

For Public Release

U.S. Department of Commerce  
Office of Inspector General

# 2010 Census: First Quarterly Report to Congress

Report OIG-19791-1  
August 2009





# Report In Brief

U.S. Department of Commerce Office of Inspector General

August 2009



## Why We Did this Review

The Supplemental Appropriations Act of 2008 gave the Census Bureau an additional \$210 million to help cover spiraling 2010 decennial costs stemming from the bureau's problematic efforts to automate major field operations via handheld computers, major flaws in its cost-estimating methods, and other issues. The act's explanatory statement required the bureau to submit to the Senate and House Committees on Appropriations a detailed plan and time line of decennial milestones and expenditures, and a quantitative assessment of associated program risks within 30 days.

OIG was also required to provide quarterly reports on the bureau's progress against this plan. The objective of this report was to determine the limitations in the bureau's ability to oversee the systems and information for tracking schedule activities, cost, and risk management activities.

## Background

Since first conducted in 1790, the constitutionally mandated decennial census field activities have largely been administered via paper and pencil. The 2010 Census plan included significant expansion of automation, using handheld computers to verify addresses (address canvassing), conduct in-person surveys with households that did not return their questionnaires (nonresponse follow-up), and collect data from a nationwide sample to evaluate the accuracy of the decennial count (coverage measurement). Nonresponse follow-up is the most expensive and labor-intensive operation of the decennial census. Increasing costs and automation problems prompted the bureau's decisions to abandon the handheld computers for nonresponse follow-up and coverage measurement operations, but to still use the handheld computers for address canvassing.

## U.S. Department of Commerce Office of Inspector General

### *2010 Census: First Quarterly Report to Congress (OIG-19791-1)*

## What We Found

In our review, we discovered that the bureau's ability to effectively oversee decennial progress has long been hampered by inherent weaknesses in its systems and information for tracking schedule activities, cost, and risk management activities. The overarching problem is that these systems and information are not integrated in a manner that allows for effective program management measured against earned value metrics—in other words, the bureau does not have a direct link between the schedule of specific activities, the cost of those activities, and the work actually accomplished. This makes it difficult to forecast cost overruns and underruns because of this inability to generate earned value measures.

The bureau implemented a risk management process that was an improvement over the prior decennial, but issues remain. Specific limitations that impact the bureau's management of the decennial census include the following:

- not using critical path management
- no thorough up-front review of project start and end dates
- limited integration of major contractor activities
- no integration of schedule activities and budget plan/expenditure information
- unreliable cost estimate
- lack of transparency in use of contingency funds
- lack of systematically documented program and funding decisions
- risk management activities that are behind schedule
- varying quality and content of mitigation plans

In addition, we found that the bureau did not clearly and accurately report on the status of the risk associated with the Field Data Collection Automation (FDCA) system, which includes the handheld computers, and ceased reporting it as a key issue in the Monthly Status Report (MSR), even though the issue had not been adequately resolved.

## What We Recommended

This report does not provide recommendations. We will forward in a separate document to the Census Bureau recommendations based on our work, which include

- strengthening its process for preparing and reviewing MSRs to ensure that all key issues and significant risks—as well as other information—are fully and accurately reported;
- for the 2020 Census, using its project management software to integrate planned budget and expenditure information with schedule activities to better track the status of available funds, forecast impending overruns and underruns so that funds can be reallocated promptly, and improve the transparency of decennial status to oversight and stakeholders; and
- for the 2020 Census, developing a robust and transparent process to document significant decisions and trade-offs in order to understand estimated costs.



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

August 6, 2009

The Honorable Alan B. Mollohan  
Chairman  
Subcommittee on Commerce, Justice,  
Science and Related Agencies  
Committee on Appropriations  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Mr. Chairman:

This report responds to the requirement of the Supplemental Appropriations Act of 2008 to report on a quarterly basis the status of 2010 Census operations. The act gave the Census Bureau an additional \$210 million to help cover escalating 2010 decennial costs and required the bureau to submit to the Senate and House Committees on Appropriations a detailed plan and time line of decennial milestones and expenditures, and a quantitative assessment of associated program risks within 30 days. It further required the Office of Inspector General to provide quarterly reports on the bureau's progress against this plan. Census completed its baseline submission in May 2009.

Our first quarterly report focuses on key limitations in the bureau's ability to oversee the systems and information for tracking schedule activities, cost, and risk management activities for the 2010 Census. Our review found a number of limitations to effective oversight, including lack of integration of schedule activities and budget plan/expenditures, an unreliable cost estimate for the decennial census, delayed risk management activities, and lack of transparency in monthly status reports.

We will issue a separate memorandum to the Census Bureau director containing recommendations to address issues identified as a result of our fieldwork. We have sent identical letters to Representative Frank R. Wolf, Senator Barbara A. Mikulski, and Senator Richard C. Shelby.

If you have any questions, or if we can be of further assistance, please do not hesitate to contact me at (202) 482-4661.

Sincerely,

A handwritten signature in black ink that reads "Todd J. Zinser".

Todd J. Zinser

Attachment



Cc: Representative Patrick J. Kennedy  
Representative Chaka Fattah  
Representative Adam Schiff  
Representative Michael Honda  
Representative C.A. "Dutch" Ruppertsberger  
Representative Peter J. Visclosky  
Representative Jose E. Serrano  
Representative David R. Obey, *Ex Officio*  
Representative John Abney Culberson  
Representative Robert B. Aderholt  
Representative Jo Bonner  
Representative Jerry Lewis, *Ex Officio*



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

August 6, 2009

The Honorable Frank R. Wolf  
Ranking Member  
Subcommittee on Commerce, Justice,  
Science and Related Agencies  
Committee on Appropriations  
U.S. House of Representatives  
Washington, D.C. 20515

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**The Inspector General**  
Washington, D.C. 20230

August 6, 2009

The Honorable Barbara A. Mikulski  
Chairwoman  
Subcommittee on Commerce, Justice,  
Science and Related Agencies  
Committee on Appropriations  
United States Senate  
Washington, D.C. 20510

Dear Madam Chairwoman:

