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General Accounting Office
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General Government Division

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July 31, 1997

The Honorable Richard K. Armey
Majority Leader
House of Representatives

The Honorable John Kasich
Chairman, Committee on the Budget
House of Representatives

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

The Honorable Bob Livingston
Chairman, Committee on Appropriations
House of Representatives

Subject: The Results Act: Observations on the Department of the Treasury's July 1997 Draft Strategic Plan

On June 12, 1997, you asked us to review the draft strategic plans submitted by the cabinet departments and selected major agencies for consultation with Congress as required by the Government Performance and Results Act of 1993 (the Results Act). This letter is our response to that request concerning the Department of the Treasury.[1]

Our overall objective was to review and evaluate the latest available version of Treasury's draft strategic plan. Specifically, we (1) assessed the draft plan's compliance with the Act's requirements and its overall quality, (2) determined if Treasury's key statutory authorities were reflected, (3) identified whether discussions about crosscutting functions and interagency involvement were included, (4) determined if the draft plan addresses major management

[1]In addition to the Treasurywide plan, 15 components within the Department had draft strategic plans as of July 1, 1997. We only reviewed and report here on the Treasurywide plan.

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problems, and (5) discussed Treasury's capacity to provide reliable information about its operations and performance.

BACKGROUND

The Results Act seeks to shift the focus of federal management and decisionmaking away from a preoccupation with staffing, activity levels, and tasks completed to a focus on results–that is, the real difference that federal programs make in people's lives. Under the Results Act, executive agencies are required to develop (1) strategic plans by September 30, 1997; (2) annual performance plans for fiscal year 1999 and beyond; and (3) annual performance reports beginning March 31, 2000. The Act states that agencies' strategic plans should cover a period of at least 5 years and that these plans should include, among other requirements, a set of strategic goals. Although the intent of the Results Act is to have agencies focus their strategic goals on results to the extent feasible, the Act does not require that all of an agency's strategic goals be explicitly results-oriented.

As the chief financial agent of the U.S. government, Treasury administers diverse programs that have governmentwide implications. Treasury, among other things, produces and protects the currency; processes tax returns; helps set tax, economic, and fiscal policies; enforces trade agreements; regulates financial institutions; enforces alcohol, tobacco, and firearm laws; and pursues criminals who launder money, threaten U.S. borders, or use illegal weapons. Overall, Treasury collects about 98 percent of the revenue for the federal government. Because its functions are so diverse, Treasury historically has not been managed under a unifying mission and shared goals. Furthermore, this diversity of functions raises a number of challenges for Treasury in developing a comprehensive strategic plan that adequately addresses all of its responsibilities.

Organizationally, Treasury is composed of 16 major units, including the Internal Revenue Service (IRS), the Customs Service, the Secret Service, and the Office of the Comptroller of the Currency, and headquarters operations. In addition to the Department's draft strategic plan, many of the other components have developed their own draft strategic plans. While the components' draft plans were written before the Treasurywide draft strategic plan, Department officials told us that the components' plans were developed under Departmental guidance.

The Treasurywide strategic plan we reviewed is the Department's initial draft submission. The Results Act anticipated that it may take several planning cycles to perfect the strategic plan process, and that strategic plans would be continually refined as various planning cycles occur. Thus, our comments reflect a snapshot status of the draft plan at a given point in time. We recognize that developing a strategic plan is a dynamic process and that Treasury officials, with input from the Office of Management and Budget (OMB) and congressional staff, are continuing to revise the draft.

RESULTS IN BRIEF

Treasury's initial draft strategic plan is incomplete and does not meet the requirements of the Results Act. Of the six elements required by the Act, the Treasury draft plan includes four. Of the four elements, two generally meet the Act's requirements but could be strengthened--the mission statement and key factors external to the agency that could significantly affect achievement of the strategic goals and objectives. The information on the two other elements in the plan--goals and objectives and the strategies to achieve these goals and objectives--is often too general and vague to be used effectively by Treasury management, Congress, and other stakeholders. Two elements--the relationship between long-term goals and objectives and annual performance goals and a description of how program evaluations were used to establish or revise strategic plans--were missing from the draft plan we reviewed. Furthermore, the draft plan does not adequately discuss critical management problems or describe interagency coordination of crosscutting activities. Finally, our work and that of Treasury's Inspector General (IG) raises questions about the Department's capability to provide reliable information.

