

*U.S. DEPARTMENT OF COMMERCE*  
*Office of Inspector General*

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**PUBLIC  
RELEASE**

***BUREAU OF EXPORT  
ADMINISTRATION***

*Reporting of Performance Measures  
Needs Improvement*

*Final Audit Report No. FSD-12847/September 2000*

*Office of Audits, Financial Statements Audits Division*





**UNITED STATES DEPARTMENT OF COMMERCE**  
**The Inspector General**  
Washington, D.C. 20230

September 29, 2000

**MEMORANDUM FOR:** William Reinsch  
Under Secretary for Export Administration

**FROM:** Johnnie E. Frazier *Johnnie Frazier*

**SUBJECT:** *Reporting of Performance Measures Needs Improvement*  
Final Audit Report No. FSD-12847

This is our final report on the performance measures used by the Bureau of Export Administration. Our audit found a commitment on the part of the bureau to the verification and validation of its performance data. However, additional efforts are needed to ensure the accuracy and reliability of data included in reports submitted by BXA and the Department of Commerce. Specifically, we found that improvements are needed to ensure that performance data is reported accurately and consistently and that variances in data reported are disclosed and explained. We also found that internal controls need to be strengthened to ensure that reported performance data is accurate. We recommend that procedures be established to ensure that (1) reported results are accurate and consistent and any differences in data between reports are disclosed and explained, and (2) supporting documentation is maintained and reconciliations between reports and/or source documents are performed. We recognize that implementation of the Government Performance and Results Act of 1993 (GPRA) is an iterative process that will require continued attention from BXA management. (See pages 5-11.)

Your response to the draft expressed agreement with the findings and recommendations and noted corrective actions that have already been taken. We have incorporated your comments into the final report, and your complete response is attached.

Please provide your action plan addressing the recommendations for our concurrence within 60 days of the date of this memorandum in accordance with Department Administrative Order (DAO) 213-5. The plan should be in the format of exhibit 7 of the DAO. Should you have any questions regarding preparation of the action plan, please contact me at (202) 482-4661, or Thomas McCaughey, Director, Financial Statements Audits Division, at (202) 482-6044, within 10 days after receiving this report. We appreciate the cooperation and courtesies extended to us by BXA staff during the review.

## **INTRODUCTION**

This final report presents the results of the OIG's audit of BXA's collection and reporting of performance measurement data. To meet the requirements of GPRA and the Chief Financial Officers Act of 1990 (CFO Act), as amended by the Government Management Reform Act of 1994 (GMRA), BXA and the Department of Commerce must prepare annual performance plans and reports. To be useful to the Congress, the Office of Management and Budget (OMB), and the public, the performance data reported must be credible. We performed our review to examine BXA's efforts to ensure that reported performance results are accurate, consistent, and reliable.

GPRA was established in 1993 to improve the effectiveness, efficiency, and accountability of federal programs by requiring agencies to set goals for program performance and to report on annual performance as compared with goals. The Department of Commerce's FY 1999 Annual Program Performance Report was the Department's initial effort to report and comment on the performance results of its reporting entities, including BXA. The Department's FY 2001 Annual Performance Plan, which identifies target performance results, was its third annual performance plan. BXA performance data was also presented in the Department's FY 1999 Accountability Report,<sup>1</sup> its first, and in the bureau's financial statements.

As the President's principal adviser on export control policy issues, BXA's mission is to promote U.S. national and economic security, public safety, and foreign policy interests by managing and enforcing the Department's security-related trade and competitiveness program. In support of its mission, BXA included 10 performance measures in the Department's FY 1999 Annual Program Performance Report and its FY 2001 Annual Performance Plan, and 2 measures in the FY 1999 Accountability Report. (See Table 1.)

To fulfill GPRA requirements and improve program results, data on program performance must be accurate, consistent, and reliable. GPRA introduces the concepts of data verification and validation, which refer to the quality control procedures needed to ensure that users such as the Congress and OMB can have confidence in the reported performance information. Data verification is the assessment of data completeness, accuracy, and consistency, and the related internal control structure, while data validation is the assessment of the data to determine whether it is appropriate for the performance measure.<sup>2</sup>

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<sup>1</sup> GMRA authorizes the streamlining and consolidation of certain statutory financial management and performance results into a single accountability document.

<sup>2</sup> *Performance Plans: Selected Approaches for Verification and Validation of Agency Performance Information*, U.S. General Accounting Office, GAO/GGD-99-139, July 30, 1999.