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Cc: Senator Daniel Inouye  
Senator Patrick Leahy  
Senator Herb Kohl  
Senator Byron Dorgan  
Senator Dianne Feinstein  
Senator Jack Reed  
Senator Frank Lautenberg  
Senator Ben Nelson  
Senator Mark Pryor  
Senator Judd Gregg  
Senator Mitch McConnell  
Senator Kay Bailey Hutchison  
Senator Sam Brownback  
Senator Lamar Alexander  
Senator George Voinovich  
Senator Lisa Murkowski



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

August 6, 2009

The Honorable Richard C. Shelby  
Ranking Member  
Subcommittee on Commerce, Justice,  
Science and Related Agencies  
Committee on Appropriations  
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# 2010 Census: First Quarterly Report to Congress

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## Introduction

The Supplemental Appropriations Act of 2008, enacted June 30, 2008, gave the Census Bureau an additional \$210 million to help cover spiraling 2010 decennial costs stemming from the bureau's problematic efforts to automate major field operations via handheld computers, major flaws in its cost-estimating methods, and other issues. The act's explanatory statement required the bureau to submit to the Senate and House Committees on Appropriations a detailed plan and time line of decennial milestones and expenditures, and a quantitative assessment of associated program risks within 30 days. It further required OIG to provide quarterly reports on the bureau's progress against this plan. After encountering delays in preparing a plan, Census completed its baseline submission requirements to Congress in May 2009. It consisted of key issues, program milestones, expenditures, program risks, and the overall status of the decennial. This information and subsequent updates of the bureau's progress are the measures we reviewed in preparation of our first quarterly report.

### Automating Census Field Operations

Since first conducted in 1790, the constitutionally mandated decennial census field activities have largely been a paper-based operation. The 2010 Census plan included significant expansion of automation, using handheld computers to verify addresses (address canvassing), conduct in-person surveys with households that did not return their questionnaires (nonresponse follow-up), and collect data from a nationwide sample to evaluate the accuracy of the decennial count (coverage measurement). Nonresponse follow-up is the most expensive and labor-intensive operation of the decennial census. Increasing costs and automation problems prompted the bureau's decisions to abandon the handhelds for nonresponse follow-up and coverage measurement operations, but to go forward with their use for address canvassing.

An accurate census count is critical: the results are used to apportion legislative districts at the federal and state levels and distribute more than \$300 billion annually in federal domestic assistance to local, state, territorial, and tribal governments.

Our first quarterly report highlights the limitations in the Census Bureau's ability to oversee the systems and information for tracking schedule activities, cost, and risk management activities. Future reports will focus on cost, schedule, and risk management issues relevant to the life-cycle activities during the reporting period.

## Background

The bureau was unable to submit its detailed plan within the required 30 days after enactment of the Supplemental Appropriations Act of 2008. This delay occurred because completion of the plan was predicated on modification of the Field Data Collection Automation (FDCA) contract to reflect the diminished role for the handhelds and other reductions in contractor support. Census had planned to have FDCA revised by the end of July 2008 and to complete the reformulated decennial plan soon thereafter. However, the contract modification was not completed until November 2008. In January 2009, the Department of Commerce submitted information intended to satisfy the act's requirement to the House and Senate

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## 2010 Census: First Quarterly Report to Congress

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Appropriations subcommittees<sup>1</sup> with jurisdiction over Commerce, but the subcommittees subsequently notified the bureau that the information was inadequate (see appendix A for the subcommittees' letter). They asked for a new submission and further directed Census to immediately begin reporting monthly on its progress against the revised plan.

Census officials met with the House and Senate subcommittees' staff on April 16, 2009, and May 6, 2009, respectively, to review reports bureau managers use to oversee cost, schedule, and risks for the 2010 program. One of these reports—the Monthly Status Report (MSR)—contains high-level details on, among other things, program status, milestones, budget versus expenditures, and key issues and risks, and is used to brief senior Census and Commerce managers as well as OMB. The bureau presented the February and March 2009 MSRs to the subcommittees.

### **OIG Oversight Pursuant to the Act**

We have been monitoring the bureau's replanning efforts, closely reviewing decennial activities and materials regarding the 2010 schedule and the bureau's progress against key milestones, program-level risk management, and the FDCA contract (see appendix B for a discussion of our objectives, scope, and methodology). The MSRs have supplemented and further informed our oversight.

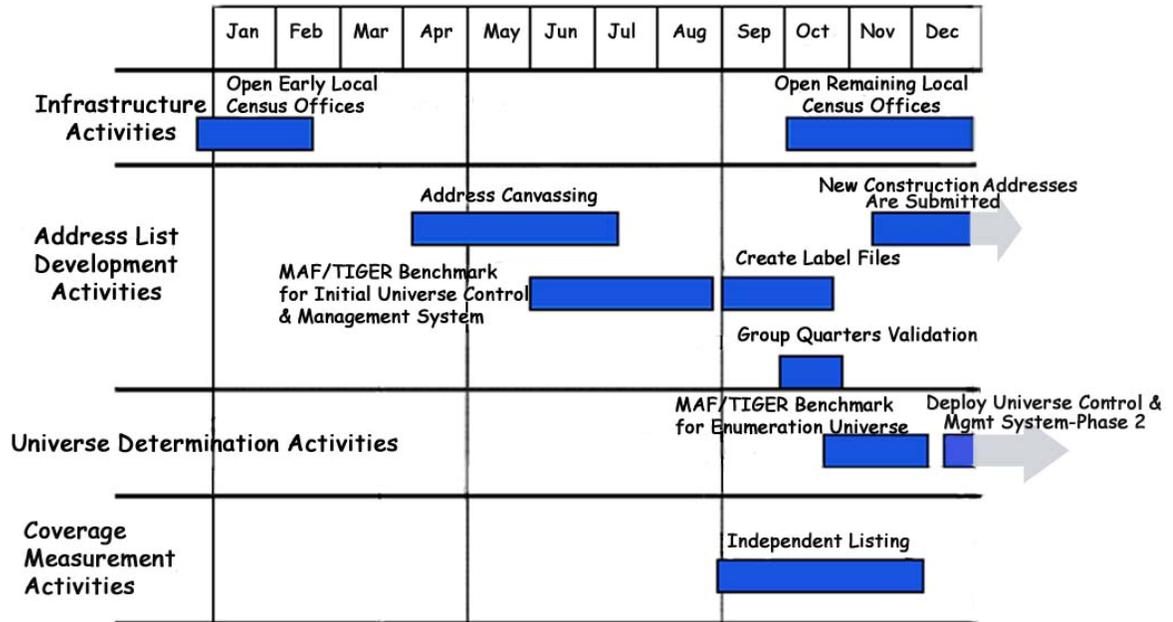
This quarterly report has three areas of focus: chapter 1, which describes several long-standing systemic limitations in the bureau's decennial management systems that continue to impact its program management; chapter 2, which details our observations on the status of risk management planning; and chapter 3, which presents our observation about needed improvements to the accuracy of reporting in the MSR. Figure 1 on the following page presents the 2009 decennial schedule; appendix C presents the bureau's life-cycle schedule for 2010 decennial activities through 2013.

