



U.S. CENSUS BUREAU

The Census Bureau Lacks Accurate and Informative Cost Data to Guide 2020 Census Research Through a Constrained Budget Environment

FINAL REPORT NO. OIG-14-021-A
MAY 21, 2014

U.S. Department of Commerce
Office of Inspector General
Office of Audit and Evaluation

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May 21, 2014

MEMORANDUM FOR: Mark E. Doms
Under Secretary for Economic Affairs

John H. Thompson
Director, U.S. Census Bureau

FROM: Ann C. Eilers 
Principal Assistant Inspector General for Audit and Evaluation

SUBJECT: *The Census Bureau Lacks Accurate and Informative Cost Data to Guide 2020 Census Research Through a Constrained Budget Environment—*
Final Report no. OIG-14-021-A

We are providing our final report for our review of the Census Bureau's implementation of mandatory budget reductions during fiscal years (FYs) 2013 and 2014. This audit, part of OIG's FY 2013–2014 audit plan, was conducted to (1) evaluate the Bureau's process for implementing mandatory budget reductions, (2) assess the effects of these reductions on the Bureau's ability to reduce the per-household cost of the 2020 Census, and (3) evaluate the roles of the Department and the Economics and Statistics Administration (ESA) in monitoring the Bureau's progress toward this goal.

While we found that the Census Bureau generally adhered to guidance for implementing mandatory budget reductions, we identified four areas of concern:

- We were unable to assess the impact of budget reductions on the Bureau's goal of reducing 2020 Census per-household cost because specific budget-year activities were not integrated with the budget, and funding reductions are not tied to programmatic changes. In addition, budget reduction decisions did not include an analysis of project cost versus achievements to date because the accounting system does not contain accurate project cost data. Further, some research and testing monies may be funding other activities that should be funded by separate appropriation accounts.
- Budget fund transfers prevent the Bureau from validating budget estimates and identifying inaccurate project costs.
- The Bureau does not have support for budget requests.
- Although the Department's Office of Budget and ESA provide high-level budget oversight, ESA needs to develop a stronger oversight process for monitoring the Program's progress in reducing 2020 decennial costs.

In the Bureau's response to our draft report, it concurred with all of our recommendations. Where appropriate, we have modified the final report based on this response. The formal response is included as appendix C. The final report will be posted on the OIG's website pursuant to section 8M of the Inspector General Act as of 1978, as amended. In accordance with Department Administrative Order 213-5, within 60 days of the date of this memorandum, please provide us with an action plan that responds to all of the report recommendations.

We thank Census Bureau personnel for the courtesies shown to us during this review. Please direct any questions or comments about the report to Carol Rice, Division Director, at (202) 482-6020, or Terry Storms, Auditor and audit manager, at (202) 482-0055.

Attachment

cc: Ellen Herbst, Chief Financial Officer and Assistant Secretary for Administration
Nancy Potok, Deputy Director and Chief Operating Officer, Census Bureau
Joanne Buenzli Crane, Associate Director for Administration and Chief Financial Officer,
Census Bureau
Frank Vitrano, Associate Director for Decennial Census Programs, Census Bureau
Timothy Trainor, Chief, Geography Division, Census Bureau
Burton Reist, Chief, 2020 Census Research and Planning Office, Census Bureau
Adam Miller, Audit Liaison, Census Bureau
Pam Moulder, Program Analyst, Economics and Statistics Administration



Report In Brief

MAY 21, 2014

Background

At a cost of \$94 per household, the life-cycle cost of the 2010 Census was about \$13 billion. The Census Bureau is committed to conducting the 2020 Census for less, per household, than the 2010 Census. To achieve this goal, the Bureau must make fundamental changes to the design, implementation, and management of the decennial census. If the Bureau fails to innovate in these areas, the per-household cost of the 2020 Census could reach \$148.

Decennial census life cycles are unusual in that budget requests are based on a 12-year escalating cost, as opposed to a typical flat-line budget. Funding for the 2020 decennial Census lifecycle began with fiscal year (FY) 2012 and will continue through FY 2023. This protracted life cycle with many dependent phases, along with cost accounting and budget formulation issues noted during the audit, may hinder the Bureau's ability to control the cost of the 2020 Census.

Why We Did This Review

The Office of Inspector General is committed to monitoring the progress of planning for the 2020 Census, and includes ongoing reviews in its annual audit plan.

This audit was conducted to (1) evaluate the Bureau's process for implementing recent budget reductions; (2) assess the impact of these reductions on the Bureau's goal of achieving a cost-effective, high-quality 2020 Census; and (3) evaluate the roles of the Department and the Economics and Statistics Administration (ESA) in monitoring the Bureau's progress toward this goal.

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OIG-14-021-A

WHAT WE FOUND

The Census Bureau's Decennial Program generally adhered to Office of Management and Budget and Departmental guidance for implementing mandatory budget reductions. However, we found that

- **Due to inaccurate cost information, the impact of budget reductions cannot be determined.** The internal control weaknesses we observed involve significant deficiencies in the Decennial Program's method for recording salary costs. Neither specific project costs nor the cost of the entire Decennial Program's research effort to date can be determined, because project costs are recorded in the accounting system simply to match previously set budget allocations. In addition, some projects may be subsidizing other activities under separate appropriation accounts.
- **Budget fund transfers prevent the Bureau from validating budget estimates and identifying inaccurate project costs.** The Decennial Program's practice of transferring budget between projects circumvents spending controls, thereby increasing the risk that incorrect or even fraudulent charges could be recorded without detection.
- **The Decennial Program does not have support for budget requests.** Decennial Program management did not provide us with documentation supporting FYs 2013 and 2014 Congressional budget justifications that tied specific requests in the President's Budget to specific project activities.
- **ESA should develop a stronger oversight process for monitoring the Decennial Program's progress in reducing 2020 decennial Census costs.** ESA has no specific process in place to monitor the research and testing goals related to 2020 decennial Census planning.

WHAT WE RECOMMEND

We recommend that the Director of the Census Bureau develop

1. A process to ensure project costs reflect actual level of effort (a) in the short term, by requiring all Census Bureau employees to accurately record project hours through webTA (an Internet-based time tracking system), and (b) in the long term, by implementing an activity-based costing system, with appropriate internal controls, that reflects actual project cost and reconciles with the accounting system.
2. Policies and procedures that require supporting documentation for budget estimate decisions be prepared and retained for audit.
3. A process to validate budget estimates that (a) incorporates actual costs recorded in the accounting system and (b) uses budget-to-actual cost information to identify incorrect project charges.

We also recommend that the Director of the Census Bureau and Under Secretary for Economic Affairs develop

4. A process to ensure that ESA has sufficient oversight of the 2020 Decennial Program.

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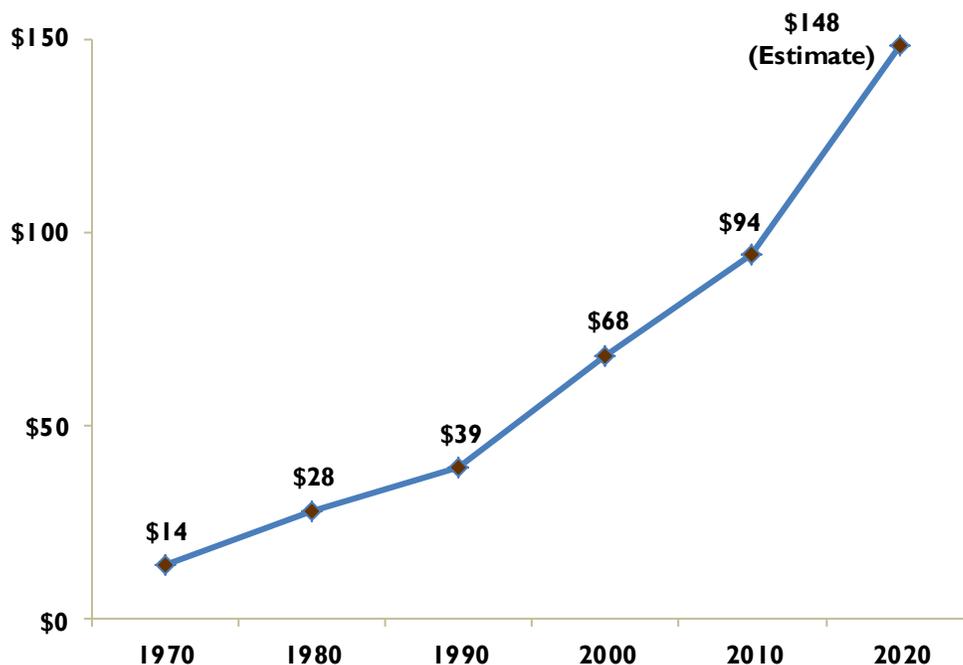
*COVER: Detail of fisheries pediment,
U.S. Department of Commerce headquarters,
by sculptor James Earle Fraser, 1934*

