

Testimony of
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U.S. DEPARTMENT OF COMMERCE

before the

**Subcommittee on Federal Financial Management, Government
Information, Federal Services, and International Security,
Committee on Homeland Security and Governmental Affairs,
United States Senate**

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***The 2010 Census:
Update of Key Decennial Operations***

Mr. Chairman, Ranking Member McCain, and Members of the Subcommittee:

Thank you for inviting us to testify today on the Census Bureau's readiness for the 2010 decennial census. My testimony will describe (1) the challenges that our work has identified over the past decade, (2) the problems highlighted in our first Quarterly Report to the Congress issued in August, and (3) the status of the integrated communications campaign. I will also address our specific oversight activities, and will focus on one area at particularly high risk—development of the paper-based operations control system, or PBOCS.

The 2010 Census is proceeding against a backdrop of more than \$3 billion in estimated cost growth, with the initial life-cycle cost estimate of \$11.5 billion now projected to total \$14.7 billion. This cost growth has resulted from the inability of Census and its contractor to work together to produce a handheld computer and related systems for field data collection as originally envisioned, combined with major flaws in the bureau's cost-estimating methods and other issues.



In 2009 the American Recovery and Reinvestment Act provided \$1 billion for the 2010 Census. Recovery Act funds are being used as follows:

- \$750 million to reduce risk to early decennial operations;
- \$120 to enhance the partnership program, designed to encourage the hardest- to-count populations to participate in the 2010 Census;
- \$100 million to expand the communications contract, with a major focus on increasing advertising in minority communities and other areas that have historically lower-than-average initial-response rates; and
- \$30 million to expand the coverage follow-up operation in which telephone interviewers re-contact households in which the bureau believes persons may have been erroneously omitted or included in error on the census form.

At the outset, I would like to emphasize that with address canvassing finished and enumeration activities soon to begin, little opportunity remains to affect 2010 decennial planning or make major course corrections. Having said that, however, our oversight will be ongoing, focusing on the status of high-risk areas of the decennial and assessing whether planning and operations are on track with bureau plans.

The appendix to my statement contains a list of our reports and testimony to date on the 2010 Census.

OFFICE OF INSPECTOR GENERAL (OIG) REVIEWS THROUGHOUT THE PAST DECADE HAVE IDENTIFIED SIGNIFICANT CHALLENGES IN KEY OPERATIONS

Oversight of the 2010 census has been an ongoing OIG priority. We began our work in 2002 with a report on lessons learned, *Improving Our Measure of America: What Census 2000 Can Teach Us in Planning for 2010*. Since that time we have highlighted continuing weaknesses in key decennial areas, including contracting, maps and address lists, systems development, and enumerating hard-to-count populations. Our recent and ongoing work, listed below, represents those areas that in our view provide lessons learned or indicate where oversight is most needed.

- **FDCA Contract.** In April 2006, the Census Bureau awarded the Field Data Collection Automation (FDCA) contract to the Harris Corporation. FDCA was a cost-reimbursement contract intended to automate and integrate major field operations for the 2010 decennial, including use of handheld computers to conduct address canvassing and non-response follow-up. The mounting FDCA problems prompted the decision, in April 2008, to abandon use of the handhelds for non-response follow-up while focusing resources on ensuring that the handhelds could support address canvassing. This change set in motion contract renegotiations between the bureau and Harris, with each party redefining its respective role to minimize cost and schedule risks. The renegotiations also gave the bureau the opportunity to modify the original contract type and fee structure, as appropriate.

With this in mind, we conducted an audit to determine whether (1) award fees paid to Harris were appropriate, (2) the incentive fee structure used was the most effective for motivating top performance, and (3) cost-plus-award fee was the best contract arrangement for acquiring the system. Our audit resulted in recommendations for improving the contract by, among other items, establishing measurable criteria for assessing performance and determining fees; modifying the fee structure to promote performance excellence and limit the practice of rolling over fees; and incorporating fixed pricing for deliverables, whenever possible.