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<sup>1</sup> Senate and House Subcommittees on Commerce, Justice, Science and Related Agencies.

# 2010 Census: First Quarterly Report to Congress

**Figure 1. 2009 Census Life-Cycle Schedule Chart (as of March 18, 2009)**



Source: Census Bureau

## Chapter 1

### **Limitations in Census Program Management Systems Reduce the Usefulness and Reliability of Management Information**

The Census Bureau's ability to effectively oversee decennial progress has long been hampered by inherent weaknesses in its systems and information for tracking schedule activities, cost, and risk management activities. The overarching problem is that these systems and information are not integrated in a manner that allows for effective program management measured against earned value metrics: the bureau is unable to measure cost, schedule, and performance<sup>2</sup> in an integrated or holistic way (earned value) in support of the entire decennial against its plans for all individual components in the 2010 life cycle. In other words, the bureau does not have a direct link between the schedule of specific activities, the cost of those activities, and the work actually accomplished, thus making it difficult to forecast cost overruns and underruns because of this inability to generate earned value measures. For example, a cost area may appear to be under budget when in reality the money spent to date only accomplished a fraction of the planned work to be performed. On the other hand, a cost area may appear to be on budget, yet the money spent to date accomplished more work than planned. As a result, the bureau could either end up spending 100 percent of its budget but only completing 75 percent of its activities, or it could complete 100 percent of its activities while having spent only 75 percent of its budget.

OMB Circular A-11 requires that earned value management (EVM) be used as a project (investment) management tool to effectively integrate the investment scope of work with schedule and cost elements for investment planning and control of major assets. Because EVM supports effective planning and control, it is beneficial to the management of any major program, particularly a large, complex program like the decennial census. A schedule that is aligned with the budget and scope of work would give Census the ability to combine progress measurements in a single integrated system and provide an early warning of cost, schedule, and performance variances from the management plan. As the EVM standard states, "Without earned value, one can only compare planned expenditures with how much has been spent, which does not provide an objective indication of how much of the planned work was actually accomplished."<sup>3</sup>

The Census Bureau acknowledges its limitation of not implementing an EVM approach to manage the 2010 Census and told us it recognized mid-decade that the lifecycle budget structure adopted at the beginning of the decade was poorly suited

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<sup>2</sup> Performance refers to activity outputs such as physical products produced, milestones or technical performance goals achieved, and other indicators that will be used to measure progress.

<sup>3</sup> Government Electronics and Information Technology Association, EIA-748B, *Earned Value Management Systems*, Arlington, VA, June 2007.

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## 2010 Census: First Quarterly Report to Congress

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to EVM integration with the detailed 2010 Census schedule. In an attempt to compensate, the bureau stated it has implemented processes and mechanisms to allow it to minimize the risks. However, because the bureau's processes do not provide an integrated view of cost, schedule, and performance for all decennial activities, these efforts, while helpful, cannot fully compensate for the lack of EVM. A discussion of the bureau's specific limitations follows.

### Project Management Systems and Data Are Not Integrated

Census maintains a schedule of activities for the 2010 Census that encompasses 44 major operations. The bureau's current schedule (baselined on May 22, 2008), which was derived from the 2008 dress rehearsal schedule,<sup>4</sup> is divided into five categories: planning, logistics, systems, field operations, and assessments, and comprises approximately 9,400 program- and project-level activities. These activities have baseline start and finish dates, some of which may begin and/or end early without affecting the overall schedule.

A small group of staff from the bureau's Decennial Management Division maintains overall control of the schedule, but staff members from individual project-level teams across multiple divisions update the status of their respective activities weekly. The schedule is monitored and modified using a commercial project management software program that generates "alert reports" (see figure 2 on the next page) that show the status of decennial activities (figure 3). The primary alert report used by Census management tracks activities deemed critical to carrying out the decennial census.<sup>5</sup> Changes to the schedule are made primarily through a formal change request process. These weekly schedule updates are beneficial to Census managers who need current information to manage their projects. The Census Integration Group (CIG), composed of bureau division chiefs, provides primary internal oversight for the schedule. This group meets weekly to review the status of activities and other issues associated with the 2010 Census and take necessary actions to resolve any delays or problems with the schedule as noted in the alert reports. Issues it cannot resolve are elevated to the senior executive Decennial Leadership Group—the decision-making body for decennial census matters. This group may choose to elevate certain issues to higher level managers for resolution.

**Figure 3. Alert Report Activity Status Codes**

<b>Red</b>	– more than 5 days late
<b>Yellow</b>	– between 1-5 days late
<b>Green</b>	– on time or early
<b>Blue</b>	– scheduling late, but low risk of missing date

Source: Census Bureau

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<sup>4</sup> The dress rehearsal is a large-scale operational test that starts 2 years before the decennial census and is supposed to encompass all major operations included in the actual decennial enumeration.

<sup>5</sup> The number of critical activities changes as the decennial progresses but has numbered between 50 and 60 activities in recent months.