Introduction

At a cost of \$94 per household, the life-cycle cost of the 2010 Census was about \$13 billion. The Census Bureau is committed to conducting the 2020 Census for less, per household, than the 2010 Census. To achieve this goal, the Bureau must make fundamental changes to the design, implementation, and management of the decennial Census. If the Bureau fails to innovate in these areas, the per-household cost of the 2020 Census could reach \$148 (see figure 1).

This audit was conducted to (1) evaluate the Bureau's process for implementing recent budget reductions; (2) assess the impact of these reductions on the Bureau's goal of achieving a cost-effective, high-quality 2020 Census; and (3) evaluate the roles of the Department and the Economics and Statistics Administration (ESA) in monitoring the Bureau's progress toward this goal.

Figure 1. Average Cost of Counting Each Housing Unit Each Decade



Source: U.S. Census Bureau, *United States Census 2020 Business Plan for the 2020 Census in Support of the FY 2013 Budget Submission* (April 23, 2012)

Decennial Census life cycles are unusual in that budget requests are based on a 12-year escalating cost, as opposed to a typical flat-line budget. Funding for the 2020 decennial lifecycle began with fiscal year (FY) 2012 and will continue through FY 2023. This protracted life cycle with many dependent phases, along with cost accounting and budget formulation issues noted during the audit, may hinder the Bureau's ability to control the cost of the 2020 Census. In this audit report, we have identified significant internal control weaknesses that prevent the Bureau from assessing (1) the effects of reduced funding, (2) return on investment of current research

and testing (R&T) projects, and (3) variance between budgeted versus actual costs when implementing budget reductions. Past oversight reports¹ have highlighted similar weaknesses, but the weaknesses persist. We also observed that ESA lacks adequate oversight processes for monitoring the Decennial Program.

The Office of Inspector General is committed to monitoring the progress of planning for the 2020 Census, and includes ongoing reviews as a part of its annual audit plan. As noted in our December 2013 report,² the Decennial Program has yet to integrate cost and schedule activities to help managers accurately track the status of funds and forecast impending underruns and overruns. In its response to this report, Census Bureau management stated they are working toward developing earned value management (EVM), which combines measures of a project's schedule and cost to forecast performance problems.³ In December 2013 we reported that the Decennial Program needs EVM to provide valid, timely, accurate, and auditable performance information to make informed project management decisions. Based on our current findings, incorporating EVM or a similar tool may not address project management challenges; the Decennial Program must also make significant changes to the manner in which it tracks costs.

The Bureau's spending authority includes two appropriation accounts and the Working Capital Fund (see appendix B); each finances specific budget activities, subactivities, and programs. The combined 2020 Census research effort—carried out by the Associate Director for Decennial Census Programs and the Associate Director for 2020 Census, referred to in this report as “the Decennial Program”—is under the Periodic Censuses and Programs appropriation account (see figure 2). These two directorates conduct the research responsible for developing an innovative and cost-effective design.⁴ See appendix B for a comprehensive list of activities and programs funded by each appropriation account and the Working Capital Fund.

Appropriations law states that public funds may be used only for the purposes for which they were appropriated. Further, it prohibits charging authorized items to the wrong appropriation.⁵ Spending is strictly limited to amounts established within an appropriation, and one appropriation account generally cannot subsidize or augment another appropriation account. Additionally, according to the Department's *Budget, Performance and Program Analysis Handbook*, budgets must be formulated on a program basis, with an emphasis on the objectives, outputs, and work to be accomplished with the proposed resources—and the budget should be

¹ See U.S. Department of Commerce Office of Inspector General, March 29, 1993. *Final Report on Inspection of the New York Regional Office Bureau of the Census (IRM-5032)*. Washington, D.C.: OIG, and U.S. General Accounting Office, October 4, 2001. *2000 Census Better Productivity Data Needed for Future Planning and Budgeting*, GAO-02-4. Washington, D.C.: GAO.

² U.S. Department of Commerce Office of Inspector General, December 3, 2013. *2020 Census Planning: Research Delays and Program Management Challenges Threaten Design Innovation*, OIG-14-003-A. Washington, D.C.: OIG.

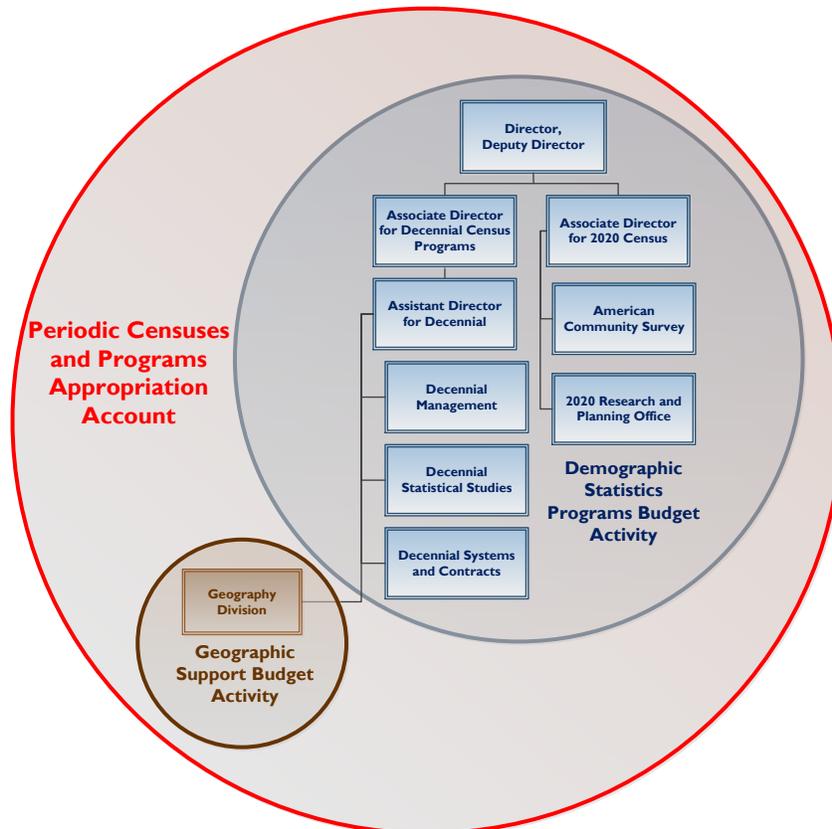
³ Earned value management (EVM) allows project managers to (a) forecast cost or schedule overruns at an early stage in a project and (b) monitor the project plan, actual work, and work-completed values to determine whether a project is on track.

⁴ Bureau officials anticipate subsuming the 2020 Census Directorate under the Decennial Census Directorate, which was responsible for planning and implementing the 2010 Census.

