goal, Labor has developed five performance indicators. One indicator is related to information security and the other four are related to improving organizational performance and communication. The information security indicator calls for reducing severe unauthorized intrusions by 50 percent of the baseline. However, this indicator addresses only one aspect of information security. While Labor reported that it had adopted the Federal Security Assessment Framework, it did not establish specific performance goals for achieving each of the levels addressed in this framework. These goals would facilitate the department's ability to measure its progress in improving its overall information security program. Further, the Office of Management and Budget's guidance for fiscal year 2002 reporting under the Government Information Security Reform Act (GISRA) requires specific information security performance measures as well as corrective action plans with quarterly status updates.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated major management challenge		
Increasing the employment and earnings of America's workforce.	In its fiscal year 2001 performance report, Labor reported its progress in achieving three outcome goals related to this challenge: increasing employment, earnings, and assistance; assisting youth in making the transition to work; and increasing employment and earnings for retrained workers. For these three outcome goals, Labor reported it achieved four performance goals, substantially achieved[b] three performance goals, and did not achieve one performance goal. Labor reported it achieved the following performance goals: increasing employment and earnings under the Workforce Investment Act (WIA) adult program; preparing women for the labor force; assisting 19-21-year-old youths in making the transition to work; and providing jobs for dislocated workers. Of the three goals Labor reported it substantially achieved, these goals related to assisting 14-18-year-old youths with training, post-secondary education, military service, apprenticeships, or in becoming employed; enhancing job placement and wages for Job Corps graduates; and assisting trade-affected workers to find jobs. The goal not achieved measured the extent Welfare-to-Work (WtW) participants retained employment and received wage increases. Labor believed two factors may have contributed to not meeting this goal: employment declined in the service and retail sectors, both of which were a significant source of entry-level placements, and WtW grantees were reporting questionable data. Labor's strategy for improving these outcomes included implementing new initiatives and issuing technical assistance products. Labor did not report on two of its performance goals related to increasing services to disabled individuals and awarding youth opportunity grants. For the	In its fiscal year 2003 performance plan, Labor listed the same goals discussed in its 2001 performance report. In addition, the WtW performance goal also became a performance indicator for the Employment and Training Administration (ETA). In fiscal year 2003, Labor added two new goals for this challenge relating to training for individuals significantly disabled and registrants for the apprenticeship program. Labor's 2003 performance plan also cited strategies to improve performance measurement and organizational alignment. With regard to performance measurement, Labor said that it will complete plans to improve the quality and timeliness of data in its performance management systems for its WIA adult program. With regard to organizational alignment, Labor said it will continue to work with the states to identify and develop strategies to better serve employers through one-stop systems to increase the numbers of jobs listed with one-stops and job seekers that enter employment.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	services to disabled individuals goal, Labor reported that data were not available and stated it would report on this goal in its fiscal year 2002 *Performance and Accountability Report*. For the youth grant program goal, Labor stated that this program was not funded in 2001 and would not be reported in its 2002 *Performance and Accountability Report*. Our January 2001 report that discussed Labor's major management challenges indicated that Labor could better meet its challenges by improving its performance in three other areas: performance measurement, strategic planning, and organizational alignment. Labor's performance report cites actions taken in some of these areas. For example with regard to performance measurement, Labor reported it developed a comprehensive labor exchange performance measurement system that included newly developed performance measures and an improved system of obtaining employment outcome information. In addition, Labor stated the ETA developed a verification and validation process to ensure the accuracy of performance data submitted to Labor. With regard to organizational alignment, Labor stated it was working with a network of partners from business coalitions, public interest groups, and community and faith-based organizations to implement the WIA program improvements to assure a more consistent policy.	

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Protecting the benefits of workers.	In its fiscal year 2001 performance report, Labor reported its progress in achieving two outcome goals related to this challenge: protecting worker benefits and increasing compliance with worker protection laws. Under these two outcome goals, Labor reported it achieved six out of 13 performance goals. These six goals were: expanding pension coverage particularly among women, minorities, and small business workers; producing cumulative first-year savings in the Federal Employees' Compensation Act (FECA) program; issuing timely and accurate Davis-Bacon wage determinations; reducing processing time for pension benefit determinations; providing for secure pension plans by increasing the number of cases with fiduciary results; and providing for secure health and welfare plans. Labor reported it did not achieve 7 performance goals: making timely determination and payment of unemployment benefits; reducing lost production days due to federal employees' injuries; reducing selected medical costs; increasing pension benefit recoveries; increasing compliance with labor standards in targeted industries; increasing compliance with labor standards among previous violators; and increasing timely union financial reporting. Labor analyzed the performance goals not achieved and generally provided reasons why the goals were not met. For example, for the recovering pension benefits recoveries goal, Labor said that the contributing factors included the volatile nature of benefit recoveries, the large recoveries that occurred in the prior year, and a hiring freeze that left numerous Labor positions unfilled. In addition, Labor recognized that some of its performance goals needed to be modified or terminated. For example, Labor's goal for recovery of pension benefits for individual participants is being considered for revision	Of the 13 goals listed in its 2001 performance report, Labor included 11 of them in its fiscal year 2003 performance plan. These goals were: (1) producing cumulative first-year savings in the FECA program; (2) providing for secure pension plans by increasing the number of cases with fiduciary results; (3) reducing processing time for pension benefit determinations; (4) providing for secure health and welfare plans; (5) making timely determination and payment of unemployment benefits; (6) reducing lost production days due to federal employees' injuries; (7) reducing selected medical costs; (8) increasing pension benefit recoveries; (9) increasing compliance with labor standards in targeted industries; (10) increasing compliance with labor standards among previous violators; and (11) increasing timely union financial reporting. The two performance goals related to wage determinations and expanding pension coverage were not included in Labor's fiscal year 2003 performance plan because Labor eliminated these goals. The Davis-Bacon wage determinations goal was eliminated in Labor's fiscal year 2002 performance plan because Labor successfully achieved this goal during fiscal year 2001 and said that it needed to refocus its resources. Also, as stated earlier, Labor eliminated its expanding pension coverage to women, minorities, and small business workers performance goal due to difficulties evaluating the extent its program influenced the pension coverage for these types of workers.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	because Labor believes the goal does not adequately measure the total impact of its customer assistance program. Also, Labor terminated its expanding pension coverage to women, minorities, and small business workers performance goal for fiscal year 2002. Labor reported it had difficulties evaluating the extent its program influenced the pension coverage for these types of workers due to the significant impact the economy has on this goal.	
Fostering safe and healthy workplaces.	Of Labor's six performance goals in its outcome goal related to reducing workplace injuries, illnesses, and fatalities, Labor reported it achieved five goals and did not achieve one goal. The goals achieved were: reducing the number of mine fatalities and nonfatal injuries; reducing the percentage of coal dust samples and silica dust samples that exceed standards; reducing three of the most significant types of workplace injuries; reducing injuries and illnesses in at least 75,000 workplaces with Occupational Safety and Health Administration intervention; and decreasing fatalities in the construction industry. Labor reported it did not achieve its goal to reduce three of the most significant types of workplace injuries and causes of illnesses. Labor selected exposure to silica and lead and the number of amputations as the three items to measure. During the year, Labor's tests for exposure to lead showed an increase of 21 percent, whereas the test results for silica exposure and the number of amputations significantly decreased.	All six goals discussed in the fiscal year 2001 performance report were included in Labor's fiscal year 2003 performance plan. In addition, all six goals had higher performance targets or expanded the coverage of the performance goal. For example, one goal for fiscal year 2001 called for the reduction of coal and silica dust but the 2003 goal was expanded to also include reducing noise exposure in all mines and the number of citations/orders for diesel particulate matter in mines.

[a]See U.S. General Accounting Office, *Department of Labor: Major Management Challenges and Program Risks,* GAO-01-251 (Washington, D.C., Jan. 2001).

[b]Labor defines substantially achieved as attaining 80 percent or more of the targeted goal.

Observations on the National Aeronautics and Space Administration's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the National Aeronautics and Space Administration (NASA) which include the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, NASA made in resolving its challenges. The third column discusses the extent to which NASA's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found that NASA's performance report discussed the agency's progress in resolving all of its challenges.

Of the agency's five major management challenges, its performance plan had

1. goals and measures that were directly related to four of the challenges, including

- strategic human capital management,
- information security,
- contract management, and
- international space station costs

2. goals and measures that were indirectly applicable to three of the challenges, including

- strategic human capital management,
- contract management, and
- faster, better, cheaper approach to space exploration projects

3. no goals related to one of the challenges, but discussed measures and/or strategies to address the challenge, which was

- faster, better, cheaper approach to space exploration projects.

Table 14: Major Management Challenges for NASA

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures. In January 2001, we reported the need to implement a human capital approach in NASA's workforce management strategies as a major management challenge. We reported that NASA's shuttle workforce had declined significantly in recent years to the point of reducing the agency's ability to safely support the shuttle program. In September 2001, we reported in testimony that while NASA continued to make progress in revitalizing the shuttle program's workforce, considerable challenges remained. In July 2002 testimony, we reported that NASA believes that similar workforce problems affect the entire agency, and was taking further steps to address its workforce challenges.	NASA's fiscal year 2001 performance report states that the strategic management of human capital remains a top priority of the agency, particularly since human capital is one of the five major initiatives on the President's Management Agenda. The report indicates that NASA failed to meet the President's executive scorecard criteria in this area, but the agency is responding to this challenge by improving recruitment, retention, training, career development, and workforce planning. In the report, NASA acknowledges that it fell short of achieving its targeted increases in workforce diversity levels, but does report that it increased representation of minorities and women, and implemented numerous initiatives during the year to recruit and retain a highly technical workforce. The report states that NASA achieved its performance indicators of increasing training opportunities and the use of technology-based learning opportunities through increased funding for training, career development, and succession planning. The report also states that in fiscal year 2002 NASA will begin implementation of a consistent agency-wide workforce planning and reporting system at all centers to track distribution of its workforce across programs and facilitate critical skill gap analyses. In our July 2002 testimony, we noted that additional steps being taken by NASA to address its workforce problems included developing an agencywide integrated workforce planning and analysis system to track the distribution of its workforce across programs and facilitate skill gap analyses. NASA also developed a strategic human capital plan which identifies human capital goals, problems, improvement initiatives, intended outcomes, and strategies and metrics to support the goals. NASA also submitted legislative proposals to Congress	NASA's fiscal year 2003 performance plan retains the strategic objective to invest wisely in its use of human capital and annual performance goals and indicators that (1) align management of human resources to achieve agency strategic goals and objectives and (2) attract, retain, and maximize the individual performances of a diverse workforce through training and development experiences. The plan states that by the end of fiscal year 2003, NASA plans to increase the availability of assessment tools used in agency-wide leadership and project management training and development. It states that in fiscal year 2003, NASA will continue to develop and implement consistent workforce planning that links staffing, funding, mission activities, and core competencies allowing each center to plan its own recruitment, retention, succession, and training and development activities. The fiscal year 2003 plan structure remains basically the same as that for fiscal year 2002; it still does not yet relate NASA's human capital annual performance goals and indicators to specific programs with critical skill gaps. In a May 2002 agreement between NASA and OMB, NASA acknowledged that it needed to complete and submit to OMB a transformation workforce restructuring plan, which, in conjunction with its strategic human capital plan, will be critical to ensuring that no skill gaps or deficiencies exist in mission-critical occupations. The agreement, which documents NASA's plans for addressing the governmentwide initiatives in the President's Management Agenda, indicated that NASA was still in the process of identifying its critical skills and competencies at risk across the agency.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	requesting further flexibilities and authorities for attracting and retaining a skilled workforce.	
Information security: Our January 2001 high-risk series update report noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show that federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	NASA's fiscal year 2001 performance report states that the agency achieved its annual performance goal related to the information technology infrastructure improvement challenge. NASA reported that it had implemented a number of steps to address the challenge. These steps included, but were not limited to, approving a partitioned firewall for the agency network, implementing Web-based information security training accessible to all employees, conducting network vulnerability analyses, conducting self-assessment of continuity plans, reviewing user authentication and data protection activities, purchasing smart card and token technologies for evaluation, and implementing a Critical Infrastructure Protection Program to enhance intrusion detection and response capabilities. Additionally, the report indicates that NASA conducted security awareness training for all levels of civil service employees. By the end of fiscal year 2001, NASA reported that 93 percent of all civil service employees, 100 percent of civil service managers, and 98 percent of all civil service system administrators had completed the specialized training through NASA's expanded use of Web-based training. In addition, NASA completed reviews of 98 percent of all information technology security plans for critical systems. However, NASA does not specifically address the influence of private contractors in its results. This is important because contractors make up a substantially larger proportion of NASA overall workforce than civil service employees. However, in spite of the achievements listed above, NASA reported that given the extent of its systems and the magnitude and variety of security threats, its security program remains a key challenge. A recent NASA Office of Inspector General audit	NASA's fiscal year 2003 performance plan also continues to identify information technology security as a significant area of management concern. NASA's fiscal year 2003 performance plan maintains a strategic objective to enhance the security of its information technology resources by meeting an annual performance goal and indicators in three critical areas: • Reduce system vulnerabilities specified for the year across all NASA centers to at least the targeted ratios. • Meet established targets for information technology security awareness training for all NASA employees, managers, and system administrators. • Complete the information technology security plans at a targeted level, including authorization to process, for critical NASA systems. However, these efforts may not specifically measure the overall effectiveness of information security and the agency's progress in implementing corrective actions.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	report[a] noted that while NASA reported its information technology infrastructure improvement goal as having been achieved in its performance report, it did not disclose in the report several limitations in the supporting data related to the system vulnerabilities and security awareness training. NASA had earlier agreed that the data limitations should be described in the report.	
The need to correct weaknesses in NASA's contract management: We have reported that NASA's contract management is a continuing area of high risk. Implementation of the financial management system and its integration with full cost accounting has been delayed. Until the financial management system is operational, performance assessments relying on cost data may be incomplete. In our July 2002 testimony, we pointed out that much work remains to be done to strengthen contract oversight. According to NASA, the agency's financial management environment consists of decentralized, nonintegrated systems with policies, procedures, and practices that are unique to its centers. For the most part, data formats are not standardized, automated systems are not interfaced, and on-line financial information is not readily available to program managers. Thus, it is difficult to ensure contracts are being effectively and efficiently implemented and budgets are executed as planned.	NASA's fiscal year 2001 performance report states that NASA exceeded its goals for both obligating available funds against performance-based contracts and increasing awards of contract dollars to small disadvantaged businesses. According to the report, a new integrated financial management system remains a high priority for NASA. NASA plans to implement the core financial module of the integrated financial management system at the Marshall and Glenn centers in October 2002 and at the rest of the centers by June 2003.	NASA's fiscal year 2003 performance plan has performance goals to (1) renew its management systems and facilities through use of updated automated systems and facilities revitalization and (2) improve the agency's financial management and accountability. The plan also includes performance goals to continue taking advantage of opportunities for improved contract management by (1) maintaining a high proportion of performance-based contracts and (2) significantly involving small businesses, minority institutions, and businesses owned by women as NASA contractors. NASA's plan provides specific indicators for each goal.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
The need to control International Space Station development and support costs: Development costs for the International Space Station (ISS) have soared to the point where NASA has had to make substantial cutbacks in the program. This has negatively affected NASA's credibility with Congress and raised concern among international partners and the scientific community about the viability of the space station. We reported in July 2002 that NASA is instituting a number of management and cost reforms, but the agency still faces considerable challenges in successfully implementing the reforms.	NASA's fiscal year 2001 performance report discusses several actions that address ISS cost control issues. The report states that projected future space station cost growth from fiscal year 2003 through fiscal year 2006 continues to constrain the program. To keep ISS within its planned budget, the administration scaled it down to a core station. In response to fiscal year 2002 budget constraints, the agency developed the *Program Management Action Plan, July 2001*, which provides a set of management and resource control actions to address institutional and program reforms. Several of these reforms have already been implemented, including increasing headquarters oversight, strengthening business management functions, improving cost estimating and control methodologies, and instituting independent financial assessment capabilities.	NASA's fiscal year 2003 performance plan contains an annual performance goal that addresses ISS cost control issues. The goal is to develop and execute a management plan and open future station hardware and service procurements to innovation and cost-saving ideas. The Integrated Program Management Plan contains reforms that strengthen headquarters involvement, increase communications, provide more accurate assessment, and maintain budget accountability. Timely and successful completion of the initiatives is vitally important, but NASA faces significant challenges in implementing these reforms. For example, NASA currently lacks a modern integrated financial management system to track and maintain data needed for estimating and controlling costs.
The need to effectively implement the faster-better-cheaper approach to space exploration projects: Although NASA has recently decided that its faster-better-cheaper approach will no longer be used as a preference for managing its programs and projects, we have reported that NASA has been following this management philosophy to reduce cost, become more efficient, and increase scientific results by conducting more and smaller missions in less time. While NASA has had many successes, the failures of two Mars probes show that there are limits to this approach, particularly in terms of NASA's ability to learn from past mistakes. NASA has taken steps in recent years to strengthen lessons learned within the agency. In January 2002, we reported that more needs to be done to overcome cultural and organizational impediments. NASA plans to implement our recommendations to improve its current knowledge sharing mechanisms.	The status of this challenge has been overtaken by events. As discussed under our characterization of this challenge, NASA has decided to end this approach. Regarding lessons learned, the performance report states that NASA failed to achieve its performance target to capture a set of "best practices/lessons learned" from each program.	As discussed, the status of this challenge has been overtaken by events. NASA's performance plan provides a general discussion of a strategic objective, but no specific performance goals or indicators directly related to this management challenge. The plan's strategic objective is to capture engineering and technological best practices and process knowledge that will continually improve NASA's program/project management. According to the plan, the NASA Integrated Action Team's efforts represent a systems solution for effectively executing its programs and projects. Each action plan defines how, when, and by whom the plan is being implemented. The plan states that (1) most actions will be fully implemented by the end of fiscal year 2002 and (2) revision of *NASA Procedures and Guidelines 7120.5*,which is approaching completion, includes extensive changes/clarifications of the processes involved in program/project management.

[a]National Aeronautics and Space Administration, *Audit Report: Validation And Verification Of Selected NASA Fiscal Year 2001 Performance Data Related To The Government Performance And Results Act,* IG-02-025 (Sept. 27, 2002).

Observations on the Nuclear Regulatory Commission's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Nuclear Regulatory Commission (NRC), which include the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, NRC made in resolving its challenges. The third column discusses the extent to which NRC's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found that NRC's performance report discussed the agency's progress in resolving many of its challenges, but it did not discuss NRC's progress in resolving the challenge relating to its new document system.

Of NRC's six major management challenges (as determined by GAO), its performance plan had

1. goals and measures that were directly related to two of the challenges, including;

- development and implementation of a risk-informed approach for commercial nuclear power plants and
- inherent difficulties in applying a risk-informed approach to nuclear material licensees

2. no goals related to four of the challenges, but discussed measures and/or strategies to address the challenges, which were

- strategic human capital management,
- information security,
- improving financial management systems, and
- information technology issues.