Two of the four elements that are included in the draft plan could be made more specific to better meet the purposes of the Results Act and to be more consistent with OMB Circular A-11, Part 2.[2] Treasury's goals and objectives are primarily general assertions that do not describe intended outcomes. The strategies to achieve the goals and objectives do not fully disclose what specific actions are to be taken, and by which component, to attain the plan's goals and objectives. The strategies almost always fail to meet the Results Act requirements that the plan describe how the goals and objectives are to be achieved, including a description of the processes, technology, and other resources needed to meet the goals and objectives.

The draft plan appears to reflect consideration of Treasury's major statutory responsibilities. However, we noted that the draft plan is written in such a general way that it is difficult to determine the extent to which the plan is implementing the specifics of any particular statutory responsibility.

The draft plan does not adequately address crosscutting issues and does not mention whether Treasury coordinated with other federal departments and agencies where they share related functions, such as law enforcement programs in the Department of Justice or programs involving the tax expenditures administered by IRS, such as the low-income housing and research tax credits.

In addition, although a major part of the mission statement is focused on management, the draft plan does not adequately address some of the critical management problems facing Treasury that could affect its ability to achieve its strategic goals and objectives. In recent years, we and others have reported on many management challenges facing IRS and other components of Treasury. For example, our most recent high-risk series of

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[2]OMB Circular A-11, Part 2, provides guidance to agencies in preparing and submitting strategic plans and annual performance plans.

reports identified eight Treasury management problems. The draft plan could be improved if it more specifically addressed some of these major management problems. In another example, the National Commission on Restructuring the IRS identified problems with Treasury's oversight of IRS. Again, the draft plan does not provide specifics on how the problems are to be resolved. While some of these issues may be addressed in component plans, Treasury draft plan's discussion of the management mission is incomplete without some consideration of its role in resolving these problems--some of which are long-standing.

We and the Treasury IG have long reported on problems with the reliability of information systems--both program-related and financial--within the Department. The draft plan identifies goals, objectives, and strategies under Treasury's management mission that are aimed at addressing the capacity of the Department to provide reliable data and modernize information systems. The draft plan does not address how data reliability and information systems currently affect Treasury's ability to measure performance or provide necessary information to permit Congress to assess the Department's progress toward its goals.

DRAFT STRATEGIC PLAN DOES NOT HAVE ALL OF THE REQUIRED ELEMENTS AND IS TOO GENERAL

Treasury's draft strategic plan does not have all of the elements required by the Results Act, and its usefulness is limited because it is too general. Treasury's draft plan includes two elements--mission statement and key external factors that may impact on achieving the plan's goals and objectives--that generally meets the Results Act's requirements but could be strengthened. The information provided in the draft plan on two other elements--goals and objectives and the strategies for achieving the goals and objectives--is too general to achieve the purposes of the Results Act. The draft plan is also missing two of the required six elements--a discussion on how Treasury's strategic goals and objectives and annual performance goals will be linked and a description of how program evaluations were used to establish strategic goals.

Two Elements Generally Meet the Results Act's Requirements But Could Be Strengthened

The draft plan's mission statement and key external factors that could affect the plan generally meet the requirements of the Results Act. However, some additional information would be helpful to more fully understand the complexity and diversity of Treasury's responsibilities.

Mission Statement

The Results Act and Circular A-11 state that an agency's strategic plan is to contain a comprehensive mission statement, defining the basic purpose of the agency, with particular focus on its core programs and activities. In addition, Circular A-11 states that

the mission statement may include a concise discussion of enabling or authorizing legislation as well as the identification of issues that Congress specifically charged the agency to address.

