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The Results Act

An Evaluator's Guide to Assessing Agency Annual Performance Plans

Preface

As Congress seeks to reduce the cost and improve the performance of the federal government, holding agencies accountable for results is believed to be key to better management of programs. However, Congress found that the lack of adequate information on federal agencies' performance was handicapping congressional policymaking, spending decisions, and oversight and diminishing federal accountability for program results. In response, Congress enacted the Government Performance and Results Act of 1993 (the Results Act) to address these concerns and thereby improve federal program effectiveness and public accountability.

The Results Act seeks to improve the management of federal programs by shifting the focus of decisionmaking from staffing and activity levels to the results of federal programs. Under the Results Act, executive agencies are to prepare 5-year strategic plans that set the general direction for their efforts. Agencies then are to prepare annual performance plans that establish the connections between the long-term strategic goals outlined in the strategic plans and the day-to-day activities of program managers and staff. Finally, the Act requires that each agency report annually on the extent to which it is meeting its annual performance goals and the actions needed to achieve or modify those goals that have not been met.

This guide is intended to facilitate assessment of the strengths and weaknesses of agencies' annual performance plans in meeting both the requirements of the Results Act and congressional expectations that the plans inform Congress and the public about agencies' performance goals, including how they will accomplish them and how they will measure their results. While the Results Act does not require a specific format for the annual performance plan, it requires the plan to (1) identify annual goals and measures covering each of its program activities, (2) discuss the strategies and resources needed to achieve annual goals, and (3) describe the means the agency will use to verify and validate its performance data. This guide is organized around three core questions that can help in determining how well the agency's plan meets these general requirements. For each core question, issues are identified that need to be addressed, and criteria and guidance are provided to assist evaluators in answering the questions raised by these issues. A companion assessment guide intended to facilitate congressional use of agency performance plans contains the same core questions and issues.

As agencies and Congress gain experience in developing and using annual performance plans, additional issues and key questions will likely emerge.

Accordingly, this guide is subject to refinement to reflect agencies' and Congress' experiences.

This guide was developed by the Advanced Studies and Evaluation Methodology group in GAO's General Government Division. If you have questions or comments, please contact Susan Westin or Stephanie Shipman, Advanced Studies and Evaluation Methodology, on (202) 512-7997. Other contributors to this guide were Joyce D. Corry, Allen C. Lomax, and Thomas M. Beall, all of the General Government Division, and Stan Divorski, on special assignment to GAO from the Office of the Auditor General of Canada. An electronic version of this guide is available from GAO's World-Wide Web server at the following address:
<http://www.gao.gov>.



Susan S. Westin
Associate Director, Advanced Studies and
Evaluation Methodology



J. Christopher Mihm
Associate Director, Federal Management
and Workforce Issues

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Introduction

Results Act Requirements

The Results Act seeks to improve the management of federal programs, as well as their effectiveness and efficiency, by establishing a system under which agencies set goals for program performance and measure their results. Specifically, the Results Act requires executive agencies to prepare multiyear strategic plans, annual performance plans, and annual performance reports.

Under the Act, strategic plans are the starting point for setting goals and measuring progress towards them. The Act requires virtually every executive agency to develop a strategic plan, covering a period of at least 5 years forward from the fiscal year in which the plan is submitted. These strategic plans are to include an agency's mission statement, long-term general goals, and the strategies that the agency will use to achieve these goals. The plans should also explain the key external factors that could significantly affect achievement of these goals, and describe how long-term goals will be related to annual performance goals.¹

Next, the Results Act requires executive agencies to prepare an annual performance plan that shall

“(1) establish performance goals to define the level of performance to be achieved by a program activity;

“(2) express such goals in an objective, quantifiable, and measurable form . . . ;

“(3) briefly describe the operational processes, skills and technology, and the human, capital, information, or other resources required to meet the performance goals;

“(4) establish performance indicators to be used in measuring or assessing the relevant outputs, service levels, and outcomes of each program activity;

“(5) provide a basis for comparing actual program results with the established performance goals; and

“(6) describe the means to be used to verify and validate measured values.”²

¹Agencies were to submit their first strategic plans to the Office of Management and Budget (OMB) and Congress by September 30, 1997.

²P.L. 103-62, sec. 4(b).

The annual performance plans should systematically provide congressional decisionmakers with information on the results to be achieved for a proposed level of resources. These plans also reinforce the connections between the long-term strategic goals outlined in the strategic plans and the day-to-day activities of program managers and staff. Moreover, through its requirements for these annual plans, the Results Act established the first statutory link between agencies' budget requests and their performance planning efforts. The Act requires that performance goals and measures be linked to the program activities in agencies' budget requests. The term "program activity" refers to the listings of projects and activities in the Appendix to the Budget of the United States Government. Program activity structures are intended to provide a meaningful representation of the operations financed by a specific budget account.

In addition, agency performance plans are to be the basis for the overall federal government performance plan that the Office of Management and Budget (OMB) must submit to Congress. OMB is to submit this governmentwide plan each year to Congress with the president's budget. According to the Senate Committee on Governmental Affairs report on the Act, the overall governmentwide plan is to present to Congress a single, cohesive picture of the federal government's annual performance goals for the fiscal year.³ The agency annual performance plans are to be sent to Congress and made available to the public soon after transmittal of the president's budget.⁴

Finally, the Results Act requires each agency to prepare annual reports on program performance for the previous fiscal year. In each report, the agency is to compare its performance with the goals established in its annual performance plan, summarize the findings of program evaluations completed during the year, and describe the actions needed to address or revise any unmet goals. The performance reports are to be issued by March 31 each year, with the first (for fiscal year 1999) to be provided to Congress and the president by March 31, 2000.

Translating the use of agency resources into concrete, measurable results will be a continual challenge requiring time and effort. Agencies' early efforts to pilot test the Act's requirements faced a variety of significant

³S. Rep. No. 58, 103d Cong. 1st Sess. (1993).

⁴The first agency performance plans are to cover fiscal year 1999.

challenges, some of which will not be easily overcome.⁵ One set of challenges arises from the complications of government structure. Others involve methodological difficulties in identifying performance measures or a lack of the data needed to establish goals and assess performance.⁶ GAO's review of agencies' strategic plans produced in September 1997 found that they provided a workable foundation for Congress to use in pursuing its responsibilities.⁷ However, GAO also found that agencies need to make continued progress in setting a strategic direction, coordinating crosscutting programs, and ensuring their capacity to gather and use reliable performance and cost data. With sustained attention from Congress and executive agencies, annual performance plans can be an invaluable tool for informing policy decisions, improving program management, enhancing accountability, and helping to increase American citizens' confidence in their government.

How This Guide Was Developed

In May 1997, GAO developed a guide to facilitate congressional review of agencies' strategic plans at the request of the Chairmen of the Government Reform and Oversight Committee, Committee on Appropriations, and Committee on the Budget in the House of Representatives.⁸ The guide GAO developed contained key questions to help Congress determine how these plans could be improved to better support congressional and agency decisionmaking. Subsequently, GAO employed that guide, the Results Act, and other guidance to assess whether agencies' draft strategic plans met the requirements of the law and congressional expectations.