⁵ See 31 U.S.C. § 1301.

executed as justified. Within the Bureau, however, internal control weaknesses over cost accounting practices increase the risk of noncompliance with these authorities.

Figure 2. 2020 Decennial Census Research Effort Organization Chart, with Funding Sources



Source: U.S. Census Bureau

The Bureau must equip itself with accurate and informative programmatic data to help guide research and maximize return on investment in the face of budget reductions. Table I identifies the Bureau’s FY 2013 and FY 2014 budget requests compared to the amount of funding it actually received. The Bureau’s total spending authority, reduced in FY 2013 by sequestration, was reduced again in FY 2014 by an omnibus spending bill that was 4 percent less than the estimated need in the President’s budget request. The Bureau planned to complete the R&T phase in FYs 2012–2014, resulting in new design options for conducting the 2020 Census. Additional R&T and the subsequent design decisions must be completed early enough to permit operational development and systems testing. However, in our December 2013 report we noted that the Bureau is already suffering from research delays and program management challenges that are placing innovations to the 2020 Census design at risk.

Table I. 2020 Census Research Budget Request and Reductions in Spending Authority (Dollars in Thousands)

		Budget Authority ^a	2010 Decennial Program ^b	2020 Decennial Program ^c	Geographic Support	Spending Authority Dedicated to 2020 Census Research
FY 2013	President's Estimated Budget (February 2012)	\$970,425	\$297,262	\$131,425	\$66,035	51%
	Post-Sequestration Budget (March 2013) ^d	\$858,926	\$274,153	\$94,412	\$61,434	50%
FY 2014	President's Estimated Budget (April 2013)	\$982,484	N/A	\$486,572	\$55,613	55%
	Omnibus Spending Bill (January 2014)	\$944,000	N/A	\$463,287	\$55,613	55%

Sources: Department of Commerce, 2013 and 2014 Congressional budget justifications; Census Bureau operating plans, FYs 2013 and 2014

^a This is the sum of the Salaries and Expenses and Periodic Censuses and Programs appropriation accounts.

^b During FY 2013, the 2010 Decennial Program included programs, such as the 2010 Census Program of Evaluations and Experiments, that contributed to the 2020 Decennial Program's research effort.

^c During FY 2014, the 2020 Decennial Program includes the American Community Survey.

^d These values represent the finalized spending authority as a result of sequestration, which went into effect March 2013.

Objectives, Findings, and Recommendations

Our audit of the Decennial Program's implementation of FYs 2013 and 2014 mandatory budget reductions, which forced the Bureau to operate under reduced spending authority,⁶ had three objectives. First, we evaluated the Decennial Program's process for implementing mandatory reductions. Next, we examined the effects of these reductions on the program's ability to reduce the per-household cost of the 2020 Census. Finally, we evaluated the oversight roles of the Department and ESA in this process. We focused on the 2020 Census research effort; other activities unrelated to the Decennial Program were not included in testing, although this report does reference other Bureau activities that may be affected by issues noted in the Decennial Program. For a further discussion of our scope and methodology, please refer to appendix A.

The Decennial Program generally adhered to Office of Management and Budget (OMB) and Departmental guidance for implementing mandatory budget reductions. However, we were unable to assess the impact of budget reductions on the Bureau's goal of reducing 2020 Census per-household cost because specific budget year activities were not integrated with the budget, and funding reductions are not tied to programmatic changes (see finding I). In addition, budget reduction decisions did not include an analysis of project cost versus achievements to date because the accounting system does not contain accurate project cost data (see finding I.A). Further, some R&T project monies could be funding other activities that should be funded by separate appropriation accounts (see finding I.B).

These internal control weaknesses put the Decennial Program as well as the Bureau at risk of noncompliance with appropriations authorities. Additionally, inadequate controls over budget formulation and execution leave the Decennial Program without necessary information required to make informed budget-reduction decisions while striving to achieve a cost-effective 2020 Census.

We also found that budget fund transfers prevent the Bureau from validating budget estimates and addressing inaccurate project costs (see finding II). Further, we found that the Bureau has not prepared and retained adequate documentation for connecting its budget requests with programmatic goals (see finding III). Finally, although we found that the Department's Office of Budget and ESA provide high-level budget oversight, ESA does not currently receive documentation supporting Decennial Program research goals or budget reduction decisions. This information would enable ESA to assess the reasonableness of programmatic claims and decisions and to inform stakeholders of potential issues as they arise.

⁶ FYs 2013 and 2014 began with continuing resolutions. Sequestration—a provision of the Budget Control Act of 2011—occurred on March 1, 2013, resulting in a mid-year budget reduction.

I. Due to Inaccurate Cost Information, the Impact of Budget Reductions Cannot Be Determined

The internal control weaknesses we observed involve significant deficiencies in the Decennial Program's method for recording salary costs. The Department's *Accounting Principles and Standards Handbook* requires that actual costs be recorded in the accounting system. However, employee salary costs, in hours, are charged to projects based on predetermined budget allocations, not based on actual hours worked. In addition, these recorded salary costs do not necessarily account for what the employee actually worked on. As a result, neither specific project costs nor the cost of the entire Decennial Program's research effort to date can be determined, because project costs are recorded in the accounting system simply to match previously set budget allocations.

Inaccurately recording costs in the accounting system limits the Decennial Program's ability to assess the current financial status of any project or program, compared with milestones and deliverables, and to validate the reasonableness of cost estimates. Without accurate cost information, the Decennial Program's management cannot make informed decisions when assessing return on investment and determining which project schedules should be altered to implement budget reductions. With the inaccurate accounting practices noted in this report, the Bureau also risks violating certain components of appropriations law. Without knowing precisely which resources are spent on which activities, the Bureau cannot ensure that appropriated or apportioned funds are used to pay for only those activities for which they were authorized or could unknowingly obligate in excess of appropriated funds.

A. Salary Costs Are Recorded in the Accounting System Based on Budgeted Allocations, Not Actual Hours Worked

To effectively manage a program of the size, complexity, and cost of the 2020 Census—and assess the return on investment of research efforts—managers need accurate accounting records. However, Decennial Program management and division staff stated during the audit that employee salary costs are charged to projects based on budgeted hours rather than actual hours worked.

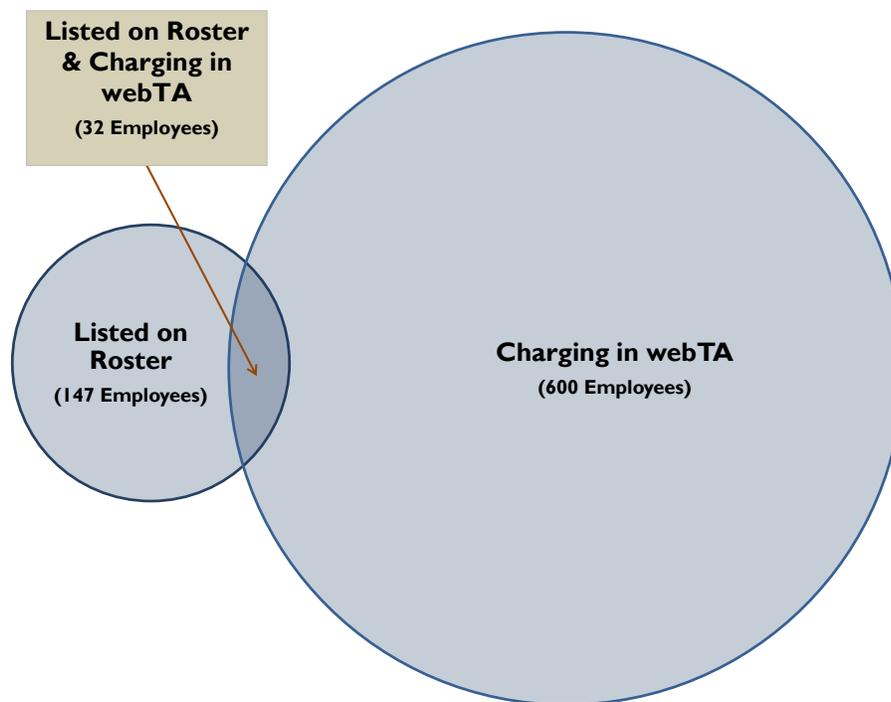
During budget execution, program management assigns each employee's full-time equivalent (FTE) to one or more projects. If an employee is assigned to more than one project, a specified portion of the employee's FTE is allocated to each project. The Budget Office provides timekeepers with budget allocation spreadsheets that identify the percentage of each employee's time that should be charged to each project per pay period, as determined during budget execution. In some divisions, timekeepers enter and validate time and attendance entries each pay period on behalf of employees in an Internet-based system (webTA⁷). In other divisions, employees record and validate their own webTA entries, and