According to its draft plan, Treasury divided its mission into three major programmatic missions, spanning the breadth of programs that it oversees. Treasury's missions are (1) economic–to promote prosperous and stable American and world economies, (2) financial–to manage the government's finances, and (3) safety–to protect our financial systems and our nation's leaders and to foster a safe and drug free America. To help ensure its ability to accomplish the goals and objectives for the programmatic missions, Treasury's draft plan has a fourth mission area of managing–to continue to build a strong institution.

The draft plan does not include a discussion of enabling or authorizing legislation. While the three programmatic missions generally cover Treasury's functions and responsibilities, the plan could be made more useful if there was some linkage between these broad missions and the missions of the Department's components or its underlying statutory authorities.

Key External Factors That Could Affect the Achievement of General Goals and Objectives

The Results Act and Circular A-11 require that agencies identify and discuss key factors, external to the agency and beyond its control, that could affect its ability to achieve the goals and objectives in its strategic plan. These factors, which can be economic, demographic, social, or environmental, are to be described and linked to a particular goal(s) with details on how the achievement of the goal(s) will be affected by it.

Treasury's draft plan includes a brief discussion on some of the key external factors for each of its 13 goals but provides little detail on how particular factors affect the achievement of specific goals. Between one and six factors are discussed for each of the goals. In general, the list appears to be representative of factors that could affect Treasury's ability to achieve its goals. To illustrate, Treasury lists changing demographics, changing technology, and changes in the financial services industry as among the key factors affecting the goal to promote domestic economic growth. But the plan provides little, if any, detail on how the factors would affect the achievement of Treasury's goals or whether steps could be taken to mitigate the impacts.

Two Elements Are Too General to Achieve the Purposes of the Results Act

Treasury's draft plan includes two of the key elements–goals and objectives and strategies for achieving those goals and objectives, but these are stated in very general terms and thus are not as useful as they could be to achieve the purposes of the Results Act.

Goals and Objectives

According to the Results Act and Circular A-11, a strategic plan is to contain general goals and objectives for the major functions and operations of the agency. These goals and objectives are to elaborate or provide greater specificity on how an agency will carry out its mission through its programs and activities. Also, the goals and objectives should be sufficiently detailed to guide and direct agency staff toward actions that fulfill the mission of the agency. Finally, the goals and objectives should often be results-oriented, to the extent possible; that is, they should attempt to focus on program outcomes, rather than outputs.

Although Treasury's draft plan does provide linkages among its missions, goals, and objectives, its goals and objectives are not specific enough to be used effectively by Treasury management, Congress, or other stakeholders. For example, under its financial mission, "manage the government's finances," Treasury identified as a goal, "cost-effectively finance the Federal government's operations." The only objective associated with this goal is to "finance the Federal government in the most cost-effective manner over the long term," which is a restatement of the goal. Although the goal and objective are clearly linked to the economic part of the mission, the general manner in which they are stated makes it difficult for Congress and Treasury to assess the Department's progress. For example, without a definition of the term "cost effective," it would be difficult to determine when the goal is achieved or to measure progress toward that end.

Furthermore, Treasury's draft plan does not precisely state which Department bureaus have responsibility for carrying out the goals and objectives. A clearer discussion of which bureaus are responsible for particular goals and objectives would allow for a comparison of the individual bureaus' strategic plans to ensure that their missions, goals, and objectives are aligned with those of the Department.

Finally, Treasury's draft strategic plan also includes several goals that are not as results-oriented as they could be. For example, Treasury has a goal to "fight violent crime," which could be made more results-oriented by explicitly stating the outcomes that are intended to be achieved through the Department's various efforts to combat violent crime. Although it is not a specific requirement of the Results Act that all goals and objectives be results-oriented, it is clearly the intent of the Act that agencies focus on the outcome, or impact, of their programs whenever possible.