Building on that guide, those Chairmen, the Speaker of the House, the Majority Leader of the House, the Chairman of the House Committee on Science, and the Chairmen of the Committee on the Budget and the Committee on Governmental Affairs of the Senate subsequently asked GAO to develop a guide to help congressional decisionmakers both elicit the information that Congress needs from agencies' annual performance plans and assess the quality of those plans.⁹ That guide provides questions for assessing the strengths and weaknesses of agencies' annual performance

⁵The Government Performance and Results Act: 1997 Governmentwide Implementation Will Be Uneven ([GAO/GGD-97-109](#), June 2, 1997).

⁶Managing for Results: Analytic Challenges in Measuring Performance ([GAO/HEHS/GGD-97-138](#), May 30, 1997).

⁷Managing for Results: Agencies' Annual Performance Plans Can Help Address Strategic Planning Challenges ([GAO/GGD-98-44](#), Jan. 30, 1998).

⁸Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review ([GAO/GGD-10.1.16](#), May 1997).

⁹Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking ([GAO/GGD/AIMD-10.1.18](#), February 1998).

plans in meeting both the requirements of the Results Act and congressional expectations that the plans will inform Congress and the public about agencies' performance goals, including how they will meet them and how they will measure their results. GAO developed this companion evaluator's guide to help GAO and other evaluators make detailed assessments using the same core questions and issues as are contained in the congressional guide. In particular, this evaluator's guide includes criteria, additional discussion and guidance, and illustrations of what to look for in assessing agencies' progress.

While the issues in this guide make up a complete assessment of an agency's plan when considered together, and address concerns likely to be common across a variety of agencies and congressional users, the significance of some issues may vary for specific agencies and for appropriations, authorization, oversight, and budget committees. This guide, as well as the assessments derived from it, should help identify additional questions that individual committees may wish to pursue subsequently in more depth. GAO hopes that this guide will also be useful to agencies in preparing future annual performance plans.

This guide was developed from the Results Act requirements for agency performance plans; guidelines contained in OMB Circular No. A-11, Part 2; and other relevant documents. For the purposes of this guide, the six requirements of the Results Act for the annual performance plans (stated previously) were collapsed into three core questions. GAO also drew on its work over the last several years examining agencies' pilot efforts to implement the Act, and in particular our work identifying promising practices for the Act's effective implementation.¹⁰ The core questions and issues benefited from the insights of a wide range of congressional staff representing oversight, authorization, budget, and appropriation committees. GAO also received and incorporated valuable comments from senior agency officials directly involved in the development of annual performance plans, including officials from OMB and other agencies, as well as outside experts. To help identify the information needed to apply this guide, the key questions, criteria and guidance were critiqued by selected evaluators across GAO with experience in reviewing the strategic plans of a variety of different agencies.

¹⁰Executive Guide: Effectively Implementing the Government Performance and Results Act (GAO/GGD-96-118, June 1996).

General Guidance

Objectives and Scope of the Intended Review

This document outlines the issues that evaluators should address, in reviewing an agency's annual performance plan prepared under the Results Act, to assess the extent to which the plan meets the requirements of the Act and related expectations. The focus is on expectations concerning how well the plan communicates what an agency proposes to accomplish on an annual basis, how it will accomplish those goals, and how it will assess whether those results were achieved. In order to encourage agencies to improve their performance, as well as to depict what can be expected in the future, GAO developed criteria geared to agencies with a mature performance measurement system. However, in the early stages of implementing the law, performance plans are not expected to completely meet these expectations, because overcoming the challenges involved may take many years. Agencies' early performance plans should be judged, instead, on whether the agencies are making reasonable progress towards meeting the expectations. Therefore, this document is intended to guide assessment of agency progress towards meeting those expectations and identify opportunities for agencies to refine and clarify their plans.

While the Results Act does not require a specific format for the annual performance plan, it does require the plan to (1) identify annual goals and measures covering each of its program activities, (2) discuss the strategies and resources needed to achieve annual goals, and (3) describe the means the agency will use to verify and validate its performance data. This guide is organized around three core questions that can help determine how well the agency's plan meets these general requirements:

1. Annual Performance Goals and Measures: To what extent does the agency's performance plan provide a clear picture of intended performance across the agency?
2. Strategies and Resources: How well does the performance plan discuss the strategies and resources the agency will use to achieve its performance goals?
3. Validation and Verification: To what extent does the agency's performance plan provide confidence that its performance information will be credible?

To help evaluators answer each core question, the guide identifies key issues under each core question that the plan should address. For each of these issues, the guide provides criteria—reflecting expectations derived from the Act and other guidance—for evaluators to use to assess how well the plan addresses that issue. The guidance also identifies what evaluators should look for in making that assessment, and provides some illustrations of the concept and how the information might be presented in the agency’s plan. It is expected that, as the agencies and Congress gain experience with the Act, additional issues will emerge. Those issues will be incorporated into subsequent versions of this document and the congressional guide, as appropriate.

This guide was developed to direct a timely, general assessment of an agency’s annual performance plan viewed as an informative document. It is not intended to direct a thorough review of an agency’s proposed performance reporting system, although it may identify issues that deserve additional in-depth attention in a follow-up review. This intended review is expected to be based on an agency’s strategic and annual performance plans; budget justification materials; the capital asset and technology plans; the Appendix to the Budget of the United States Government for the relevant fiscal year; previous reviews, if any, of the agency’s strategic plan; and the evaluators’ knowledge of, and available materials on, the agency’s programs, operations, and databases. In addition, evaluators will want to consult the Results Act; the Senate Report on S. 20,¹¹ OMB Circular No. A-11, part 2; and OMB’s checklist for reviewing agencies’ performance plans (dated November 24, 1997). Interviews with agency and Inspector General officials may also be required to clarify issues that are incompletely described in the performance plan.

Assessing the Performance Plan as a Whole

The review guide poses three core questions about how well the performance plans meet both the requirements of the Act and congressional expectations for the plans. Under each of these core questions are issues and criteria spelling out the key dimensions of those requirements and the expectations about how they should be addressed in the performance plan. Evaluators are expected to develop answers to each of the three core questions by reviewing the plan against the individual criteria for each issue, to assess how well the issues were addressed. Answers to the three core questions should then be combined to form an overall judgment about what level of progress the plan as a whole represents—for example, whether the plan “generally meets,” “partially

¹¹S. Rep. No. 58, 103d Cong. 1st Sess. (1993).

meets,” or “falls well short of meeting” these expectations. A plan generally meets expectations if it addresses all the key issues and contains no significant deficiencies. It is quite likely that the quality of an agency’s plan will be uneven in the way it addresses distinct components of the agency, because an agency plan may represent a compilation of plans developed by components of the agency. If the parts of the plan that address one or two components fall well short of expectations, but the remainder of the plan meets them, evaluators should characterize the agency’s plan as having generally met expectations, and then note those exceptions.