Table 15: Major Management Challenges for NRC

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures. GAO also identified NRC's continued efforts to cope with significant human capital issues as a major management challenge for the agency. In a highly technical, complex industry, NRC is facing the loss of a significant percentage of its senior managers and technical staff. For example, for the NRC office responsible for achieving the outcome of preventing radiation-related deaths or illnesses due to civilian nuclear reactors, about 22 percent of the technical staff and 16 percent of senior executive service staff were eligible to retire in 2001. And, by 2005, the number eligible for some type of retirement is about 42 percent and 77 percent, respectively. At the same time, NRC will need to rely on these staff to achieve its strategic and performance goals.	In contrast to its fiscal year 2000 performance report, in its fiscal year 2001 report NRC discussed several steps it is taking to respond to its human capital challenges. First, it is integrating its strategic workforce planning efforts into the NRC Planning, Budgeting, and Performance Management process for the fiscal year 2004 budget. In addition, NRC noted that it is instituting performance goals and measures for human capital management in its fiscal year 2003 performance plan. Second, NRC states that it is using all available personnel flexibilities and tools, as well as adding new measures to provide needed flexibility, to recruit and retain qualified staff. These flexibilities and tools include approving selected waivers of dual compensation limitations under delegated authority from OPM; using retention allowances for current employees; increasing the number of recruitment bonuses offered to new applicants; instituting a student loan repayment program; and creating a new undergraduate fellowship program to help pay the expenses of promising college seniors. Third, NRC states that it is building a capability to inventory current agency skills and competencies and forecast future skills and competency needs. NRC completed a pilot effort in fiscal year 2001 to identify highly specialized skills and competencies currently available in the agency, the skills and competencies needed over the next 5 years, and the gap closure strategies necessary for acquiring and maintaining the needed skills and competencies. In fiscal year 2002, NRC states that it will review the results of this pilot to develop and implement an agencywide skills assessment and needs forecasting process. By fiscal year 2004, NRC plans to have a fully integrated process and an automated skills database to support human capital management throughout the agency.	NRC's 2003 performance plan does not contain any performance goals that directly address human capital management. However, it does contain corporate management strategies, implementing strategies, and output measures to help NRC accomplish its strategic and performance goals. One of these corporate strategies is to sustain a high-performing, diverse workforce. To implement this strategy NRC will employ seven strategies. One of these strategies includes designing a strategic workforce plan to address critical skill gaps and guide the agency in the recruitment, development, and retention of a highly skilled diverse workforce. Following the initial assessment of agency technical skills and competencies, and based on lessons learned in the course of that undertaking, this effort will be expanded to address skills and competency requirements in IT, and management and support areas. The plan also states that in fiscal year 2003, NRC will direct additional focus on managing human capital investment programs, including waivers of dual compensation limitations, expanded usage of retention allowances and recruitment bonuses, Senior Fellowships, Graduate Fellowships, Undergraduate Fellowships, a student loan repayment program, and an agencywide intern program. One output measure to judge the success of whether NRC's strategic workforce planning efforts adequately address its core competency requirements is to hire 20 percent of its new professional staff at the entry level and retain 75 percent of these new hires over their first 3 years of their employment.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America 's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both. (NRC's OIG identified information security as part of a broader challenge related to the identification, acquisition, and implementation of information technologies.)	NRC does not have a specific performance goal for information security. No targets for information security were provided or measured by NRC in fiscal year 2001. The NRC's fiscal year 2001 Performance and Accountability Report says that "the agency did not have a process to consistently implement its program and recently received a grade "F" in computer security from a congressional score card" but that NRC had "issued a Corrective Action Plan to address these issues." Information security is addressed by the IG in the management challenge of "identification, acquisition, implementation, and protection of information resources." According to the IG, NRC has made some progress in addressing security. Specifically in the areas of (1) development of a centralized information security oversight and performance measurement process based on the Federal IT Security Assessment Framework developed by the National Institute of Standards and Technology and the Chief Information Officer's Council; (2) use of monitoring techniques so that no interruptions to or loss of data from NRC's business applications were due to computer viruses in fiscal year 2001; (3) independent review (penetration test) of its cyber protection mechanisms; and (4) online training in computer security awareness.	NRC's fiscal year 2003 budget and performance plan does discuss the issue of information security. In its management support section, NRC describes several program output measures that address its system security plan, network security, and the security and availability of critical e-mail and Web access infrastructure services. For example, one performance measure will be to "respond to any new network security vulnerability within 24 hours of discovery." Another will be to "restore e-mail and Web access to operational status within one hour of discovery of a security incident."

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated major management challenge		
Development and implementation of a risk-informed approach for commercial nuclear power plants: NRC faces numerous challenges in implementing a risk-informed approach for nuclear power plants. Whatever processes NRC ultimately adopts must be consistent, visible, and clear. A clearly defined strategy would help NRC and the utilities address the public's concerns as it implements a risk-informed regulatory approach. Although NRC initially agreed on the need for a comprehensive strategy, it has not followed through to develop one. Instead, NRC developed a Risk-Informed Regulation Implementation Plan, but the plan is not as comprehensive as it needs to be because it does not identify those items critical to achieving its objectives, activities that cut across the agency, resources, performance measures, or the relationships among these various activities.	NRC's fiscal year 2001 performance report stated that NRC met this challenge in fiscal year 2001 by implementing an important transition to an improved Reactor Oversight Process. The improved processes included developing and implementing a risk-informed inspection program to provide increased focus on aspects of plant performance, which had the greatest impact on safe plant operation. NRC stated that it used licensee-reported performance indicator information to improve the program's objectivity, and to make it more understandable and predictable. In addition, NRC's report stated that: • the Commission was provided with recommendations for using risk analysis as a basis for revising nuclear reactor regulations; • the Commission is making significant progress toward developing a risk-informed rule on the special treatment requirements for systems, structures, and components of reactor facilities.	NRC's 2003 performance plan contains three performance goals, one performance measure, and seven implementing strategies that relate to this challenge. The performance goals are: (1) to maintain safety, protection of the environment, and the common defense and security; (2) to make NRC activities and decisions more effective, efficient, and realistic; and (3) to reduce unnecessary regulatory burden on stakeholders. The performance measure is to complete milestones in the Risk-Informed Regulation Implementation Plan. The seven implementing strategies are: (1) to sharpen the focus on safety to include a transition to a revised NRC reactor oversight program for inspection, assessment, and enforcement activities; (2) to evaluate operating experience and the results of risk assessments for safety implications; (3) to identify, evaluate, and resolve safety issues, including age-related degradation, and ensure that an independent technical basis exists to review license submittals to ensure that safety is maintained; (4) to continue to develop and incrementally use risk-informed and, where appropriate, less prescriptive performance-based regulatory approaches to maintain safety; (5) to use risk information to improve the effectiveness and efficiency of our activities and decisions; (6) to make agency decisions based on technically sound and realistic information; and (7) to use risk information and performance-based approaches to reduce unnecessary regulatory burden.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Inherent difficulties in applying a risk-informed approach to nuclear material licensees: The sheer number of licensees—almost 21,000—and the diversity of the activities they conduct—converting uranium; transporting radioactive materials; and using radioactive material for industrial, medical, or academic purposes—increase the complexity of developing a risk-informed approach for nuclear material licensees. In addition, NRC will be challenged to define its role, including the size and skill mix of staff both in headquarters and regional offices, as an increasing number of states assume responsibility for regulating nuclear material users within their borders. The decisions that NRC ultimately makes could have budgetary and other implications for the agency. -	NRC's fiscal year 2001 performance report stated that NRC made significant progress towards identifying regulatory applications that would be amenable to, and would benefit from, an increased use of risk insights and information. NRC's report also stated that it: • published draft screening criteria and completed eight case studies to (1) evaluate the effectiveness of the screening criteria for identifying regulatory applications amenable to being risk-informed, (2) identify potential near-term process improvements, and (3) evaluate existing tools, methods, and data; • issued a revision to 10 CFR's report Part 70 that increased the use of risk information for fuel cycle facilities; • substantially completed development of the Standard Review Plan to implement the new requirements; and • completed the medical pilot inspection program in fiscal year 2001.	NRC's fiscal year 2003 performance plan contains three performance goals, one performance measure, and three implementing strategies that relate to this challenge. The performance measure is to complete those specific materials milestones in the Risk-Informed Regulation Implementation Plan and the implementing strategy is to continue to improve the regulatory framework to increase the focus on safety and safeguards, including incremental use of risk-informed and, where appropriate, less prescriptive performance-based regulatory approaches to maintain safety. In addition, NRC's plan states that during fiscal year 2002–2003, NRC will develop probabilistic risk assessment (PRA) tools and guidance to risk-inform the regulatory framework for materials licenses, develop or adapt PRA methods for use in materials risk analyses, perform material risk studies, and support the development of guidance for materials risk regulatory activities. The intended outcome of this research will be improved effectiveness and realism of agency regulation in the Nuclear Materials Safety arena by better focusing staff and licensee resources on the most risk-significant issues.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Improving financial management systems: NRC needs to develop and implement a cost accounting system. NRC's Office of the Inspector General identified the lack of a cost accounting process as a material weakness constituting an instance of substantial noncompliance with the Federal Financial Management Improvement Act.	As in the prior 2 years, NRC did not implement a cost accounting system to provide its managers with reliable and routine information for decision-making purposes in fiscal year 2001. As a result, NRC was found to still be in substantial noncompliance with the Federal Financial Management Improvement Act of 1996 (FFMIA) by its independent auditors and its OIG. This noncompliance issue was first identified in its fiscal year 1998 audit. NRC has under development a new cost accounting system to address this issue and states that it expects to implement it in fiscal year 2002. NRC's independent auditors and its OIG also identified a new instance of substantial noncompliance by NRC with FFMIA in the area of accounting for internal use software. NRC did not have an adequate system to track the labor incurred for internal use software development activities. In its response to the audit report, NRC told the OIG that in fiscal year 2002 it planned to implement a new system to integrate human resources, payroll, and time and labor, and to be a single system for time, attendance, and labor reporting. NRC expects this system to correct all of the system weaknesses identified in the Payroll/Personnel System. NRC does discuss both of these material internal control weaknesses and its noncompliance with FFMIA in an overview section (management's discussion and analysis) of the fiscal year 2001 performance report where it states that some progress had been made in 2001 and mentions that it expects to implement systems to correct these weaknesses during fiscal year 2002. However, NRC OIG's assessment does not mention NRC's substantial noncompliance with either of these FFMIA standards in the section of the report that discusses its actions to address	NRC's fiscal year 2003 performance plan does not contain any performance goals, performance measures, or implementing strategies that directly relate to this challenge. The plan does contain one implementing corporate management strategy that indirectly addresses this challenge and one program output measure that directly addresses this challenge. The implementing corporate management strategy discusses strengthening NRC's financial systems and processes to ensure that financial assets are adequately protected consistent with risk and that its financial information is better integrated with decision-making. The management program output measure states that NRC's fiscal year 2002 financial statement audit will find no material weaknesses.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	its management challenges. NRC does state in this section that it had a number of significant achievements in financial management in fiscal year 2001. These achievements include the CFO's evaluation of the status of the implementation of new systems that support cost accounting and revision of the accounting remediation plan for implementing a new cost accounting system in January 2002; the CFO's review of the potential of creating more meaningful cost reports to better meet the needs of managers on an interim basis (prior to implementing a new cost accounting system); and the development of a statement of work for a new Consolidated Information Support Services (CISSCO) II program that addresses the financial management weaknesses of the original CISSCO I program that ended in August 2001.	
Information technology issues: NRC experienced problems with implementing a new document capture and retrieval system—Agencywide Documents Access and Management System (ADAMS).	NRC's fiscal year 2001 performance report does not address the issues associated with the implementation of its ADAMS system in its management challenge actions. Instead, NRC identifies a number of process improvements and initiatives aimed at expanding productivity and enhancing customer service under the President's direction toward electronic government as a management priority. As a key component of its electronic government activities, NRC states that it launched the Electronic Information Exchange (EIE) production system. NRC states that it is also developing an Electronic Licensing rule that will allow NRC licensees and others to electronically submit almost all documents and data via EIE, as well as CD-ROM, e-mail, and fax.	NRC's fiscal year 2003 performance plan contains no performance goals, performance measures, or implementing strategies for addressing this challenge. However, NRC did develop four new corporate management strategies to help accomplish its strategic and performance goals in its 2003 performance plan. One of these new corporate strategies is to provide proactive information management and information technology services. Several of the implementing strategies for this corporate strategy indirectly relate to this challenge and one management program output measure states that NRC installed an updated version of ADAMS in fiscal year 2001 and plans to evaluate results of alternative approaches and feed-in to work in ADAMS during fiscal year 2003.

Observations on the National Science Foundation's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the National Science Foundation (NSF) in the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, NSF made in resolving its challenges. The third column discusses the extent to which NSF's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found that NSF's performance report discussed the agency's progress in resolving its challenges.

NSF's performance plan had goals and measures directly related to both major management challenges.

Table 16: Major Management Challenges for NSF

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.	NSF's 2001 performance report addresses one of the four human capital management issues: acquiring and developing a staff whose size, skills, and deployment meet agency needs. NSF met its management goal to improve staff diversity by increasing the total number of science and engineering hires at NSF from underrepresented groups. NSF also met its management goal that 95 percent of grant proposals will be reviewed electronically through FastLane. According to NSF's performance report, this investment provides incentives for the recruitment and retention of high-quality employees.	The 2003 performance plan addresses the management of human capital in four performance goals for management: a strategic business analysis, an increase in hiring for science and engineering positions from underrepresented groups, preparation of a diversity plan, and development of a NSF training academy. Additionally, a short "resources required" section has been developed for a number of management goals. Further, NSF has addressed aspects of creating a results-oriented organizational culture as a part of the Government Performance and Results Act (GPRA) process. In addition, according to NSF's *Administration and Management Strategic Plan*, NSF conducted an agencywide workforce planning exercise that identified the need for additional staff to meet increasing workload requirements.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show that federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	NSF reported in its 2001 performance report that it had taken steps to strengthen its information systems security. Specifically, NSF reported that it had implemented an agencywide program that encompasses all aspects of information security, including (1) policy and procedures, (2) risk assessments and security plans, (3) managed intrusion detection services, (4) vulnerability assessments, and (5) technical and management security controls. For example, NSF appointed an Automated Data Processing Security Officer to coordinate Information Technology Security (ITS) Program plans and required computer security awareness training for all employees and contractors.	NSF's fiscal year 2003 performance plan noted that the agency had established a performance goal to maintain and enhance the agencywide security program to ensure adequate protection of its information technology infrastructure and critical assets. This goal was established in accordance with the Government Information Security Reform Act (GISRA), OMB Circular A-130, and the Computer Security Act of 1987. The performance goal provides that 100 percent of mission-critical systems will have documented risk assessments and approved security plans. However, NSF's indicators and strategies for success need to be specifically tied to the security assessment framework, developed by the National Institute for Standards and Technology (NIST), and related tools for determining the status of its information security programs. In addition, OMB's GISRA reporting guidance requires specific performance measures, as well as corrective action plans with quarterly status updates.

Observations on the Office of Personnel Management's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Office of Personnel Management (OPM), which include the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, OPM made in resolving its challenges. The third column discusses the extent to which OPM's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found that OPM's performance report discussed the agency's progress in resolving both of its major management challenges—strategic human capital management and information security. In addition, we found that OPM's performance plan had goals and measures to address both of the governmentwide management challenges.

Table 17: Major Management Challenges for OPM

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
<u>Strategic human capital management</u>: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures. OPM also faces shortcomings in many of these areas. As the President's agent and advisor for human resource matters, OPM is charged with leading the governmentwide human capital initiative. This initiative is part of the *President's Management Agenda*, released to agencies governmentwide in August 2001.	The report states that OPM met its corporate management strategy of recruiting, developing, and maintaining a highly skilled and diverse workforce necessary to accomplish current and future strategic goals with efficiency and innovation. Specifically, the report states that OPM has • created a comprehensive human capital action plan to address all elements of the human capital initiative on the *President's Management Agenda*, • established a cross-organizational task force to develop a leadership succession plan, • implemented new automated staffing software to streamline staffing processes, • established a Delegated Examining Unit within OPM to facilitate a more efficient and cost-effective method of filling positions, • secured training slots for "Introduction to Supervision" so that all new supervisors and select aspiring supervisors can attend the training, • laid the groundwork for a new OPM Virtual University, which allows employees access to thousands of online training courses, • improved its work environment by expanding the use of certain family friendly flexibilities, which resulted in almost 30 percent of OPM employees participating in telecommuting on a scheduled or ad-hoc basis, and • promoted other family friendly options, such as nursing mothers' lactation facilities, family-medical leave entitlements, alternative work schedules, and health and wellness programs.	The plan has six goals directly applicable to this challenge. These goals are the following. • OPM manages its workforce strategically and aligns its human resources in a manner that best supports accomplishment of the agency's strategic goals and furthers the *President's Management Agenda*. • Recruitment and staffing strategies are based on workforce planning information and facilitate the hiring of a diverse, capable, and flexible workforce. • Innovative employee education and training programs and practices cultivate a workforce that is flexible, optimally trained, and capable of adapting to changing technology. • OPM's work environment attracts, retains, and satisfies employees and managers. • OPM's Office of Human Resources and Equal Employment Opportunity (OHREEO) uses the best available technology for personnel data processing and recordkeeping to provide fast, accurate, and efficient human resources services. • OPM's work environment promotes and values diversity and is free from unlawful discrimination. To meet these goals, among other activities, OPM states that it will do the following. • Develop consultative skills and technical competencies of OHREEO staff to enhance their ability to be strategic advisors to OPM managers.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
		• Educate OPM managers and supervisors about existing strategic human capital flexibilities that support recruitment and retention efforts. • Provide general needs training to close common skill gaps that exist across organizational lines. • Improve managers' access to employee relations policy and guidance and help them deal effectively with performance/conduct issues. • Implement new technological efficiencies in human resources transaction processing. • Continue to assess organizations that are at high risk for workplace disputes that result in grievances and complaints of discrimination and provide quarterly analysis to OPM senior managers.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America 's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	OPM reports that during fiscal year 2001, it developed a new computer security policy that enhanced its information technology security program, and that extensive reviews of its information technology security by an outside auditor and the Office of Inspector General (OIG) uncovered no material weaknesses. In addition, OPM reports progress in implementing a systems development life-cycle process for its information technology projects. However, it also reports that a review of its financial management systems by an outside auditor found that, on an agencywide level, OPM did not provide adequate system security in that it does not have coordinated security procedures, lacks effective incidence response and monitoring capabilities, does not conduct periodic risk assessments, and has not developed adequate security-related processes to protect its assets from unauthorized access or improper use. OPM also reports the need to strengthen four specific areas of electronic data processing (EDP) general controls: (1) entitywide security, (2) access control, (3) control over application changes and systems development, and (4) service continuity planning. In the audit of OPM's fiscal year 2001 consolidated financial statements, an outside auditor identified OPM's EDP general control environment as a reportable condition noting that this environment had substantially not changed from the prior year. The auditor notes that while OPM has recently improved security controls, certain controls still need improvement to prevent and detect unauthorized changes to financial information, control access to sensitive information, and protect its information resources. These weaknesses are consistent with those identified by OPM in its performance report, but also include weaknesses related to system software controls (controls that limit and monitor access to the program and sensitive files that control the computer hardware and	As part of its overall information technology management strategy, OPM's goal is to protect its mission-critical systems, infrastructure, and information with a robust information technology security program. OPM does not identify any specific performance measures associated with this goal, but does indicate that it plans to resolve all remaining security issues during fiscal year 2002. OPM told us that all major milestones and plans scheduled to be accomplished in fiscal year 2002 were accomplished during that year. In addition to Government Performance and Results Act reporting, the Office of Management and Budget's guidance for fiscal year 2002 reporting under the Government Information Security Reform Act (GISRA) requires specific information security performance measures, as well as corrective action plans with quarterly status updates. OPM told us that all reports under this requirement have been filed.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	secure applications supported by the system) and segregation of duties controls for application programmers. In its evaluation of OPM's security program and practices required by GISRA, the OIG identified security requirements not met by OPM's program, including that it had not developed a formal risk assessment methodology, implemented an agencywide security program, implemented a security training program to ensure that employees with critical information technology responsibilities are sufficiently trained, or formally established a computer incident response capability.	