**TABLE 1**

<b>BXA Performance Measure</b>	<b>FY 1999 Accountability Report</b>	<b>FY 1999 Annual Program Performance Report</b>	<b>FY 2001 Annual Performance Plan</b>
Number of high-risk transactions deterred	T	T	T
Average processing time (days) for license applications	T	T	T
Number of nonproliferation and export control international cooperative exchanges		T	T
Number of investigations completed		T	T
Number of end-use visits		T	T
Number of license decisions		T	T
Number of export assistance seminars/conferences		T	T
Number of enforcement outreach visits		T	T
Number of investigations accepted for criminal or administrative remedies		T	T
Number of strategic industry analysis		T	T

The Deputy Under Secretary, supported by the Office of Planning, Evaluation and Management, is responsible for BXA's strategic planning process. The Office of Planning, Evaluation and Management is responsible for performance information contained in the Annual Program Performance Report, while the Office of the Comptroller is responsible for the performance information in the bureau and departmental financial statements. BXA is represented on

Commerce's Strategic Planning Task Force, which coordinates the bureau's GPRA efforts with the Department.

In their comments on government-wide implementation of GPRA, both the Congress and the General Accounting Office (GAO) have emphasized the importance of performance data being credible. Management is responsible for establishing policies and procedures to ensure that data can be relied upon. BXA has demonstrated a commitment to the validation and verification of performance data by devoting senior management attention to the bureau's progress on GPRA, hiring key personnel, and developing and continuing to refine a draft data verification and validation methodology plan.

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

Our audit objectives were to (1) assess the collection and reporting of BXA performance information in documents submitted to meet GPRA reporting requirements (the FY 1999 Annual Program Performance Report and the FY 2001 Annual Performance Plan) and GMRA requirements (the FY 1999 Accountability Report and BXA's FY 1999 Financial Statements), and (2) determine whether BXA's internal controls are sufficient to ensure that performance data is accurate, consistent, and reliable. Determining whether BXA performance measures are the most appropriate for the bureau was not within the scope of our audit. Our audit focused on the bureau's efforts to ensure data quality and reliability for performance measures that it plans to report on for FY 2000.

The methodology for our audit included identifying and testing internal controls over performance measures; assessing BXA's commitment to data reliability; performing procedures to validate and verify performance data; and interviewing departmental and BXA officials responsible for generating, maintaining, and reporting the performance data. Since we relied on computer-generated data for part of our review, we reviewed applicable controls to ensure the data's accuracy. Based on our assessments, we concluded the data are sufficiently reliable to be used in meeting the audit objectives. Our field work was conducted from April to July 2000 at BXA headquarters in Washington, D.C.

While we evaluated the consistency of reporting of all 10 measures, we tested the internal controls established to ensure the credibility of the data for just 5 of the measures. Two performance measures (number of high-risk transactions deterred and average processing time for license applications) were selected because they were reported in both the FY 1999 Annual Performance Plan and the FY 1999 Accountability Report, while the other three (number of nonproliferation and export control international cooperative exchanges, number of

investigations completed, and number of end-use visits) were selected because of inconsistencies in reported information between various GPRA products and BXA's FY 1999 financial statements.

We tailored our audit procedures to the particular performance measure reviewed. For the performance measure on the number of high-risk transactions deterred, we reviewed 5 out of 1,149 of applications deterred in FY 1999. For the measure on the average processing time for license applications, we recalculated the measure after assessing the controls over the system producing the data. For the measure on the number of nonproliferation and export control international cooperative exchanges, we reviewed all 45 events claimed by BXA. For the measure on the number of investigations completed, we selected 7 out of a population of 1,042 items to test. For the number of end-use visits conducted, we selected 22 out of a population that fluctuated between 753 and 869. Items were selected for indications of the success or failure of internal controls established to ensure accurate and reliable performance data.

The audit was conducted in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States, and was performed under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated May 22, 1980, as amended.

## FINDINGS AND RECOMMENDATIONS

### I. Reporting of Performance Information Can Be Improved

Although BXA has demonstrated its commitment to verifying and validating performance data by developing a data verification and methodology plan, additional efforts are needed to improve its reporting of performance information. Our audit found that the FY 1999 performance data was not always reported accurately or consistently between reports.<sup>3</sup> Also, appropriate disclosures necessary to explain differences between the data contained in the various reports were not included in the reported information. Specifically, we found discrepancies in 15 out of 40 sets of numbers (i.e., BXA's FY 1999 actual numbers and its target numbers for FY 1999, FY 2000, and FY 2001 for each of 10 externally reported performance measures) used in the reporting of performance measurement data in documents to comply with GPRA and the CFO Act, as amended by GMRA. The failure to report data accurately and consistently or to disclose the rationale for differences in reported data calls into question its credibility.