Each of the three core questions should be answered by characterizing the strengths and weaknesses of the performance plan and identifying any areas needing improvement, in accordance with how well each of the issues was addressed. In addition, evaluators are encouraged to provide suggestions for how the plan could be improved. Since a basis for setting expectations for a specific level of performance is not yet available, evaluators must assess the plans against the ideal, while recognizing that few initial plans are likely to reach that level. In assessing progress towards the ideal, evaluators should also recognize that some deficiencies are more important than others, and that an unsuccessful agency effort to address a particularly challenging task shows greater progress towards accomplishing the Act’s goals than does not having attempted the task at all. Answers to the core questions should use the same three categories recommended for assessing the plan overall: “generally meets,” “partially meets,” or “falls well short of meeting” these expectations.

Assessing the Plan Against the Questions and Criteria

“Answers” to each of the three core questions should strive to capture whether or not the plan **generally** addressed each issue, while also recognizing where the plan handled an issue very well. In some cases, while the criteria provide standards representing the Act’s requirements, the accompanying textual guidance also describes what a particularly good plan would contain.

Scoring the plans by tallying up the instances of compliance—for example, by counting the number of performance measures that were clearly linked to the strategic plan—is not recommended. Rather, in this example, the concern should be that, if there are no performance goals specified for a given strategic goal, or if there are a large number of performance goals with no visible link to the agency’s strategic plan, then there should be an explanation of those exceptions. In some cases, evaluators will need to

make a judgment as to whether the exceptions are limited enough, or whether the presentation appears to be a reasonable and good-faith effort, to warrant a “generally meets expectations” rating. The criteria and accompanying guidance for each core question and issue are provided to help guide these judgments.

All of the issues outlined in the guide are not equally important, and some issues may be more important for some agencies than for others. It is not necessary, or even likely, for evaluators to draw a conclusion against every criterion in the guide. However, in those cases where evaluators lack the information to assess the plan on an issue that seems significant to forming a conclusion on one of the core questions, they should so indicate in their report.

Although criteria and guidance are provided to help evaluators judge whether an issue was adequately addressed, the criteria are not self-assessing. The issues involved in setting goals for, and measuring the accomplishments of, public programs are complex and subject to interpretation, and can also vary from one agency context to another. Thus, evaluators must apply the criteria in consideration of the specific circumstances of each agency.

Annual Performance Goals and Measures

Core Question 1

To what extent does the agency’s performance plan provide a clear picture of intended performance across the agency?

Figure I.1: Summary of the Issues and Criteria for Core Question 1

Issue 1: Defining Expected Performance	Issue 2: Connecting Mission, Goals, and Activities	Issue 3: Recognizing Crosscutting Efforts
To what extent do the annual performance goals and measures provide a succinct and concrete statement of expected performance for subsequent comparison with actual performance? Criterion 1.1: The performance measures contained in the annual performance plan should adequately indicate progress towards the performance goals (<i>Senate Report 103-58, p. 29</i>). Criterion 1.2: The annual performance goals or their measures should be objective, measurable, and quantifiable (<i>Results Act, sec. 4(b)</i>). Criterion 1.3: Outcome goals should be included in the annual performance plan whenever possible (<i>Senate Report 103-58, p. 15</i>).	How are the agency’s annual performance goals linked to the agency’s mission, strategic goals, and program activities in its budget request? Criterion 2.1: The annual performance goals should reflect the strategic goals and mission (<i>OMB Circular A-11, sec. 220.5</i>). Criterion 2.2: The annual performance plan should identify annual performance goals that cover all of the program activities in the agency’s budget (<i>Results Act, sec. 4(b)</i>).	How are agencies coordinating efforts with related strategic or performance goals? Criterion 3.1: If applicable, the annual performance plan should identify performance goals that reflect activities being undertaken to support programs of a crosscutting nature (<i>OMB Circular A-11, sec. 220.8</i>). Criterion 3.2: If applicable, the annual performance plan should evidence coordination among crosscutting programs (<i>congressional leadership letter to the OMB Director, dated Dec. 17, 1997</i>).

Guidance. As the Results Act requires, the annual performance plan must provide a basis for an agency to compare actual results with performance goals (Results Act, sec. 4(b)). To do this, the agency needs to set goals, develop measures, and show in its performance plan how it will use these

goals and measures to assess performance.¹² By showing the relationship between the annual performance goals and the agency's strategic goals and mission, an agency's performance plan can demonstrate how the agency intends to make progress toward achievement of its strategic goals.

In addition, the Results Act requires that the performance plan contain one or more performance goals covering the program activities in the agency's budget, which can be done by aggregating, disaggregating, or consolidating the program activities. Thus, the plan should define performance to be achieved throughout the agency. Performance plans do not have to include the complete array of goals and measures used in managing programs, but they should reflect a picture of intended performance without any significant gaps. Agencies with programs that have strategic or performance goals similar to those of other federal programs should address the need for coordination among such crosscutting efforts. Annual performance plans can be useful tools for identifying the need for coordination and for discussing ways to address that need. These plans can help ensure that the goals are congruent and that crosscutting efforts are mutually reinforcing.

Issue 1: Defining Expected Performance

To what extent do the annual performance goals and measures provide a succinct and concrete statement of expected performance for subsequent comparison with actual performance?

Guidance. The Results Act requires an agency's annual performance plan to contain both a set of annual goals that establishes its intended performance and measures that can be used to assess progress towards achieving those goals. Some goals are self-measuring—that is, they are expressed objectively and quantifiably—and thus do not require the use of additional measures. For example, a performance goal to staff 300 airport control towers on a 24-hour basis in a given year would not require additional measures. Other goals, which may be more abstract, require the defining of specific performance measures in order to assess progress

¹²The Results Act defines a performance goal as a target level of performance expressed as a tangible, measurable objective against which actual achievement can be compared, including a goal expressed as a quantitative standard, value, or rate. It is likely that such performance goals are self-measuring, requiring no separate measures. However, other performance goals, those that are more abstract and not tangible and measurable on their own, should be expected to have one or more separate performance measures or indicators as needed to help define the goal for measurement. In this guide, the terms "measure" and "performance measure" also include the concept of what are frequently called "performance indicators." In general, performance measures are a tabulation, calculation, recording of activity or effort, or assessment of results compared to intended purpose, that can be expressed quantitatively or in another way that indicates a level or degree of performance.

towards the goals. For example, a goal for tribal reservations to meet national standards for maternal and child health would require the use of specific measures reflecting those standards, such as morbidity and mortality rates for this population, percentage of low birth weight babies, the percentage of children receiving their full immunization series, frequency of pediatric checkups, etc. In either case, the goals and measures should be objective and precise, and should allow for the assessment of performance. The measures should also be clearly related to the performance they will be used to evaluate. While the number of measures for each goal at a given organizational level should not be excessive, it is critical that they represent the important dimensions of performance for that goal.

An agency can use output goals, outcome goals, or some combination of the two to reflect the agency's intended performance. However, the Results Act is clearly outcome-oriented, and thus an agency's performance plan should include outcome goals whenever possible. **Outputs** can be defined as **the direct products and services** delivered by a program. **Outcomes** are **the results** of those products and services. For example, for a job training program whose objective is to provide the target population with the skills needed to find and keep a job, an output might be the percentage of participants who have completed training, while an outcome might be the percentage of participants employed 1 year after completing the training. In addition, results can be either intermediate outcomes representing immediate benefits for program clients, such as obtaining employment in their area of training, or end outcomes representing benefits to the public at large, such as increased self-sufficiency.