Observations on the Small Business Administration's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Small Business Administration (SBA), which include the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, SBA made in resolving its challenges. The third column discusses the extent to which SBA's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found that SBA's performance report discussed the agency's progress in resolving all of its challenges.

Of the agency's six major management challenges, its performance plan had

1. goals and measures that were directly related to the challenge of streamlining and automating disaster loan processing and improving timeliness,
2. goals and measures that were indirectly applicable to the challenges of focusing the 8(a) program on helping firms obtain contracts to increasing procurement opportunities, and
3. no goals and measures related to four of the challenges, but discussed strategies to address the challenges, which were

- strategic human capital management,
- information security,
- strengthen human capital, information technology, budget, and financial management practices to help modernize SBA, and
- continue to improve oversight of SBA's lending partners to correct oversight weaknesses.

Table 18: Major Management Challenges for SBA

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.	SBA reported that human capital planning is more important than ever because technology, an increasing demand for small business information and training, and changes in loan processing functions will require significant changes in SBA personnel needs. SBA will have fewer employees involved in loan processing, and more employees focused on outreach and lender oversight. Additionally, SBA will increasingly require personnel proficient in using and applying new technologies. SBA refers to transforming the workforce as one of its corporate management strategies and as an agency management challenge identified by the SBA Office of Inspector General (OIG). The SBA OIG notes that SBA has made some progress in areas such as analyzing the tasks that need to be performed by SBA today, developing competency models, and providing adequate training. However, SBA had not made substantial progress in over half the action areas outlined by the SBA OIG. As GAO testified on July 16, 2002,[a] SBA's current structure contributes to the challenges SBA faces in delivering services to the small business community. In particular, ineffective lines of communication; confusion over the mission of district offices; complicated, overlapping organizational relationships; and a field structure not consistently matched with mission requirements combine to impede the efforts of SBA staff to deliver services effectively. To guide organizational changes and to respond to challenges raised by GAO, OMB, and the SBA OIG, SBA drafted a plan for a 5-year workforce transformation. The draft plan recognizes SBA's need to restructure its workforce, privatize noncore functions, adjust incentives and goals, and streamline its headquarters' operation.	This issue is listed under a section in the performance plan on SBA's corporate management strategies. There are no directly applicable measures included for this strategy. According to SBA, it treats this strategy as an internal management function and therefore does not publish directly available measures for the strategy. The plan provides a list of major activities planned for fiscal year 2003 that includes, among other things, beginning the implementation of the 5-year Workforce Restructuring Plan; reducing the number of organizational layers in headquarters; and implementing the results of fiscal 2002 pilot projects for alternate district office operating models.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	In commenting on this appendix, SBA noted that it has made much progress on its Human Capital initiative and was recognized by the Office of Personnel Management in the last two quarters of fiscal year 2002 with a green light on progress in implementing this area of the President's Management Agenda.	

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America 's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	SBA reports that systems security was found to be a reportable condition in the audit of its fiscal year 2001 financial statements. In response, SBA's corporate management strategy to modernize its information systems includes efforts to improve systems security by institutionalizing its security program management procedures, developing an organizational framework for identifying and assessing risks and deciding what mix of policies and controls are needed, regularly evaluating the effectiveness of information technology security policies and controls, and acting to address any identified weaknesses. Further, while not discussed in detail in its fiscal year 2001 performance and accountability report, SBA's fiscal year 2003 budget request and performance plan identifies specific actions taken to improve information security, including • committing over $1.2 million in personnel and contract support to enhance its computer security program, • issuing an updated computer security policy document that incorporated security policies covering the latest agency technology, including client servers, e-mail, and the Internet, • documenting the computer security program and producing guidance documents and templates for the performance of computer security functions within the agency, • completing certification and accreditation reviews for 38 of the most sensitive systems, • developing a security training program, and • continuing work on developing critical infrastructure protection and security plans. In its 2001 performance and accountability report, SBA included its independent auditor's report on its internal controls. The independent auditor noted improvements in SBA's internal control over its information	In its 2003 plan, SBA addressed information security as part of its corporate management strategy for modernizing information systems. However, there were no directly applicable goals or measures for this strategy in the plan. According to SBA, it treats this strategy as an internal management function and therefore does not publish directly applicable measures for the strategy. SBA plans to continue to address specific OIG information security audit recommendations. In discussing the status of these recommendations in its fiscal year 2001 performance and accountability report, SBA also noted that because of the long-term nature of implementing a security program, completion of final action on some recommendations is not scheduled until the fiscal year 2002 to 2004 time frame. The National Institute of Standards and Technology developed a security assessment framework and related tools that agencies can use in determining the status of their information security programs. Also, OMB guidance for fiscal year 2002 reporting under the Government Information Security Reform Act (GISRA) requires agencies to use tools developed by NIST to evaluate the security of unclassified systems or groups of systems. In addition, OMB's GISRA reporting guidance requires specific performance measures, as well as corrective action plans with quarterly status updates.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	system environment, but also identified the need for improvements in each of the six categories of controls reviewed: entitywide security program, access controls, application software development and program change, system software, segregation-of-duties, and service continuity. The OIG also evaluated SBA's security program as required by GISRA and reported that SBA generally maintains a satisfactory information security program for its high-priority financial management and general support systems and has developed and issued policies and procedures to address security protections agencywide. However, the OIG also reported that information security vulnerabilities continue to exist that will require continued management emphasis with appropriate underlying resources. These vulnerabilities are computer security system testing and program monitoring, system access controls, and disaster recovery and contingency planning.	
GAO-designated major management challenge		
Streamline and automate disaster loan processing to improve timeliness: In our 2001 *Performance and Accountability Series* SBA report, we said that SBA needs to be able to quickly expand its loan processing capabilities, including hiring and training damage inspectors, loan officers, and other staff to provide consistent, timely assistance.	SBA reported that it is continuing to seek ways to improve response times and reduce costs through a modernization effort. The Office of Disaster Assistance is focusing on internal streamlining efforts such as providing applicants with the ability to apply online or by telephone and the use of electronic files for processing and managing the program.	The plan, as updated in August 2002, includes a disaster lending goal and five measures that directly relate to disaster loan processing, (1) SBA field presence established within 3 days, (2) applications processed within 21 days, (3) customer satisfaction, (4) making initial disbursement of loan proceeds within 5 days of closing a loan, and (5) conducting quality assurance reviews of each disaster office to ensure compliance with program underwriting procedures. SBA also lists the continued of development and implementation of the Disaster Assistance Credit Management Modernization Initiative as a major activity for fiscal year 2003.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Strengthen human capital, information technology, budget, and financial management practices to help modernize SBA.	Human capital: This issue was discussed under the governmentwide, high-risk areas identified by GAO. Information technology: SBA addressed modernizing its information systems under the corporate management strategies section of its performance report. SBA said that it has undertaken a multiyear information technology management improvement and systems modernization effort that upgrades its infrastructure, offers electronic access, and ensures timely and accurate information. SBA listed its major accomplishments in fiscal year 2001 as • implemented a pilot of electronic loan applications, • implemented a new lender information system, • continued implementation of the Clinger-Cohen Act with implementation of new procedures such as the *Information Technology Investment Manual* and development of other draft procedures, and • completed SBA's Government Paperwork Elimination Act implementation plan. However, SBA's OIG said that although SBA has made some progress, it needs to formulate and implement sound procedures for system development and software acquisition for all its systems under development. In commenting on this appendix, SAB said that it published a *System Development Methodology* in November 2001 that it uses as the official guide for systems development in the agency. Budget: SBA addressed developing an activity-based budgeting process to link resources to strategic goals within a strategy on managing for results in the corporate management strategies section of its performance report. SBA also reported the implementation of a Web-based cost allocation survey and system to tie	SBA included a section on corporate management strategies that includes managing human capital more strategically (this issue was discussed under the governmentwide, high-risk areas), improving information technology management, integrating performance with the budget, and improving financial management information. However, no goals or measures were provided for these strategies. According to SBA, it treats these strategies as internal management functions and therefore does not publish directly applicable measures for the strategies.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	resources to activities and results and beginning integration of cost accounting with the budget planning and execution process as a major accomplishment in fiscal year 2001. Financial Management: SBA addressed improving financial management under the corporate management strategies section of its performance report. SBA said that it had received its sixth unqualified audit opinion on its fiscal year 2001 financial statements and had improved its internal control framework.	
Continue to improve oversight of SBA's lending partners to correct oversight weaknesses.	SBA reported that it is strengthening the oversight of its lending partners through continued efforts to put in place automated systems that will provide more comprehensive data on the loans that it guarantees and greater access to that data. Although SBA's plan states that loan risk management issues have assumed a higher priority, much of SBA's planned effort in this regard has not been completed. For example, SBA does not perform routine analyses of its portfolio to assess financial risk, and current SBA preferred lending partner reviews are not designed to evaluate financial risk.	There were no directly applicable goals or measures. However, one of the strategies included under corporate management strategies was improving credit program management. SBA also listed key objectives for this area. Among other things, they included • expanding existing portfolio analysis to provide more detailed and timely information and related analysis of performance trends, • conducting loan and investment analyses to understand performance and to identify areas of program risk, and • analyzing, revising, and as appropriate, expanding existing credit program performance measures so that they are reflective of risk.
Focus the 8(a) program on helping firms obtain contracts to increase procurement opportunities.	SBA identified concentration of contracts as a material weakness in its fiscal year 2000 *Performance and Accountability Report*. However, the SBA OIG reported that SBA had not acted or made substantial progress with respect to this challenge. SBA stated that to enhance the effectiveness of the 8(a) program, it would develop and implement a plan that would focus on providing business development assistance to ultimately result in a more equitable distribution of program benefits.	The plan contains the goal of empowering entrepreneurs, but the measure does not directly relate to helping 8(a) firms obtain contracts. In September 2001, SBA committed to the SBA OIG to improve its performance measures for the 8(a) program. As of September 30, 2002, the recommendations had not been acted on, according to the SBA OIG.

[a]U.S. General Accounting Office, *Small Business Administration: Workforce Transformation Plan is Evolving*, GAO-02-931T (Washington, D.C.: July 16, 2002).

Observations on the Social Security Administration's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Social Security Administration's (SSA) in the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, SSA made in resolving its challenges. The third column discusses the extent to which SSA's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found that SSA's performance report discussed the agency's progress in resolving all of its challenges.

Of the agency's six major management challenges, its performance plan had

1. goals and measures that were directly related to five of the challenges and

2. no goals and measures related to one of the challenges, but discussed strategies to address the challenge, which was

- information security.

Table 19: Major Management Challenges for SSA

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
Strategic Human Capital Management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures. SSA faces human capital management challenges due to an increasing demand for services, the imminent retirement of a large portion of its workforce, changing customer expectations, and mixed success in past technology investments. These conditions challenge SSA's ability to meet service delivery demands, such as faster and more accurate benefit claims determinations and an increased emphasis on returning the disabled to work. The aging of the "baby boom" generation has heightened this challenge. In prior work we have recommended that SSA develop a more detailed service delivery plan that would provide a blueprint for assessing a proper staff and skill mix for operating in the future.	SSA's progress in this area is presented under its strategic goal to be an employer that values and invests in each employee. SSA reported that the focus of this goal is to ensure that SSA continues to have a highly skilled, high performing, and motivated workforce. SSA's human capital strategic goal contained four strategic objectives, which addressed (1) providing workforce tools and training, such as access to interactive video training and management development programs, (2) providing a physical environment that promotes the health and well being of every employee, (3) promoting an agency culture that successfully incorporates SSA's values, and (4) creating a skilled workforce to serve SSA's diverse customers in the 21st century. To measure its progress towards its 2001 strategic goal for human capital management, SSA had 15 performance goals, of which it reported 11 were met, 3 were not, and data were not available for 1. For example, SSA reported meeting its goals to • implement formal management development programs; • complete various tests and surveys of the quality and security of its office facilities; and • implement and update its *Future Workforce Transition Plan*, which was published in June 2000.	SSA's human capital goals and strategies are presented under its strategic goal to be an employer that values and invests in each employee. This goal contains three strategic objectives, which address (1) providing workforce tools and training, such as access to interactive video training and management development programs; (2) providing a physical environment that promotes the health and well being of every employee; and (3) recruiting and developing a qualified and satisfied workforce to perform effectively in a changing future environment. Overall, these strategies and goals are similar to SSA's 2002 plan. SSA's plan contains revisions to several of its human capital strategic objectives and performance goals. For example, SSA's plan deleted, without explanation, the strategic objective to promote an agency culture that successfully incorporates its values and to attain a 50 percent improvement in the gap between current and desired workplace practices and values by 2005. The deletion of this objective could limit SSA's ability to implement and monitor not only its human capital-related initiatives, but also those in other parts of the agency, such as customer service. SSA's 2003 plan maintains a strategic objective to address the need to recruit, develop, and retain a well-qualified and satisfied workforce to perform effectively in a changing future environment. This objective contains a performance goal to continue to implement SSA's *Future Workforce Transition Plan*. Previously the percentage of employees satisfied with SSA as a place to work also served as a performance goal for this strategic objective. However, in its 2003 plan, SSA deleted this performance goal, potentially diminishing its ability to develop strategies for retaining employees.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	Regarding SSA's *Future Workforce Transition Plan*, SSA has not yet reported that it met its fiscal year 2000 performance goal to complete an employee survey as an interim step to developing the transition plan. Fully meeting this goal requires that SSA complete the employee survey. We are particularly concerned that SSA did not complete this survey, which could have provided critical information for developing the transition plan. SSA reported it did not meet its goals to • create and implement an agency change strategy (SSA planned to drop this goal in 2002 because it is undergoing too many organization changes); • attain 33-1/3 percent participation by managerial staff in leadership training (28 percent participated), and • provide 67 percent of its offices with direct access to interactive video training (access to 57.7 percent achieved).	SSA added a performance goal to this strategic objective to increase the retention rate of new hires through the use of competency-based tools. While adding a performance goal to measure the retention of new hires is a beneficial human capital management practice, SSA's goal does not aim to increase the retention rate by a set explicit percentage. Rather, the plan stated only that SSA wanted to increase retention due to the use of competency-based tools, exclusive of environmental factors beyond SSA's control. The development and use of a more clearly defined goal could further aid SSA's ability to monitor and improve year-to-year performance in this area. SSA also revised a component of its strategic objective to provide the necessary tools, training, and continuous learning opportunities to maintain a highly skilled and high performing workforce by the year 2005. Specifically, it lowered its goal of providing its employees necessary competency-based training and tools from "all" to "70 percent" of employees. SSA did not explain why it lowered this goal. Finally, SSA's plan contains information on program evaluations and key initiatives in support of their strategic goal to value and invest in each employee. For example, SSA anticipates completing studies on attrition patterns and recruiting processes in 2003. The plan also contains an appendix, which lists key initiatives related to human capital management, such as the implementation of competency-based selection tools and a training administration system. However, the appendix does not contain implementation schedules, which were included in its fiscal year 2002 plan, making it difficult to monitor SSA's progress in these areas. In addition, the fiscal year 2003 plan does not contain the key initiatives for implementing SSA's workforce transition plan and leadership training, which were key initiatives in fiscal year 2002.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk for fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	SSA's 2001 report did not contain any specific performance indicators and goals related to information security. SSA's fiscal year 2001 performance report is incorporated in its Accountability Report for that year. In the latter, SSA highlighted management improvement actions it took to improve the security of its information. SSA has continued to make progress in addressing the information protection issues raised in prior years. Specifically, in fiscal year 2001 SSA has: • conducted a risk assessment to identify critical assets and vulnerabilities as part of its Critical Infrastructure Protection Project; • issued a final security policy for the State Disability Determination Service sites in accordance with the information security requirements included in the National Institute of Standards and Technology Special Publication 800-18; • established and published technical security configuration standards for NT, Unix, AS 400, and firewall servers; • completed updates for accreditation and certification of key systems; and • strengthened physical access controls over the National Computer Center. While SSA has made progress in addressing information protection issues we raised in prior years, weaknesses in its security infrastructure persist. Until corrected, a weakened or incomplete information protection control structure will continue to impair SSA's ability to mitigate the risk of unauthorized access, modification, or disclosure of sensitive SSA information. For example, through a contractor SSA found that it needed to further strengthen controls to protect its information and that weaknesses in controls expose key elements of SSA's systems and networks to unauthorized access. These included SSA's efforts to implement, enforce, and monitor security standards, network firewalls, and access controls at	SSA's 2003 performance plan does not include specific measurable goals and indicators related to its information security and information system weaknesses. However, the "management challenges" section of SSA's fiscal year 2003 plan states that it intends to continue to strengthen its information systems controls. The 2003 plan discusses several ongoing initiatives to improve security awareness, such as security training for all new hires and certification training for security professionals. In addition, the plan contains an appendix, which lists key information security initiatives, such as one to "combat fraud." However, this appendix does not contain the descriptions and implementation schedules contained in its fiscal year 2002 plan, which makes it difficult to measure SSA's progress. To help SSA manage progress in this area, SSA should develop formal performance plan goals and measures to build upon commitments it presented in its fiscal year 2003 plan. These included annually: (1) reviewing and re-certifying 100 percent of its sensitive system plans; (2) testing its Contingency Plan; and (3) testing its Incident Response Procedures. Improvements in this area are key to ensuring that automated agency data are both reliable and credible. In addition to reporting under GPRA, the Office of Management and Budget's (OMB) guidance for fiscal year 2002 reporting under the Government Information Security Reform Act (GISRA) requires specific performance measures, as well as corrective action plans with quarterly status updates. SSA's 2003 plan stated that it estimates issuing its GISRA report to OMB in 2003.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	nonheadquarters locations. The contractor recommended that SSA (1) take actions to fully implement its information security framework such as assigning specific resources, with priority given to the implementation, enforcement, and monitoring of technical security standards; (2) fully implement technical security configuration standards; and (3) establish and enforce procedures for monitoring security violations.	