⁷ WebTA is a web-based time and labor system that allows employees to input and certify time and supervisors to approve leave requests and to certify time cards online, all in one system. WebTA information updates the accounting system—where final costs are recorded.

timekeepers review those entries.⁸ Regardless of which method is used, each employee's salary is charged to predetermined projects according to the predetermined budget allocations without regard to which project or projects the employee actually works on.

We attempted to identify employees charging incorrect R&T project codes in webTA by comparing project team rosters to webTA charges. The Decennial Program did not have project rosters prior to our request and needed to prepare the rosters during audit fieldwork.⁹ The Decennial Program supplied rosters for less than half of the R&T projects (16 of 64). When we selected seven projects for review and compared employees listed on the roster to employees charging costs in webTA (see figure 3), we noted significant discrepancies.

Figure 3. Team Rosters and Employee webTA Discrepancies on Selected R&T Projects



Source: OIG analysis of U.S. Census Bureau information

⁸ We documented this process during interviews with the Decennial Program staff; however, it appears that this same process to allocate salary expenses is utilized to record charges to all three appropriation accounts—see appendix B.

⁹ WebTA could not be used to generate reliable rosters because employees may have charged time in webTA to incorrect projects.

For example, we reviewed seven project rosters with a total of 147 employees; however, 600 employees charged costs to these seven projects in webTA.¹⁰ Only 32 employees were listed on the project roster *and* charged costs to the same project in webTA. However, even for these 32 employees, there is no assurance the hours charged in webTA accurately reflect the employees' actual hours worked on the relevant project, because all webTA charges are based on predetermined budget amounts.

We attempted to quantify the effect of inaccurate hours charged to projects by comparing hours logged in Primavera¹¹—an activity-based tracking system used by employees in the Bureau's Geography Division—with webTA hours. In FY 2013, the Geography Division attempted to track the actual number of hours its employees worked on 2020 Census R&T projects using Primavera. We compared the number of hours Geography Division employees claimed to have worked on 2020 Census R&T projects during FY 2013 in Primavera, with the number of hours R&T projects paid for these employees, via webTA. We found that 67 Geography Division employees recorded in Primavera that they actually worked 10,381 hours on R&T projects. However, the number of hours charged to R&T projects, via webTA, for the services of those 67 employees differs significantly from what the employees recorded in Primavera. Forty-six of those employees recorded that they spent 6,067 hours working on R&T projects but charged zero hours in webTA. The remaining 21 employees recorded that they spent 4,314 hours working on R&T projects, but R&T projects paid those 21 employees for 20,702 hours recorded in webTA. According to the activity-based records in Primavera and the actual salary cost recorded in webTA, Geography Division employees who worked on 2020 Census R&T projects during FY 2013 charged nearly twice the number of hours to the projects than they actually worked on them.

The difference of 10,320 hours could not be resolved because the Primavera system was not properly programmed to match the detail of webTA, which included project codes for all R&T projects; however, Primavera captured work on any and all R&T projects as a single entry, and did not differentiate between the various R&T projects.¹² In addition, the Geography Division made no attempt to reconcile the two systems throughout the fiscal year. See table 2 for further analysis of the discrepancies between Primavera and webTA time charges. While Geography Division management is aware of these discrepancies, it offered no explanation.

¹⁰ Because employees may work on more than one of the seven projects reviewed, an employee may be counted more than once within or across the three groups.

¹¹ Primavera is an Oracle software system that helps organizations (a) identify, prioritize, and select project investments and (b) plan, manage, and control projects. The Census Bureau uses the Primavera system only to capture R&T work as a single line item. Its employees did not record how many hours they spent working on specific projects.

¹² Each of these 67 employees claimed to have worked at least 1 hour on an R&T project during FY 2013.

Table 2. Erroneous Geography Division Hours Charged to 2020 Census R&T Projects

Geography Division Employee Group	Hours Worked (Primavera)	Hours Charged (webTA)	R&T Project Overcharge
Actual Hours Worked Less Than webTA (n = 20 employees)	3,720	20,145	16,424
Actual Hours Worked but No webTA (n = 46 employees)	6,067	0	(6,067)
Actual Hours Worked Approximates webTA (n = 1 employee)	594	557	(37)
Totals	10,381	20,702	10,320

Source: OIG analysis of U.S. Census Bureau information

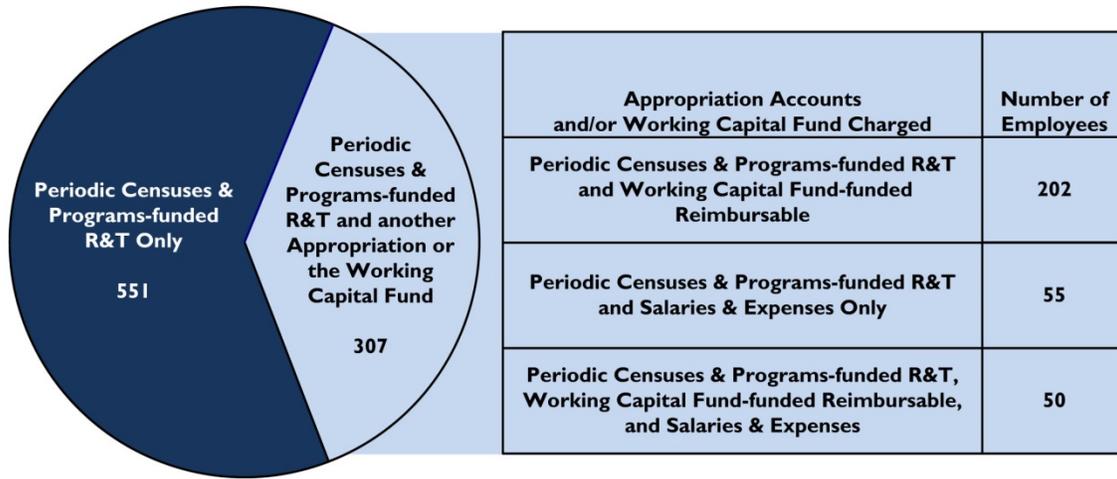
Inadequate accounting for an employee's actual work and level of effort required in accomplishing project goals and inaccurate project costs hinder the Decennial Program's ability to assess the return on investment of research efforts. It also makes it difficult to make informed decisions about how to implement budget reductions.

B. Some Projects May Be Subsidizing Other Activities Under Separate Appropriation Accounts

Employees working on R&T projects are frequently assigned to work on multiple projects that sometimes are funded by different appropriation accounts, different budget activities or subactivities, or different programs identified in the Bureau's apportionment request to OMB. These various appropriations and apportionments must be used to fund only those activities for which the resources were authorized. However, salary charges are not tracked or billed according to work actually performed.

Just as the Decennial Program has no method of reconciling budgeted amounts with actual hours worked (and thus confirm that all projects are charged according to the actual level of effort performed to complete the project), the program also lacks controls to ensure that appropriated and apportioned funds are used to pay for the activities for which they were approved. Without such safeguards, the Bureau risks augmenting the budget of one appropriation with funds approved for another appropriation or exceeding an appropriation account or the apportionments set within it.