Criterion 1.1

The performance measures contained in the annual performance plan should adequately indicate progress towards the performance goals (Senate Report 103-58, p. 29).

Guidance. When performance goals are not self-measuring, performance measures should translate those goals into concrete, observable conditions that determine what data to collect to learn whether progress was made towards achieving goals. Such measures are meant to cover the key aspects of performance that will enable agencies to assess accomplishments, make decisions, realign processes, and assign accountability. To do this, the measures must clearly represent or be related to the performance they are trying to assess. For example, a measure of the average processing time for tax returns does not represent,

nor is it clearly related to, the goal of increasing the accuracy of tax return processing. To adequately indicate progress towards the performance goals, the measures need to validly (or appropriately) represent the performance goals and sufficiently cover the key aspects of the agency's performance.

To be valid representations of the performance goals, the measures should have a clearly apparent or commonly accepted relationship to the intended performance or have been shown to be reasonable predictors of the desired behaviors or events. For example, because the effectiveness of immunizations for childhood diseases is well acknowledged, the percentage of children receiving their full immunization series is considered a valid and appropriate measure of their protection from those diseases, and thus a valid indicator (or less direct measure) of their health status. Also, the measures should not represent too constrained a view of performance. For example, because only some people choose to appeal the results of an audit of their tax return, the rate at which those cases are overturned on appeal would not be a valid measure of the accuracy of all tax return processing. In addition, to ensure that they will permit reliable measurement, the measures should be amenable to applying standard procedures for collecting data or calculating results—so that they would be likely to produce the same assessment of results if applied repeatedly to the same situation.

Valid measures should also not be unduly influenced by factors outside the program's control—because that influence makes it difficult to attribute changes in the measure to the effectiveness of the program. However, evaluators should note that certain measures may be unavoidably influenced by factors outside the program but still be appropriate to use. For example, the health of the economy may influence the rate of defaults on loans to students or homeowners, but those measures assess an important component of loan programs' performance and can also reflect a program's success in managing its loans. When no potential measure seems to be reasonably free of such influences, a program may choose to use multiple measures to avoid drawing mistaken conclusions about the program's effectiveness.

The measures sufficiently cover key aspects of performance when individual measures or sets of measures represent the important dimensions of their performance goals and when the measures reflect the core functions of their related programs or activities. For example, if a program ranks the crashworthiness of vehicles by measuring the extent of

injury to passengers and damage to vehicles in crash tests that use only front-end collisions, the measure may not be valid for ranking the vehicles' overall crashworthiness. However, if front-end collisions are most frequently those collisions producing the most injury and damage, then this measure of crashworthiness may be the most appropriate one for assessing programs that aim to reduce injury and damage from vehicle collisions. Further, the number of measures for each goal at a given organizational level should not be so large that some measures are redundant, or unnecessary for assessing progress toward the goal.

In addition, because public programs often have multiple objectives and must balance competing interests, a given program or activity often should contain multiple goals and measures responding to multiple priorities, such as quality, timeliness, cost, and outcomes. When complex program goals are broken down into a set of component quantifiable measures, it is important to ensure that the overall measurement of performance does not become biased by measures that assess some priorities but neglect others. Also, in reviewing measures, evaluators should be sensitive to the possibility that the use of or reliance on certain measures could produce unintended consequences. For example, for a welfare program that aims to encourage the economic self-sufficiency of mothers yet only proposes to measure the percentage who found employment within 6 months, an unintended consequence might be a tendency of the program to provide temporary rather than permanent positions for its clients.

The following steps capture the main elements for assessing the annual performance plan against this criterion of whether the performance measures contained in the plan adequately indicate progress towards the performance goals.

The evaluator should

- assess whether the measures appear to be valid representations of the performance goals;
- assess whether the measures sufficiently cover key aspects of performance and adequately capture important distinctions between programs; and
- assess whether the agency's use of its measures, either individually or as a set, could result in promoting any unintended consequences.

Criterion 1.2

The annual performance goals or their measures should be objective, measurable, and quantifiable (Results Act, sec. 4(b)).

Guidance. For goals and measures to be considered objective, they should be reasonably free of any significant bias or manipulation that would distort the accurate assessment of performance. To the greatest extent possible, the goals and measures should not require subjective considerations or judgments to dominate the measurement. The performance goals and measures usually should include a quantifiable, numerical target level or other measurable value. Examples of quantifiable goals would be goals to have 50 percent of participants in a job training program obtain a job related to their training within the next year and hold the job for at least 6 months, or to increase by 5 percentage points the percentage of children under age 2 who have been adequately immunized. However, without adequate baseline data, goals like the latter one may not permit subsequent comparison with actual performance. If a goal is not quantifiable, it may still be susceptible to measurement if a determination of its level of achievement can be demonstrated and independently verified. For example, a goal that is not quantifiable but is a statement of a tangible condition or event, such as landing a person on the moon or discovering the cure for a disease, can be measurable.

If a goal cannot be expressed in an objective, specific, and measurable form, the Results Act allows OMB to authorize agencies to develop alternative forms of measurement. An alternative form may be either (1) separate descriptive statements of a minimally effective program and a successful program, expressed with sufficient precision and in such terms that would allow for an accurate, independent determination of whether the actual performance meets the criteria of the description; or (2) some other alternative that allows an accurate, independent determination to be made of how actual performance compares with the goal as stated.

If OMB authorizes an agency's request to use an alternative form, OMB has stated that the plan need not document the authorization. Thus, evaluators are on their own to identify such use of alternative forms. If the annual performance plan includes performance goals that do not meet the characteristics of being objective, measurable, and quantifiable, evaluators should assess those goals against the characteristics for alternative forms of measurement allowed by the Results Act. If the agency determines that it is infeasible or impractical to express any performance goals in any form for a program activity, the performance plan should state why.

Key features to look for include

- performance goals and measures that indicate specifically what should be observed, in which population or conditions, in what time frame (for example, an increase in immunizations of children under age 2 by 10 percent over the previous year);
- the use of baseline or benchmark data to allow for the assessment of progress towards goals;
- performance goals and measures that state a particular target level of performance, either as an absolute value (for example, 20,000 served) or as a targeted level of improvement (10 percent increase over the previous year's level); and
- the use of alternative forms of goals and measures.

The evaluator should

- assess whether the measures avoid limiting observations to certain types of cases or situations that may be more or less likely to show progress toward the goal, thus avoiding biasing the measurement;
 - assess the extent to which the performance goals and measures allow for the comparison of actual performance with intended performance;
 - when needed, determine whether baseline or trend data are contained or referred to in the plan so as to allow for the measurement of goals defined in terms of improvement;
 - determine whether any attempts to benchmark against other organizations' performance are made and assess whether such attempts seem appropriate, based on previous and ongoing GAO work or other known sources;
 - identify alternative forms used, if any; and
 - if applicable, assess the alternative forms to determine whether such forms allow for the comparison of actual performance with intended performance (i.e., to assess whether or not the goal has been achieved).
- Outcome goals should be included in the annual performance plan whenever possible (Senate Report 103-58, p. 15).