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated major management challenge		
<u>Play an Active Research, Evaluation, and Policy Development Role</u>: As the nation's expert on social security issues, SSA is uniquely positioned to assess how economic and demographic trends affect its programs and to identify policy changes necessary to ensure efficient and cost-effective solutions for meeting recipients' needs. However, we have testified and reported that SSA has not always been sufficiently active in using its research, evaluation, and policy components to identify areas where legislative or other changes are needed and to assist policymakers in developing options for change. Thus, SSA has missed opportunities to provide information to the Congress and other policymakers.	SSA presents its progress related to this challenge under its strategic goal, to promote valued, strong, and responsive social security programs and conduct effective policy development, research, and program evaluation. This goal contains strategic objectives such as providing information for decisionmakers and others on Social Security and Supplemental Security Income (SSI) through objective and responsive research, evaluation, and policy development. SSA reported that it met nearly all of its fiscal year 2001 goals related to the strategic objectives for policy development, research, and program evaluation. Of SSA's eight performance goals, it reported that seven were met and one was not. Performance goals in this area generally were output-oriented, such as the preparation of studies and analyses to support key SSA program challenges. For example, SSA reported meeting its goals to • prepare analyses of proposals to strengthen the solvency of Old Age, Survivors, and Disability Insurance (OASDI) programs, • analyze complex SSI policies, • establish a baseline of customer satisfaction with the quality of its research products, and • measure the percent of statistical products that are issued on time. SSA reported it did not meet its goal to complete a report on welfare reform in conjunction with its SSI Childhood Disability Survey. We were unable to assess if SSA met its performance goal to issue a periodically updated research and policy agenda. SSA deleted this performance goal from its fiscal year 2001 report.	SSA's plans to address this challenge are presented under the strategic goal to promote valued, strong, and responsive social security programs and conduct effective policy development, research, and program evaluation. Generally, these strategies and goals are similar to SSA's 2002 plan. SSA's plan discusses its responsibility to address critical short- and long-term Social Security and Supplemental Security Income issues and contains strategic goals, objectives, and performance indicators that should help the agency play a more active research, evaluation, and policy development role. SSA's plan maintains a performance goal to measure the percent of major statistical products produced on time. Also, SSA's plan contains a customer-oriented goal to gauge user satisfaction with the quality and timeliness of its research products, an area in which we previously recommended that SSA take action. In this area, SSA reported that it plans to make improvements to its user satisfaction measures and to award a contract for a follow-up survey in 2003. For several of SSA's planned activities, the agency did not sufficiently define its performance goals to be able to sufficiently track its progress. For example, in the areas of research to support its disability program, SSA stated that it will report on its status to develop a method to validate medical listings. However, the plan does not contain target dates or intermediate milestones to track progress in this area. SSA's 2003 plan also lists goals for developing and using additional "barometer" measures to assess the effectiveness of the OASDI and SSI programs. These measures also did not specify milestones to help SSA track its progress.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Improve SSA's disability determination process and return people to work: SSA's disability determination process is time-consuming, expensive, fragmented, and complex. Ongoing weakness in making timely and accurate determinations result in beneficiaries often waiting more than 1 year for final disability decisions. Also, very few beneficiaries leave the rolls to return to work. The costs of administering the Disability Insurance (DI) and SSI programs reflect the demanding nature of these processes. In fiscal year 2001, SSA spent almost $4.1 billion or 57 percent of its administrative budget on these programs.	SSA's progress related to this challenge is presented under its customer service, research and policy development, and program integrity strategic goals. SSA reported that it met about half of its performance goals related to making disability determinations more timely and accurate. SSA had 11 performance goals, of which it reported that 5 were met, 4 were not, and data were not available for 2. For example, SSA reported meeting its goals for • the number initial disability claims processed, • timeliness of processing initial disability claims, • the percent of its multiyear Continuing Disability Review (CDR) Plan completed, and • periodic Continuing Disability Reviews(CDR) processed. SSA reported it did not meet its goals to process • 526,000 hearings (465,228 were processed), • hearings on average in 271 days (average was 308 days), • 103 hearings cases per work year (87 were processed), and • 93.5 percent of its disability denial determinations accurately (rate was 92 percent). In addition, SSA's report showed that data were unavailable for two performance goals–the net accuracy of Disability Determination Service and State Office of Hearings and Appeals decisions. These data were also not available in SSA's fiscal year 2000 report, which makes measuring SSA's year-to-year progress in this area difficult. In fiscal year 2001, SSA's performance in the return-to-work area dropped somewhat over the previous year. SSA reported that it	SSA's plans to address this challenge are included under its customer service, research and policy development, and program integrity strategic goals. Overall, these strategies and goals are similar to SSA's 2002 plan. For fiscal year 2003, SSA maintained its strategic objective to increase the number of disability customers who receive timely services and payments. This objective should help SSA measure the percent of initial disability claims decisions issued within 120 days and the implementation of electronic processing of claims by 2005. Also, SSA added two key output indicators to its 2003 plan for pending disability claims and pending hearings, which we criticized SSA for deleting from its 2002 plan. These key disability process indicators should help SSA track its progress in these areas. The extent of SSA's progress will depend on its ability to successfully implement supporting technology, which has been challenging for SSA in the past. SSA's plan has an indicator to have the software and infrastructure in place for electronic processing of disability claims and hearings cases, which builds upon its fiscal year 2002 goal in this area. Despite these improvements, SSA's plan still lacks an overall measure of timeliness of the entire disability determination process. Regarding the return-to-work area, the plan contains two performance goals to help measure SSA's long-term success in returning people to work: (1) the percent increase in the number of DI beneficiaries whose benefits are suspended/terminated due to substantial gainful activity and (2) the percent increase in the number of SSI

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	met four of its seven goals in this area in 2001, whereas it reported that it met nearly all of them in fiscal year 2000. For example, SSA reported meeting its goals for • identifying and defining "barometer" measures to assess the effectiveness of OASDI programs, • preparing analyses of the effects of OASDI programs on different populations, and • preparing analyses of alternative return to work strategies. SSA reported it did not meet its goals to • increase the number of SSI disabled beneficiaries aged 18 to 64 who are working but still receiving benefits by 27,061 individuals (increase was 24,816) and • prepare analyses of its *National Study on Health Activity* to improve its disability determination process. For the goal to increase the number of DI adult worker beneficiaries who begin a trial work period, SSA did not have data for its fiscal year 2001 report (SSA reported in its 2000 report that it did not meet this goal).	disabled beneficiaries who no longer receive benefits due to work. SSA's plan showed that it postponed implementation of the indicators from 2005 to 2007. Moreover, SSA's plan did not specify performance targets for these measures, establishing instead interim indicators to measure the start of work activity. In addition, for the return-to-work area, SSA's plan contains performance goals to monitor its efforts to (1) validate medical listings and (2) prepare its National Study on Health Activity report. However, the goals for these activities are to provide "status reports," and do not contain time frames for meeting milestones or final completion dates. SSA also has not developed a comprehensive strategy, as we recommended, to develop earlier intervention and work capacity identification strategies or sufficiently integrate its return-to-work and disability redesign efforts. The absence of such a strategy and accompanying performance goals will likely hinder SSA's future efforts to make significant strides in the return-to-work area.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
<u>Sustain management and oversight of long-standing, high-risk Supplemental Security Income (SSI) issues</u>: We designated the SSI program high-risk in 1997 due to continued waste, fraud, and mismanagement.	SSA's progress related to this challenge is addressed under its strategic goal to ensure the integrity of social security programs with zero tolerance for fraud and abuse. SSA reported it met its target goals for nearly all of its performance goals in this area in fiscal year 2001. Of SSA's 10 performance goals, it reported that 7 were met and data were not available for 3. SSA increased and met its targets for 6 of 7 goals, and attributed this to additional OIG resources and higher than anticipated return on investigative and debt collection activities. For example, SSA reported meeting its goals for the • amount of SSI debt collected, • number of investigations closed, • SSI dollar amounts reported from investigative activities, and • SSI nondisability redeterminations. However, we were unable to assess SSA's performance in the accuracy of SSI payments, as SSA did not report this data in its fiscal year 2001 report. Data for this performance goal was also not reported in SSA's fiscal year 2000 report. SSA's plan and report acknowledges that this data was not available at the time of publication. In prior work however, we have recommended that SSA ensure that all key data necessary to measure SSA's progress be included in its reports.	SSA's plans in this area are included under its strategic goal to ensure the integrity of social security programs, with zero tolerance for fraud and abuse. These strategies and goals are similar to SSA's 2002 plan. SSA's plan reaffirms its commitment to improve SSI program integrity and highlights its key goals related to improving SSI management. For example, SSA increased all of its performance goals for its strategic objective to deter, identify, and resolve fraud, namely the • dollar amounts reported from SSI investigations, • number of judicial actions reported, and • number of investigations closed. SSA revised its goal to track outstanding SSI debt, which we criticized last year, to measure outstanding SSI debt <u>not</u> in a collection arrangement, excluding due process. SSA's previous goal measured outstanding SSI debt in a repayment agreement, under appeal, or newly detected. However, we are concerned that the new measure still does not track actual debt collected by SSA in a given fiscal year. SSA's new measure generally contains the same components of the prior measure, which we previously criticized—e.g., the level of outstanding debt that is in a repayment agreement, under appeal, or newly detected, and debt not being collected. SSA also revised its measure of the "number of criminal convictions conducted" to instead track the "number of judicial actions reported." SSA reported that it made this revision because actions it counted in the universe of "criminal convictions," such as arrests and trial appearances, were actually broader than the legal definition of a criminal conviction. While this revision helps clarify SSA's actions we believe that a separate measure on the total number of convictions—which is

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
		the ultimate barometer of SSA's anti-fraud efforts—should be included in its plans. Finally, SSA has not yet implemented improvements in its performance plan that we cited last year, such as more clearly linking its goals and measures for CDRs, investigations, and convictions to the SSI program. Nor has SSA developed additional indicators of anti-fraud efforts, such as tracking the number of civil and monetary penalties levied. These actions would further facilitate SSA's efforts to improve SSI program integrity.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Better position SSA for future service delivery challenges: SSA faces significant challenges that could hamper its ability to provide high-level service delivery over the next decade and beyond. SSA expects to experience a significant increase in the demand for services as the baby boom generation ages. In addition, the imminent retirement of a large portion of SSA's own workforce over the next decade and changing customer expectations for the types of services delivered will further strain agency operations.	While SSA reported that it is working to develop detailed plans and strategies to serve as a roadmap for meeting its future resource and workload challenges—specified in its long-term *Service Vision* plan—these plans and strategies were not clearly linked to it's 2001 performance report. SSA's progress related to this challenge is contained under its strategic goals to deliver customer-responsive world-class service, improve program integrity, and to strengthen public understanding of social security programs, where it discussed progress in meeting its current customer service performance goals. SSA places a high priority on customer service and reported that it met over half of its fiscal year 2001 goals related to this area. Of SSA's 25 performance goals, it reported that 15 were met, 4 were not, and data were not available for 6. For example, SSA reported meeting its goals for • the percentage of earnings posted correctly, • the percentage of OASI and SSI Aged claims processed within 14 days of filing, • the percentage of the public without an appointment waiting 30 minutes or less, • the number of Social Security number requests processed, • the percentage of employee reports (W-2s) filed electronically, and • the percentage of its customer-initiated services available via the Internet or by telephone. SSA reported it did not—but came close to—meeting its goals to • have 82 percent of core business customers rate overall service as "excellent," "very good," or "good" (81 percent gave SSA this rating),	SSA addresses this challenge under its strategic goals to deliver citizen-centered world-class service, improve program integrity, and to strengthen public understanding of social security programs. However, as in its 2002 plan, SSA mainly discusses meeting its existing customer service performance goals. While SSA's plan discusses human capital and information technology issues related to attaining its customer service strategic goals, they are not clearly linked to the attainment of its long-term *Service Vision.* As such, scarce budget resources may be spent on initiatives that do not adequately support SSA's customers and may ultimately result in a degradation of services to the public. SSA changed and deleted several performance goals in its fiscal year 2003 plan, potentially detracting from its customer service functions. For example, SSA deleted its goal to measure the percent of the public without an appointment who waited 30 minutes or less. SSA reported that it eliminated this goal because it is now emphasizing services it provides to the public via an appointment. However, SSA's plan did not indicate that it analyzed customer needs, workloads, or service preferences, to warrant this deletion. This deletion may negatively affect SSA's ability to monitor its services to people who do business with SSA without an appointment. SSA also deleted two other goals without explanation measure: (1) telephone services of its field offices, which was contained in its fiscal year 2002 plan, (2) the aged OASI and SSI claims introduced in its fiscal year 2002 plan. The deletions may hinder SSA's ability to track progress in these areas. In addition, the 2003 plan maintains a goal, which we criticized last year—the dollar accuracy of OASI payment outlays and the dollar accuracy of DI payment outlays. Aggregating and reporting on these separate and distinct programs in a single

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	• have 30 percent of core business customers rate overall service as "excellent" (28 percent gave SSA this rating), • have 85 percent of the public with an appointment wait 10 minutes or less (performance was 84.4 percent), • process 3,125,000 Retirement and Survivors Insurance (RSI) claims (actual was 3,092,743), and • handle 60 million 800-number calls (actual was 59.3 million).	indicator may affect SSA's ability to sufficiently monitor and manage payment accuracy and obscure SSA's actual performance in either program. Also, in our prior work we have recommended that SSA develop a performance plan goal to assess customer satisfaction with the clarity of its notices.[a] However, SSA deleted a measure of the clarity of its notices in fiscal year 2000, and its 2003 plan still does not include a goal to track SSA's work in this area.
	SSA revised several of its goals in the customer service area. For example, SSA did not meet its lowered goals for: (1) the percentage of core business customers rating overall service as "excellent," "very good," or "good" and (2) the percentage of core business customers rating overall service as "excellent." For six performance goals SSA did not report data for us to assess performance (SSA also did not report on these indicators in its fiscal year 2000 report): • service accuracy of its 800-number, • payment service accuracy of its 800-number, • the percentage of OASDI payments without overpayments, • the percentage of OASDI payments without underpayments, • the percentage of employers rating its overall services as "excellent," "very good," or "good," and • the percentage of employers rating its overall services as "excellent." With the exception of its employer-related customer satisfaction goals, SSA noted these data would be reported in its fiscal year 2002 report.	SSA's 2003 plan contains an appendix that lists initiatives related to customer service, such as improving its 800 number service, improving field office reception and waiting times, and electronic payment services. However, the appendix does not contain the descriptions and implementation schedules for these initiatives, contained in its 2002 plan, which makes it difficult to track SSA's progress in the area. SSA has begun taking concrete steps to address its service delivery challenges. However, without a long-term service delivery plan, it cannot ensure that investment in its workforce and technologies are consistent with and fully support its future approaches to service delivery. The fiscal year 2003 plan does not include specific objectives and goals for developing such a plan.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Further strengthen controls to protect SSA information. See discussion under information security governmentwide high-risk area, above.	See discussion under information security governmentwide high-risk area.	See discussion under information security governmentwide high-risk area.

[a]U.S. General Accounting Office, *Social Security Administration: Longstanding Problems in SSA's Letters to the Public Need to Be Fixed*, GAO/HEHS-00-179 (Washington, D.C.: Sept. 26, 2000).

Observations on the Department of State's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Department of State (State), including the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, State made in resolving its challenges. The third column discusses the extent to which State's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified.

We found that State's 2001 performance report discussed its progress in meeting all of its challenges; however, it provided little information on what is being done to realign the U.S. workforce overseas with the U.S. government's mission (also referred to as rightsizing, the process for determining the appropriate size and locations of the U.S. overseas presence).

Of the agency's seven major management challenges, its performance plan had

1. goals and measures that were directly related to six of the challenges, and

2. goals and measures that were indirectly applicable to one of the challenges, which was

- realigning the U.S. workforce overseas.[7]

[7] State had an indirectly related goal, but no measures or strategies to address this challenges.

Table 20: Major Management Challenges for State

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.[a]	In its performance report, the department stated that in fiscal 2001 it began to lay the foundations for its 3-year diplomatic readiness initiative scheduled to begin in fiscal year 2002. It added that this initiative will rectify a severe imbalance between its workforce and its workload. According to the report, State met its fiscal 2001 targets for Foreign Service hiring and began preparations for hiring an additional 1,158 foreign and civil service employees over 3 years. These additional personnel will allow it to fill vacancies, create a "training float" (this will allow people to be trained without leaving a position vacant), provide backup personnel to respond to crises, and minimize staffing gaps. State had four Diplomatic Readiness performance goals that addressed human capital. The first is that the department will hire and retain an adequate number of employees. The three performance indicators deal with number of registrants for the Foreign Service Written Exam and alternate recruitment programs, hiring to attrition (approximately 800), and resignation rates. State exceeded the targets for all three indicators. The second performance goal is that State will develop and implement training and professional development programs and make them available to all full-time employees throughout their careers. This goal had three indicators—a 5 percent increase in the number of civil service employees in career development programs, 1,623 foreign service nationals trained in crisis management, and maintaining or improving the current rate of 66 percent of language students who are assigned for at least the recommended amount of time and	State's fiscal year 2003 performance plan includes three performance goals with measurable indicators. For its first goal—to hire and retain an adequate number of employees—State established three key performance indicators and set five accompanying projected targets (three for the first indicator). The five targets are (1) 20,000 individuals will take the Foreign Service Written Exam, (2) 7,000 of these test takers will be minorities, (3) 3,300 applicants will participate in the alternate exam program for specialists, (4) 1,530 people will apply to the student and specialist programs, and (5) State will hire 400 employees above normal intake to meet its priorities and provide a training float (it did not explain what normal intake is). The State Department stated that in addition to the 2003 performance plan, it has other indicators that track human capital goals. State's performance plan indicates that the department will take appropriate steps to ensure that Americans are satisfactorily represented in multilateral organizations. However, the plan does not provide indicators to measure this effort. According to State, the Bureau of International Organization Affairs tracks progress toward achieving it through appropriate performance indicators. The second goal—to develop and implement training and professional development programs for all full-time employees throughout their careers—sets two performance indicators: (1) progress toward a 3-year goal to provide appropriate leadership and management training to junior and midlevel officers and (2) a percentage of employees assigned to language-designated positions who meet the requirement of the position. For 2003, State projects that 25 percent of targeted employees will receive