Figure 4. How Employees on R&T Projects Charge in webTA



Source: OIG Analysis of U.S. Census Bureau information

For example, we found 858 employees whose salaries (in part or total) were charged to an R&T project. As illustrated in figure 4, out of these 858 employees, 307 (36 percent) also charged either a reimbursable project funded by a third party under the Working Capital Fund or a project funded under the Salaries and Expenses appropriation account.

This practice of employees charging hours to multiple projects may be common but, because actual employee hours are not charged and recorded in the accounting system to correct projects, the costs charged to each of these projects are likely inaccurate. This increases the risk that the Bureau is mischarging reimbursable projects or spending appropriated or apportioned funds on activities outside the scope of those appropriations or apportionments. At the very least, the findings described in this section introduce the risk that the Bureau’s accounts could be spent beyond the purposes set by Congress in the relevant appropriations acts and thus risk violating the Purpose Statute, 31 U.S.C. § 1301. In addition, these cost accounting practices increase the chance that the Bureau could incur actual costs for an activity in excess of the amount available in the proper appropriation account, thus risking possible Anti-Deficiency Act violations.¹³

U.S. Appropriations Law Purpose Statute

(a) Appropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law.

Source: 31 U.S.C. § 1301

¹³ See 31 U.S.C. §1341

Interviews with Decennial Program managers and timekeepers, along with a review of prior oversight reports, indicate that this method of charging costs is a long-standing Bureau practice. Program management recognizes that costs are not charged appropriately. Although past reviews found that the Bureau was not accurately recording costs, the Bureau has not addressed this weakness. The previously noted 1993 OIG inspection found the Bureau's New York Regional Office assigned direct labor costs to certain reimbursable projects based on predetermined estimates rather than on actual hours worked. Also, as previously noted, in 2001 the Government Accountability Office found instances of Bureau employees charging their time incorrectly to projects. The Bureau agreed with findings in both reports and planned to implement corrective action.

Similar to the issues noted in 1993 and 2001, we now find that the Decennial Program does not charge actual level of effort as costs to correct projects. As a result, salary costs recorded in the accounting system do not reflect actual project costs. Such inaccuracies do not simply affect the Decennial Program's ability to make informed budget decisions when faced with reduced budgets. They also affect life-cycle cost projections, which may use historical project costs to estimate costs for the entire 2020 Decennial Census Program.

II. Budget Fund Transfers Prevent the Bureau from Validating Budget Estimates and Identifying Inaccurate Project Costs

The Decennial Program's practice of transferring budget¹⁴ between projects circumvents spending controls, thereby increasing the risk that incorrect or even fraudulent charges could be recorded without detection. This risk is increased further because actual costs are not charged to correct projects, and the budget is not integrated with project schedules. In addition, the Decennial Program cannot compare budget estimates to actual costs to validate the accuracy of estimates. The Department's *Accounting Principles and Standards Handbook* establishes policy and prescribes a system for the administrative control of funds, including a requirement that the accounting system be able to establish and track the use of funds against limitations assigned (i.e., budget). Recording and monitoring project budgets and actual expenditures provides two critical internal controls: (1) validation of budget estimates and (2) comparison of actual project expenditures to planned expenditures to identify incorrect project charges.

The Decennial Program's 2020 Census R&T Phase Budget Management Plan (the Plan) provides guidance for developing budget estimates and tracking actual costs throughout the fiscal year. According to the Plan, the monthly Financial Management Report is used to identify project variance. Program leads are responsible for reviewing the Financial Management Report and ensuring that spending is in line with the operating plan. When variances are identified, Decennial Program leads must record variance explanations into the Decennial Management Division's (DMD's) cost model for projects that meet or exceed the thresholds set by the

¹⁴ "Budget" refers to a spending limit that is recorded in an accounting system during budget execution and prevents project managers from charging actual costs in excess of this limit. Therefore, "budget transfers," as referred to in this report, refers to changing project spending limits within the accounting system.

DMD Budget Office. DMD management then transfers budget to projects with unfunded requirements based on the information recorded by project leads.

However, interviews with DMD subject matter experts indicate that they frequently identify salary costs charged to their project that cannot be reconciled with a specific project task because employees do not consistently charge salary costs to projects on which they actually perform work. If these employees do charge costs to the correct project, they do not charge actual hours worked on the project. In addition, because the budget is not tied to the project schedule, the project status cannot be used to verify that costs to date are reasonable given the project completion status. Because of these internal control weaknesses, employees responsible for monitoring project performance have no benchmark against which to measure actual cost. This reduces the likelihood that incorrect or fraudulent costs will be detected in a timely manner. The process of transferring budget further eliminates controls over spending that are meant to ensure that project cost estimates are reasonable and only allowable costs are charged.

III. The Decennial Program Does Not Have Support for Budget Requests

Decennial Program management did not provide us with documentation supporting FYs 2013 and 2014 Congressional Budget Justifications (FTEs and dollars) that tied specific requests in the President's Budget to specific project activities. The Bureau's Congressional Budget Justification for the Decennial Program included resource requests of 611 FTEs and \$131,425,000 in FY 2013 and 862 FTEs and \$244,772,000 in FY 2014. The Department's *Budget, Performance, and Program Analysis Handbook* requires operating units to maintain program and financial management data that, while not routinely provided to the Department, is expected to be available for special analyses or as backup information in the justification and review of budgets. Such data should include object class detail at the program, project, and activity level, as well as worksheets and working papers in support of the budget. The latter would contain such information as details on how its estimates were computed, workload data, cost benefit analyses, etc. The *Handbook* further states that such supplementary information must be maintained in order to respond to inquiries on how monies already appropriated are being used and to demonstrate the effectiveness of current funds management.

We were not provided with the supporting documentation during the audit. According to Decennial Program management, subject matter experts estimate the level of effort required to accomplish budget year goals based on their professional judgment and past experience. The 2020 Research and Planning Office and DMD review and approve funding requirements that are developed by subject matter experts. However, based on discussions with DMD and 2020 Research and Planning management, decisions made during budget formulation are not documented and available for audit. As a result, the budget-formulation process is not transparent. In addition, the accuracy of budget decisions cannot be validated to inform future budget formulation and reduction decisions.

IV. Economics and Statistics Administration Should Develop a Stronger Oversight Process for Monitoring the Decennial Program's Progress in Reducing 2020 Decennial Census Costs

The Department's Organization Order 10-9 provides ESA broad oversight authority to exercise policy direction for and general supervision over the Census Bureau. ESA is responsible for overseeing the Bureau's management, budget, employment, and risk management issues and for integrating the Bureau's work with the greater statistical goals of the Secretary, Department, and other government entities. However, ESA has no specific process in place to monitor the R&T goals related to 2020 decennial Census planning. ESA staff indicated that, in the past, they have had trouble obtaining information from the Bureau, such as the method used to calculate cost savings if specific techniques are utilized in the 2020 Census.

Given the high cost of the 2010 Census and the recent historical trajectory of decennial costs—along with the risks to the program that we have outlined here and in past reports—interested stakeholders must be regularly informed regarding costs and potential issues as they arise. The Department, ESA, and the Census Bureau should work together to ensure that ESA (a) is adequately informed of the Decennial Program's status and (b) acts accordingly to oversee and monitor timelines, goals, and milestones, as well as to inform stakeholders regularly.

Recommendations

We recommend that the Director of the Census Bureau develop:

1. A process to ensure project costs reflect actual level of effort (a) in the short term, by requiring all Census employees to accurately record project hours through webTA, and (b) in the long term, by implementing an activity-based costing system, with appropriate internal controls, that reflects actual project cost and reconciles with the accounting system.
2. Policies and procedures that require supporting documentation for budget estimate decisions be prepared and retained for audit.
3. A process to validate budget estimates that (a) incorporates actual costs recorded in the accounting system and (b) uses budget-to-actual-cost information to identify incorrect project charges.