- **Paper-based Operations Control System.** We are monitoring the bureau's progress in developing the paper-based operations control system—a risky, yet essential capability needed for remaining decennial field operations.
- **DRIS Contract.** We are auditing the contract for the Decennial Response Integration System, which will capture census response data from paper forms and provide for telephone enumeration and follow-up.
- **Communications Contract.** We are also auditing the communications contract, which is being used to raise awareness and to educate citizens about the 2010 Census and the importance of their response, with a major focus on minority communities and other areas that have historically lower-than-average response rates.
- **Partnership Program.** We recently began an evaluation of the partnership program, which brings national, regional, tribal, and local government, business, and nonprofit organizations together to promote participation in the 2010 Census. I will address our work on the communications contract and partnership program later in my testimony. Both of these programs have received additional funding under the American Recovery and Reinvestment Act.
- **Address Canvassing Operations.** With the beginning of address canvassing last spring, we have given considerable attention to assessing the management issues and risks involved in planning and conducting field operations. Because the Census Bureau describes “an accurate, comprehensive, and timely [address] list” as “one of the best predictors of a successful census,” we observed the address canvassing operation firsthand across the country. As we reported, important procedures were not being followed. Census responded quickly to this finding by communicating to field staff and regional directors about the issue. However, by that point, many areas had completed production.
- **Address Canvassing Quality Control.** Census depends on its address-canvassing quality-control operation to identify and correct errors resulting from listers' not following procedures. We therefore expanded the number and breadth of our field observations to focus on this quality-control element, particularly in rural areas, and will present our results in a subsequent report. However, we did find one notable issue: quality control listers were unable to make changes to the address list using the

handheld computer, after the initial quality check passed and they were confirming housing unit deletions. This problem increases the bureau's risk of housing units' being omitted from the master address file and therefore of not receiving census questionnaires. In some cases, quality control listers recorded units on paper that they could not enter into their handheld computers. Census is in the process of reviewing procedures to incorporate these units, but the actions of individual listers were not standard and the procedures were not consistently used.

- **Contingency Plans.** As a result of limitations in the number of addresses that its handheld computers could hold, Census deployed a contingency plan to canvass blocks containing more than 1,000 addresses. Our assessment of this operation found a number of problems that demonstrated the need for improved contingency planning.
- **Non-response Follow-up Operations.** We are identifying lessons learned from address canvassing to help make non-response follow-up more effective and less costly. Non-response follow-up is a massive operation in which census workers collect data from households that have not mailed back their census questionnaires. We are reviewing the causes of the budget variation in address listers' time, mileage, and expenses incurred during address canvassing to help identify actions the bureau can take to better control costs during non-response follow-up. We are also auditing the accuracy and integrity of the payroll system used for the hundreds of thousands of temporary Census employees.
- **Group Quarters Validation.** Finally, we are evaluating the results of the operation that validates the location of group residences (military bases, college dormitories, prisons, and nursing homes) for later enumeration.

OIG'S FIRST QUARTERLY REPORT TO CONGRESS FOUND PROBLEMS WITH PROGRAM MANAGEMENT SYSTEMS, RISK MANAGEMENT, AND REPORTING TRANSPARENCY

The Supplemental Appropriations Act of 2008 gave the Census Bureau an additional \$210 million to help cover spiraling 2010 decennial costs. The act's explanatory statement required the bureau to submit to the Senate and House Committees on Appropriations a detailed plan and time line of decennial census milestones and expenditures, and a quantitative assessment of associated program risks.

OIG was also required to provide quarterly reports on the bureau's progress against this plan. The objective of our first report was to determine the bureau's ability to oversee the systems and information for tracking schedule activities, cost, and risk management activities that depended on a baseline provided by Census in May of this year.