# 2010 Census: First Quarterly Report to Congress

**Figure 2. 2010 Census Alert Report (as of May 26, 2009)**

U.S. Bureau of the Census, DMD		Alert Report										Run Date : 5/27/09 13:42
Activity ID	Activity Name	2010 Baseline Start	Start	Start Dates Alert Flag	2010 Baseline Finish	Finish Dates Alert Star	Notes & Comments Current Week	Notes & Comments Previous Week				
1CFF-0440	2010 COs Leases Awarded	2/20/08	12/18/08 A		4/7/08	6/30/08	27MAY08: Ninth week. Field Division and GSA are working to mitigate any impacts this delay may cause. There are small number ent.					
1CAD0-06610	Candidate Address Canvassing Production Field Week Wave 1	4/9/08	3/30/08 A		6/12/08	6/12/08						
1CAD0-06620	Candidate Address Canvassing Production Field Week Wave 2	5/4/08	4/20/08 A		7/10/08	7/10/08						
1CMT3-14120	MT Benchmark Proc for Enum Univ (Sup Mailout, U., GOA/VE, 39E, ETL, WFF, Leig/DL, Military)	10/16/08	9/20/08		12/7/08	11/17/08		Rec Status on 20MAY08; Issue Resolved				
From page 1 of 4												
10MIF-48190	Conduct of CCM Initial Housing Unit Followup (HUFU) Operation	3/4/10	3/12/10		4/23/10	5/1/10	27MAY08: Second Week. The preparation & delivery of the field manuals for CCM Initial HU FU is two months later than when they are needed for kiting - NPC & PLD (10MIF-26300, 10MIF-25302 & 10FIF-14213).					
From page 2 of 4												
10MIS-4140	MT Benchmark Process for TV (Be Counted, TOA, LHES from Enumeration Operations) (Incl #08)	5/25/10	3/6/10		6/14/10	3/23/10		Red Status on 20MAY08 Issue Resolved				
From page 3 of 4												
1CDAD-50160	Deliver Production Data to Redistributing Data Office (RDO) for Dissemination	2/3/11	3/8/11		3/25/11	4/28/11	27MAY08: Second Week. The baseline dates for receiving the HDF table structure from RFS and updating the DFF software are not in alignment - DMD 10DAD-30030 and 10DAD-31005, 10DAD-3108C and 10DAD-31034). CR is in process.					
1CDAD-50166	Deliver PL 94-171 Redistributing Data Products to States	2/4/11	3/8/11		3/30/11	4/28/11	27MAY08: Same issue as 10CAD-50160.					
From page 4 of 4												
<p><b>Red Alert Flag:</b> Early Start or Finish Dates are more than 5 Days Later than 2010 Baseline Start or Finish Dates</p> <p><b>Green Alert Flag:</b> Early Start or Finish Dates are On or Earlier than 2010 Baseline Start or Finish Dates - does not imply that these activities can or will start early</p> <p><b>Yellow Alert Flag:</b> Early Start or Finish Dates are 1 to 5 Days Later than 2010 Baseline Start or Finish Dates</p> <p><b>Blue Alert Flag:</b> - CIG Assesses as a Non-Issue or the Risk of Missing the Baseline Dates is Low</p> <p>*All Red and Yellow activities have been assigned for investigation and resolution to the responsible division. Status will be reported on the following week's report.*</p> <p>* = Constant</p>												

Source: Census Bureau

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## 2010 Census: First Quarterly Report to Congress

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Census monitors and analyzes the decennial budget and expenditures at a very high level—looking at six areas or “frameworks” (figure 4)—via the MSRs, internal monthly financial management reports, and internal cost variance analysis. Within these major areas, there are over 140 individual projects Census uses to manage cost. However, these projects do not directly tie into the 44 major operations representing 9,400 program- and project-level activities. The bureau primarily uses the Amended President’s Budget Request (the baseline for FY 2009 Census expenditures), MSRs, and Financial Management and Status of Funds reports to monitor actual costs against budget. The monthly Financial Management report is generated by Commerce Business Systems<sup>6</sup> and provides monthly and year-to-date budget and cost information at a summarized project level. The related Status of Funds report provides a detailed breakdown of the project budget and cost information, explains significant variances, and estimates the end-of-year position for each project. With this information, the bureau can estimate costs for each project area and track expenditures on a monthly basis.

**Figure 4. 2010 Decennial Frameworks**

1. Program Development and Management
2. Content, Questionnaires, and Products
3. Field Data Collection and Support Systems
4. Automated Data Collection, Systems, and Data Capture
5. Census Design, Methodology, and Evaluation
6. Census Test and Dress Rehearsal Implementation

Source: Census Bureau

However, these two processes, one for managing schedule activities and the other for budget and expenditures, operate independently of one another. This precludes Census managers from tracking actual costs by individual activity, which is needed to forecast any funding shortages or surpluses. In addition to this weakness, we identified seven specific project management limitations that impact the bureau’s management of the decennial census. They are as follows:

- *Not using critical path management.* The decennial census schedule encompasses 44 major operations representing 9,400 program- and project-level activities that span several years. For some operations, more granular project tasks are not part of this schedule but are monitored independently by individual project managers. In the Spring of 2009, the bureau’s software program generated approximately 500 program- and project-level activities from the schedule as constituting its critical path. A critical path is typically calculated by the project management software after a comprehensive baseline review of all activities and represents the group of activities that must be completed on time or else the entire project is delayed. Managers typically employ this technique to monitor the progress of critical project

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<sup>6</sup> Commerce Business Systems, which became operational in October 2003, is the Department’s integrated financial management system.

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## 2010 Census: First Quarterly Report to Congress

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activities and to guide the decision-making process for the reallocation of resources when activities inevitably vary from the planned schedule.

Due to the complex interrelationship of decennial operations, Census management determined the best approach to managing its schedule of decennial activities was not to use its software to create a single critical path encompassing all decennial projects. Further, the level of formal monitoring varies across projects and members of the CIG employ their experience and judgment to identify and monitor critical activities affecting multiple projects in a weekly alert report. The bureau's schedule of activities for the decennial census continues to be a work in progress due to operations the bureau has not yet fully defined and problems it defines as "logic issues." These issues combined with the uneven oversight of more granular tasks increase the risk of Census not accurately identifying activities critical to meeting its schedule.