We also recommend that the Director of the Census Bureau and the Under Secretary for Economic Affairs develop:

4. A process to ensure that ESA has sufficient oversight of the 2020 Decennial Program.

Summary of Agency Response and OIG Comments

OIG received the Census Bureau's comments on the draft report, which we include as appendix C of this final report.

The Census Bureau concurred with all four recommendations. In response to recommendation 2, the Bureau admitted to a "deficiency in the completeness" of documentation supporting budget estimate decisions. OIG wants to emphasize that the deficiency was a lack of documentation.

In response to recommendations 3 and 4, the Bureau referred to (a) initiating a review to determine the accuracy of charges to Decennial projects, in order to correct erroneous charges in the financial system; and (b) using Monthly Status Review reports to, among other things, highlight spending issues for stakeholders and oversight agencies. However, because of the Bureau's inability to accurately determine the amount of resources actually spent on projects, any such review or reports will be based on unreliable information. Therefore, OIG would reiterate that expenditures reported prior to the implementation of corrective actions will not reflect the actual amount of financial resources spent on any specific project. We believe stakeholders should be aware of the unreliability of these data.

Appendix A: Objectives, Scope, and Methodology

We conducted this audit to evaluate the Decennial Program's implementation of FYs 2013 and 2014 mandatory budget reductions, which forced the Bureau to operate under reduced spending authority. The Decennial Program currently includes the work performed by the Decennial Census Programs and 2020 Census directorates, such as R&T and Geographic Support. The scope of our audit did not include the remaining seven directorates¹⁵ or the regional offices under the Field Directorate. Our audit included three objectives. First, we evaluated the Decennial Program's process for implementing mandatory reductions. Next, we examined the effects of these reductions on the program's ability to reduce the per-household cost of the 2020 Census. Finally, we evaluated the oversight roles of the Department and ESA in this process.

Our methodology included interviewing Decennial Program management and staff to gain an understanding of the budget development and reduction process at each level within the organization. In addition, we interviewed the Department's Office of Budget and ESA management to understand their role in the budget process. We reviewed documentation supporting Census Bureau management's budget reduction decisions, when available, for FYs 2013 and 2014 but were not provided with documentation supporting budget formulation decisions during this time period.

The following budget guidance and budget development and reduction documentation was reviewed:

- Office of Management and Budget Memorandum M-13-03, *Planning for Uncertainty with Respect to Fiscal Year 2013 Budgetary Resources*
- Office of Management and Budget Memorandum M-13-05, *Agency Responsibilities for Implementation of Potential Joint Committee Sequestration*
- Office of Management and Budget Memorandum M-13-06, *Issuance of the Sequestration Order Pursuant To Section 251A of the Balanced Budget and Emergency Deficit Control Act of 1985, as Amended*
- Office of Management and Budget Memorandum M-13-11, *Ongoing Implementation of the Joint Committee Sequestration*
- Department of Commerce FYs 2014–2018 budget guidance
- Department of Commerce *Budget and Program Analysis Handbook*

¹⁵ The U.S. Census Bureau is organized into nine Directorates: Communications, Administration and Chief Financial Officer, Information Technology and Chief Information Officer, Field Operations, Economic Programs, Demographic Programs, Research and Methodology, Decennial Census Programs, and 2020 Census.

- Department of Commerce *Accounting Principles and Standards Handbook*

We gained an understanding of internal controls over budget formulation and budget reduction implementation through review of OMB and Departmental guidance, as well as through interviews with Census Bureau management and staff and review of supporting documentation, when available. Based on this understanding, we identified significant internal control weaknesses that are discussed in the findings above. Because of the severity of internal control weaknesses, we were unable to assess the impact of budget reductions on the Bureau's goal of conducting the 2020 Census for less (per household) than the 2010 Census. Therefore, we limited our review to evaluating the Decennial Program's process for implementing budget reductions and the oversight roles of both the Department and ESA in this process.

We obtained data from the Geography Division's time-tracking system, Primavera, and from the Bureau's payroll system, webTA. We were unable to confirm the accuracy and completeness of data recorded in Primavera because of the lack of internal controls in Primavera programming and data recording. Because the accuracy of Primavera data could not be verified, data from the system was only used to illustrate internal control weaknesses (see finding I for details). We obtained Census webTA records for FY 2013 and tested the completeness of the data through numerous electronic tests and by reconciling salary costs recorded in webTA to salary totals recorded in the Commerce Business System accounting data. No significant unresolved discrepancies were identified. Because of the internal control weaknesses noted in finding I, we determined that the cost data is unreliable. Therefore, the use of webTA data in this report is solely for the purpose of illustrating internal control weaknesses in the Bureau's process for recording salary costs.

We conducted this audit from July 2013 through December 2013. The audit was conducted under the authority of the Inspector General Act of 1978, as amended, and Department Organization Order 10-13, dated April 26, 2013, at the Department's offices in the Washington, D.C., metropolitan area. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B: Census Bureau Budget Elements

Table B-1. U.S. Census Bureau Budget Elements by Category

Salaries and Expenses Appropriation Account			
Budget Activity	Subactivity	Line Item	Program
Current Surveys and Statistics	Current Economic Statistics	<i>Business Statistics</i>	Current Retail Trade Reports; Current Wholesale Trade Reports; Current Service Trade Reports; Statistical Sample Improvements
		<i>Construction Statistics</i>	Building Permits Data; Housing Starts Data; Construction Put in Place Data
		<i>Manufacturing Statistics</i>	Annual Survey of Manufacturers; Industrial Indicators and Business Investment
		<i>General Economic Statistics</i>	Business Register; Industry and Commodity Classification; Economic Studies; Quarterly Financial Report; Measuring Electronic Business
		<i>Foreign Trade Statistics</i>	Import Statistics; Export Statistics; Trade Monitoring
		<i>Government Statistics</i>	Survey of Government Finance Operations; Survey of Government Employment
	Current Demographic Statistics	<i>Household Surveys</i>	Current Population Survey; Survey Methods Development; Survey of Income Program Participation
		<i>Population and Housing Analyses</i>	Population Characteristics; Population Projections; Housing Statistics
	Survey Development and Data Services		General Research that studies problems related to the Census Bureau's data collection efforts
Salaries and Expenses (Mandatory) Appropriation Account			
Budget Activity	Subactivity	Line Item	Program
Survey of Program Dynamics			Provide data necessary to determine the impact of welfare provisions of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996
State Children's Health Insurance Program			Produce statistically reliable annual data for each state on the number of low-income children who do not have health insurance coverage; support the Department's Science and Information goal of generating and communicating new, cutting-edge scientific understanding of technical, economic, social, and environmental systems