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<sup>3</sup> BXA's FY 1999 performance results were reported in the Department of Commerce's Annual Performance Plans, Annual Program Performance Report, and Accountability Report. Performance results were also included in the bureau's FY 1999 Financial Statements.

### A. Reporting of Results Needs to Be Accurate and Consistent

One instance in which performance results were not reported consistently involved the reporting of the number of non-proliferation and export control international cooperative exchanges in the Department's FY 1999 Annual Program Performance Report and in the bureau's FY 1999 Financial Statements. The performance report identified 46 international cooperative exchanges, while the financial statements reported 45. The independent public accountant hired to audit the financial statements concluded that the correct number was 45. However, the necessary revision was not made in the FY 1999 Annual Program Performance Report or the FY 2001 Annual Performance Plan. The discrepancy between reports resulted from insufficient coordination between the Office of Comptroller and the Office of Planning, Evaluation and Management. Since the financial statement audit report was completed before March 1, 2000, the correct figure could have been included in the Annual Program Performance Report before it was issued at the end of March.

In five instances, inaccurate performance data was reported because of an inadequate review of documents before publication. These inaccuracies included typographical errors and double-counting of completed investigations. For example, the number of investigations completed in FY 1999 was erroneously reported as 1,046, as opposed to 1,042, in the FY 1999 Annual Program Performance Report due to a typographical error. The same measure was erroneously reported as 1,069 in the FY 2001 Annual Performance Plan because some completed investigations were double-counted. There are no procedures covering the final review or the responsibility to ensure the appropriate data is included in published documents.

Two reporting errors resulted from extracting the data from the system containing performance information before all of the data was input into the system. For example, the number of enforcement outreach visits was reported in the FY 2001 Annual Performance Plan as 1,142. However, all of the completed visits had not been entered into the system when the number was extracted. As a result, this number was later changed to 1,199 in the bureau's FY 1999 Financial Statements and the FY 1999 Annual Program Performance Report. BXA needs to ensure that all performance data has been input to the system before it is extracted for inclusion in performance reports and that when numbers change, sufficient disclosures are provided.

OMB Circular A-123, *Management Accountability and Control*, defines management controls as organization policies and procedures used by agencies to reasonably ensure that reliable and timely information is obtained, maintained, reported, and used for decision-making. Also, GAO's *Standards for Internal Control in the Federal Government*, issued in November 1999, states that internal controls and all transactions need to be clearly documented and should appear

in management directives, administrative policies, or operating manuals in paper or electronic form.

## **B. Explanations for Variances in Reported Data Are Needed**

In some instances, there were valid reasons why target and actual performance results changed between reports. However, reports containing performance information did not explain why numbers had changed. The disclosure of changes and the reasons for them would be helpful to users of the information.

We identified instances in which reported data differed from actual results because subsequent events necessitated the revision of performance data. For the number of end-use visits, for example, the reported numbers differed because additional visits were input into the system after the population count was extracted from the system. This number was under-reported as 753 in BXA's FY 1999 Financial Statements, and subsequently revised and reported as 869 in the FY 1999 Annual Program Performance Report and the FY 2001 Annual Performance Plan.

In several instances, target numbers were revised to reflect changes in circumstances, funding, and priorities. For the number of high-risk transactions deterred, a policy decision resulting in increased export sanctions necessitated the revision of targeted performance levels from 303 in the FY 1999 Annual Performance Plan to 504 in subsequent reports. However, the reasons for the revisions were not explained in reporting documents.

OMB Circular A-11, *Preparation and Submission of Strategic Plans, Annual Performance Plans, and Annual Program Performance Reports*, dated July 1999, states that an agency may selectively include comments on the quality of the performance data included in the Annual Program Performance Report where such comments would be helpful in understanding the accuracy and validity of the data.

## **C. Recommendation**

We recommend that the Under Secretary for Export Administration establish procedures to ensure the accuracy and consistency of reported results. The procedures should identify responsibility for ensuring that reported information is consistent or that there is appropriate disclosure of and explanation for differences.