Strategies for Achieving
Goals and Objectives

Under the Results Act, strategic plans are to contain a description of how the goals and objectives are to be achieved, including a description of the operational processes, staff skills and technology, and the human, capital, information, and other resources needed to achieve the goals and objectives. This information would be useful in showing how the agency's activities, core processes, and resources are to be used to achieve the strategic goals. According to Circular A-11, such strategies should also contain schedules for

significant actions and outline how the agency will communicate strategic goals throughout the organization and hold managers and staff accountable for achieving these goals.

Although Treasury's draft plan lists strategies for each of its objectives, the strategies do not meet the Results Act's requirements or reflect consistency with guidance in Circular A-11. Instead, the draft plan's strategies are mostly general statements that do not describe the operational processes and resources needed to achieve the plan's goals and objectives. The strategies also do not outline how Treasury will communicate strategic goals to its managers and staff and hold them accountable for achieving these goals. For example, the strategy to "help develop over the long term a secondary market for community and economic development loans to enhance liquidity and market performance" does not describe the operational processes and resource requirements or give any information on how staff are to be held accountable.

As previously mentioned, Treasury's draft plan has a management mission area that includes goals and strategies focusing on staff, technology, and other resource requirements to accomplish its other three mission areas. However, the strategies in this section are too general to be useful. This is because many strategies do not describe the resources needed to carry them out, and none of them schedule significant actions. In addition, the management strategies are not clearly linked to the specific goals and objectives in the programmatic mission areas.

Furthermore, the draft plan does not always disclose which agency or bureau will be involved in executing its strategies or whether interagency coordination would be involved. Thus, it is difficult to evaluate resource requirements for carrying out particular strategies.

Two Elements Are Missing From Treasury's Draft Plan

The following two elements are required by the Results Act and are missing from the draft plan.

Relationship Between Long-term Goals and Objectives and the Annual Performance Goals

An agency's strategic plan is to describe how the performance goals included in its annual performance plans will be related to the goals and objectives in the agency's strategic plan. The Treasury draft plan we reviewed did not have information that discusses the relationship between goals and objectives and annual performance goals and measures. Such a discussion is important in linking an agency's long-term goals and objectives in its strategic plan to the goals in its annual performance plan to gauge progress. The Treasury draft plan's overall usefulness is limited because this discussion was not in the draft plan.

In a July 18, 1997, meeting, Treasury officials told us that performance goals would be part of the Department bureaus' strategic plans and not part of the Treasurywide plan. To meet the Results Act requirements, comply with Circular A-11 guidance, and help clarify the meaning of its strategic goals and objectives, the draft plan could be improved if it included (1) the type, nature, and scope of the performance goals to be included in the performance plan; (2) the relationship between the performance goals and the long-term goals and objectives; and (3) the relevance and use of performance goals in helping determine the achievement of long-term goals and objectives.

Program Evaluation

One of the purposes of the Results Act is to enable Congress to direct resources to the programs and agencies that use them most effectively. Program evaluations–defined in the Results Act as objective and formal assessments of the results, impacts, or effects of a program or policy–are a means to determine how effectively agencies are using their resources. According to Circular A-11, the planned program evaluation section of the strategic plan should briefly describe the program evaluations that were used in preparing the strategic plan and outline (1) the general scope and methodology for planned evaluations, (2) the key issues to be addressed, and (3) a schedule for future evaluations.

Treasury's draft plan neither discusses how program evaluations were used to establish general goals and objectives nor provides a schedule for future program evaluations. Program evaluations are particularly important for a department such as Treasury, which shares functions with other departments and agencies.