Criterion 1.3

Guidance. An agency's intended performance can be represented in its performance plan by output goals, outcome goals, or some combination of the two. It is anticipated that agencies will include output goals in their annual plans, and these output goals may predominate, especially at this early stage. However, agencies should make every attempt to identify and use annual outcome goals whenever possible to reflect the results of their activities.

Key features to look for include

- goals expressed as the results of the services or goods produced by the program, such as actions that occur in response to, or conditions resulting from, program activities, and
- discussions of efforts to identify and use outcome goals, as well as explanations of why outcome goals were not used (e.g.: outcomes will not be achieved on an annual basis; outputs are being used as intermediate outcomes; the program's primary objective is to produce an output; or it may not be possible to identify an outcome for the program).

The evaluator should

- assess whether outcome goals are included in the performance plan and if so, the extent to which they are used;
- if outcome goals are not included, assess whether the plan provides a reasonable and credible explanation or rationale for why not; and
- based on the evaluator's understanding of program purposes, evaluate the plan for missed opportunities to identify or use outcome goals.

**Issue 2: Connecting
Mission, Goals, and
Activities**

How are the agency's annual performance goals linked to the agency's mission, strategic goals, and program activities in its budget request?

Guidance. A clear relationship should exist between an agency's long-term strategic goals and mission and the performance goals in the annual performance plan. Successful organizations try to link performance goals and measures to the organization's strategic goals and, to the extent possible, have performance goals that will show annual progress towards achieving their long-term strategic goals. For example, an annual performance goal to reduce the rate of transportation-related fatalities per passenger-mile-traveled by 1 percent would show annual progress toward the strategic goal to promote the public health and safety by working toward the elimination of transportation-related deaths, injuries, and property damage. An agency's performance plan should show the relationship between the annual performance goals and the strategic goals and mission through a crosswalk, other illustration, or description. If the relationship is minimal or nonexistent, the evaluator should point out that there may be a need to correct this situation, perhaps by revising the strategic plan.

However, not all annual goals have to link directly to the long-term strategic goals. Because agencies are required to have one or more performance goals that cover each program activity in the agency's budget, and because program activity structures may not be mission-based, some performance goals may cover program activities that have no direct link to the strategic goals or mission. However, in general, at least one performance goal should be related to each strategic goal or, alternatively, some explanation of missing relationships be given. An amendment to the strategic plan, documented in the annual plan, can be an acceptable way to establish such a relationship. Minor changes to the strategic plan can be made directly in the annual performance plan. In addition, the annual plan should include performance goals for efforts to address major management-related problems that are mission-critical or would prevent achievement of the agency's strategic goals, whether these problems are identified in the strategic plan or otherwise based on evaluators' knowledge. In general, the annual performance plan could be an appropriate place for an agency to address shortcomings in its strategic plan that GAO and others identified in reviews of that plan.

Criterion 2.1

The annual performance goals should reflect the strategic goals and mission (OMB Circular A-11, sec. 220.5).

Key features to look for include

- the mission statement and long-term strategic goals from the agency's current strategic plan, or a summary of them; any indication of whether they have been revised; and, if so, an explanation for the revision;
- a diagram, table, model, or description that clearly aligns the agency's annual performance goals and the current strategic goals and mission;
- descriptions of how annual performance goals contribute to achieving or supporting strategic goals, unless obvious;
- explanations for annual goals that do not relate to one or more of the strategic goals;
- explanations for strategic goals that do not have related annual goals; and
- amendments to the strategic plan, or explanations that the strategic plan has been revised, to correct the lack of these relationships.

The evaluator should

- compare the mission statement and strategic goals (or summary of them) in the annual plan with those in the strategic plan to determine (1) if there

are differences and (2) if a reasonable explanation is provided for any substantive changes made;

- assess the alignment of the annual performance goals in the performance plan with the strategic goals and mission and determine whether this alignment is clear and reasonable; for example, one indicator of a reasonable alignment would be if the annual performance goals can show progress towards achieving the strategic goals;
- determine whether there are any strategic goals that are not related to at least one performance goal and assess whether a reasonable explanation is provided if such relationships are missing;
- assess whether the agency has responded in its annual performance plan to previous reviews of that strategic plan; and
- determine whether performance goals are identified that cover mission-critical management problems or issues.

Criterion 2.2

The annual performance plan should identify annual performance goals that cover all of the program activities in the agency's budget (Results Act, sec. 4(b)).¹³

Guidance. The annual performance plan should show how specific performance goals are related to the specific program activities contained in the agency's program and financing (P&F) schedules under "obligations by program activity" in the Appendix to the Budget of the United States Government (OMB Circular A-11, sec. 220.9). The Results Act requires each federal agency to prepare an annual performance plan that covers these program activities while allowing the agency to aggregate, disaggregate, or consolidate those program activities for purposes of the plan. An agency can have one or more budget accounts, and each budget account has its own P&F schedule. The "obligations by program activity" section is the first section in each P&F schedule. This section shows obligations for the agencies' specific program activities. The number of program activities in agencies' budget accounts varies from account to account, with many accounts having no program activity breakdown other than "total obligations" or another single activity. (See figures I.2, I.3, and I.4 for examples of P&F schedules from the budgets for the Department of Energy, the Environmental Protection Agency, and the General Accounting Office, respectively.)

¹³The term "program activity" refers to the listings of projects and activities in the Appendix to the Budget of the United States Government. Program activity structures are intended to provide a meaningful representation of the operations financed by a specific budget account.

Section I
Annual Performance Goals and Measures

**Figure I.2: Excerpt From the
Department of Energy's 1999 Budget**

Program and Financing (in millions of dollars)				
Identification code 89-0240-0-1-053		1997 actual	1998 est.	1999 est.
Obligations by program activity:				
Direct program:				
00.01	Stockpile stewardship	1,656	1,864	2,188
00.04	Stockpile management	1,916	2,069	2,051
00.06	Program direction	309	271	261
00.91	Total direct program	3,881	4,204	4,500
09.01	Reimbursable program	956	1,119	1,119
10.00	Total obligations	4,837	5,323	5,619

 Program activities and obligations that relate to the agency's specific performance goals.

Source: Budget of the United States Government, Fiscal Year 1999—Appendix (Washington, D.C.: U.S. Government Printing Office, 1998).

Section I
Annual Performance Goals and Measures

**Figure I.3: Excerpt From the
Environmental Protection Agency's
1999 Budget**

Program and Financing (in millions of dollars)				
Identification code 68-0107-0-1-304		1997 actual	1998 est.	1999 est.
Obligations by program activity:				
Direct program:				
00.01	Clean Air	107	167	137
00.02	Clean Water	50	67	55
00.03	Safe Food	3	3	4
00.04	Preventing Pollution	32	9	8
00.05	Waste Management	12	47	14
00.06	Global and Cross-Border	29	35	66
00.07	Right to Know		10	19
00.08	Sound Science	292	408	321
00.09	Credible Deterrent	6	9	9
00.91	Total direct program	531	755	633
09.01	Reimbursements from Superfund Trust Fund	35	35	40
09.02	Other Reimbursements	23	15	10
09.99	Total reimbursable program	58	50	50
10.00	Total obligations	589	805	683

 Program activities and obligations that relate to the agency's specific performance goals.