## **Under Secretary for Export Administration Response and OIG Comments**

In his written response to the draft report, the Under Secretary for Export Administration agreed with our findings and recommendation. The response stated that closer coordination between offices responsible for preparation and publication of GPRA and CFO Act related documents will reduce the likelihood of publishing differing performance data and that an explanation will be included when performance targets change. The response indicated that we should discuss this recommendation with appropriate departmental level personnel because the final review, editing, and publishing of Commerce reports prepared to meet these legislative requirements is done at the departmental level. Our continuing dialogue with the Department on GPRA and CFO reporting will include the importance of consistent reporting of performance data and explanation of revised performance targets. The response also identified a number of steps taken by BXA to improve the reporting of the number of end-use visits. We commend BXA for these actions already taken.

## **II. Additional Improvements in Internal Controls Are Needed**

Additional improvements are needed in the internal controls BXA has established to ensure accurate and reliable performance data.<sup>4</sup> During our testing of five BXA performance measures, we found that BXA's supporting documentation should be strengthened for two measures and that procedures such as reconciliations were needed to ensure accurate performance data for a third measure.

### **A. Supporting Documentation Should Be Strengthened**

For two of the five measures tested, we found that supporting documentation on performance data for the performance measures on the number of nonproliferation and export control international cooperative exchanges and the number of high-risk transactions deterred needs strengthening. OMB Circular A-123 states that documentation for transactions, management controls, and other significant events must be clear and readily available for examination. GAO's *Standards for Internal Control in the Federal Government* states that all documentation and records must be properly managed and maintained.

The binder containing supporting documentation on the number of nonproliferation and export control international cooperative exchanges could not be readily located. When the binder was finally located, the supporting documentation for one exchange was missing and additional

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<sup>4</sup> Internal controls are the organizational plan and the coordinated methods and measures used to safeguard the reliability of an agency's reporting systems.

documentation had to be obtained. Also, documentation in the binder consisted principally of planning documentation (i.e., agendas, itineraries, and correspondence planning the trip). Documentation providing evidence that the trip actually occurred was not included in the files.

We also found that BXA was unable to recreate the population of the actual number of high-risk transactions deterred. Attempts to recreate this population gave us only 1,149, compared with the 1,160 reported in the Department's FY 1999 Accountability Report and the FY 1999 Annual Program Performance Report. This difference is due to the fact that 11 cases considered deterred as of FY 1999 were reopened in FY 2000. Since the data used to compile the reported results cannot be recreated, providing a data download of this information at year-end could help prevent this problem in the future.

## **B. Controls to Ensure Accurate Data Should Be Strengthened**

Internal controls over four of the five measures we tested were effective. However, controls to ensure accurate reporting of performance results for the measure on the number of end-use visits needs to be improved.<sup>5</sup> Specifically, we determined that controls needed to be strengthened for three components of this measure: (1) pre-license checks, (2) post-shipment verifications by BXA's special agents, and (3) post-shipment verifications by the U.S. Foreign & Commercial Service not under NDAA. Consequently, we were unable to determine the correct number of end-use visits conducted in FY 1999. The number of end-use visits in FY 1999, which was originally reported as 869 in the FY 1999 Annual Program Performance Report, was re-calculated and determined to be 835 by BXA.

For the pre-license checks, we identified errors in two of our sample of seven items. The first error was the result of a system error, which resulted in a planned action being counted twice. Subsequently, when the planned action was canceled, one of the actions was deleted from the system while the duplicate created by the system remained. As a result, that action was erroneously included in the FY 1999 total. The second error was the result of an analyst taking longer than the allotted time to review the results of the check and make a decision to close it. As a result, a check that should have been closed and counted in FY 1998 was erroneously counted in FY 1999.

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<sup>5</sup> End-use visits consists of four components: pre-license checks, post-shipment verifications by BXA's agents, post-shipment verifications by the U.S. Foreign & Commercial Service under the National Defense Authorization Act (NDAA), and post-shipment verifications by the U.S. Foreign & Commercial Service not under NDAA.

For post-shipment verifications performed by the U.S. Foreign Commercial Service not under NDAA, we identified three errors out of a sample of five items. The first error was attributed to the untimely entry of data into the system. As a result, an FY 1997 verification was erroneously counted in the FY 1999 population. The second error, also attributed to data entry, resulted in an item being counted twice, appropriately in FY 1998 and mistakenly in FY 1999. The third error was attributed to untimely data entry and as a result of the system not recognizing that a verification had been canceled. As a result, this verification was double-counted, correctly in FY 1998 and incorrectly in FY 1999.