- *No thorough up-front review of start and end dates.* When the schedule was created, project teams did not thoroughly review activity start and end dates and their relationship to dependent projects to ensure a reasonable schedule. As a result, activities may have incorrect start and end dates. In addition, the order of when activities occur may not be correct. Census project teams are responsible for ensuring that their activities are correct and are working to make necessary changes. For example, after reviewing its activities earlier this year, Census's Geography Division in March 2009 corrected the end dates of several geographic program activities from Sunday to Monday, allowing some activities to start at the same time instead of one needing to finish before the other begins. These types of problems cause critical activities to regularly appear to be behind schedule, though they are not.

Census refers to this misleading schedule information as a "logic issue." These issues are brought to the attention of the CIG after they have been reviewed by the respective project teams. In an attempt to distinguish activities defined as logic issues from those experiencing real delays, CIG created a new category designation (blue) in its critical activity alert report to track these problems. Given this subjective process, it is difficult to ascertain whether lower-level activities are experiencing actual delays or are affected by logic issues. It is possible that as the number of decennial projects increases in 2010, a larger number of "logic issues" may surface as critical activities are added to the alert report. With operations under way, Census project teams are reviewing their respective activities to improve the schedule's reliability.

- *Limited integration of major contractor activities.* The schedule contains milestone dates for deliverables associated with the bureau's five major

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contracts,<sup>7</sup> but it does not include detailed contractor tasks and activities. Instead, the bureau relies on individual project offices to manually summarize the contractor's progress across multiple tasks and activities. For example, the schedule contains an activity called "Test and Integrate Address Canvassing OCE & HHC Applications,"<sup>8</sup> which is part of the \$798 million FDCA contract with Harris Corporation. This high-level activity encompasses many subactivities that are performed by the contractor but are not listed in the schedule. Therefore, managers cannot use the schedule to readily monitor the contractor's progress for specific tasks that may be important to the schedule. Also, the bureau recently informed us that additional tasks and deliverables associated with its decennial response integration system and data access and dissemination system contracts still need to be added into the 2010 Census schedule.

- *No integration of schedule activities and budget plan/expenditure information.* The Financial Management and Status of Funds reports and MSRs show cost variances. However, budget and expenditure information is not integrated with schedule and progress information. Thus, where budget variances show underruns, there is no formal way of determining whether an underrun occurs because an activity is less costly than its estimated budget or whether the activity is behind schedule. Similarly, where an overrun appears, it is unclear whether it is the result of the activity overrunning its budgeted cost or being ahead of schedule.

The project management software used by Census has the capability to incorporate the planned budget and expenditure (actual cost) information into the schedule of activities. However, the bureau does not use this capability and does not have the decennial budget and schedule integrated. If Census managers used the project management software for its full budget/expenditure capability, they could better track the status of the operation to available funds and know of impending overruns so that funds can be reallocated promptly or that projects will have to be cancelled or delayed. Using this capability would also improve the transparency of decennial status to oversight and stakeholders.

While it is too late in the 2010 decennial process to accomplish this integration, it would be beneficial for Census to attempt to complete an integration activity for one component of its operation, such as nonresponse follow-up, as a benchmark for 2020.

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<sup>7</sup> Apart from FDCA, the bureau manages four additional contracts collectively worth another \$1.1 billion for printing, integrated communications, and the development of a data access and dissemination system and a decennial response integration system.

<sup>8</sup> OCE refers to the office computing environment while HHC refers to the handheld computer.

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- Unreliable cost estimate. In addition to the limitations in evaluating cost variances, the Government Accountability Office (GAO) reported in June 2008 that the bureau's 2010 life-cycle cost estimate is not reliable because it lacks adequate documentation and is not comprehensive, accurate, or credible.<sup>9</sup> GAO recently informed us that the bureau plans to make improvements to its 2020 life-cycle cost estimate per GAO's recommendations and intends to provide more detailed background information on calculations and justifications for funding levels. However, the overall limitations of the 2010 life-cycle cost estimate remain. The current life-cycle cost estimate has grown from \$11.5 billion to \$14.7 billion in the course of 2 years. This increase in the life-cycle cost was caused primarily by the problems in developing the handheld computers, which prompted the decision to return to a paper-based nonresponse follow-up operation and an increase in projected costs resulting from changes in assumptions made earlier in the decade but recently revised.
- Lack of transparency in use of contingency funds. Contingency funds, or management reserves, are key components of risk mitigation in a program the size of the decennial census. The bureau's monthly financial reporting system shows decennial operations that are both over budget and under budget in any given month as well as numerous FY 2009 operating plan adjustments. From an oversight perspective, it is not clear why or when the bureau has determined that it must draw from its contingency reserve rather than realigning its operating plan to draw money from operations with budget underruns. The FY 2009 contingency budget was \$200 million. Enhancing the bureau's MSRs to include documentation of these modifications is necessary in understanding why and when Census must draw from its reserve. Census agrees that additional documentation would be beneficial and stated that for its FY 2010 budget, it intends to establish discrete projects for each use of contingency funds so that actual costs for major field operations are recorded accurately and available for review. It further stated that it would attempt to incorporate this information into its MSRs.
- Lack of systematically documented program and funding decisions. We reviewed selected Census decision documents and expenditures for the 2010 Census<sup>10</sup> and found that Census produces a variety of memoranda series, including 2010 Decision, 2010 Planning, 2008 dress rehearsal, and all mid-decade testing. These memoranda have addressed a variety of topics ranging from the 2010 Census American Indian and Alaska Native Logo to the Final

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<sup>9</sup> US Government Accountability Office, June 2008. *2010 Census: Census Bureau Should Take Action to Improve the Credibility and Accuracy of Its Cost Estimate for the Decennial Census*, GAO-08-554. Washington, DC.

<sup>10</sup> This review was in response to a separate request on April 23, 2008, by then-Secretary of Commerce Gutierrez for the Department's obligation to respond to the Committee on Appropriations.

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Demographic and Housing Content for the 2008 Census Dress Rehearsal and the 2010 Census. However, there are no documented policies on what decisions or events require a memorandum or what the content should be. In addition, there is no clear linkage among these memorandums and budget requests, spend plans, or expenditures.