Source: Budget of the United States Government, Fiscal Year 1999—Appendix (Washington, D.C.: U.S. Government Printing Office, 1998).

Section I
Annual Performance Goals and Measures

Figure I.4: Excerpt From the General Accounting Office's 1999 Budget

Program and Financing (in millions of dollars)				
Identification code 05-0107-0-1-801		1997 actual	1998 est.	1999 est.
Obligations by program activity:				
Direct program:				
00.01	Top Management	2	2	3
00.02	General Government Division	25	26	28
00.03	Health, Education and Human Services Division	25	33	28
00.04	National Security and International Affairs Division	34	33	35
00.05	Resources, Community and Economic Development Division	29	31	33
00.06	Accounting and Information Management Division	39	41	45
00.07	Office of the Chief Economist	1	1	1
00.08	Office of the General Counsel	17	15	17
00.09	Office of Special Investigations	3	3	3
00.10	Field Offices	79	79	84
00.11	Mission Support	74	88	89
00.91	Total direct program	328	352	366
09.01	Mission Support	26	5	2
09.99	Total reimbursable program	26	5	2
10.00	Total obligations	354	357	368

 Program activities and obligations that relate to the agency's specific performance goals.

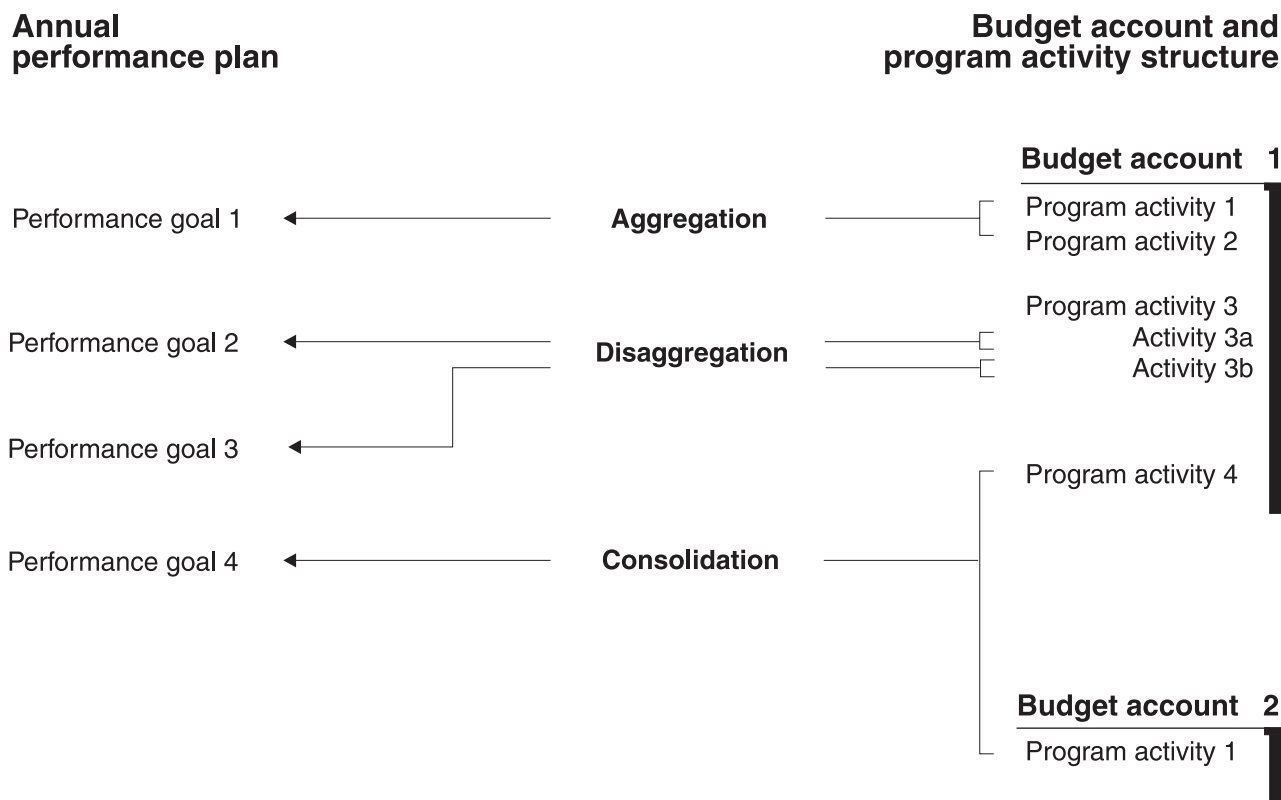
Source: Budget of the United States Government, Fiscal Year 1999—Appendix (Washington, D.C.: U.S. Government Printing Office, 1998).

Program activity structures can vary from agency to agency and, within an agency, from budget account to budget account. Program activities, like budget accounts, may represent programmatic, process, organizational, or other orientations. Therefore, some of the program activities that are currently used in an agency's budget request may be either too detailed or too general, or they may lack a clear relationship to the programs that are useful for measuring the agency's performance. The Results Act allows agencies, at their discretion, to aggregate, disaggregate, or consolidate program activities so that they align with the performance goals in the performance plan.

The Act assumes that agencies will use aggregation, disaggregation, and consolidation to highlight important activities while avoiding voluminous

presentations that would overwhelm a reader and detract from the plan's informative value and usefulness. **Aggregating** program activities consists of applying the same performance goals and measures to several program activities within a budget account. **Disaggregating** consists of dividing individual program activities in a P&F schedule into component parts and applying performance goals and measures specifically to component parts. **Consolidating** program activities consists of applying a single set of performance goals and measures to program activities from two or more budget accounts. (See figure I.5.) According to OMB, it is through aggregation or consolidation that an annual plan can cover every program activity in the P&F schedules while allowing an agency to omit goals for its nonmajor activities. The significance of any program activity constituting a major function or operation for an agency is less likely to be overlooked or minimized if the agency aggregates or consolidates program activities.

Figure I.5: Aligning Annual Performance Plans With the Budget Account and Program Activity Structure



Because many P&F schedules are not mission- or goal-oriented, it may be difficult for agencies to clearly link program activities to performance goals. As a by-product of Results Act implementation efforts, an agency may develop and propose changes to the program activity structure in its budget request, but any proposed changes must be coordinated with OMB and the cognizant appropriations subcommittees. Although the agency's budget may show such proposed changes, and changes may occur in the future to better align with performance measurement, at this time, it is the evaluator's responsibility to ensure that the major functions embedded in the agency's program activity sections are covered by the performance goals and measures.

For key programs that do not appear in the program activity structure of the president's budget (e.g., certain programs funded by Medicare and Medicaid, such as the Rural Health Clinic program and the Medicare Incentive Payment program), evaluators should determine whether these programs constitute major functions or operations and have goals that are unique and distinguishable from their encompassing program activity. If so, the encompassing program activity should be disaggregated to show the results these programs are expected to achieve. In addition, the performance plan may include performance goals for functions or operations that are staff or support-type activities, even if such goals do not correspond to a particular P&F schedule or program activity.