KEY STATUTORY AUTHORITIES ARE GENERALLY REFLECTED IN TREASURY'S DRAFT STRATEGIC PLAN

Treasury's draft plan appears to reflect consideration of most of the Department's major statutory responsibilities. Consistent with your request, we did not attempt to identify whether all of Treasury's statutory responsibilities were reflected in the preliminary plan; rather, we focused on whether the "major" responsibilities were addressed. The draft plan addresses these responsibilities generally, and it contains only a few specific references to the statutory bases for Treasury's major functions and operations. In fact, the draft plan does not cite Treasury's (or its bureaus') general authorizing legislation. It does cite some of the laws that Treasury is involved in implementing, but it does not explain how the Department is implementing the specifics of any statutory authority. For example, it is unclear from the draft plan how Treasury will "centralize administrative offset of Federal payments by delinquent debtors as mandated by the Debt Collection Improvement Act of 1996," even though the Department has taken steps to do so. It should be noted that the Results Act does not require an agency's strategic plan to contain a compilation of statutory authorities of the agency, but Circular A-11 does state that a plan may include a concise discussion of enabling or authorizing legislation.

Although the draft plan appears to reflect consideration of most of Treasury's major statutory responsibilities and to be generally consistent with them, it should be noted that the draft plan is written in such a general way that it is difficult to determine the extent to which the plan is implementing the specifics of any particular statutory responsibility. The draft plan does not provide any linkages between the stated goals and objectives and any major statutory authorities that form the basis for them.

CROSSCUTTING ACTIVITIES ARE INADEQUATELY ADDRESSED

Crosscutting activities are agency activities that share a common purpose with activities in other agencies. Treasury, because of its broad statutory authorities, shares many responsibilities with other executive agencies. Also, several Treasury bureaus have overlapping programmatic responsibility. Likewise, several tax expenditures administered by IRS share similar goals with programs administered by other executive agencies.

Treasury's draft plan could do a better job of addressing crosscutting program activities. In particular, the plan could better serve the purposes of the Results Act by making it more clear how Treasury's goals and objectives relate to those of other federal agencies. We recognize that this is Treasury's initial plan and that including a complete discussion on crosscutting programs is a not an easy task considering the array of such programs in the Department.

Specifically, some crosscutting programs are not addressed in the draft plan at all, while other crosscutting programs are discussed very generally. The draft plan, for example, does not address how IRS' law enforcement programs should be coordinated with law enforcement programs in other Department components or Justice. There is also no discussion of the crosscutting nature of many tax expenditures administered by IRS, such as the earned income tax credit, the low-income housing credit, and the research credit. Where crosscutting issues are addressed, they are addressed only in a general way. For example, Treasury lists as an objective to "disrupt and dismantle drug smuggling operations." As a related strategy, Treasury lists that it will "continue participation in productive Federal, State, and local anti-drug task forces." No detail is provided about which Treasury bureaus or other federal agencies will participate in these task forces, nor what their respective responsibilities will be. The draft plan does include some discussion on crosscutting management functions within the Department in the management mission area; however, it does not discuss how the management functions support Treasury programs in achieving their goals. For example, one strategy for making wise information and technology investments is to "integrate information gathering and storage with other agencies." No detail is provided about who at Treasury will have lead responsibility, what agencies are included, or what programs would operate more successfully as a result of such integration.

TREASURY'S DRAFT STRATEGIC PLAN DOES NOT ADEQUATELY ADDRESS MAJOR MANAGEMENT CHALLENGES

Over the years, we have reported on major management challenges facing many of the agencies in Treasury. Congressional committees, the National Commission on Restructuring the IRS, Treasury's IG and others have also reported on similar management problems confronting Treasury agencies. The draft plan mentions some of the major management challenges Treasury faces under the section entitled "Management Mission: Continue to Build a Strong Institution." However, the draft plan could be more useful to Congress and other stakeholders if there was a clearer presentation of the relationship between how Treasury's critical management problems are to be addressed and how they will facilitate the Department's achievement of its strategic goals and objectives.

Our 1997 high-risk series of reports identified eight major management problems affecting Treasury's operations.[3] Two of the problems--computer security and the year 2000 conversion--are governmentwide management challenges, four others were specific to IRS' operations, one related to the Customs Service's financial management problems, and one related to the control of seized assets included in the Treasury Forfeiture Fund.[4] The draft plan could be improved if it more specifically addressed some of these major problems.