The lack of a systematically documented set of decisions reduces the transparency of decision making and prevents stakeholders from being informed of potentially significant trade-offs and changes in Census's approach. For example, in a June 2001 document presenting the potential life-cycle cost savings of the 2010 Census design, the bureau estimated \$155 million in savings could be achieved by maintaining and updating the address list throughout the decade and using a targeted approach to address listing. The reduction also depended on the use of GPS equipped handheld devices to reduce time and travel costs. This design would avoid an end-of-decade massive address listing operation. In March 2004, Census issued a planning memorandum that stated the bureau no longer believes "we can assume this approach will be perfected for 2010" and included a previously assumed savings of \$38 million back into the cost model.

However, the justification and rationale for reverting back to a 100 percent address canvassing approach was not documented in any of Census's decision, planning, or information memoranda, and some stakeholders were unaware of the change. A 2004 report by the National Research Council states that at a September 2003 meeting, Census expressed surprise that the Research Council was assuming it would pursue targeted address canvassing. Census maintained that a full block canvass was always part of the bureau's 2010 plan. The Research Council's report goes on to say,

We respectfully disagree; part of the tenor we recall in early discussion of the MAF/TIGER Enhancement Program was the need for continuous address updating over the next decade in order to avoid a block canvass. The Census Bureau's document on projected life-cycle costs of the 2010 census suggests the desire to replace a last-minute canvass with continuous updating.<sup>11</sup>

In addition to the lack of a systematic and visible way of ensuring significant decisions are documented, there is no traceability from the bureau's stated \$38 million increase to the life-cycle cost resulting from the change to the estimated address canvassing price tag at that time. While we do not question Census's need to make changes to its plans to adapt to a changing environment over the decade, it needs to develop a robust and transparent

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<sup>11</sup> National Research Council, *Reengineering the 2010 Census: Risks and Challenges*, The National Academies Press, Washington, D.C., p.87.

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process to document significant decisions and trade-offs in order to understand estimated costs. Census agrees that additional documentation regarding its program funding decisions could provide its stakeholders with greater insight into trade-offs and program choices.

## Chapter 2

### Risk Management Program Is Behind Schedule

Census's current risk management plan (issued June 6, 2008) establishes processes and procedures for monitoring program- and project-level risks, and identifies staff responsible for managing these activities.

Program-level risks are those that may impact overall program cost, schedule, and technical and compliance objectives. Project-level risks are confined to a single project or operation.

Each program-level risk must have a plan that defines mitigation strategies and specific actions, time frames, and people for implementing them. Authority to implement the risk management plan and its related processes ultimately resides with the associate director for decennial census. The Risk Review Board—a subgroup of the Census Integration Group—plays a key role in overseeing risk management activities. The risk management plan also requires contingency plans for addressing certain risks triggered by a missed date or specific event and that these plans be completed well in advance of the expected trigger. The aforementioned efforts represent a significant improvement over the 2000 decennial, which lacked a formal risk management process.

In fall 2007, the associate director for decennial census and the Decennial Management Division chief discussed the areas of concern with the 2010 Census. Census staff worked with an outside consultant to organize the risk framework and prepare a baseline “risk register” of 24 program-level risks. The register describes each risk and identifies the manager responsible for it; the likely impact on cost, schedule, technical performance, and oversight; and possible time frames and the probability of occurrence: red is likely (high), yellow is somewhat likely (medium), and green is unlikely (low). Values are assigned, on a scale from 1 to 5 (see figure 5), by each program's risk manager, who is the subject matter expert. Figure 6 shows the highest risks facing the 2010 decennial per the bureau's June 2009 risk register.

#### Figure 5. Rating Scales for Decennial Risks

The rating scales for the probability of occurrence are:

- (1) extremely unlikely
- (2) not likely
- (3) even chance
- (4) likely
- (5) extremely likely

The rating scales for impact areas are:

- (1) insignificant or none
- (2) minimal
- (3) moderate
- (4) substantial
- (5) major

Source: Census Bureau

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Figure 6. Red Program-Level Risks (as of June 24, 2009)

Name	5x5 Color	Probability	Impact Total	Impact Components			
				Cost	Schedule	Technical	Oversight
Late Design Change	Red	5	5	5	5	5	5
Major Disaster's Effect on Population	Red	5	3	2	3	3	4
2010 Operational and Systems Failures	Red	4	4	3	4	4	5
Housing Unit Duplicates and Misses	Red	4	4	3	3	4	5
Falling Behind Schedule on Key Milestones	Red	4	4	4	3	4	4
FDCA Decentralization/Reintegration	Red	3	4	4	4	4	4
Contract Management Issues	Red	3	4	3	4	3	5

Source: Census Bureau

Out of the seven red risks identified, “Late Design Change” has the highest risk rating possible, with all 5s. The column for “Oversight” contains the highest concentration of 4s and 5s and consistently receives the highest risk scores relative to cost, schedule, and technical impact areas.<sup>12</sup> According to the risk management plan, the compliance and oversight impact area provides information on “a risk’s potential to impact the program’s ability to meet the compliance mandates and oversight requirements of Congress and other key stakeholders including GAO.” However, the manner in which the table is presented suggests oversight is a risk when, in fact, the risk is associated with compliance requirements, such as statutory deadlines, appropriations law, Departmental IT security policies, or the Federal Acquisition Regulation. The status and changes in status of all 24 risks, including the seven red-rated risks, between October 2008 and June 2009 are shown in Figure 7.

### ***Risk Management Limitations***

- *Risk management activities are behind schedule.* Staff finalized mitigation plans in June and are still working on contingency plans for a number of activities, largely because the risk management process started late and the plan was released very close to the start of major 2010 Census operations. As a result of the late release, the Risk Review Board only began meeting regularly and reviewing completed mitigation plans in January 2009. The June MSR reported that, while all 24 risk mitigation plans were approved, not one contingency plan has been approved. However, as late as the May MSR, the risk mitigation plan for “Inaccurate Puerto Rico Address List” was not approved even though certain risk mitigation activities correlate with address canvassing, which was recently completed. In addition, “Continued Operations of Critical Infrastructure During Disasters” did not have mitigation or contingency plans in place before address canvassing began, although due to its importance, it is one of the initial risk areas identified for a contingency plan by the Risk Review Board.