Whether the program activities used in the performance plan directly correspond to the budget or are aggregated, disaggregated, or consolidated specifically for performance planning, they should indicate the link between performance goals and the budgetary resources the agency is requesting to pursue the goals. Performance goals should be set based on the funding proposed to achieve them.

In addition, an agency may ask OMB to authorize it to have no performance goals in its performance plans for one or more program activities. If it was determined to be infeasible or impractical to express performance goals in any form for a given program activity, the performance plan should state why.

Key features to look for include

- a diagram, model, or description that clearly shows how each of the program activities in each budget account in the agency's budget is covered by the annual performance plan; and
- if the annual plan has aggregated, disaggregated, or consolidated the program activities from the agency's budget, a crosswalk that shows how the program activities in the agency's budget relate to the aggregated, disaggregated, or consolidated program activities.

The evaluator should

- compare the presentation of the agency's program activities in its performance plan to the presentation in the P&F schedules to assess the annual plan's coverage of the budget's program activities;

-
- based on an evaluator's knowledge of the agency's programs, assess the reasonableness of any aggregation, disaggregation, or consolidation of program activities for purposes of the annual plan; and
 - based on knowledge of the agency's programs, assess whether any major function or operation of the agency covered by the program activities has not been adequately addressed by the annual performance plan. (If no performance goals have been established for a program activity, determine what explanation the agency has provided as to why it is infeasible or impractical to have any performance goals for the program activity).

Issue 3: Recognizing Crosscutting Efforts

How are agencies coordinating efforts with related strategic or performance goals?

Criterion 3.1

If applicable, the annual performance plan should identify performance goals that reflect activities being undertaken to support programs of a crosscutting nature (OMB Circular A-11, sec. 220.8).

Guidance. In many areas of the federal government, programs share common purposes, although they may operate differently or address different aspects of a broader national concern. In their strategic plans, agencies were encouraged to identify such programs and crosscutting issues. The annual performance plan provides an opportunity, when applicable, for an agency to clarify the relationship between programs that have related strategic or performance goals, whether they are in the same or different federal agencies. The focus of an agency's performance plan should be on the agency's performance goals and how it intends to achieve them. However, these performance goals should reflect the crosscutting nature of programs when applicable. When an agency's program addresses a crosscutting issue of broad national concern, the agency should discuss in its performance plan how achieving the program's goals will contribute to addressing that crosscutting issue.

Criterion 3.2

If applicable, the annual performance plan should evidence coordination among crosscutting programs (congressional leadership letter to the OMB Director, dated December 17, 1997).

Guidance. When the need for better coordination or integration of efforts that crosscut programs or agencies has been noted in the agency's strategic plan or identified in hearings or in GAO or Congressional Research Service reports, the annual performance plan should address this need.

The agency should discuss efforts to coordinate its programs with other internal and external federal programs performing related activities and provide evidence of such coordination (e.g., evidence of joint planning and coordination, relationship of programs' goals and measures, discussion of the agency's contribution to the crosscutting issue).

The evaluator should

- determine whether the agency's performance plan identifies performance goals for crosscutting issues raised in the agency's strategic plan;
- determine whether the agency's performance plan identifies performance goals for other crosscutting issues related to the agency's programs and identified in hearings or in GAO or Congressional Research Service reports; and
- determine whether the plan discusses how it has coordinated or will coordinate crosscutting efforts with other related federal programs.

Strategies and Resources

Core Question 2

How well does the performance plan discuss the strategies and resources the agency will use to achieve its performance goals?

Figure II.1: Summary of the Issues and Criteria for Core Question 2

Issue 4: Connecting Strategies to Results	Issue 5: Connecting Resources to Strategies
How clear and reasonable are the agency's strategies with respect to its intended performance goals? Criterion 4.1: The performance plan should briefly describe the agency's strategies to accomplish its performance goals. (<i>Results Act, sec. 4(b); OMB Circular A-11, sec. 220.12; and OMB checklist, pp. 6 and 8</i>). Criterion 4.2: If applicable, an agency's waiver of administrative procedural requirements and controls should be described in a manner that quantifies expected performance improvements (<i>Results Act, sec. 5(a)</i>). Criterion 4.3: The plan should discuss an agency's actions to address external factors that are likely to affect its performance.	What capital, human, financial, and other resources are being applied to achieve the agency's performance goals? Criterion 5.1: The performance plan should briefly describe the capital, human, financial, and other resources being applied to achieve the agency's performance goals (<i>Results Act, sec. 4(b); OMB Circular A-11, sec. 220.12; and OMB checklist, p. 6</i>).

Guidance. The Results Act prescribes that the performance plan should discuss the operational processes, skills, technology, and resources an agency will employ to achieve its performance goals. GAO and OMB use the term “strategies” when discussing the operational processes, skills, and technology component of the Act’s requirements.

The performance plan should communicate how an agency expects to achieve its performance goals and the level of resources that will be required. The plan should describe both its ongoing or existing strategies and resources and any significant changes to its strategies and/or resources needed to accomplish the agency’s performance goals. A

performance plan, however, should not contain a detailed list of an agency's strategies and resources.

An agency's performance plan may include some performance measures called "means-type measures" that relate to strategies and resources, such as redistributing workload or replacing computer systems. However, according to OMB, these measures do not substitute for a description of the agency's strategies and resources needed to achieve its performance goals.

**Issue 4: Connecting
Strategies to Results**

How clear and reasonable are the agency's strategies with respect to its intended performance goals?

Criterion 4.1

The performance plan should briefly describe the agency's strategies to accomplish its performance goals (Results Act, sec. 4(b); OMB Circular A-11, sec. 220.12; and OMB checklist, pp. 6 and 8).

Guidance. An agency's strategies to help achieve its performance goals include activities such as grant making, rulemaking, inspections, and research as well as administrative processes such as procurement, real property management, and human resources management. Additionally, strategies can include the application of technology, such as introducing electronic funds transfers to streamline payment processing or ensuring that all critical information technology systems can function past the year 1999.

The performance plan should briefly describe both existing and new strategies to achieve a performance goal. The discussion of new strategies may involve an agency's efforts to improve efficiency and effectiveness through such approaches as streamlining, contracting out, privatization, partnering, business process reengineering, and franchising. An agency's performance plan should also discuss any regulation, tax expenditure, and/or proposed legislation that affects the achievement of a specific performance goal. Additionally, the strategies discussed in the performance plan should be consistent with the strategies section of an agency's strategic plan.

Experience has shown that, while this level of specificity is not required by the Results Act, the better performance plans not only describe the strategies needed, but also provide a rationale as to how the strategies will contribute to accomplishing the expected level of performance. For

example, an agency's simply stating that it will administer block grants to states, without indicating what the states will do with the money, would fail to link strategies to intended results.

Typically, the descriptions of strategies included in performance plans should be brief. However, an agency is expected to provide more details on its strategies when it is planning a significant change to its existing operational processes, skills, or technology. Also, the level of detail will vary depending on the requirements and needs of particular congressional committees.