For example, under its objective to "make wise information technology investments," Treasury recognizes that it needs to accomplish the year 2000 conversion and incorporate information technology security as an essential part of the systems development life-cycle process. But the draft plan provides no specifics on who at Treasury would be responsible for the success of these strategies, what resources would be required, or how success would be measured.

While the Treasury draft plan provides strategies for achieving its management objectives, these strategies do not have the detail necessary to determine precisely how the Department plans to address these challenges. This is because, in most instances, the draft plan does not indicate which Treasury bureau would be affected. For example, although our past work has shown that financial management problems exist at IRS and the Customs Service, the draft plan does not specifically address them. Furthermore, it is unclear how Treasury's IRS Management Board will provide strategic leadership and ensure close oversight of IRS modernization and performance improvement efforts.

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

[4]The year 2000 conversion refers to the need for computer systems to be changed to accommodate dates beyond the year 1999.

While some of these issues may be addressed in component plans, a more explicit discussion of Treasury's role in resolving the Department's management challenges would be helpful. It is also unclear in many cases to what specific end Treasury efforts are focused and how progress and success in meeting Department objectives will be measured.

TREASURY'S CAPACITY TO PROVIDE RELIABLE INFORMATION ON THE ACHIEVEMENT OF STRATEGIC AND PROGRAM PERFORMANCE IS QUESTIONABLE

To efficiently and effectively operate, manage, and oversee its diverse array of responsibilities, Treasury needs reliable data. Treasury and its component bureaus rely on a number of automated management information systems to carry out their roles. Our past work and that of others has shown that in many cases a lack of readily accessible, quality data raises questions about Treasury's capacity to track and measure its performance in achieving its strategic mission and goals. Treasury's draft plan could be improved if it more clearly addressed the Department's data reliability problems.

In its report on Treasury's fiscal year 1996 financial statements, the Treasury IG reported that material weaknesses continued to exist in the internal controls structures of key bureaus, and that many component entities lacked integrated financial management systems, which preclude the integration of financial, budgetary, and performance data. Treasury's draft strategic plan attempts to address this problem with a strategy to "align performance measurement, accounting, and budgeting data to produce a cohesive financial information framework that institutionalizes the Departmental performance management and decision making process." However, the strategy is not specific enough to indicate what actions Treasury may be proposing and how the actions would affect its ability to provide reliable information to measure the success made relative to achieving the draft plan's strategic goals and objectives.

Furthermore, the strategies do not specifically address the long-standing weaknesses in Treasury's ability to provide reliable information needed to carry out its programs that we have discussed in our previous reports on component agencies, such as IRS and the Customs Service. For example, IRS' ability to access accurate and reliable information on taxpayers' accounts have long affected its ability to collect delinquent taxes.[5]

SCOPE AND METHODOLOGY

We obtained a copy of the July 1, 1997, draft strategic plan that Treasury provided to the House of Representatives staff team working with the agency. We did not perform a comprehensive review of the draft strategic plans of Treasury's component agencies.

Our overall assessment of Treasury's draft plan was generally based on our knowledge of the Department's operations and programs, our numerous past and ongoing reviews of

[5]High Risk Series: Internal Revenue Service Receivables (GAO/HR-95-6, Feb. 1995).

the Department's agencies, and other existing information available at the time of our assessment. Specifically, the criteria we used to determine whether the draft plan complied with the requirements of the Results Act were the Results Act and Circular A-11. To make judgments about the overall quality of the plan and its components, we used our May 1997 guidance for congressional review of the plans as a tool.[6]

As you requested, we coordinated our work on Treasury's key statutory authorities and its capacity to provide reliable information with the Congressional Research Service and the Treasury IG, respectively. We did our work between July 2 and 28, 1997. Treasury officials provided oral comments on a draft of this letter, which are reflected in the Agency Comments section that follows.