After our testing, a BXA reconciliation for the performance measure identified an additional four items that should not have been included in the population as well as one additional item that should have been included. OMB Circular A-123 states that transactions should be promptly recorded, properly classified, and accounted for in order to prepare timely accounts and reliable financial and other reports. Also, GAO's *Standards for Internal Control in the Federal Government* states that activities need to be established to help ensure that all transactions are completely and accurately reported.

### **C. BXA's Effort in Establishing an Effective Internal Control System**

We commend BXA for the actions it is taking to correct the internal control weaknesses we identified. The bureau's management stated that they are implementing procedures that will mitigate the system errors, reprogramming the system so that it will establish the end-use visit dates automatically, establishing uniform cut-off dates for the end-use visits, and establishing comprehensive reviews and reconciliations.

### **D. Recommendation**

We recommend that the Under Secretary for Export Administration establish an effective internal control structure that includes the maintenance of adequate documentation to support performance results and the performance of reconciliations of performance data between source documents and various GPRA products.

### **Under Secretary for Export Administration Response and OIG Comments**

In his written response to the draft report, the Under Secretary for Export Administration agreed with our findings and recommendation. The response stated that BXA has already taken corrective steps to strengthen supporting documentation, including the download of performance data from the Export Control Automated Support Systems (ECASS) at the end of the fiscal year. Also, the response noted that the bureau is working with the Department to improve

implementation of GPRA. These efforts will be reflected in new strategies and performance measures in the Department of Commerce's FY 2000-2005 Strategic Plan and the FY 2002 Annual Performance Plan. We commend BXA for its efforts to improve the Department's implementation of GPRA, including the strengthening of documentation to support performance results.

Attachment



September 29, 2000

MEMORANDUM FOR: Johnnie E. Frazier  
Inspector General

FROM:

William A. Reinsch 

SUBJECT:

Comments on Draft Report: Reporting of Performance Measures Needs Improvement (FSD-12847/September 2000)

Thank you for the opportunity to comment on the subject draft report. We agree with your findings and recommendations. The following are our comments on your specific recommendations.

**Recommendations:**

- 1. Establish procedures to ensure the accuracy and consistency of reported results. The procedures should identify responsibility for ensuring that reported information is consistent or that there is appropriate disclosure of and explanation for differences.**

BXA appreciates the OIG's recognition of our commitment to verifying and validating performance data by developing a data verification and methodology plan.

BXA agrees with the OIG that closer coordination between the offices responsible for preparation and publication of the Government Performance and Results Act (GPRA) and Chief Financial Officers Act related documents will reduce the likelihood of publishing differing performance data. BXA agrees with the IG recommendation that an explanation be included in the reports when performance targets change. As you know, BXA is a contributor to the Commerce GPRA and CFOA reports. The final review, editing and publishing of Commerce reports is done at the Department level. In order to ensure a shared framework of understanding at all levels of processing and clearance, we recommend that the IG discuss this recommendation with the appropriate Department level personnel.

BXA has taken steps to improve the reporting of the number of end-use visits as recommended by the IG. For example, in the case of pre-license checks that contribute to the number of end-use visits, we have corrected the data in the ECASS/Enforce system to prevent duplicates from appearing in future reports. For post shipment verifications, also included in the number of end-use visits, a system change request is being developed to ensure greater supervisory review of the data that is entered into the ECASS/Enforce system and to ensure consistency between offices on the



date these verifications are closed out. We are also taking steps to avoid double-counting cases between offices.

**2. Establish an effective internal control structure that includes the maintenance of adequate documentation to support performance results and the performance of reconciliation of performance data between source documents and various GPRA products.**

As discussed in our meetings, BXA plans to download performance data from ECASS at the end of the fiscal year and maintain this data as part of the official record for future audits. This corrective action will allow us to recreate the performance data we report.

You noted that a binder containing supporting documentation on the number of nonproliferation and export control international cooperative exchanges was not readily available and did not contain sufficient supporting documents. While we believe that the binder was available and did contain sufficient information about the exchanges, we have taken steps to address your concerns.

Finally, we should add that based on the Department's continued effort to improve implementation of the GPRA, additional changes are being made to our goals and performance measures. These changes will be reflected in new strategies and performance measures in the Department of Commerce FY 2000 - 2005 Strategic Plan and FY 2002 Annual Performance Plan.