Periodic Censuses and Programs Appropriation Account			
Budget Activity	Subactivity	Line Item	Program
Economic Statistics Programs	Economic Census		Direction; Content Determination and Design; Mail List Development and Mail-out; Collection and Processing; Publication and Dissemination
	Census of Governments		Direction; Content Determination and Design; Mail List Development and Mail-out; Collection and Processing; Publication and Dissemination
Demographic Statistics Programs	Intercensal Demographic Estimates		Assist elected officials and government program managers in allocating hundreds of billions of dollars each year by giving them updated estimates of the United States population for the country, states, counties, cities, and townships
	2010 Decennial Census Program ^a	American Community Survey ^b	Initial mail collection; Telephone nonresponse follow-up; Personal visit nonresponse follow-up; Puerto Rico; Group quarters data collection; IT infrastructure; Data processing, weighting and review; Data dissemination; Partnership and outreach; Project management; Methods panel
		2010 Census	Program Development and Management Content, Questionnaires, and Products; Field Data Collection and Support; Automated Data Collection, Systems, and Data Capture; Census Design, Methodology and Evaluation; Census Test and Dress Rehearsal Implementation; Contingency
	2020 Decennial Census Program	2020 Decennial Census	Census Frame R&T Priorities (augments the geographic support program); Enumeration R&T Priorities; Infrastructure R&T Priorities; Proposed Plans and Deliverables by Investment Area; Program management; Systems Engineering and Integration; Census Frame; Enumeration; Response Processing; Evaluative Programs; Infrastructure
Demographic Surveys Sample Redesign			Current Population Survey, Sponsored Jointly by the Census Bureau and the Bureau of Labor Statistics; Consumer Expenditure Survey (BLS); Survey of Income and Program Participation (Census Bureau); National Crime Victimization Survey, (Bureau of Justice Statistics); American Housing Survey (Department of Housing and Urban Development); State Children’s Health Insurance Program Survey, (Census Bureau and the BLS); National Health Interview Survey, (National Center for Health Statistics)
Geographic Support			Provision of maps, address lists, address and geographic reference files, and associated processing systems needed to meet the geographic requirements of all Census Bureau programs
Data Processing Systems			Provision of day-to-day information technology support for all Census Bureau program areas

Working Capital Fund			
Budget Activity	Subactivity	Line Item	Program
Working Capital Fund			Revolving fund that supports a large and increasing reimbursable survey line of business performed for other federal agencies (e.g., Current Population Survey, Consumer Expenditure Survey, American Housing Survey, National Health Interview Survey, National Crime Victimization Survey, National Schools and Staffing Survey, Agriculture Census Support, Medical Expenditures Panel Survey, National Survey of College Graduates, Commodity Flow Survey, National Center for Education Statistics, as well as Poverty Statistics, and Other Reimbursable)

Source: Compiled by OIG from U.S. Census Bureau documents

^a The 2010 Decennial Census Program concluded during FY 2013.

^b During FY 2013, the American Community Survey was included in the 2010 Decennial Census Program subactivity; during FY 2014, the American Community Survey was included in the 2020 Decennial Census Program.

Appendix C: Agency Response



UNITED STATES DEPARTMENT OF COMMERCE
Economics and Statistics Administration
U.S. Census Bureau
Washington, DC 20233-0001
OFFICE OF THE DIRECTOR

MAY 09 2014

MEMORANDUM FOR Ann C. Eilers
Principal Assistant Inspector General for Audit and Evaluation

Through: *for* Mark E. Doms *KE Doms*
Under Secretary for Economic Affairs

From: John H. Thompson *JHT*
Director

Subject: Draft Report: *Census Bureau Lacks Accurate and Informative Cost Data to Guide 2020 Census Research through a Constrained Budget Environment*

The attached comments are in response to your draft audit report, *Census Bureau Lacks Accurate and Informative Cost Data to Guide 2020 Census Research through a Constrained Budget Environment*. The U.S. Census Bureau appreciates the comments and recommendations developed by the Office of the Principal Assistant Inspector General for Audit and Evaluation.

Attachment

Cc: US/EA

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OIG Draft Report
U.S. Census Bureau Lacks Accurate and Informative Cost Data to Guide 2020 Census
Research through a Constrained Budget Environment
U.S. Census Bureau Response

The U.S. Census Bureau has reviewed the Office of Inspector General (OIG) Draft Report and has the following comments:

The Census Bureau is committed to delivering a 2020 Census at a lower cost per household than the 2010 Census. The Census Bureau embraces the necessary changes to design and implementation, and especially program management to achieve this goal. Notably, these changes to program management will not only occur within the 2020 program, but will be incorporated enterprise-wide. These changes include dedicated efforts to ensure the program managers have the tools they need to manage, including accuracy in recording costs and strong controls over the budget formulation and execution processes.

Responses and Planned Actions for each of the recommendations –

Recommendation 1 – A process to ensure project costs reflect actual level of effort (a) in the short term, by requiring all Census employees to accurately record project hours through webTA, and (b) in the long term, by implementing an activity-based costing system, with appropriate internal controls, that reflects actual project cost and reconciles to the accounting system.

We concur with the OIG recommendation.

Beginning in April 2014, the Census Bureau initiated a mandatory, enterprise-wide, webTA re-training effort aimed at improving the accuracy of the salary costs allocated to projects, and generating greater awareness and compliance with all the controls surrounding the accurate recording of hours worked. This training emphasizes the responsibilities of the individual employees, and educates them on the critical role accurate time accounting plays in program and bureau operations and financial performance. Timekeepers and supervisors responsible for certifying the accuracy of employee-reported time are receiving additional training about their critical role and responsibility. In addition to increased training, the Census Bureau is updating the internal controls, policies, and procedures related to time keeping, ensuring its testing procedures for the payroll cycle are appropriate to highlight any other deficiencies, and confirming the new training, updated policies, and procedures are sufficient to correct those deficiencies identified in the OIG report.

The Census Bureau will strengthen controls over manual labor adjustments. The labor correction process will be refined to ensure all corrections to recorded time are appropriately reviewed and approved before changes to the financial system are executed. The Census Bureau will implement a process to certify labor costs are correct, similar to a process it currently uses to

validate undelivered orders. The Census Bureau will begin internal control reviews of the Regional Offices in fiscal year (FY) 2014, and will complete all reviews by FY 2015. The purpose of these reviews is to ensure fiscal and procedural compliance with Census Bureau policies and procedures, and with department and government-wide guidelines and directives. Time and attendance policies and procedures will be included in this review.

The Census Bureau is implementing portfolio management across the enterprise. As a part of this effort, the Census Bureau will implement resource-loaded schedules to manage the planning and execution of projects within the portfolio. Project managers will create a schedule and assign human resources (employees and contractors) to tasks within a schedule. This effort consists of the establishment of a resource pool for each project. The resource pool is made up of all of the resources that could be assigned to a project by the project manager. During execution, each employee (resource) submits a timesheet that allocates their actual hours worked against an authorized task within the project. The project manager must approve any new resource to be added to a task, and therefore, reviews and approves any additional resources if they are needed prior to that resource charging to the project. All timesheets must be reviewed and approved by the project manager of the project. This process allows the project managers to have direct insight into the cost of each task and allows the project manager to monitor overages and under spending along with the portion of the task that is completed in near real-time. Within the 2020 program, a pilot team will test resource-loaded schedules by the 4th Quarter, 2014.

The long-term goal is to integrate the time tracking data into webTA. This integration will eliminate the need for any manual reconciliation process between systems. This integration will provide alignment between projects within the portfolio management system, actual hours performed, and time and attendance data for validation and certification with the webTA system and the accounting system.

The Census Bureau's continued implementation of portfolio management systems will address several of this report's findings in addition to ensuring that project costs reflect level of effort. It will also decrease the risk that incorrect or fraudulent charges could be recorded without detection. Programs can also compare budget estimates to actual costs along with progress against deliverables to validate the accuracy of the estimate, if necessary, to inform and to provide documentation for revised budget estimates.

Recommendation 2 – Policies and procedures that require supporting documentation for budget estimate decisions be prepared and retained for audit.

We concur with the OIG recommendation.

Starting with the FY 2016 budget request, programs are required to provide more complete documentation supporting the development of budget, including the basis of estimate (BOE). This documentation will be produced by the budget staff or cost estimators in the program areas, and then submitted to the Census Budget Division to be reviewed and retained. Prior to this

change, the Census Bureau's Budget Division did require the documentation to support object class detail at the program, project, and activity level, as well as worksheets and working papers in support of the budget. However, a deficiency in the completeness of this documentation was noted by the OIG with respect to the basis of cost.