Our review discovered that the bureau's ability to effectively oversee decennial census progress has long been hampered by inherent weaknesses in its systems and information for tracking schedules, cost, and risk management activities. The overarching problem is that these systems and information are not integrated in a manner that allows

progress to be objectively measured against the project plan—in other words, the bureau does not have metrics that directly link the schedule of specific activities, the cost of those activities, and the work actually accomplished. This makes it difficult to assess progress and forecast cost and schedule overruns.

To its credit, the bureau's management of risk represents a significant improvement over the 2000 decennial, which lacked a formal risk management process, but important issues remain. Specific limitations that affect the bureau's management of the decennial census include

- not using critical-path management to identify the activities that must be completed on time so that the entire project is not delayed,
- lack of thorough up-front review of project start and end dates,
- limited integration of major contractor activities,
- lack of integration of schedule activities and budget plan/expenditure information,
- an unreliable cost estimate,
- lack of transparency in the use of contingency funds,
- lack of systematically documented program and funding decisions,
- risk management activities that are behind schedule, and
- varying quality and content of mitigation plans.

Further, the bureau did not clearly and accurately report on the status of the information technology security risk associated with the FDCA system, which includes the handheld computers, and ceased reporting it as a key issue in the Monthly Status Report—which is provided to the Department, OMB, and the Congress—even though the issue had not been adequately resolved.

We have forwarded recommendations to the Census Bureau based on our First Quarterly Report. However, given how close we are to the 2010 decennial, many of our recommendations represent lessons learned and look ahead to the 2020 decennial. They include

- integrating schedule and cost activities associated with a small-scale 2010 decennial operation having both headquarters and field components, as a prototype for integrating all schedule and cost activities for the 2020 census;
- completing the schedule development process earlier in the 2020 decennial life cycle and integrating cost and schedule activities of bureau and contractor operations to allow Census managers to better track the status of available funds, forecast impending overruns, and improve the transparency of decennial census decisions to census stakeholders;

- developing a transparent decision documentation strategy to account for 2020 census program and spending decisions; and
- strengthening and implementing a risk management strategy and related contingency plans prior to the start of 2020 decennial census operations.

The bureau has concurred with our recommendations and is formulating approaches to address them.

PAPER-BASED OPERATIONS CONTROL SYSTEM: SCHEDULE-DRIVEN, RISKY, YET ESSENTIAL

In April 2008, the Department announced the decision to abandon the use of handheld computers to electronically capture information from households that did not return their census forms and thus requiring the substantial redesign of census field operations.

Later that year, as a result of this decision, the bureau began development of a control system to cover all field operations subsequent to address canvassing and validation of the address list for group residences. The system had originally been part of the FDCA contract; however, in redesigning the program, the bureau decided to take responsibility for developing the system, which was expanded to support a paper-based non-response follow-up operation.

Along with non-response follow-up actions, the paper-based operations control system (PBOCS) is also needed to support operations such as those in rural areas where Census leaves a form for households to mail back (known as update/leave), interviews to enumerate group residences, and enumeration activities at transient locations such as parks or campgrounds. The bureau describes the paper-based operations control system as the “nerve center” of its 494 field offices; it is used to define enumerator assignments and to provide current information on enumerator productivity.

The decision to conduct paper-based non-response follow-up made PBOCS development a highly schedule-driven and risky undertaking. The team must develop, test, and deploy a system that is capable of managing the work of hundreds of thousands of temporary Census employees working on enumeration. According to an independent assessment, the project must be completed in one-third the time that it would need under normal circumstances. Further, the system must work compatibly with other 2010 Census systems and run within the infrastructure provided by the FDCA contractor, adding significant integration and deployment challenges. As a result of the highly compressed schedule, the system will undergo less testing than desirable.

To address the compressed schedule, capabilities are being delivered in three releases—at best just in time for certain census operations to begin. With enumeration of remote Alaska beginning in January, the first release will provide functionality for this operation, as well as for other early operations, including the group quarters advance visit, update/leave, and enumeration at transient locations. This just-in-time approach is particularly risky for a

system that must be able to support decennial operations immediately once it is deployed, since the 2010 schedule has no margin for delay.