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	who meet their training goals. The department did not meet the target for the first two indicators but met the target for the last indicator. The third performance goal is that the Foreign Service Institute will be configured and equipped to provide and support the full range of its distance-learning offerings and that the National Foreign Affairs Training Center will be adequate to support staff and student needs. The two indicators involved converting the first analog multimedia laboratory to digital and initiating a formal capacity review of the training center. It exceeded the first target but only partially met the second target (it undertook a review of junior officer orientation space, with a full study pending). The fourth performance goal is to maintain current work-life programs and introduce new programs to improve the quality of the workplace for all employees, and to improve the quality of the lives of Foreign Service employees and their dependents serving abroad. The one performance indicator, with three quantifiable targets, measures Foreign Service specialist and generalist and civil service resignation rates. State exceeded all three targets. Indicators did not address whether work-life programs were being maintained or if new ones were being introduced, or how quality of life overseas was improved.	appropriate leadership and management training, and that the department will maintain or improve the current percentage of employees in language-designated positions that meet the requirement, which State reported at 83 percent in 2001. The third goal—work-life programs—has two new performance indicators: (1) the results of an employee satisfaction survey and (2) the percentage of eligible family members employed in local economies overseas through the Spouse Networking Assistance Program. For 2003, State plans to use the results of the employee survey to evaluate and develop appropriate work-life programs and double the number of spouses employed on the local economy.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show that federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	A comprehensive information protection program includes many elements, according to State's report, including personnel investigations for security clearances, counterintelligence investigations and briefings, and computer security. The report added that the department has made substantial progress on information technology security by implementing incident handling and response teams, incident handling units, network monitoring and threat analysis centers, and effective working relationships with other federal incident response centers. However, State's fiscal year 2001 independent auditor's report, completed in early 2002, stated that information systems security was a material weakness that could be exploited, possibly compromising the information State uses to prepare its financial statements. The auditor's report identified significant information system security weaknesses that made the department's systems networks for domestic operations vulnerable to unauthorized access. It added that although State had closed the recommendations we made in 1998 in fiscal year 2000, this did not demonstrate that the material weakness in this area had necessarily been corrected. State's fiscal year 2001 performance report stated that the department had one performance goal, that all classified and sensitive information overseas and in domestic facilities be safeguarded from physical and technical compromise. This goal has four performance indicators. State's fiscal 2001 actual performance exceeded its targets percentage of cleared department employees that have received an annual security briefing and percentage of network intrusion detection systems for its primary unclassified computer system in place domestically. It met the target for percentage of periodic reinvestigations being done to meet the 5-year requirement. It did not meet its target for percentage of network intrusion detection systems on its unclassified system abroad.	The 2003 plan does not have a separate performance goal addressing information security. However, one of the performance indicators under the performance goal of having safe, secure, and functional facilities addresses information security—the number of periodic reinvestigations of security clearances undertaken per month. The target for this indicator is 300 per month. State commented that it is drafting a performance goal for its fiscal year 2005 plan that addresses both employee security and information security. In discussing progress on the *President's Management Agenda*, the plan stated that under the initiative to expand electronic government, the department will develop security corrective action plans for any programs and systems with security weaknesses. The National Institute of Standards and Technology developed a security assessment framework and related tools that agencies can use in determining the status of their information security programs. In addition, Office of Management and Budget (OMB) guidance for fiscal year 2002 under the Government Information Security Reform Act (GISRA) requires agencies to use tools developed by the Institute to evaluate the security of unclassified systems or groups of systems. This guidance also requires specific performance measures, as well as corrective action plans with quarterly status updates.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated major management challenge		
Improve the security and maintenance of U.S. facilities overseas and enhance the management of overseas security programs: State faces many challenges and risks in its program to replace its most vulnerable facilities, improve security at all posts, and improve facility maintenance. Attacks on U.S. embassies and consulates in recent years and the events of September 11 underscore the importance of addressing this management challenge.	Since 1998, the department stated that it has made significant strides in improving security overseas. State added that it has completed 90 percent of the security upgrade projects begun under the Emergency Security Amendment of 1998, has hired additional security personnel, and has expanded its capital building program. State's report included two strategic goals that support overseas security and capital construction, and rehabilitation. The first had a performance goal that security for formerly lower-threat posts is heightened to meet standards used at higher-threat posts. This goal had four performance indicators, three of which State reported that it met. They were percentage of 38 security upgrade projects that have been completed, percentage of posts with technical security equipment upgrades, and number of Accountability Review Boards convened that found that a serious injury, loss of life, or significant destruction at a U.S. mission was due to inadequate security management or countermeasures. State did not meet the fourth goal, number of foreign service nationals trained in crisis management. State also has three performance goals under a second strategic goal dealing with overseas facilities. These performance goals are to continue the worldwide security upgrade program started in fiscal 1999; expeditiously relocate U.S. government staff into safe, secure, and functional facilities; and extend, through strategic and timely rehabilitation, the useful lives of facilities and enhance their functionality. State had seven performance indicators supporting these goals, addressing the status of (1) the physical security upgrade program, (2) new construction projects, and (3) major rehabilitation projects. The report said	The department has embarked on a major capital construction program aimed at replacing many overseas facilities; security of U.S. installations is also being improved. One of State's four infrastructure and operations performance goals—to have safe, secure, and functional facilities—addresses this challenge. State's plan has seven performance indicators for this goal: (1) number of periodic reinvestigations undertaken, (2) the percentage of 38 projects funded through the Emergency Security Appropriation that have been completed, (3) the number of foreign service nationals trained in crisis management, (4) the percentage of access control system and newly designed building passes in place at State Department headquarters, (5) the percentage of projects completed under the Physical Security Upgrade Program, (6) the number of capital projects awarded as part of the Long Range Overseas Building Plan, and (7) the number of major renovation projects started in construction. While these indicators reflect an effort to quantify progress made towards completing various projects, they do not demonstrate the impact that these activities can be expected to have in terms of protecting employees and facilities.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	State's performance goals were partially achieved. It met the targets for two of the indicators, while falling below the targets on five indicators. The report contains no performance goals or indicators that specifically address facility maintenance, although both GAO and State's Office of Inspector General (OIG) have identified it as a major long-standing management challenge.	
Improve the visa processing system and enhance border security: Since September 11, 2001, the administration has taken steps to strengthen the visa process, but will need to take additional actions, including reassessing staffing requirements, revamping and expanding consular training, and using the latest technology.	State reported two performance goals under the strategic goal to facilitate travel and immigration to the United States of legitimate visa applicants, and the denial of visas to ineligible applicants. The two performance goals are to meet anticipated increases in demand for nonimmigrant and immigrant visas and reduce the risk of illegitimate entry of aliens hostile to our interest by using all-source information from throughout the U.S. government to identify foreign terrorists and criminals. The report lists two performance indicators linked to both performance goals. They are the numbers of immigrant and nonimmigrant visa cases processed. The number for immigrant visas processed fell below the target, while the number for nonimmigrant visa cases was above the target. However, using number of cases as a performance indicator does not explain how State will meet anticipated increases in demand. Also, neither of the indicators offers an explanation on how this will help State reduce the risk of illegitimate entry.	The fiscal year 2003 performance plan includes a strategic goal, travel and migration. State's single performance goal under this strategic goal is timely and effective visa issuance and a reduction of visa fraud. Four performance indicators and targets were established: (1) develop a biometrics collection program for U.S. visas, with development work on worldwide biometrics collection expected to begin in 2003, (2) provide six other U.S. agencies access to the Consular Consolidated Database, (3) process 715,000 immigrant visa cases, and (4) process 7.6 million nonimmigrant visa cases. The department added that it has taken numerous actions to "improve the visa processing system and enhance border security." For example, it said that it is now providing real-time transfer of visa issuance information to the Immigration and Naturalization Service and has entered nearly 8 million law enforcement records from a Federal Bureau of Investigation database into the consular name check system.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Realign the U.S. workforce overseas with the U.S. government's mission: The U.S. presence overseas needs to be adjusted to reflect the emerging economic, political, security, and technological requirements of the 21st century.	In its report, State said that its overall workforce planning process begins with the setting of priorities through the strategic planning and budgeting process, which ensures that its staffing is the right size for its mission. It further stated that OMB has incorporated interagency rightsizing overseas as one of the initiatives in the *President's Management Agenda.* The administration's rightsizing initiatives aim to reconfigure U.S. overseas staff to the minimum number necessary to meet U.S. foreign policy goals. Continued high-level cooperation and commitment from all participating agencies will be needed to make any rightsizing effort work given State's limited authority and influence over the staffing decisions of other agencies operating overseas. State did not include any performance goals or measures for rightsizing in its 2001 performance report.	OMB has directed all agencies operating abroad to rightsize their presence overseas and, in coordination with State and other U.S. agencies, is working to develop a process for agencies to follow in this effort. We have developed a general framework for rightsizing[b] that addresses security, agency mission, and cost considerations, and we have recommended that this framework be used in formulating the government's approach to rightsizing the overseas presence. The 2003 plan does not include goals or measures that specifically address this challenge. However, the agency's strategic goal for human resources states that its workforce be at an optimum number, distribution, and configuration to respond to the foreign policy priorities identified in the strategic plan. State commented that it believes it is too early to have indicators and targets for this OMB-led rightsizing process.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
<u>Enhance overseas communication, information technology, and knowledge management capabilities</u>: U.S. agencies located overseas have great difficulty communicating electronically with each other and sharing available information.	State continues to organize its efforts in this area around five strategies: (1) develop, deploy, and sustain a secure, commercial-style global information technology (IT) network and infrastructure, (2) provide systems and tools to ensure ready access to international affairs applications and information, (3) develop a modern, integrated messaging approach and capability, (4) leverage IT to streamline administrative and IT operations and facilities, and (5) sustain a trained productive workforce. State's report includes four performance indicators to address the five strategies; however, the indicators are not directly related to any specific strategy. The department responded that the performance indicators are related to and support the department's information resources performance goal, to provide secure, advantageous, commercial-quality IT support for the full range of international affairs activities of the United States. The first indicator is percentage of commercial networking facilities available for unclassified and classified processing completed. However, the target was to conduct studies to move toward commercial-style networking, which does not address the indicator. State said it has continued interest in moving toward commercial-style networking and has made some progress toward that goal, but it did not address either the performance indicator or the fiscal 2001 target. The second indicator is the percentage of classified and unclassified desktop computers older than 4 years. The target was to develop a plan to refresh equipment, but does not discuss equipment age. State reported that it plans to replace both classified and unclassified hardware. State did not meet the target for the third indicator, which was that the average post would have 16 servers. The last indicator is progress toward elimination of the current cable system and processes, but the target	State's performance goal for information resources is to provide modern, secure, and advantageous IT to support the mission of the department. State has four performance indicators relating to information resources. By 2003, State's projected performance includes (1) extending its primary unclassified but sensitive network to 100 percent of existing sites worldwide and improving network availability, projected to increase to 98 percent in 2001, (2) replacing classified and unclassified computers older than 4 years at all overseas posts and for employees needing them, (3) reducing the average number of servers per post and initiating the use of regional/central servers, and (4) implementing the pilot and beginning deployment of a system to replace the current outmoded cable system.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	is for no improvement. However, the department reported that it did make significant progress during fiscal 2001 in preparing the groundwork for the elimination of the current cable system.	
Improve financial management capabilities: GAO has reported that one of State's long-standing shortcomings has been the absence of an effective financial management system.	Although the department's principal financial statements for fiscal years 2000 and 2001 received an unqualified opinion, the independent auditor identified several significant outstanding issues in State's *Accountability Report* for fiscal year 2001.[c] These include (1) the security of the department's information systems networks for domestic operations that include the financial management systems (based on GAO findings), (2) access vulnerabilities and other weaknesses with the Paris Financial Service Center's Accounting and Disbursing System, (3) internal control weaknesses related to the management of unliquidated obligations, (4) weaknesses related to managerial cost accounting and State's financial and accounting systems, and (5) the inadequacy of the department's financial management systems. The independent auditor's report also stated that the department's financial management systems do not comply with six federal laws and regulations, including the Chief Financial Officer's Act of 1990. These are basically the same findings the independent auditor reported last year. The department responded in the accountability report that it has taken steps to address these weaknesses. State is holding periodic meetings with staff members of the independent audit firm to identify and coordinate actions needed to resolve the weaknesses and monitor progress. Specifically, the department stated it has made significant progress in resolving problems with the Paris Financial Service Center's Accounting and Disbursing system by closing 19 of the 25 recommendations (they are working to close the remaining six).	State's plan has one performance goal that calls for adequate funding for the department that is based on results-oriented budgeting, effective financial management systems, and demonstrated financial accountability. State has several performance indicators under this goal: (1) complete pilot testing of the Central Financial Planning System and begin phased deployment, (2) issue the fiscal year 2002 financial statements on time with an unqualified opinion, (3) submit the 2002 *Combined Performance and Accountability Report* on time and receive the *Certificate of Excellence in Accountability Reporting* for the report, (4) relocate the domestic processing for American payroll and foreign service pension to Charleston, and switch posts formerly serviced by the Paris Financial Services Center to Charleston and Bangkok, (5) direct input of the department's and other agencies' budget requests into the International Affairs database, and (6) automate the mission performance plan process completed and develop pilot for automation of bureau plans.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	State reported one performance goal dealing with improving financial management capabilities, to improve financial management with demonstrated financial accountability, which had 12 performance indicators. For 11 of the 12 indicators, the actual figures for fiscal 2001 equaled or exceeded the targets. For the 12th indicator, which was qualitative, State reported that the goal was achieved without including what was done to meet this goal or why it believed the goal was achieved.	

[a]U.S. General Accounting Office, *Staffing Shortfalls and Ineffective Assignment System Compromise Diplomatic Readiness at Hardship* Posts, GAO-02-626 (Washington, D.C.: June 18, 2002).

[b]U.S. General Accounting Office, *Overseas Presence: Framework for Assessing Embassy Staff Levels Can Support Rightsizing Initiatives*, GAO-02-780 (Washington, D.C.: July 26, 2002).

[c]U.S. Department of State, *Accountability Report, Fiscal Year 2001* (Washington, D.C.: February 2002).

Observations on the Department of Transportation's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Department of Transportation's (DOT) in the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, DOT made in resolving its challenges. The third column discusses the extent to which DOT's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found that DOT's performance report discussed, in varying levels of detail, the agency's progress in resolving all of its challenges.

Of the agency's eight major management challenges, its performance plan had

1. goals and measures that were directly related to three of the challenges,

2. no goals and measures related to four of the challenges, but discussed strategies to address the challenges, which were

- strategic human capital management,
- acquisitions and disposals,
- financial accountability, and
- enhance competition and consumer protection in aviation and freight rail industries to ensure reasonable fares, rates, and service

3. no goals, measures or strategies to address one of the challenges, which was

- strengthen the financial condition of Amtrak.