A list of our major products related to selected Treasury agencies is on pages 15 through 20.

AGENCY COMMENTS AND OUR EVALUATION

On July 28, 1997, we met with and obtained comments from Treasury officials, including the Director of the Office of Strategic Planning and the Deputy Chief Financial Officer. The officials generally agreed with many of our observations. The officials pointed out that they view the plan we reviewed, which was entitled U.S. Department of the Treasury Draft Strategic Plan 1997-2002, as an overview plan for the Department and that the full Treasury strategic plan consists of the overview and the strategic plans of component bureaus and offices. On that basis, the Director of the Office of Strategic Planning said that the level of detailed information we envisioned being in the plan, such as strategies on how specific objectives are to be achieved and information on resource requirements, is better reflected in the component plans.

The Treasury officials said that they will revise the plan in light of many of our observations. With regards to the two elements that were not included in the plan we reviewed, Treasury plans to include information that would (1) more clearly show how the Department's goals and objectives link to the goals and objectives of its bureaus and offices and better tie this information to the components' annual performance plan goals in the Department's budget and (2) reflect the Department's view that program evaluations are important in making the strategic planning process work, but that details on program evaluations are better reflected in the plans of the components that would be responsible for carrying them out. The revised plan is also to include, among other things, strategies that will address all high-risk management problems confronting Treasury and more information on how the Department and components have coordinated with stakeholders on crosscutting activities.

The officials also stated that Treasury should be recognized for its overall Results Act implementation efforts. In particular, the officials told us that Treasury has had

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[6]Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review (GAO/GGD-10.1.16, May 1997).

performance plans in its annual budgets for the past 2 fiscal years and has completed one annual performance report based on the performance plans--far ahead of the Act's requirements. In addition, they said that the performance report uses a common set of performance measures, with the key measures being included in the Departmentwide audited financial statements of all Treasury components. The Deputy Chief Financial Officer said that, because an increasing number of bureaus are now receiving unqualified opinions on their financial statements, data reliability within the Department has improved. However, he said that additional enhancements are still needed at certain bureaus and that the annual performance plans are a better place to address their continuing efforts in this area.

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As arranged with your offices, unless you publicly announce its contents earlier, we plan no further distribution of this letter until 30 days from its issue date. At that time, we will send copies of this letter to the Minority Leader of the House of Representatives; Ranking Minority Members of your Committees; the Chairmen and Ranking Minority Members of other Committees that have jurisdiction over Treasury activities; the Secretary of the Treasury; and the Director, Office of Management and Budget. Copies will be made available to others on request.

Major contributors to this letter are listed in the enclosure. Please contact me at (202) 512-9110 if you or your staff have any questions concerning this letter.

Lynda D. Willis

Lynda D. Willis
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Enclosure

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RELATED GAO PRODUCTS

INTERNAL REVENUE SERVICE

IRS Management

IRS Management: Improvement Needed in High-Risk Areas (GAO/T-GGD-97-79, Apr. 14, 1997).

High-Risk Series: IRS Management (GAO/HR-97-8, Feb. 1997).

IRS Operations: Critical Need to Continue Improving Core Business Practices (GAO/T-AIMD-96-188, Sept. 10, 1996).

Internal Revenue Service: Business Operations Need Continued Improvement (GAO/AIMD/ GGD-96-152, Sept. 9, 1996).

Managing IRS: IRS Needs to Continue Improving Operations and Service (GAO/T-GGD/ AIMD-96-170, July 29, 1996).

IRS Operations: Significant Challenges in Financial Management and Systems Modernization (GAO/T-AIMD-96-56, Mar. 6, 1996).

Tax Systems Modernization

IRS Systems Security: Tax Processing Operations and Data Still at Risk Due to Serious Weaknesses (GAO/AIMD-97-49, Apr. 8, 1997).

IRS High-Risk Issues: Modernization of Processes and Systems Necessary to Resolve Problems (GAO/T-GGD-97-52, Mar. 4, 1997).