For example, without an effectively functioning PBOCS, hundreds of thousands of non-response follow-up enumerators may not be able to receive their assignments, and bureau management may not be able to monitor the operation's progress. Such problems, for which no documented contingency plans currently exist, would seriously jeopardize the decennial schedule and further drive up decennial costs.

Census is taking steps to mitigate the risks inherent in PBOCS development, integration, and deployment; it chartered an independent assessment team to provide bureau executives with the information needed to understand potential problems and how they might be mitigated. This team focused on seven areas, and considers all but one to be medium- if not high-risk. The assessment team made a number of recommendations, including that Census develop a risk-mitigation action plan, as well as add resources to the integration and test areas. As a core activity presenting a high level of uncertainty so late in the decennial life cycle, this is an area we will closely monitor—and recommend that Congress and the Secretary do the same.

THE CENSUS BUREAU HAS BEEN DILIGENT IN MONITORING THE INTEGRATED COMMUNICATIONS CAMPAIGN, BUT DELAYS HAVE OCCURRED IN THE DELIVERY OF THE INITIAL PLAN AND PROMOTIONAL ITEMS

The integrated communications campaign is part of the Census Bureau's attempt to increase the response rate to the questionnaire mailing, thereby decreasing the resources needed for the bureau's follow-up. The campaign also emphasizes increased participation of traditionally hard-to-count populations. The communications campaign includes promotional materials, media advertising, and outreach to parents and guardians through their school-age children.

We have been monitoring the bureau's progress in soliciting and awarding a contract to implement the campaign, including an assessment of how well the bureau has improved upon the structure and effectiveness of the advertising contract used for the 2000 census. In September 2007, the bureau awarded a contract to DraftFCB. The contract now contains 23 task orders valued at about \$300 million, with one-third of those funds already being obligated. Of the total, \$100 million in funding came from the American Recovery and Reinvestment Act.

This past February we began reviewing the overall integrated communications campaign, including the contract with DraftFCB. We are assessing the challenges associated with distributing promotional materials through regional census centers. Our preliminary observations indicate that the bureau has been diligent in its management and monitoring of DraftFCB's execution of the contract. However, we have noted delays in the delivery of the contractor's initial communications plan and delivery of promotional items to regional field offices to distribute to their partners. Other areas of focus include contract requirements, plans, deliverables, time lines, and funding requirements.

The Census Bureau's partnership program is a key component of its efforts to improve mail response, decrease the comparative undercount of certain populations, and improve respondent cooperation. Census used the \$120 million in Recovery Act funds to hire an additional 2,027 positions to focus on increasing partnerships in hard-to-count communities. In monitoring the program during this time, we saw that Census determined where to put these additional positions using data about where hard-to-count populations were located, and successfully met its hiring goals by its July 1, 2009, deadline. Further, we recently initiated a review to evaluate the specialist and new Recovery Act "assistant" roles and activities, determine whether partners are receiving and using Census-funded promotional materials, and—on a limited basis—assess partner satisfaction.

Finally, I want to commend the dedicated efforts of the rank-and-file Census workers. They have been—and continue to be—a key element in overcoming the setbacks and management lapses that the bureau has experienced. The resolve and commitment of regional Census directors, field staff, and subject-matter experts increases our confidence in the success of the 2010 decennial census. In addition, I want to commend the Committee for its prompt action in confirming the Director; the presence of a permanent Director during this period has been immeasurably beneficial.