Table 21: Major Management Challenges for DOT

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures. The specific concern with DOT that we identified in our January 2001 report is the "stovepiped" culture at the Federal Aviation Administration (FAA), which has been one of several underlying causes of acquisition problems in the agency's multibillion dollar modernization program. The program has experienced cost overruns, schedule delays, and significant performance shortfalls.	DOT's report describes actions to staff the new Transportation Security Administration (TSA) and a workforce reinvention effort in the Coast Guard to take advantage of new information technology and the commercial supply chain marketplace. The report also describes FAA's efforts to redirect 37,300 employees into a results-oriented Air Traffic Organization, freeing most of FAA to manage better and modernize faster and more efficiently.	DOT's plan provides no performance goals or measures for this management challenge. The plan recognizes that by the fall of 2006, large numbers of DOT employees will become eligible for retirement and describes a number of actions planned to address this issue, including • competitive sourcing and restructuring, • revising the human resources strategic action plan to align with the *President's Management Agenda* and DOT's strategic plan and budget process, • employing the individual performance assessment system to ensure executive performance accountability, and • expanding telecommuting.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	DOT's report describes a number of steps that DOT took to address information technology (IT) security, including • implementing a DOT-wide IT security program and establishing an IT security committee to provide a forum for departmentwide discussions of IT security issues, • completing a comprehensive annual agency IT security program review of DOT, in accordance with the Government Information Security Reform Act (GISRA), and • preparing a plan and template for updating the inventory of critical infrastructure systems with specific plans for assessment, remediation, certification, and authorization.	DOT's plan describes a number of actions that DOT plans to take in 2003, including • achieving at least a one grade improvement in federal classifications for the IT security program; • fully integrating IT security into e-government, capital planning, and enterprise architecture processes; • establishing standards for authentication and digital signatures (reviewing technologies such as Public Key Infrastructure (PKI) and biometrics) for the department that contribute to operational and economic efficiencies; • establishing and operating a departmentwide monitoring and reporting capability; • completing an update of the department IT security governance structure; • completing an inventory of critical infrastructure systems and developing a plan for completing and certifying/accrediting those systems; and • developing a PKI prototype, including digital signature capabilities, for use within the department. In addition to Government Performance and Results Act reporting, the Office of Management and Budget's guidance for fiscal year 2002 reporting under GISRA requires specific performance measures, as well as corrective action plans with quarterly status updates.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated major management challenge		
Improve the safety and security of air, highway, and pipeline transportation, including (1)the implementation of certain aviation safety programs, (2)the screening of passengers at airports for dangerous objects, (3)the security of air traffic control computer systems and the facilities that house them, (4)truck safety initiatives, and (5)the evaluation of pipeline safety measures and the involvement of states in the safety programs.	(1) DOT's report indicated that for fiscal year 2001, FAA • met its performance targets for reducing the rate of fatal aviation accidents[a] and the number of general aviation fatalities, and • did not meet its supplementary performance targets for operational errors per 1 million activities or the number of runway incursions. According to the report, FAA has (1) in coordination with the aviation industry, formed a Joint Steering Committee to focus on a number of causal factors common to commercial aviation and (2) is using Special Operations Specifications that permit carriers to use advanced landing approach procedures to reduce the risk of certain accidents. (2) The terrorist attacks of September 11, 2001, changed the landscape for this management challenge, which was established prior to that date. DOT's 2001 report states that, in light of those events, DOT did not meet its performance target on the detection rate for explosives and weapons that may be brought aboard aircraft. (3) The report does not provide specific performance measures for securing air traffic control systems. The report addresses FAA' s air traffic control system security within the broader context of critical transportation infrastructure protection. Concerning protection of FAA's facilities, the report describes FAA's concept of operations, approach, and major milestones focusing on protecting its operational capability. The report also discusses ongoing protection efforts, including • authorizing and certifying computer security systems,	(1) According to DOT's plan, DOT's goals are to (1) by 2007, reduce the commercial aviation fatal accident rate per 100,000 departures by 80 percent, from a 3-year average baseline (for 1994 through 1996) of 0.051 fatal accidents per 100,000 departures; and (2) reduce the number of general aviation fatal accidents. The plan includes the following 2003 performance targets: • the number of fatal commercial aviation accidents, and • the number of fatal general aviation accidents. The report also includes the following supplementary performance measures: • the number of operational errors per 1 million activities, and • the number of runway incursions per 100,000 operations. The plan discusses a number of strategies to improve performance, including • developing a System Approach for Safety Oversight to integrate safety information systems and, in turn, enhance FAA's ability to forecast, identify, and target critical safety issues; • enhancing the Online Aviation Safety Inspection System to provide more accurate data, leading to improved safety-related decision-making; • reducing controlled flight into terrain accidents in general aviation through improved pilot education, revised test standards and training materials, and conducting a national media campaign to promote pilot awareness of this type of accident and conducting risk-mitigation training; and • enhancing air traffic controller training, deploying modern displays, and improving communication systems to reduce operational errors.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	• training FAA personnel in security awareness and vulnerability assessments, and • improving intrusion detection capability. To protect other critical transportation infrastructure, DOT • conducted 36,000 visits to identify potential weaknesses in carrier security programs and report potentially serious security issues to appropriate authorities; and • developed 280 findings of suspicious activities resulting from security visits and made 126 referrals to the Federal Bureau of Investigation. (4) The report states that based on preliminary information, DOT did not meet its performance target for truck-related fatalities and injuries. According to the report, DOT has continued its efforts aimed at motor carrier safety enforcement, safety research, and improving crash data and commercial driver licensing. In addition, the report states that DOT is working on rulemakings on drivers' hours of service regulations, among other things and staffs a 24-hour safety telephone hotline. The report does not discuss DOT's efforts to staff key positions in the Federal Motor Carrier Safety Administration, which was a specific concern we mentioned under this management challenge. (5) DOT met its supplementary performance target for the number of failures of natural gas transmission pipelines. According to the report, DOT is establishing a new performance measure for the number of times pipelines have been damaged during excavations. The report also states that DOT has finalized a rule that requires hazardous liquid pipeline operators to provide better information on causes of failures, and has proposed rules to require these operators to file annual reports, which are needed to improve trend analysis.	(2) According to the plan, DOT's goals are to (1) ensure that no terrorist or other individual is successful in causing harm or significant disruption to the aviation system and (2) reduce passenger waiting time at screening checkpoints to no more than 10 minutes, 95 percent of the time. The plan states that the Transportation Security Administration is developing long-term performance measures for aviation security and screening efficiency. In addition the plan states that DOT will establish a performance target for passenger and cargo screening effectiveness and efficiency in the fall of 2002. The plan also lays out targets for having federal employees conduct passenger and baggage security screening and having explosive detection technology in place at 429 airports. The plan states that Transportation Security Administration (TSA) is adding intelligence personnel to better assess the terrorist threat; improving technology for detecting explosive devices and weapons; and purchasing and deploying advanced security equipment for airports and smaller, less expensive explosive detection systems for less-busy airports and air carrier stations. (3) The plan provides no performance goals or measures for this management challenge. DOT's key 2003 milestones for information security, which encompass FAA computer systems, are discussed above under the governmentwide management challenge concerning information security. (4) According to the performance plan, DOT's goal is to reduce large truck-related fatalities by 50 percent from 5,374 to 2,687 in 2009. The plan contains performance measures for the number of fatalities in crashes involving large trucks and a supplementary performance measure on the number and rate (per 100 million commercial vehicle miles traveled) of injured persons in crashes involving large trucks.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
		The plan states that DOT's strategies to improve large truck safety involve working through its administrations to, among other things, study the causes of crashes, improve crash data, monitor carrier safety performance, and conduct public safety awareness campaigns. (5) The plan provides a performance goal to, by 2003, reduce excavation damages to all types of pipelines by 10 percent from 2000 levels. The plan includes a performance measure for the number of times natural gas and hazardous liquid pipelines are damaged during excavations and a supplementary performance measure for failures of natural gas transmission pipelines. According to the plan, DOT, through its Research and Special Programs Administration, will improve state partnerships by improving data integration to permit targeting of safety efforts to high-risk areas and working with states on their safety oversight efforts.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Acquisitions and disposals: Enhance major acquisitions and disposals concerning (1) FAA's air traffic control modernization program, (2) the Coast Guard's Deepwater Project, and (3) the Maritime Administration's surplus ship disposal program.	(1) DOT's report provides supplementary performance measures for aviation delays per 100,000 activities, which FAA did not meet, and for a cumulative increase in throughput during peak periods at certain major airports and for a cumulative increase in direct routings for the en route flight phase, which FAA did meet. The report discusses several broad air traffic control modernization efforts to accommodate air traffic growth, but does not directly address a number of concerns that we raised under this management challenge, namely (1) establishing a minimum level of software process maturity before providing funding; (2) establishing a cost accounting system; (3) ensuring the ability of the Chief Information Officer to implement and enforce a number of information systems architecture, acquisition, and security initiatives; (4) issuing guidance for validating investment analysis; (5) instituting a process for evaluating projects to identify lessons learned; and (6) developing free flight software, integrating free flight technologies with other modernization projects, and addressing human factor issues affecting controllers and pilots. (2) The report provided performance goals for achieving cost and schedule milestones and planned benefits, which DOT states apply to any major acquisition, including the Deepwater Project. However, the report provided no performance target directly related to the concerns we raised for the Deepwater Project, which include the development of a carefully thought out and well-documented acquisition plan, and documentation and detailed analysis of the risks associated with various contracting alternatives. The only target indirectly related to the management challenges provided in the performance report was a supplementary target for the number of combat-ready units, which DOT did not meet.	(1) DOT's plan states that beginning in 2002, FAA will use percentage of on-time flights as a measure of aviation delay. To reduce delays, FAA plans to • work with airlines and airports in planning airlines' operations at congested hubs, • modernize the airspace system and shorten the time for approving plans and for building new runways, • insert specific technologies to improve airspace throughput capacity, and • improve the information and decision-making process. While these plans address air system capacity improvements, they to not directly address the concerns that we raised under this management challenge, as stated in the column to the left. (2) The plan provides no performance goals or measures for this management challenge. The plan states that the Coast Guard will • use a performance-based acquisition focused on required mission capabilities and • contract with a single System Integrator to acquire an integrated system of surface, air, command and control, intelligence, and logistics systems. According to the plan, the focus on mission capabilities will allow and encourage the System Integrator to use innovative, available technologies and processes that will maximize operational effectiveness while minimizing total ownership cost. (3) The plan indicates that in 2003, MARAD will dispose of three to five high-risk vessels through domestic scrapping. Additionally, the plan states that MARAD faces a fiscal year 2006 deadline to dispose of obsolete ships in the National Defense Reserve Fleet. According to the plan, MARAD plans to also use other means of disposal, including artificial reefing and sales to recycling companies.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	(3) According to the report, 133 ships await disposal as of March 2002. Legislation enacted in 2001 allowed the Maritime Administration (MARAD) for the first time to purchase scrapping services, and since the start of fiscal year 2001, nine vessels have been disposed of through payment of scrapping services, prior year vessel sales, and artificial reefing, according to the report.	
Financial Accountability: DOT's lack of accountability for its financial activities impairs its ability to manage programs and exposes the department to potential waste, fraud, mismanagement, and abuse.	DOT's report indicates that DOT's fiscal year 2001 Consolidated Financial Statement received an "unqualified" opinion from the Inspector General.	DOT's plan provides no goals or measures to address this management challenge. The plan states that DOT (1) is continuing to implement the Delphi core accounting system, (2) is making good progress in reporting quarterly financial results by 2003 and will be better able to manage unit costs of service delivery, and (3) is continuing to address asset management problems through detailed corrective action plans extending over multiple years and involving numerous offices. The plan also states that FAA planned to complete an integrated financial and asset management system in fiscal year 2002.
Strengthen the financial condition of Amtrak.	According to DOT's report, DOT did not meet the 2001 performance target of increasing intercity ridership on Amtrak. Additionally, the report indicates that Amtrak has made no substantial progress in achieving operational self-sufficiency by fiscal year 2003, a goal it was legislatively obligated to meet or face the threat of liquidation.	DOT's plan provides no performance goals or measures for this management challenge or strategies to meet this challenge.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Improve the oversight of highway and transit projects to provide maximum transportation services for the federal dollars.	DOT's report provides no 2001 performance measures pertaining to this management challenge. According to the report, DOT is taking three types of actions: (1) establishing project oversight by • designating competent oversight managers who are personally accountable for proper federal oversight, • establishing Integrated Product Teams, • funding professional certifications for federal oversight managers, and • requiring grant recipients' project management staff to have professional certifications. (2) establishing a formal management and reporting framework by • creating a DOT Executive Council to review project oversight, • fostering collaboration between federal oversight and grant management officials, • designating as "at risk" projects with significant deviations from cost and schedule baselines, and • establishing financial incentives for comprehensive management systems. (3) ensuring accountability by • incorporating mega project oversight into DOT's performance plans, • inviting external audits, and • providing performance incentives for DOT employees conducting oversight.	DOT's plan indicates the following performance goals, starting in 2002: • achieve 95 percent of schedule milestones for major federally funded transportation infrastructure projects or miss those milestones by less than 10 percent and • achieve 95 percent of cost estimates for major federally funded transportation infrastructure projects or miss them by less than 10 percent. The plan indicates that DOT will measure the percentage of federally funded infrastructure projects that meet these performance goals. According to the plan, DOT plans to strengthen controls against fraud, waste, and abuse; heighten fraud awareness; and maintain good accountability through outreach efforts to grant recipients and by working with states.
Enhance competition and consumer protection in aviation and freight rail industries to ensure reasonable fares, rates, and service.	DOT's states that in response to new-entrant airlines' complaints against certain airlines' unfair competitive practices, DOT informally investigated major airline actions. Additionally, the report states that DOT has a significant backlog of allegations of unfair competition, hoarding airport capacity, oppressive computer reservation system practices, and civil rights violations. The report does not address concerns that we cited regarding whether the Surface Transportation Board is adequately protecting rail shippers against unreasonable rates and poor service quality. The report states that the Surface Transportation Board is decisionally independent by law and is not part of DOT's report.	DOT's plan contains no performance goals or measures for this management challenge. The plan describes continuing strategies for addressing this challenge for aviation competition, stating that DOT conducts its own analysis of merger transactions and provides its views to the Department of Justice. The Department of Justice is responsible for determining whether mergers should be challenged on competitive grounds, according to the plan.

[a]Based on preliminary data.

Observations on the Department of the Treasury's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Department of the Treasury (Treasury), which include the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, Treasury made in resolving its challenges. The third column discusses the extent to which Treasury's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found that the Treasury's performance report discussed the agency's progress in resolving all of its challenges.

Of the agency's seven major management challenges, its performance plan had

1. goals and measures that were directly related to three of the challenges,

2. goals and measures that were indirectly applicable to two of the challenges, including

- Internal Revenue Service (IRS) modernization and

- need to improve Customs Service's regulation of commercial trade while protecting against entry of illegal goods at U.S. borders

3. no goals, measures or strategies to address two of the challenges, including

- need to improve the Bureau of Alcohol, Tobacco, and Firearm's performance measures to better determine the progress in denying criminals access to firearms, and

- need to improve the management of Treasury's asset forfeiture program.

However, Treasury has made significant progress in addressing these two challenges.

Table 22: Major Management Challenges for Treasury

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures.	According to Treasury's fiscal year 2001 performance report, in fiscal year 2001, Treasury's Office of the Deputy Assistant Secretary for Human Resources collected and consolidated workforce information from each Treasury bureau to determine the extent of Treasury's human capital planning. A comprehensive workforce analysis report was submitted to OMB along with an analysis of restructuring plans submitted from each bureau. Feedback from OMB directed Treasury to strengthen its strategic human resource goals and to focus on future planning, including the use of personnel flexibilities, technology, and succession planning. Treasury reported that in fiscal year 2002, it would develop a Treasury human resource strategic plan that will serve as a framework for fiscal year 2002 and beyond, and will assist management to create an environment where the entire workforce is valued and can excel. The strategic plan will address skill imbalances in mission-critical occupations, and ensure that bureaus fully use human resource flexibilities and enterprisewide technological solutions, data support human resource service delivery, effective performance management is emphasized, and bureaus have leadership development and succession plans in place.	In its fiscal year 2003 performance plan, Treasury discontinued two performance measures described in the fiscal year 2002 performance plan: a performance measure on the rollout of its new human resources system (Treasury intends to track this internally) and a measure on the increase in the percentage of major Treasury occupations for which workforce-planning processes have been completed. Workforce strategies developed as needed has also been discontinued. As mentioned in the fiscal year 2001 performance report, Treasury reports it has developed a comprehensive human resources strategic plan to measure program success in workforce planning strategies. Treasury's fiscal year 2003 performance plan includes a performance measure, which started in fiscal year 2002, that measures the percentage of Treasury bureaus that have developed and implemented adequate strategies to determine skill gaps anticipated during the next 5 years in mission-critical occupations. The strategies must include an adequate succession strategy to anticipate and fill vacancies in key leadership positions during the next 5 years. The Treasury bureaus will be required to provide copies of their strategies for anticipating and resolving any skill gaps anticipated in mission-critical occupations during the next 5 years and copies of their strategies for anticipating and planning for succession for vacancies in key leadership positions during the next five years. These plans will be evaluated for adequacy against OMB/Office of Personnel Management and internal criteria.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
		Treasury's 2003 performance plan reports that the Equal Employment Opportunity measures were combined and revised into a more meaningful measure for the out years, measuring the percentage of allegations of discrimination for which Alternative Dispute Resolution processes are used. At the bureau level the performance plan measures employee satisfaction at Internal Revenue Service (IRS), Treasury Inspector General for Tax Administration, and the Federal Law Enforcement Training Center, the same three bureaus as in last year's performance plan.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America 's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both. Our January 2001 high-risk update also noted significant and long-standing weaknesses in controls over the IRS's information systems, which contributed to GAO designating IRS financial management as a high-risk area. Although IRS has made significant progress in improving computer security weaknesses, much remains to be done to resolve the serious weaknesses within IRS's computing environment that place its automated systems and taxpayer data at serious risk to both internal and external threats.	Treasury reported it is implementing Presidential Decision Directive 63, which requires federal departments and agencies to establish and implement a program to protect their critical infrastructure. In fiscal year 2001, Treasury bureaus identified all critical cyber and noncyber assets. The final report from the National Critical Infrastructure Assurance Office to Treasury revealed a total of 32 assets of Critical Infrastructure Protection (CIP) concern. Treasury reports that all of these 32 assets have either been scheduled for or have had a vulnerability assessment completed. The next step, which is to identify the interdependencies of each asset, is scheduled to begin in fiscal year 2002. All bureaus have a computer security incident response capability (CSIRC), and all bureaus receive Federal Critical Infrastructure Reporting Center and National Infrastructure Protection Center alerts and advisories, and apply patches and other fixes as applicable. A statement of work has been drafted for an enterprisewide CSIRC in fiscal year 2002. The September 11 attacks increased concern about systems security. In fiscal year 2002, cyber CIP guidelines and methodologies will be issued to Treasury bureaus and special bureau on-site assistance visits are planned. A new security awareness-training program will also begin in fiscal year 2002. Treasury reported that the Financial Management Service (FMS) has developed an aggressive corrective action plan to fully address computer security deficiencies identified by GAO and is on target for full implementation of its Entity-wide IT Security Program by December of 2002. This plan includes performance measures using NIST and Federal Chief Information Officers Council's "Self Assessment Framework."	Treasury has established a performance goal to improve computer security across the department by ensuring that all Treasury information technology systems are certified and accredited to operate. For fiscal year 2003, Treasury has established a performance measure that in fiscal year 2002 70 percent compared to 65 percent of all information technology systems will be currently certified and accredited to operate. However, Treasury also noted that computer security has been seriously under-funded throughout Treasury for many years, and continues to be under-funded. Treasury is identifying internal resources that may be reallocated to support computer security programs. Treasury also established a goal to ensure that training provided to key Treasury information systems security personnel is effective, and a related performance measure that addresses the percentage of key Treasury information systems security personnel who assess security training as "effective." However, Treasury did not specify a target percentage for fiscal year 2003. However, these measures do not fully measure the effectiveness of information security and the department's progress in implementing corrective actions. NIST developed a security assessment framework and related tools that agencies can use to determine the status of their information security programs. Also, OMB guidance for fiscal year 2002 reporting under the Government Information Security Reform Act (GISRA) requires agencies to use tools developed by NIST to evaluate the security of unclassified systems or groups of systems. In addition, OMB's GISRA reporting guidance requires specific performance measures, as well as corrective action plans with quarterly status updates.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	According to Treasury, although IRS's computer security has improved, control weaknesses continue to place automated systems and taxpayer data at serious risk to internal and external threats. In response, IRS implemented programs to manage security risks and the costs related to mitigating them, identifying weaknesses and creating corrective action plans. An around-the-clock incident response capability was established with situation management centers to centralize responses. A strong program of awareness about unauthorized access to taxpayer information, and a security assessment framework for achieving security objectives, was adopted. In the weeks following the September 11 terrorist attacks, IRS determined what immediate steps needed to be taken, such as screening and guard services and consistent security standards for key areas.	The performance plan discusses FMS's actions planned or underway to address its computer security issues. However, FMS has not established specific performance measures in its plan for addressing computer security issues.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated major management challenge		
<u>Internal Revenue Service Modernization</u>:		
Revamping Business Practices to Meet Taxpayer Needs. Within the new operating divisions, IRS must take a fresh look at how to enforce the tax laws and meet taxpayer needs in new and better ways. This will be a challenge in overcoming cultural barriers and in coordinating the requisite human capital, data, and information system support across IRS.	In its fiscal year 2001 performance report, Treasury reported that following Restructuring and Reform Act of 1998 directions, IRS designed and made substantial progress in implementing a new modernized IRS, organized around customers with similar needs. The new organization focuses on providing service in three key program areas: pre-filing, filing, and post-filing compliance. The modernized IRS organization was officially inaugurated on October 1, 2000. The final stages of implementation, including the redistribution of workload, will continue through fiscal year 2002.	Treasury's fiscal year 2003 performance plan did not cite specific goals with related measures for meeting this management challenge. GAO found that improving service to taxpayers remains a challenge for IRS. IRS's progress in modernizing has laid a foundation for improvement but has not yet provided the quality of service that taxpayers need.[a] A theme in recent GAO reports on taxpayer service is the need for improved management of IRS's service functions, such as telephone assistance. Specifically, we have recommended explicit goal setting, improved performance measures, and more program evaluation.[b]
Implementing a Balanced Approach to IRS's Performance Management System to Better Assess Progress. IRS is faced with the challenge of aligning its individual performance evaluation systems with its balanced measurement system to clearly link the work of individual managers and employees to the mission and goals of the agency.	Treasury reported that during fiscal year 2001, IRS initiated several actions designed to improve the quality of performance measures data and increase its ability to measure progress through effective processes. Treasury reports significant progress was made to automate the process of data reporting at the servicewide level and within the new IRS Operating Divisions. Servicewide, IRS moved to a Web-based Business Performance Management System that will incrementally provide for 100-percent automation of data along with tailored reports, templates, and integration of performance information for phases of its strategic planning and budgeting cycle. The operating divisions are also engaged in automated data reporting activities through development of a data mart designed to serve both the Wage and Investment and Small Business/Self Employed divisions. At the same time, IRS enhanced its measures data dictionary input document to provide additional detail around the purpose,	In Treasury's fiscal year 2003 performance plan, we did not find specific goals or measures relating to voluntary compliance, burden, overall productivity, or overall customer satisfaction, although IRS does report various measures of customer satisfaction for specific functional areas. Early in fiscal year 2002, IRS rolled out its new employee evaluation system for front-line employees. This system was designed to structurally align performance expectations for employees with IRS's three strategic goals. GAO recommended that IRS act to improve the linkage between employee's critical job responsibilities, supporting behaviors, and organizational unit performance measures.[c] IRS has also made progress in developing a way to measure the voluntary compliance of individual taxpayers without placing undue burden on them. IRS plans to collect data to measure voluntary compliance.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	limitations, critical path, and management controls for each of its strategic and critical measures. In fiscal year 2001, IRS also began to capture baseline data and detailed definitions for its strategic-level measures and plans to begin reporting on these measures in fiscal year 2002.	
Addressing Financial Management Weakness to Develop Reliable Cost-Based Performance Information. IRS does not have reliable cost accounting data to enable it to (1) develop cost-based performance information, (2) determine cost/benefits of its tax collection and enforcement programs, and (3) judge whether it is appropriately allocating its resources among competing management priorities.	According to Treasury's performance report, a major initiative for fiscal year 2001 was beginning the development of the Integrated Financial System (IFS). This system is designed to address material weaknesses in financial reporting and bring the IRS into compliance with FFMIA. The IFS will be deployed in two releases: Release 1 will contain the core financial elements (i.e., General Ledger, Accounts Receivable, Accounts Payable, Cost Accounting, payroll, and funds control), and Release 2 will provide for noncore systems (i.e., fixed assets, travel, procurement). The requirements phase of IFS was completed in October 2001, with the procurement of the software targeted for April 2002. Deployment of Release 1 is anticipated to be completed by October 2003 and Release 2 should be completed by April 2005.	The fiscal year 2003 performance plan does not contain any goals with related measures that address this management challenge. However, IRS does have extensive plans to address its financial management weaknesses. In the short-term, IRS is working to improve existing processes, such as those related to recognition of expenses and property and equipment. IRS is also continuing to refine the workaround procedures it has developed to compensate for some of the material weaknesses in internal controls. In the long-term, IRS is engaged in a systems modernization project intended to address its financial management problems. This project involves the replacement of IRS's current outdated financial management systems such as (1) general ledgers, (2) property and equipment systems, and (3) the master file, which contains the detailed records of taxpayer accounts. The project also includes implementation of a cost-accounting system to provide IRS current and reliable information on the costs of its programs to support decision-making. IRS expects the systems modernization project to be completed in stages over a period of 10 years or more, beginning with its first rollout in 2003. Once fully implemented, IRS expects its financial management systems will be in compliance with the requirements of FFMIA.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Institutionalizing Effective Systems Modernization Management Controls. Since 1995, IRS has made progress in dealing with management and technical weaknesses in its information technology systems. However, weaknesses in investment management, system life-cycle management, enterprise architecture management, and software acquisition management remain challenges.	Treasury reported in its fiscal year 2001 performance report that IRS made the following improvements to its systems modernization management controls and capabilities. IRS completed and approved its Enterprise Architecture 1.0, which helps to ensure that modernized projects are coordinated across the entire IRS enterprise, completed high-level strategies for tax administration (Tax Administration Vision and Strategy—TAVS) and internal management (Internal Management Vision and Strategy—IMVS), and improved overall management of its modernization efforts by further refining the configuration management and release management processes and by establishing financial controls and portfolio management processes to better align funding and resources with its business priorities.	IRS's fiscal year 2003 performance plan does not identify specific goals or performance measures related to this management challenge. However, the plan does identify several actions planned or underway that IRS believes will enhance the agency's ability to modernize its information technology systems. These actions include ensuring ongoing projects are aligned with the Enterprise Architecture, fully implementing a risk management program, fully defining and institutionalizing standard configuration management procedures, and conducting an independent software acquisition capability evaluation.
IRS Faces Challenges in Collecting Unpaid Taxes. Weaknesses in IRS's information systems and inadequate financial and operational information continue to hamper IRS's ability to collect billions of dollars in unpaid taxes.	Treasury reported that traditional examination and collection activity have declined over the past several years. To offset this decline, IRS focused on risk-based compliance intervention techniques coupled with more focused and rapid intervention to improve the quality and speed of collection casework. IRS reported that in fiscal year 2001 it realized gains through • establishment of a strategic, coordinated approach to compliance issues, programs, and systems to ensure that cross-cutting and national compliance issues were resolved with multiple compliance solutions, • implementation of a nationwide database for proper matching of dependency information and more timely resolution of erroneous account balances, • hiring and training additional phone assistors to increase the number of delinquent and unreported accounts resolved and increase the number of delinquent returns secured, • providing employees with access and	The fiscal year 2003 Performance plan contains numerous performance measures to determine output in terms of volume of collection cases closed and timeliness of certain types of collection action. However, performance measures that would assess IRS's overall progress in improving its collection of delinquent taxes have not been developed. GAO found that available but limited data suggest that voluntary compliance may have deteriorated.[d] To reverse the compliance and collection program declines, IRS is relying on a strategy of reengineering business processes and using new technologies. By improving the efficiency of the compliance programs, IRS hopes to significantly increase compliance activity levels. IRS also hopes to develop new techniques that will enable it to expand its compliance coverage and develop analytically-based techniques to determine appropriate compliance action.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
	capability to update account data through a single terminal, and allowing Automated Collection System and Service Center Collection Branch employees to process cases, • initiating a compliance strategy by capturing data from 16.8 million K-1 forms (reports shareholder's or partner's pass-through income) for matching reported (IRS stopped against information sending notices under this effort in August 2002 and is seeking to improve its identification of those who may have misreported K-1 income), and • reducing the burden on field employees and establishing control on escalating inventories. The first phase of a multiyear Collection Re-engineering program was implemented to ensure that business tax cases are promptly assigned to revenue officers. In addition, enhancements made to the Electronic Fraud Detection system include selected Business Master File data, permitting research, analysis, and evaluation of fraud detection scenarios for business returns. GAO found large and pervasive declines in five of the six IRS compliance programs and in both IRS collection programs from fiscal year 1996 through 2001 and recommended that the Commissioner of Internal Revenue reexamine the extent to which some quantitative information on the impact of proposed program changes should be included in strategic assessments.[e] IRS revised its strategic planning, budgeting, and performance management process in fiscal year 2000 to make decisions for fiscal year 2002. This process provides IRS management with a means to reconcile competing priorities with the realities of available resources. Through the use of this process in developing its budget request for fiscal year 2003, IRS identified numerous improvements and enhancements that enabled it to redirect resources to higher-priority areas.	