Census selected 11 of the 24 program-level risks to have contingency plans developed. However, the bureau did not document its rationale for determining whether or not a risk warranted a contingency plan. Census

<sup>12</sup> The risk management plan refers to this impact area as “compliance and oversight.”

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should develop a transparent process for documenting significant risk management decisions so that stakeholders can understand management's actions.

Census relies on teams of subject matter experts for quick and informal decisions to resolve problems as they emerge. Without contingency plans, when risks are realized, Census may need to quickly develop contingencies that may not be the best solution, rather than follow a well-thought-out plan. Without the completion and link between the program-level mitigation and the project-level contingency plans, Census has no definition of triggering events—those events that present specific risks and could invoke a contingency operation. Finally, because the development, review, and approval of these plans have been time and resource intensive, risk managers have not begun reporting on the status of actions within individual plans, as required by the risk management plan.

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**Figure 7. Risk Status (as of June 24, 2009)**

Risk Grouping	Risk Name	Color	
		Oct. 2008	June 2009
Operations and Systems Risks	Handheld Solution	High	Medium
	Contract Management Issues	High	High
	Late Design Change	High	High
	Address Canvassing and Group Quarters Validation	High	Medium
	Operational Control System Solutions	High	High
	2010 Operational and System Failures	High	High
	FDCA Decentralization/Reintegration	High	High
Quality Risks	Housing Unit Duplicates and Misses	High	High
	Exception Enumeration Quality	Low	Low
	Inaccurate Puerto Rico Address List	High	Medium
	Data Quality	Medium	Medium
	Person Overcoverage and Undercoverage	*	Medium
Public Cooperation Risks	IT Security Breach	High	Medium
	Loss of Confidential Data	High	Medium
	Respondent Cooperation	Medium	Medium
	Stakeholder Support	Medium	Medium
	Immigration Policy Backlash	Medium	Medium
Major Disasters Affecting Population	Major Disaster's Effect on Population	Medium	High
	Continued Operations of Critical Infrastructure During Disasters	High	Medium
Staffing Risks	Permanent Staff Retention	Medium	Low
	Inability to Recruit Sufficient Temporary Workforce	High	Low
Budget Risks	Uncertainty of Assumptions in Cost Model	Medium	Medium
	Continuing Resolution	Low	Medium
	Insufficient Funding	Medium	Medium
Schedule	Falling Behind Schedule on Key Milestones	Medium	High

\*In February 2009, the MSR provided a new risk to include Person Overcoverage and Undercoverage

Source: OIG Analysis of Census Bureau Risk Registers

- The quality and content of mitigation plans vary.* In many cases, the mitigation plans provide limited information on actions, resources, and time frames required for their implementation. For example, the risk mitigation plan for “2010 Operational and System Failures,” a red-rated risk, lacks actions and milestone dates to fulfill mitigation strategies. This plan has a crucial function—ensuring that multiple IT systems properly integrate with operational plans, methods, and procedures without disrupting operations, losing data, or compromising data quality. Without actions and milestones for mitigating particular risks, Census is unable to provide direction, monitor the

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status and progress of documented risk mitigation activities versus planned milestones, and ensure accountability of planned actions against actions taken.

Chapter 3

Lack of Transparency on Information Technology Security in Monthly Status Reports Casts Doubt on Accuracy of Reporting

We found that Census did not clearly and accurately report on the status of the risk associated with the FDCA system, which includes the handheld computers, and removed it from the key issues portion of the MSR, even though the issue had not been adequately resolved. These actions call into question the validity of the bureau’s reporting on other decennial risks.

A critical section of the MSR, from the perspective of oversight officials, is the status of key issues presented in the initial pages of the report. This section of the MSR identifies these issues; rates them as green, yellow, or red depending on their severity; provides a target date for their resolution; and includes a synopsis of each issue and how it is being addressed. An example of this reporting is presented in table 1 for the December 2008 MSR.

Area	Status	Target Date	Issue Description and Synopsis of Status Drivers
Testing		March 2009	<p><b>Description:</b> Testing is continuing to find issues related to FDCA software/system quality, scalability and performance that could impact the successful execution of Address Canvassing.</p> <p><b>Synopsis:</b> The Census Bureau has continued efforts to “embed” users in the Harris testing. Harris concluded the formal run of Validated System Testing (VST) on 12/9 with a 96.5% pass rate. Harris also conducted a Dial-up test in Puerto Rico and testing in Billings, Montana where we have a large amount of spatial data. Users have conducted field tests using Title 13 data in Prince Georges county, MD and in Fairfax county, VA. The user testing included running scripted scenarios to validate that outcomes are as expected and to assess performance of the software as the number of addresses in a block neared and exceeded 1000. Additional testing of performance as the number of addresses exceeds 1000 is under discussion. We conducted the Operational Field Test in Fayetteville, NC the week of 12/8 with very promising results. We are pushing Harris to plan for some sort of scalability/performance test after the system is deployed to all the ELCOs in Feb 2009. Testing results and demos are giving us much more assurance of the Harris solution. However, Decennial Management Division, the FDCA Project Management Office, and appropriate stakeholders are identifying possible key failure points based on Dress Rehearsal and developing mitigations and contingencies to implement should the failures occur.                      Current as of 12/16/08</p>
Harris System Accreditation		Undetermined, but expected to be in the April 2009 time frame	<p><b>Description:</b> Harris is on an extremely tight schedule to receive full system accreditation for Address Canvassing by 2/3/2009 when the system is to be deployed.</p> <p><b>Synopsis:</b> Harris has made progress in some areas, but not all components of FDCA will be ready to receive a full ATO by February 3, 2009. Based on current status and progress, in January 2009 Harris and the FDCA PMO will request an expansion of the 10/09/08 authorization granted by the Associate Director for Decennial Census to allow for the start of operations until the final ATO can be achieved (expected in April 2009). Current as of 12/16/08</p>

Source: U.S. Census Bureau

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Because Harris was having difficulty meeting the IT security requirements of the FDCA contract, system certification and accreditation<sup>13</sup> was delayed and was reported as a key issue in the first MSR in October 2008. The October 2008 MSR indicated that FDCA had received authorization to operate (ATO) or accreditation for a portion of the system needed to support address canvassing. But the report went on to say there was still a very tight schedule to get full system accreditation for address canvassing by February 3, 2009.