In summary, this is where we are: the bureau is taking positive steps to increase the mail response rate and the participation of hard-to-count populations. With the limitations in its project management systems, it faces significant challenges in assessing progress and forecasting cost and schedule overruns for the duration of the decennial. Major areas we intend to watch going forward include

- the bureau's evaluation of the quality of the master address file and its plans for any subsequent improvement actions;
- the bureau's progress in developing the automated paper-based operations control system—needed to manage enumerator assignments and track their progress—on a highly compressed schedule;
- the communications campaign's effectiveness in providing promotional materials and advertising that are timely, on message, and within budget;
- the effectiveness of the vastly increased partnership staff to promote outreach efforts to hard-to-count populations; and
- a number of enumeration operations, including non-response follow-up.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to any questions that you or any other Members of the Subcommittee may have at this time.

Office of Inspector General Reports/Testimony on the 2010 Decennial Census

(Reports/testimony are available in the OIG Census Reading Room at http://www.oig.doc.gov/oig/reports/census_reading_room/index.html)

2009

- *The 2010 Census and Integrated Communications Campaign*, testimony before the House Committee on Oversight and Government Reform, Subcommittee on Information Policy, Census, and National Archives, September 22, 2009.
- *2010 Census: First Quarterly Report to Congress*, August 7, 2009 (OIG-19791-1).
- Memorandum to Director, Bureau of the Census, with Recommendations from *2010 Census: First Quarterly Report to Congress*, August 7, 2009 (OIG-19791-1).
- *Problems Encountered in the Large Block Operation Underscore the Need for Better Contingency Plans*, August 7, 2009 (OIG-19171-02).
- *Observations and Address Listers' Reports Provide Serious Indications That Important Address Canvassing Procedures Are Not Being Followed*, May 4, 2009 (OIG-19636-01).
- *Census 2010: Revised Field Data Collection Automation Contract Incorporated OIG Recommendations, But Concerns Remain Over Fee Awarded During Negotiations*, March 3, 2009 (CAR 18702).
- *Census 2010: Delays in Address Canvassing Software Development and Testing, Help Desk Planning, and Field Office Deployment Have Increased Operational Risk*, February 12, 2009 (OIG-19171).

2008

- *Census 2010: Dress Rehearsal of Address Canvassing Revealed Persistent Deficiencies in Approach to Updating the Master Address File*, October 17, 2008 (OSE-18599).
- *FY 2008 FISMA Assessment of the Field Data Collection Automation System*, September 29, 2008 (OSE-19164).
- *Census 2010 Decennial: Census Should Further Refine Its Cost Estimate for Fingerprinting Temporary Staff*, August 8, 2008 (OIG-19058-1).

APPENDIX

- *Census 2010 Decennial: OIG Reviews Through the Decade Identify Significant Problems in Key Operations*, June 4, 2008 (OIG-19217).

2007

- *Follow-up Review of the Workers' Compensation Program at the Census Bureau Reveals Limited Efforts to Address Previous OIG Recommendations*, September 28, 2007 (IPE-18592)
- *Census 2010: Key Challenges to Enumerating American Indian Reservations Unresolved by 2006 Census Test*, September 19, 2007 (OSE-18027).

2006

- *Enumerating Group Quarters Continues to Pose Challenges*, September 29, 2006 (OIPE-18046-09-06).
- *Valuable Learning Opportunities Were Missed in the 2006 Test of Address Canvassing*, March 31, 2006 (OIG-17524-03-06).

2005

- *FDCA Program for 2010 Census Is Progressing, but Key Management and Acquisition Activities Need to be Completed*, August 4, 2005 (OSE-17368)

2004

- *Improving Our Measure of America: What the 2004 Census Test Can Teach Us in Planning for the 2010 Decennial Census*, September 30, 2004 (OIG-16949-1).

2003

- *MAF/TIGER Redesign Project Needs Management Improvements to Meet Its Decennial Goals and Cost Objective*, September 30, 2003 (OSE-15725).

2002

- *Selected Aspects of Census 2000 Accuracy and Coverage Evaluation Need Improvements Before 2010*, March 2002 (IG-14226).
- *Improving Our Measure of America: What Census 2000 Can Teach Us in Planning for 2010*, March 31, 2002 (OIG-14431).