Programs should be responsible for documenting the basis of estimate for all the activities included within their program. For example, the 2020 Research and Planning Office, as well as multiple divisions, perform activities for the 2020 Census program across the Census Bureau. The program budget staff are responsible for producing the documentation for the estimates produced by the 2020 Research and Planning Office, and are responsible for validating and then providing the basis of cost documentation for the estimates produced by the other divisions who participate in the 2020 activities (at the Census Bureau, these are referred to as participating divisions). The 2020 program was lacking documentation for the basis of estimate for estimates provided to the 2020 program by participating divisions. For reconciled estimates, the Office of Cost Estimation, Analysis, and Assessment (OCEAA), developer of the independent cost estimate, and the program office who developed the program estimate, will prepare the documentation jointly during the reconciliation process. Proper documentation is a necessary step in ensuring the cost estimates the Census Bureau produces are credible.

Recognizing the importance of driving accurate cost data into our formulation process, the Census Bureau has begun implementing an effective cost estimation strategy that meets the GAO guidelines. OCEAA was established about 12 months ago, and an outside certified cost estimator was hired to head the office. Staff dedicated to cost estimation methodology have been hired and trained. In the initial phase of this transformation, the Census Bureau implemented several pilot programs to test and evaluate a variety of project management systems and structures. Implementation of resource-loaded schedules linked to the Census-specific framework (called the SLC/MES framework or the System Lifecycle and Mission Enabling and Support framework) will provide the baseline data for actual costs used to develop detailed basis of estimates for projects in the future.

Recommendation 3 – A process to validate budget estimates that (a) incorporates actual costs recorded in the accounting system and (b) used budget-to-actual-cost information to identify incorrect project charges.

We concur with the OIG recommendation.

The efforts described above to strengthen controls related to recording cost appropriately in webTA in the short term will allow project managers to review existing reports with more confidence that these data underlying them are more accurate.

The 2020 Research and Planning Office has initiated a detailed review to determine the accuracy of charges to Decennial projects that have been made by individuals in divisions participating in

2020 Census research and testing activities. Incorrect charges identified from this review will be corrected in the financial system.

- The Research and Planning Office has received rosters from each participating division of employees working on 2020 activities and the projects they are charging.
- 2020 project managers have independently compiled a roster of employees they know are working on 2020 projects, and the Research and Planning Office is now receiving a monthly report from the Census Budget Division of employees, who are charging any time to 2020 projects.
- The program managers will then meet with the division chiefs to review and reconcile the rosters, review actual charges, and initiate corrections for any errors.

To ensure the transfer of budget resources between programs does not increase the risk incorrect charges could be recorded without detection, the 2020 program office will retain and use for variance analysis the Continuing Resolution spending plan, and the spending plan put in place at the time of the appropriation. This variance analysis will assist in identifying incorrect project charges.

In the long-term, as detailed in the response to the first recommendation, actual project costs will be recorded against resource-loaded schedules. This process will facilitate budget to actual cost comparison by the project managers in near real time. This information will be used to inform future budget estimates. The long-term goal is to integrate the time tracking data into webTA. This integration will eliminate the need for any manual reconciliation process between these systems.

OCEAA is responsible for developing and then operating and maintaining a cost data repository used to store Lifecycle Cost (LCC) and Earned Value Management (EVM) reports. This centralized data repository will make LCC and EVM data collection easier by providing a one-stop shop of historical cost data for use in future estimates. Selected projects and programs will be required to provide updated LCC annually and report EVM. OCEAA will validate each LCC and EVM report to ensure they are using the standardized product based Work Breakdown Structure. The program office areas are responsible for ensuring these reports are developed using hours from the program management system and the actual costs recorded in the accounting system.

Recommendation 4 – A process to ensure that ESA has sufficient oversight of the 2020 Decennial Program.

We concur with the OIG recommendation that the Department, ESA, and Census work together to ensure that ESA stays adequately informed about all aspects of the Decennial program in order to properly exercise its oversight responsibilities. On a broader scale, various Department

of Commerce and external offices receive a Monthly Status Review (MSR) of the 2020 Census. The Census Bureau uses the MSR reports to highlight spending, accomplishments, and upcoming milestones for the 2020 Census. This report also is shared with the OMB, GAO, OIG, our House appropriations subcommittee (as required by language in our appropriations bill), our Senate appropriations subcommittee as well as the appropriate House authorizing subcommittees and Senate oversight committee. In addition, the Census Bureau submits monthly reports on self-identified 2020 Census program risks and provides these directly to the Commerce Office of Program Evaluation and Risk Management. Finally, Census senior executives share 2020 Census program status and concerns related to IT and acquisition-related issues as part of the Department of Commerce Information Technology Review Board (CTIRB) and Acquisition Review Board (ARB) processes.

For several years, the Under Secretary for Economic Affairs has conducted on-site meetings with Census Bureau officials on a biweekly basis. During these meetings, the Under Secretary receives detailed briefings that cover emergent and ongoing programmatic topics across the full spectrum of Census Bureau activities. The Under Secretary also meets one-on-one with the Census Director at least weekly to discuss the biggest challenges and risk areas facing the Census Bureau. However, the topics discussed tend to be programs the Census Bureau chooses to highlight. Moving forward, these meetings will be more focused on Decennial program operations and additional meetings will be scheduled on an as needed basis. Specifically, the following process will occur:

- At least once per month, on a regularly recurring basis, the Census Director and his key executive leadership team will brief the Under Secretary for Economic Affairs on the timelines, goals, milestones, progress, and challenges facing the Decennial program. In the shorter term, this will necessarily involve updates from officials responsible for the 2020 Census program to discuss the status, progress, challenges, and issues related to Research and Testing Program. The overall goal of this regular briefing schedule will be to ensure early detection of issues or concerns that might require potential resolution or mitigation by the Under Secretary for Economic Affairs, Secretary of Commerce, the Administration, or Congress. Issues requiring notification to or action from Administration or Congressional officials will be specifically identified during these briefings, regardless of whether the issue was raised through an alternative reporting mechanism, such as the MSR, CTIRB or ARB processes.
- At least once per month, the Census Director and his key executive leadership team will brief the Under Secretary for Economic Affairs about the status of any open or outstanding findings and/or formal recommendations generated by reports prepared by the Office of Inspector General, Government Accountability Office, or other external auditing entity.
- To carry out the oversight described in this memorandum and track the proposed corrective actions, the Under Secretary will use existing staff within the ESA and additional staff that may be detailed to ESA.

Other Comments –

Page 2, Paragraph 3; Page 10, Figure 4; Page 18, Appendix B – The Census Bureau has two appropriated accounts. The Working Capital Fund is not an appropriated account. It is a Revolving Fund. We recommend revising.

Page 3, 8, 10, and 13 – The report refers to “Activity-Based Costing” in several places. This term is used to describe the project management practices and systems used by the Census Bureau. Activity-Based Costing is a cost estimation methodology that estimates the cost of activities, resources, and cost objects by allocating indirect costs based on cost drivers. The Primavera system used by the 2020 program is not an Activity-Based Costing system, but rather a Project Portfolio Management System. Given the report context, we recommend using the term “Project Management” rather than “Activity-Based Costing.”

Page 6, Paragraph 2 – The report states that without accurate cost information at the project level, “The Decennial Program’s management cannot make informed decisions when assessing return on investment and determining which project schedules should be altered to implement budget reductions.” While we recognize that we have to improve our cost accounting at the project level, we believe that we have a clear understanding of the work that must be adjusted in response to budget reductions. Our ability to prioritize our work is a function of our understanding of the relationship between each project and the cost drivers of the 2020 Census. We have been successful in altering projects, and even stopping work on some projects, to ensure that research and testing needed to prove in the innovations that will lead to cost reductions in the 2020 Census stays on track.

Page 6, Paragraph 4 – Recommend changing the reference to the “Budget Office” to “Program Budget Staff.” This more accurately reflects the source of these spreadsheets.