Census continued to report on FDCA IT security as a medium to high risk in the MSRs until February 2009, when it showed the status as green and stated that it had received partial authority to operate in October 2008, which allowed address canvassing to start as scheduled. However, none of the MSRs reported that the October 2008 ATO contained a condition that required that Census obtain a new ATO in the December or January time frame based on additional testing to verify that existing and new controls were in place and operating effectively.

Although the status was recategorized to green and the issue portrayed as resolved, in the February MSR, the conditions of the October ATO had not been met and subsequent concerns arose that, in our opinion, should have kept the issue as a high risk in the MSRs. We have also prepared a separate briefing for the Department and Census Bureau on our findings.

The lack of transparency in the reporting of this key issue raises concerns about the accuracy and transparency of other elements in the MSRs. Census needs to strengthen its process for preparing and reviewing the MSRs to ensure that all key issues and significant risks—as well as all other information—are fully and accurately reported.

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<sup>13</sup> Certification is a comprehensive assessment of security controls implemented in a computer system. It determines whether controls are implemented correctly, operating as intended, and meeting the security requirements for the system. Accreditation is management's formal authorization to allow a system to operate. It includes an explicit acceptance of the risks posed by any identified remaining vulnerabilities. Through accreditation, senior agency officials take responsibility for the security of systems they manage and for any adverse impacts should a breach in security occur.

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## Appendix A: Congressional Letter to Census Bureau

Congress of the United States  
Washington, DC 20515

March 5, 2009

Thomas L. Mesenbourg, Jr.  
Acting Director  
United States Census Bureau  
4600 Silver Hill Road  
Washington, DC 20233

Dear Acting Director Mesenbourg:

The Explanatory Statement accompanying the 2008 Supplemental Appropriations Act required the Census Bureau to submit to the Senate and the House of Representatives Committees on Appropriations a detailed plan showing a timeline of milestones and expenditures for the 2010 Decennial Census, including a quantitative assessment of the associated risk to the program. This information was to have been provided 30 days after the June 26, 2008, enactment of the Act.

In early January 2009, the Committees received information submitted to satisfy this requirement. Specifically, we received the following documentation via e-mail from the Department's director of budget:

- Budget operating plans for FY 2008 and 2009 – *created in August 2008*
- Table of 47 activities with start and finish dates – *dated July 2008*
- Risk Register and Risk Management Plan – *dated June 6, 2008*

However, this information was not in the format requested and was not useful for the purposes intended by our direction. Moreover, since the time these documents were created, the bureau has reformulated its decennial plans based on significant changes to the Field Data Collection Automation (FDCA) contract, which was modified this past November. Since the information submitted was no longer timely and not generally responsive, the Committees are requesting additional information concerning the Census.

In furtherance of the direction contained in the 2008 Supplemental Appropriations Act, the Census Bureau is directed to begin providing monthly information that includes a summarization, or a dashboard style status, on progress being made against your revised plans. In particular, the monthly submission should include management level information starting with the period ending February 2009 to allow the monitoring of

- variations in actual versus planned costs;
- changes to scheduled start and finish dates for key activities;
- updates to the risk register and changes in probability of occurrence and impact of risk areas listed in the risk register;
- status on any emerging key issues;

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- snapshot views into how your major contractors are performing (earned value information, issues, and risk reporting); and
- any other management reports you believe would help us to better understand your current and projected status.

The bureau's serious management failures are costing American taxpayers billions of dollars they can ill afford to pay, and have placed the successful completion of this constitutionally mandated program in serious jeopardy. Given these circumstances, we trust the bureau has, by now, begun producing meaningful management reports for its own use in controlling this vital program, and will promptly provide such information to the Committees. Also, as directed in the supplemental, this information should be provided to the Inspector General's office so that it can continue to carry out its critical oversight responsibilities.

Thank you for your attention to this request. If you have any questions, please call Adrienne Simonson at (202) 225-3351.

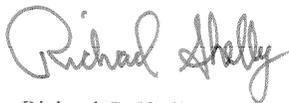
Sincerely,



Barbara A. Mikulski  
Chairwoman  
Senate Subcommittee on Commerce,  
Justice, Science and Related Agencies



Alan B. Mollohan  
Chairman  
House Subcommittee on Commerce,  
Justice, Science and Related  
Agencies



Richard C. Shelby  
Ranking Member  
Senate Subcommittee on Commerce,  
Justice, Science and Related Agencies



Frank R. Wolf  
Ranking Member  
House Subcommittee on Commerce,  
Justice, Science and Related  
Agencies

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### **Appendix B: Objectives, Scope, and Methodology**

To satisfy our requirement for this initial quarterly report on 2010 decennial activities, we focused on 2010 Decennial Census program management systems and documentation. Our objective was to determine the reliability of the information and identify areas where program management or reporting could be improved. We also sought to understand the risk management process and identify potential risks that may hinder the completion of 2010 Decennial Census activities. This report also responds to then-Secretary of Commerce Gutierrez's request that we examine decision documents and expenditures to address the Department's affirmative obligation to respond to the Committee on Appropriations.

To accomplish our objectives, we conducted an extensive review of documentation, including MSRs, activities schedules and associated change requests, program management reviews (primarily FDCA activities), updates to plans for Census-managed activities such as the help desk and paper-based operations, Financial Management and Status of Funds reports, budget variance reports, risk registers, and contingency and mitigation plans for program-level risks. We began reviewing information regarding 2010 Decennial Census activities in July 2008 on a limited basis. We also have been attending weekly schedule and risk management meetings at the bureau since February 2009.

The majority of this review was conducted between February and June 2009, under the authorities of the Inspector General Act of 1978, as amended, and Departmental Organization Order 10-13, dated August 31, 2006, as amended, and in accordance with the Quality Standards for Inspections (revised January 2005) issued by the President's Council on Integrity and Efficiency.