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Noncompliance with Earned Income Tax Credit (EITC). Noncompliance with EITC exposes the federal government to billions of dollars of risk. However, IRS does not yet have sufficient data to demonstrate that it has effective controls over EITC compliance.	According to Treasury's performance report in fiscal year 2001, mitigation of risk associated with tax filing fraud in the EITC area was accomplished by implementation of a three-part strategy: education and outreach visits to companies with a high volume of EITC return preparers, visits by agents to review tax preparers' compliance with due diligence requirements, and "partnering" with the Criminal Investigation to ensure investigation of known fraudulent EITC claims and schemes. IRS also began a check of secondary social security numbers associated with a qualifying child to reduce the number and amount of ineligible claims made under EITC. In fiscal year 2002, IRS will continue to emphasize improved compliance with the EITC provisions of the tax code. One key to IRS's efforts is the use of the dependent database (DDB). Using data provided by the Department of Health and Human Services and Social Security Administration, DDB is designed to identify potential noncompliant returns during returns processing.	Treasury's fiscal year 2003 performance plan does not contain any performance measures that cover any aspect of IRS's administration of EITC. The Commissioner of Internal Revenue and Secretary of the Treasury convened a joint task force to develop recommendations to better administer the credit and make it easier for taxpayers to comply with the rules. The task force was formed shortly after IRS released its latest study of EITC compliance, which found that in 1999 about half of EITC claims were in error and about one-third of credits should not have been paid out. This level of noncompliance has remained relatively stable even after a multiyear effort to reduce it.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Need to Improve Customs Service's Regulation of Commercial Trade while Protecting Against Entry of Illegal Goods at U.S. borders: Although Customs has made progress in implementing initiatives to improve security at U.S. borders, the following challenges remain: (1) completing an assessment of new trade compliance initiatives, (2) balancing travelers' rights with Customs' responsibility to interdict contraband, (3) using reliable data to determine staffing needs, and (4) acquiring a new import processing system.	In its fiscal year 2001 performance report, Treasury did not report specific progress but reported that Customs plans to implement an account view of the trade community so that companies can be evaluated in terms of their compliance risk. This will allow Customs to focus its resources on individuals, companies, and industries with poor records. The time frame for this modernization is 2003. Additionally, the Automated Commercial Environment system will integrate and modernize the risk management system in the commercial environment, improve targeting and selectivity results, and provide an extensive analytical capability. This modernization is scheduled in 2004.	Treasury reported Customs' 2003 performance plan was under review, so goals applicable to this major management challenge remain to be determined. The events of September 11 changed Customs' primary security and enforcement focus. Shortly after the September 11 events, the Commissioner of Customs said that terrorism has replaced drug smuggling as the agency's top priority. Customs completed a *Trade Compliance Strategy Study* in 2001. The study concluded that the trade compliance strategy has evolved in a logical manner, but has some limitations. The study also provided several recommendations to address these findings. The study recommended replacing specific compliance goals with a continuous improvement model that will identify significant deficiencies. Customs' ongoing effort to acquire a new trade processing system is key to modernizing how Customs tracks, controls, and processes all commercial goods imported into and exported out of the United States.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Financial Management: **Challenges Affecting Certain Bureau Operations.** For fiscal year 2000, Treasury reported that seven of its bureaus' financial management systems were not in substantial compliance with the requirements of FFMIA. (For fiscal year 2001, Treasury reported that five Treasury bureaus were not in substantial compliance.) Also, Customs faces weaknesses in its internal control over data in its automated systems and problems developing and implementing new automated systems; IRS also continues to experience ongoing deficiencies in its financial management and operational systems and processes.	Treasury reported that it continues to work closely with its bureaus to address and close the open audit findings and will work in fiscal year 2002 to ensure that actions are taken to mitigate the risk factors involved in carrying out its programs. Treasury reports on the percentage of bureaus in compliance with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA) as part of its set of financial management performance measures. In fiscal year 2001, 67 percent of its bureaus were in compliance, exceeding Treasury's target of 62 percent. Treasury reported that FMS took an aggressive, proactive approach to resolve the deficiencies in its systems and processes that had resulted in a qualified audit opinion on FMS's fiscal year 1999 statements. Additionally, FMS developed an aggressive corrective action plan to fully address computer security deficiencies identified by GAO. According to Treasury's report, Customs' modernization effort will provide an essential element of an integrated financial system through the development of an accounts receivable subsidiary ledger. Customs has selected a primary contractor for building the Automated Commercial Environment, of which the subsidiary ledger is one part. The target date for completing the subsidiary ledger has not yet been established within the overall project schedule currently being developed by the contractor. In addition, Customs is working to make its financial systems compliant by replacing a variety of financial and administrative systems through the use of off-the-shelf software provided by SAP Public Services, Inc. Release 1 of this project is funded and is due to be completed by April 2002. Releases 2 and 3 are scheduled to be completed by October 2004, if funding is made available. Customs is attempting to establish a disaster recovery capability through the option of a commercial recovery facility.	Treasury's fiscal year 2003 Performance plan contains performance measures gauging the percentage of Treasury bureaus in compliance with FFMIA financial systems requirements, accounting standards, and Standard General Ledger requirements. Treasury has a goal of 80 percent for fiscal year 2003. IRS has made progress in addressing its financial management weaknesses, including addressing deficiencies in its accountability over property and equipment and controls over budgetary activity. (IRS's financial management weaknesses are discussed above under IRS modernization challenges.)

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Preparing Financial Statements for the Government Continues to be a Challenge for FMS. As the preparer of the *Financial Report of the U. S. Government* (FR), FMS continues to face challenges in working with federal agencies, including the inability to (1) properly account for billions of dollars of basic transactions, especially those between government entities, (2) ensure that information in the FR is consistent with agencies' financial statements, and (3) effectively reconcile the results of operations reported in the U.S. government's financial statements with budget results.	Treasury reported that FMS received an unqualified audit opinion on its statement of the government's cash position for fiscal year 2000. This is the fourth consecutive year FMS has received a clean opinion. In addition, FMS received an unqualified opinion on its financial statements for fiscal year 2000, with no reportable internal control weaknesses. This represents a significant improvement compared to FMS's previous audit. At the Treasury level, a task force brought together OMB and GAO to help analyze the current process for preparing the FR. It issued recommendations designed to resolve the current audit findings on the FR compilation process.	FMS determined that its measure used in prior years was no longer relevant and replaced this measure with new broader measures that FMS stated would better reflect overall performance. However, the performance measures that have been developed relate to other governmentwide accounting reports published by FMS that are not used to compile the FR, nor do they bear any relationship to the issues discussed in the challenges that FMS continues to face in preparing these financial statements.
Challenges Remain in Implementing the Debt Collection Improvement Act of 1996. Challenges remain for FMS to fully implement its Treasury Offset Program to include all payment types. Challenges also remain for full implementation of Treasury's cross-servicing program. For example, action is needed to ensure fair debt distribution and to promote competition among private collection agencies.	According to Treasury, in fiscal year 2001, FMS implemented two more payment types for offset: Social Security Benefit and federal salary. It also expanded the Continuous Levy (Offset) Program to include federal salaries. In addition, FMS developed improved procedures to monitor agencies' plans for referral of delinquent debt for cross-servicing, requested that OMB develop audit guidelines for eligible debts, and worked with private collection agencies to address their concerns with how delinquent debt is distributed to them for collection.	Treasury's performance plan covering FMS's performance contains two performance measures to assess how much delinquent debt FMS is collecting. The measures pertain to (1) the percentage of debt referred to Treasury for collection by Federal Program Agencies; and (2) the total amount collected through debt collection tools operated by FMS. In our prior report, we suggested changes to FMS's performance measures that would provide a more accurate indication of FMS performance.[f]
<u>Need to Improve the Bureau of Alcohol, Tobacco, and Firearms (ATF) Performance Measures to Better Determine the Progress in Denying Criminals Access to Firearms</u>: Despite significant technological advances that have given ATF more investigative information to carry out its mission, limitations in its performance measures make it difficult to determine its progress.	Treasury reports that ATF is addressing this concern by developing a new cross-cutting measure, using data provided by the Department of Justice via Uniform Crime Reports from state and local law enforcement agencies. This measure will compare the violent crime rates of cities in which ATF has a substantial presence to those cities that do not. This will more fully reflect the impact of the ATF Integrated Violence Reduction Strategy and its component projects.	While the 2001 performance report indicates that ATF is working to develop a new performance measure to address this management challenge, the new measure is not described in the 2003 performance plan. Treasury has made significant progress on this challenge.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Need to Improve the Management of Treasury's Asset Forfeiture Program: Treasury's Asset Forfeiture Program faces inadequate information systems and financial management weaknesses, including problems with accountability over seized assets.	According to the fiscal year 2001 performance report, for the first time since the inception of the Treasury Forfeiture Fund in 1992, the auditors of the Fund's fiscal year 2001 financial statements asserted that the Fund is free of any material weaknesses. Additionally, for the second consecutive year, Fund managers asserted compliance with the Federal Managers Financial Integrity Act (FMFIA) and FFMIA in the annual Assurance Statements. As a result of the progress the Fund has made in resolving all material weaknesses, as well as completing the majority of the corrective actions established in response to audit recommendations, the Office for the Under Secretary (Enforcement) of the Department of the Treasury has formally requested removal of the Treasury Forfeiture Fund from GAO's major challenges list.	The 2003 performance plan does not list any applicable performance goals or measures related to this major management challenge. Treasury has made significant progress on this challenge.

[a]U.S. General Accounting Office *Tax Administration: Continued Progress Modernizing IRS Depends on Managing Risks*. GAO-02-715T (Washington, D.C.: May 14, 2002).

[b]U.S. General Accounting Office *IRS Telephone Assistance: Opportunities to Improve Human Capital Management*. GAO-01-144 (Washington, D.C.: Jan. 30, 2001); and U.S. General Accounting *Office IRS Telephone Assistance: Limited Progress and Missed Opportunities to Analyze Performance in the 2001 Filing Season*. GAO-02-212 (Washington, D.C.: Dec. 7, 2001).

[c]U.S. General Accounting Office *Performance Management Systems: IRS's Systems for Frontline Employees and Managers Align with Strategic Goals but Improvements Can be Made.* GAO-02-804 (Washington, D.C.: July 12, 2002).

[d]U.S. General Accounting Office *Tax Administration: Impact of Compliance and Collection Program Declines on Taxpayers.* GAO-02-674 (Washington, D.C.: May 22, 2002).

[e]U.S. General Accounting Office *Tax Administration: Impact of Compliance and Collection Program Declines on Taxpayers.* GAO-02-674 (Washington, D.C.: May 22, 2002).

[f]U.S. General Accounting Office *Department of the Treasury: Status of Achieving Key Outcomes and Addressing Major Management Challenges.* GAO-01-712 (Washington, D.C.: June 15, 2001).

Observations on the U.S. Agency for International Development's Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the U.S. Agency for International Development (USAID), which includes the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, USAID made in resolving its challenges. The third column discusses the extent to which USAID's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified.

We found that USAID's performance report discussed the agency's progress in resolving many of its challenges, but it did not discuss the agency's progress in resolving the following challenge

- information security

Of the agency's five major management challenges, its performance plan had

1. goals and measures that were directly related to one of the challenges,

2. goals and measures that were indirectly applicable to two of the challenges, including

- strategic human capital management and

- financial management information unreliable/financial statements inaccurate and do not measure program results

3. no goals and measures related to one of the challenges, but discussed strategies to address the challenge, which was

- challenges with developing reliable performance measures and accurately reporting results of programs

4. no goals, measures or strategies to address one of the challenges

- information security.