Tax Systems Modernization: Actions Underway But Management and Technical Weaknesses Not Yet Corrected (GAO/T-AIMD-96-165, Sept. 10, 1996).

Tax Systems Modernization: Actions Underway But IRS Has Not Yet Corrected Management and Technical Weaknesses (GAO/AIMD-96-106, June 7, 1996).

Tax Systems Modernization: Progress in Achieving IRS' Business Vision (GAO/T/GGD-96-123, May 9, 1996).

Tax Systems Modernization: Management and Technical Weaknesses Must Be Overcome to Achieve Success (GAO/T-AIMD-96-75, Mar. 26, 1996).

Status of Tax Systems Modernization, Tax Delinquencies, and the Potential for Return-Free Filing (GAO/T-GGD/AIMD-96-88, Mar. 14, 1996).

Tax Systems Modernization: Management and Technical Weaknesses Must Be Corrected If Modernization Is to Succeed (GAO/AIMD-95-156, July 26, 1995).

Tax Systems Modernization: Unmanaged Risks Threaten Success (GAO/T-AIMD-95-86, Feb. 16, 1995).

Financial Management

Financial Management: Challenges Facing the IRS (GAO/T-AIMD-97-34, Jan. 9, 1997).

IRS Financial Audits: Status of Efforts to Resolve Financial Management Weaknesses (GAO/T-AIMD-96-170, Sept. 19, 1996).

Financial Audit: Examination of IRS' Fiscal Year 1995 Financial Statements (GAO/AIMD-96-101, July 11, 1996).

Financial Audit: Actions Needed to Improve IRS Financial Management (GAO/T-AIMD-96-96, June 6, 1996).

Financial Audit: Examination of IRS' Fiscal Year 1994 Financial Statements (GAO/AIMD-95-141, Aug. 4, 1995).

Financial Audit: Examination of IRS' Fiscal Year 1993 Financial Statements (GAO/AIMD-94-120, June 15, 1994).

Financial Audit: Examination of IRS' Fiscal Year 1992 Financial Statements (GAO/AIMD-93-2, June 30, 1993).

Compliance Issues

Tax Administration: Earned Income Credit Noncompliance (GAO/T-GGD-97-105, May 8, 1997).

Taxpayer Compliance: Analyzing the Nature of the Income Tax Gap (GAO/T-GGD-97-35, Jan. 9, 1997).

IRS Tax Collection Reengineering (GAO/GGD-96-161R, Sept. 24, 1996).

Earned Income Credit: IRS' 1995 Controls Stopped Some Noncompliance, But Not Without Problems (GAO/GGD-96-172, Sept. 18, 1996).

Tax Administration: Tax Compliance of Nonwage Earners (GAO/GGD-96-165, Aug. 28, 1996).

Internal Revenue Service: Results of Nonfiler Strategy and Opportunities to Improve Future Efforts (GAO/GGD-96-72, May 13, 1996).

Tax Administration: IRS Tax Debt Collection Practices (GAO/T-GGD-96-112, Apr. 25, 1996).

IRS Efforts to Control Fraud (GAO/GGD-96-96R, Mar. 25, 1996).

Taxpayer Compliance: Reducing the Income Tax Gap (GAO/T-GGD-95-176, June 6, 1995).

Reducing the Tax Gap: Results of a GAO-Sponsored Symposium (GAO/GGD-95-157, June 2, 1995).

Tax Administration: Tax Compliance Initiatives and Delinquent Taxes (GAO/T-GGD-95-74 Feb. 1, 1995).

High-Risk Series: Internal Revenue Service Receivables (GAO/HR-95-6, Feb. 1995).

Tax Administration: Electronic Filing Fraud (GAO/T-GGD-94-89, Feb. 10, 1994).

Tax Administration: IRS Can Improve Controls Over Electronic Filing Fraud (GAO/GGD-93-27, Dec. 30, 1992).

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