Table 23: Major Management Challenges for USAID

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated government wide high risk		
Strategic human capital management: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures. Since the early 1990s, we have reported that USAID has made limited progress in addressing its human capital management issues. A major concern is USAID's inability to establish and integrate a comprehensive workforce plan with its strategic goals and objectives. Developing such a plan is critical due to a reduction in its workforce during the 1990s and expected high continuing attrition.	USAID stated that it took a number of steps to build a stronger and more capable human resource base. The agency continued recruiting entry-level staff through its New Entry Professional program and increased the level of midcareer professionals, specifically contract and legal officers. In addition, USAID reported that it increased the number of senior managers trained through external sources and developed in-house training to enhance the results-oriented management, financial management, acquisitions and assistance, and supervisory skills of program managers and their staffs. USAID reported specific performance results in 2001 that included • hiring 77 new entry professionals, 18 presidential management interns, and 46 career civil service employees and • providing training to - 385 individuals in supervisory classes and seminars, - 348 employees on managing for results, and - 480 employees on acquisition and assistance rules and procedures. USAID also reported that it is developing a workforce strategy that systematically and comprehensively assesses its headquarter's staffing needs.	USAID reported that it intends to strengthen its human capital management capabilities by continuing its recruitment efforts and providing in-house training. USAID plans to deploy staff rapidly in all labor categories through intensified recruitment efforts. To do so, the agency intends to meet all its foreign service and civil service staffing requirements and to complete a civil service recruitment plan. In addition, the agency intends to make "Web-enhanced human resource management tools" available to human resource management personnel. USAID intends to continue providing in-house training in leadership, operations, financial management, and overall managing for results. The agency plans to train 2,500 employees in fiscal 2003.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show that federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	USAID reported that it has improved its computer security. For example, the agency's computer security framework includes updated security policies and a risk assessment process. USAID has also improved its security training. However, the report does not provide any information on the content of the security training or the numbers and types of personnel who received the training.	USAID plans to initiate actions to improve its computer security to reduce the possibility of unauthorized access. However, the plan does not provide information on specific actions or time frames for completion. The National Institute of Standards and Technology (NIST) developed a security assessment framework and related tools that agencies can use in determining the status of their information security programs. Also, Office of Management and Budget (OMB) guidance for fiscal year 2002 reporting under the Government Information Security Reform Act (GISRA) requires agencies to use tools developed by NIST to evaluate the security of unclassified systems or groups of systems. In addition, OMB's GISRA reporting guidance requires specific performance measures as well as corrective action plans with quarterly status updates.
GAO-designated major management challenge		
Challenges with developing reliable performance measures and accurately reporting results of programs: USAID continues to have problems developing performance measurement systems that meet external and internal reporting requirements, including the requirements of the Government Performance and Results Act of 1993.	USAID reported that it has taken a number of steps to address this challenge. USAID's corrective actions included (1) developing and disseminating lists of indicators that can be used by missions seeking appropriate tools to measure performance, (2) sending annual reporting guidance cables to operating units on the types of data needed and the documentation required, (3) expanding the publication of supplementary guidance to missions on managing data for maximum quality and utility, and (4) holding training seminars for its overseas officers on managing for results. In 2001, USAID started to train its staff through a series of workshops held at missions around the world. During fiscal 2001, USAID reported that it trained 750 officers on its programming policies and nearly 500 officers on performance management.	According to USAID's 2003 plan, the agency is streamlining, simplifying, and improving its annual performance reporting process. In addition, the plan includes an annex that describes performance measurement indicators and how they are calculated. The annex also assesses the quality of the data. However, the 2003 plan does not include specific goals related to improving the reliability of performance indicators and reporting of results. USAID plans to continue providing training on performance management and reporting. However, its 2003 plan does not include specific training targets.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Implementing an integrated financial management system	USAID acknowledged the cornerstone of its financial management improvement program is the implementation of a core financial system that is fully compliant with federal requirements and standards. While USAID has made progress in improving some areas of financial management, it still needs to make additional improvements to produce timely and accurate financial information for use by USAID managers in carrying out the agency's goal of providing economic, development, and humanitarian assistance around the world in support of United States foreign policy. The Inspector General has continued to report that USAID's financial management systems do not meet federal financial system requirements. In Fiscal 2001, USAID used a variety of nonintegrated systems that required data reentry, supplementary accounting records, and lengthy and burdensome reconciliation processes. Currently USAID uses a variety of nonintegrated systems that require data reentry, supplementary accounting records, and lengthy and burdensome reconciliation processes. In an attempt to mitigate this long-standing problem, USAID recently deployed an off-the-shelf accounting system as a component of its financial management system. However, USAID still lacks a fully integrated financial management system and places a greater reliance on manual processes such as reconciliations, because data for the same transactions are entered into multiple systems.	USAID's performance goal for a core financial management system certified compliant with federal requirements has two indicators: • A fully operational, secure, and compliant core financial system installed with interfaces to major feeder systems. • A system installed in Washington and the field to allocate administrative cost to agency strategic goals.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Financial management information unreliable/financial statements inaccurate and do not measure program results	USAID's report identified financial management as a management challenge and recognized the need to improve the quality and availability of financial and performance data. However, the report does not directly address agency progress in obtaining an unqualified opinion on its financial statements. Fiscal year 2001 marked the first time that the USAID Inspector General was able to express an opinion on three of USAID's financial statements—the Balance Sheet, Statement of Changes in Net Position, and Statement of Budgetary Resources. However, the opinions were qualified and achieved only through extensive efforts to overcome material internal control weaknesses. Thus, the progress made is not necessarily sustainable. Further, the Inspector General was still unable to express an opinion on USAID's Statement of Net Cost and Statement of Financing because USAID's financial management systems could not produce accurate, complete, reliable, timely, and consistent financial statement and performance information. USAID's inadequate accounting systems make it difficult for the agency to accurately account for activity costs and measure its program results.	The plan has no goals or measures that addresses this challenge. However, it provides a fiscal year 2003 time frame for establishing an integrated financial management system that is certified compliant with federal requirements. Also, USAID indicated that in fiscal 2003 it has a target to install a system capable of allocating costs to strategic objectives throughout the agency.

Observations on the Department of Veterans Affairs' Efforts to Address Its Major Management Challenges

The following table identifies the major management challenges confronting the Department of Veterans Affairs (VA), which include the governmentwide high-risk areas of strategic human capital management and information security. The first column lists the challenges identified by our office. The second column discusses what progress, as discussed in its fiscal year 2001 performance report, VA has made in resolving its challenges. The third column discusses the extent to which VA's fiscal year 2003 performance plan includes performance goals and measures to address the challenges that we identified. We found that VA's performance report discussed the agency's progress in resolving all of its major challenges that GAO identified or some aspect of those challenges. For example, while VA discusses its plan to report to the Congress in 2004 the outcomes of its 3-year pilot study of assisted living, it does not provide information on the full continuum of services needed to provide long-term care.

Similarly, not all aspects of each of the agency's six major management challenges were fully addressed. For example, the plan notes that it has undertaken several initiatives to address third-party collections weaknesses, but it does not have a performance measure for third-party collections.

Table 24: Major Management Challenges for VA

Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated governmentwide high risk		
<u>Strategic human capital management</u>: GAO has identified shortcomings at multiple agencies involving key elements of modern strategic human capital management, including strategic human capital planning and organizational alignment; leadership continuity and succession planning; acquiring and developing a staff whose size, skills, and deployment meet agency needs; and creating results-oriented organizational cultures. We found that VA faces a potential shortage of skilled nurses, which could have a significant effect on VA's quality of care initiatives. VA also needs to be vigilant in its human capital strategies to ensure that it maintains the necessary expertise to process claims as newly hired employees replace many experienced claims processors over the next 5 years.	In response to the President's Management Agenda, VA reported that it has developed a human capital workforce and succession plan, which articulates specific strategies to address recruitment, retention, and development issues. For example, to help retain a skilled and competent workforce, VA developed a childcare tuition assistance program for lower-income employees. In addition, VA reported that it is engaged in multiple efforts to assess its current nursing workforce and plan for the future. For example, a workgroup reported on the effect of the nursing shortage and barriers to recruitment and retention of nurses. The report contains a reference guide for the optimal use of hiring and pay authorities and recommends legislative and nonlegislative initiatives to address the nursing shortage. Finally, VA reported that it launched a centralized training initiative—the standard for training future hires—for veterans service representatives, who request and obtain information on and evaluate veterans claims and assign a disability rating.	VA reported that the overall goal of its workforce planning initiative is to create an ongoing process—integrated with VA's strategic and budget planning cycles—to predict future workforce trends and avert potential workforce crises. VA has developed an "interim" objective—and related performance measures and targets—to recruit, develop, and retain a competent, committed, and diverse workforce that provides high-quality service to veterans and their families. VA reported that the national nursing shortage continues to be a priority for the health care industry, although there is no indication that the quality of care in VA medical centers has been adversely affected by this shortage. VA plans to maintain an active recruitment process, and legislation authorizing higher salaries for VA nurses should help these efforts. However, VA does not describe other strategies for addressing this shortage. VA also reported that it plans to test national performance standards for claims processors.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Information security: Our January 2001 high-risk update noted that agencies' and governmentwide efforts to strengthen information security have gained momentum and expanded. Nevertheless, recent audits continue to show federal computer systems are riddled with weaknesses that make them highly vulnerable to computer-based attacks and place a broad range of critical operations and assets at risk of fraud, misuse, and disruption. Further, the events of September 11, 2001, underscored the need to protect America's cyberspace against potentially disastrous cyber attacks—attacks that could also be coordinated to coincide with physical terrorist attacks to maximize the impact of both.	VA continues to report information security controls as a material weakness on its Federal Managers Financial Integrity Act (FMFIA) report for 2001. Similarly, the VA Office of Inspector General (OIG) reported widespread weaknesses in computer security. To improve the department's information security program, VA reported that it met its fiscal year 2001 target to have 20 percent of the departmentwide information security program implemented. VA reported that the Office of Cyber Security undertook numerous efforts, including • developing and issuing a revised VA Information Security Management Plan, which identified security enhancement actions, • establishing a central security fund to consistently pursue departmentwide security efforts, • implementing an enterprisewide integrated antivirus solution that will facilitate the rapid distribution of antivirus updates to more than 150,000 VA desktops and servers at over 800 locations, • initiating a contract to develop a certification and accreditation program to bring discipline, formality, and technical excellence to the security planning activities of VA offices during the design of systems and applications, • providing VA facilities access to a single security incident response service to which they can report security incidents and receive advice related to scope, effect, and suggested remedies, • establishing a national program in security training and education of computer professional staff, • beginning to revamp security policies into usable frameworks, and • developing and submitting to OMB the Government Information Security Reform Act (GISRA) report and corrective action plans.	For fiscal year 2003, VA's information security measure and target is to have 100 percent of GISRA reviews and reporting completed. Further, VA reported that its efforts to revamp security policies into a usable framework is still ongoing. However, this measure may not specifically gauge the effectiveness of information security and the agency's progress in implementing corrective actions. The National Institute of Standards and Technology (NIST) developed a security assessment framework and related tools that agencies can use in determining the status of their information security programs. Also, the Office of Management and Budget (OMB) guidance for fiscal year 2002 reporting under GISRA requires agencies to use tools developed by NIST for evaluating the security of unclassified systems or groups of systems. In addition, OMB's GISRA reporting guidance requires specific performance measures, as well as corrective action plans with quarterly status updates.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
GAO-designated major management challenge		
Ensure timely and equitable access to quality VA health care: VA cannot ensure that veterans receive timely care at VA medical facilities. Nor can it ensure that it has maintained the capacity to provide veterans who have spinal cord injuries, serious mental illnesses, or other special needs the care that they require, as mandated by the Congress. VA must also assess its capacity to provide long-term care for its aging veteran population and respond to emerging health care needs, such as treating veterans for hepatitis C.	In fiscal year 2001, VA reported that it established baselines for two of its waiting time performance goals: scheduling patients for nonurgent primary care and specialty care visits within 30 days. VA's third waiting time goal—to have 73 percent of patients seen within 20 minutes of their scheduled appointment—was not met overall, but half of VA's 22 networks exceeded the goal. (Early in 2002, VA combined two networks and now has 21.) VA reported that it exceeded its goal to maintain at 95 percent the proportion of discharges from spinal cord injury centers to noninstitutional settings. VA also reported that it met its goal to have 63 percent of homeless veterans with mental illness receive follow-up mental health outpatient care or admission to a work, transitional, or rehabilitation program. VA did not establish a target for its one hepatitis C measure, but it said that it did not achieve its hepatitis C goal. Regarding long-term care, VA is conducting a 3-year pilot study of assisted living and plans to report the outcomes to the Congress in 2004.	VA set the performance goal to increase the percent of primary care and specialty care appointments scheduled within 30 days of desired date to 89 percent and 87 percent (from 87 and 84 percent), respectively. For its third waiting time goal, VA established a fiscal year 2003 target of 72 percent. Efforts described focus on improving the quality of the data used to measure performance. VA's fiscal year 2003 performance target related to care for veterans with spinal cord injuries remains at 95 percent. Its performance target for caring for homeless veterans with mental illness also remains at the fiscal year 2001 target of 63 percent; however, its strategic target for this goal is 68 percent. VA established three new measures for caring for veterans with hepatitis C as well as targets for two of these measures: the fiscal year 2003 performance target for percentage of all patients screened and percentage of all patients tested for hepatitis C is 61 percent and 65 percent, respectively, with strategic targets set at 80 percent and 82 percent. The fiscal year 2003 performance target and strategic target for the third measure—percentage of patients with hepatitis C who have annual assessment of liver function—are to be determined. While VA acknowledges GAO's concern regarding long-term care, its strategy for ensuring adequate capacity is not addressed in its fiscal year 2003 performance plan.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Maximize VA's ability to provide health care within available resources: VA must continue to aggressively pursue opportunities to use its health care resources. VA could achieve more efficiencies by further modifying its infrastructure to support its increased reliance on outpatient health care services, expanding its use of alternative methods for acquiring support services, and pursuing additional opportunities with the Department of Defense (DOD) to determine cost-effective ways to serve both veterans and military personnel. In addition, VA must ensure that it collects the money it is due from third-party payers.	VA's report addresses two of these concerns—capital asset management and procurement reform—under its "enabling goal," which aims to create an environment that fosters the delivery of "world-class" VA services. The enabling goal has no key performance measures. VA reported that its Capital Asset Realignment for Enhanced Services (CARES) program is ongoing. VA reported that its Procurement Reform Task Force, formed in July 2001, established five major goals: leverage purchasing power, standardize commodities, obtain comprehensive VA procurement information, improve VA procurement organizational effectiveness, and ensure sufficient and talented acquisition workforce. VA also reported that in May 2001, the President's Task Force to Improve Health Care Delivery for Our Nation's Veterans was established. The task force's mission is to identify ways to improve benefits and services for DOD military retirees who are also VA beneficiaries, review barriers and challenges that impede VA and DOD coordination, and identify opportunities for improved resource utilization through partnerships. In addition, VA reported that its Revenue Enhancement Work Group and Steering Committee identified 24 major recommendations that require action in order to bring VA's revenue operation to the next level of success in improving third-party collections.	In its fiscal year 2003 plan, VA established a performance goal of attaining a 30 percent cumulative reduction in excess capacity as a result of the implementation of CARES. The national CARES plan will identify total excess capacity. VA reports that this first phase of CARES, implementing the program in the Network 12, will take 5 years or more. VA established the performance goal of increasing the number and dollar volume of sharing agreements with DOD by 10 percent over the previous year. This sharing includes joint procurement activities as well as sharing resources. The fiscal year 2003 plan reiterates the creation of the President's task force but does not provide an update on the task force's progress. While VA's fiscal year 2003 plan notes that it has undertaken several initiatives to address third-party collections weaknesses, it does not have a performance measure for third-party collections. Moreover, it does not report on the status of the Revenue Enhancement Work Group and Steering Committee's 24 recommendations.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Process veterans' disability claims promptly and accurately: VA has had long-standing difficulties in ensuring timely and accurate decisions on veterans' claims for disability compensation. Veterans have also raised concerns that claims decisions are inconsistent across VA's regional offices. VA needs better analyses of its processes in order to target error-prone types of cases and identify processing bottlenecks—as well as determine if its performance goals are realistic.	VA reported that it exceeded its fiscal year 2001 timeliness goal to complete rating-related actions on compensation and pension claims on average within 202 days; however, this performance was worse than the previous year's—a trend VA characterized as "unacceptable." VA also reported exceeding its goal of a national accuracy rate of 72 percent. The fiscal year 2001 rate of 78 percent was significantly better than the fiscal year 2000 rate of 59 percent.	VA set its fiscal year 2003 timeliness target at 165 days, and its strategic target at 74 days. (The Secretary set a goal of an average of 100 days processing time for the last quarter of fiscal year 2003.) However, for fiscal year 2002, VA projected that it would take an average of 208 days to process rating-related actions—27 days more than in fiscal year 2001. Conversely, the accuracy rate for VA's claims processing was expected to continue to improve. For fiscal year 2002, VA projected that the rate would be 85 percent. VA's fiscal year 2003 target is 88 percent, and its strategic target is 96 percent. VA has numerous initiatives planned for fiscal year 2003 aimed at improving claims processing. These initiatives focus on automation, training, performance assessment, and program evaluation.

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Major management challenge	Progress in resolving major management challenge as discussed in agency's fiscal year 2001 performance report	Applicable goals, measures, and strategies as discussed in agency's fiscal year 2003 performance plan
Develop sound agencywide management strategies to build a high-performing organization: VA must revise its budgetary structure—to link funding to performance goals, rather than program operations—and develop long-term, agencywide strategies for ensuring an appropriate IT infrastructure and sound financial management.	VA reported that it and OMB jointly developed a proposal to restructure and simplify VA's budget accounts and to base its budgeting on performance. VA plans to implement the proposal with the fiscal year 2004 budget. In fiscal year 2001, VA also reported that it made numerous advances regarding its enterprise architecture, including creating the Office of the Chief Architect, developing and issuing the "One VA" enterprise architecture strategy and implementation plan, and organizing and developing the Information Technology Board. In addition, VA reported that it received an unqualified opinion on the consolidated financial statements for fiscal year 2000 and fiscal year 1999. VA also made progress in correcting material weaknesses in numerous areas and committed to addressing the remaining weaknesses.	Discussions of the details of the new structure for the budget accounts are ongoing with OMB and congressional appropriations committees. The fiscal year 2003 plan states that VA intends to implement the new account structure with the 2004 budget. However, VA continues to work with OMB and has yet to delineate specific measures for this goal. VA's fiscal year 2003 plan identifies milestones for its IT approach and implementation—part of VA's enabling goal. VA also set one IT measure and target: 100 percent of Chief Information Officer-designated major IT systems conform to the "One VA" enterprise architecture. VA's plan acknowledges the significant material weaknesses identified by its OIG and by GAO, such as noncompliance with FFMIA requirements, but does not have goals, measures, or strategies for addressing these weaknesses. Corrective actions needed to address noncompliance are expected to take several years to complete. In addition, the risk of materially misstating financial information remains high because of the need to perform extensive manual compilations and extraneous processes.

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Acknowledgments

In addition to the individual named above, the following individuals made significant contributions to this report: Charles M. Adams, Michael Alexander, Cornelia M. Ashby, Sheila K. Avruch, James Beard, Ronald W. Beers, Steven J. Berke, Daniel Bertoni, Amy Bevan, J. Michael Bollinger, Elaine M. Boudreau, Barbara D. Bovbjerg, Lisa M. Brown, John Brummet, Jeannie M. Bryant, Susan H. Campbell, Richard Cheston, Amy M. Choi, Steven L. Cohen, Robert F. Dacey, Kirk Daubenspeck, Peter J. Del Toro, William J. Dowdal, Patrick Dugan, E. Jeanette Espinola, Fred Felder, Charles R. Fox, Mark Gaffigan, Jonathan M. Gill, Dianne D. Guensberg, Richard Harada, Margaret K. Harris, Richard J. Herley, Anne M. Hilleary, Samuel L. Hinojosa, Tim D. Hopkins, Albert H. Huntington, III, David W. Irvin, Ronald Y. Ito, Shirley B. Johnson, John V. Kelly, Karen L. Kemper, Edward D. Kennedy, Jeffrey Knott, Edward A. Kratzer, Carol Langelier, Kathy Larin, Lynn Lavalle, Evelyn Logue, Jeffery D. Malcolm, Charles W. Malphurs, Patty Manthe, Weldon McPhail, Carolyn K. McGowan, Valerie Melvin, Edmond E. Menoche, Mary A. Mohiyuddin, Robin M. Nazzaro, Tim Outlaw, Robert Owens, Susan Ragland, Paula M. Rascona, Patricia Rennie, William B. Ritt, William H. Roach, Jr., Mark Shaw, Andrew Sherrill, Nancy A. Simmons, Karen Sloan, George H. Stalcup, Gerald Stankosky, Keith Steck, Tamara Stenzel, Edward H. Stephenson, John B. Stephenson, Carolyn M. Taylor, Anjali Tekchandani, William Thompson, Charles Vrabel, William F. Wadsworth, Elwood D. White, Gregory C. Wilshusen, Ellen T. Wolfe, Ronnie E. Wood, and Anthony J. Wysocki.

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