Key features to look for include

- linkages between an agency's strategies and its performance goals;
- distinctions between existing and new strategies;
- a rationale as to how the strategies will contribute to improving performance;
- if applicable, a description of the agency's streamlining, contracting out, privatization, business process reengineering, franchising, and other approaches for achieving greater efficiency and effectiveness in agency operations;
- if applicable, a discussion of the agency's intended use of regulations or reliance on tax expenditures to achieve performance goals;
- if applicable, a description of any proposed legislation needed to help achieve performance goals; and
- references in the performance plan to other plans and documents (e.g., business plan, reorganization plans, training plans) that show how the identified strategies will contribute to achieving the agency's performance goals.

The evaluator should

- based on an evaluator's knowledge of an agency, assess the reasonableness of the agency's rationale as to how the strategies will contribute to achieving the performance goals;
- identify changes to existing strategies or new initiatives and assess whether the agency provided a reasonable explanation of why the changes are necessary;
- review previous work by GAO, the agency's inspector general, and others to identify unresolved recommendations for improving the agency's processes, skills, and technology; and

- identify whether the agency's strategies sufficiently incorporate corrective actions recommended by GAO and/or the agency's inspector general.

Criterion 4.2

If applicable, an agency's proposed waiver of administrative procedural requirements and controls should be described in a manner that quantifies expected performance improvements (Results Act, sec. 5(a)).

Guidance. Agencies are authorized to apply, in their annual performance plans, to OMB for waivers to administrative procedural requirements and controls to provide agencies with managerial flexibility. The waiver request must describe and quantify any anticipated effects on an agency's performance. It also must be endorsed by the agency that imposed the requirement or control, which usually involves one of the four central management agencies—OMB, the General Services Administration, the Office of Personnel Management, and the Financial Management Service in the Department of the Treasury. Such waivers are intended to provide federal managers with more flexibility to structure agency systems to better support performance goals. They may involve administrative requirements such as staffing and the internal allocation and use of resources. An example of increased flexibility would be to allow an agency to recapture operating funds that remain unspent because of increased efficiencies and then use the funds to purchase new equipment or expand employee training. The waivers, however, do not involve statutory requirements and controls.

Key features to look for include

- a discussion by the agency of the waiver requested;
- a description of the managerial flexibility that would be achieved if the waiver is approved;
- a discussion of the anticipated effects on performance that will result from greater managerial flexibility;
- a description of the likelihood of the agency's achieving a specific performance goal if the waiver is not granted; and
- an endorsement of the waiver from the agency that imposed the administrative requirement or control.

The evaluator should

- assess whether the agency provided reasonable descriptions of the managerial flexibility proposed and the impact on intended performance if the waiver is not granted;

-
- assess whether the agency’s quantification of the anticipated effects on performance appears reasonable; and
 - verify that the endorsement is included in the description.

Criterion 4.3

The plan should discuss an agency’s actions to address external factors that are likely to affect its performance.

Guidance. Whether an agency achieves its performance goals can be influenced by a number of external factors, such as emerging economic, social, and technological trends and the role of third parties (e.g., state and local governments). Thus, the Results Act requires agencies to identify, in their strategic plans, external factors that could significantly affect performance. GAO believes that agencies’ performance plans, although not required to by the Results Act, should also discuss external factors in order to provide additional context for anticipated performance. OMB prescribes that, if external factors are identified in an agency’s performance plan, they should be consistent with the external factors identified in the agency’s strategic plan.

Key features to look for include

- consistency between the external factors affecting performance described in the performance plan and the external factors identified in the agency’s strategic plan or previous reviews of that plan;
- an explanation of how the agency’s performance will be positively or negatively affected by such external factors; and
- a discussion of partnerships or working relationships with other organizations aimed at achieving performance goals.

The evaluator should

- determine whether the agency’s discussion of external factors is consistent with its strategic plan and addresses any issues raised in reviews of that plan; and
- assess whether the agency provided a reasonable discussion of how it would mitigate or use the identified conditions to achieve its performance goals.

Issue 5: Connecting
Resources to Strategies

What capital, human, financial, and other resources are being applied to achieve the agency’s performance goals?

Criterion 5.1

The performance plan should briefly describe the capital, human, financial, and other resources being applied to achieve the performance goals (Results Act, sec. 4(b); OMB Circular A-11, sec. 220.12; and OMB checklist, p. 6).

Guidance. OMB Circular A-11 requires that the description be brief and limited to resources (dollars and personnel) reflected in an agency's budget request. The level of detail, however, will vary depending on the requirements and needs of congressional committees. Also, an agency may be expected to provide more details on the resources it needs when the agency is requesting a significant change. The performance plan should also include prior year resources available for the agency's current fiscal year performance goals, as well as current year resources available for performance goals to be achieved in a future year.

Experience has shown that, while such specificity is not required by the Results Act, the better performance plans not only describe the resources needed, but also provide a rationale for how the resources will contribute to accomplishing the expected level of performance.

Identifying the specific resources associated with an individual performance goal will pose a challenge for some agencies, as well as for evaluators evaluating those agencies' performance plans. For example, funding from one budget activity may provide support for more than one performance goal. Agencies do not need to account for every dollar allocated to a specific performance goal.

To achieve a specific performance goal, agencies may need to invest and acquire new capital assets. When this is the case, OMB Circular A-11 requires that performance plans make reference to the agency's capital assets plan and briefly describe new capital acquisitions that will significantly affect the achievement of performance goals. Capital assets are defined by OMB as land, structures, equipment (including information technology), and intellectual property, including software, that are used by the federal government and have an estimated useful life of 2 years or more. Some agencies (such as the Department of Defense and the National Aeronautics and Space Administration) rely more heavily on capital asset investments than others to achieve their performance goals. In addition to capital asset plans, performance plans should refer to the agency's information technology and financial management plans, where such resources are identified as needed to achieve the performance goals.

Key features to look for include

- an allocation of resources (dollars and personnel) to performance goals;
- a discussion of the effect increases or decreases in resources (dollars and/or personnel) may have on expected performance;
- references in the annual performance plan to the agency's capital assets, information technology, and financial management plans;
- a description of proposed major capital investments that will bear significantly on the achievement of performance goals;
- linkages between specific capital investments and individual performance goals;
- consistency between the capital assets' performance goal(s) and related annual performance goals; and
- consistency between the resource needs discussed in the performance plan and an agency's budget justification documents.

The evaluator should

- assess the reasonableness of the performance plan's discussion of the proposed resources for achieving the performance goals and how the resources were allocated to each goal;
- assess whether the performance plan provides a clear rationale for how the resources will contribute to improving performance;
- verify that the performance plan references the proposals in the agency's capital assets and information technology plans when appropriate;
- determine whether the capital assets in the performance plan sufficiently reflect the goals and costs of those assets as presented in the capital assets plan; and
- assess whether the agency's performance plan or capital assets plan provides a plausible explanation of how a specific capital asset investment will contribute to achieving a performance goal.

Verification and Validation

Core Question 3

To what extent does the agency’s performance plan provide confidence that its performance information will be credible?

Figure III.1: Summary of the Issues and Criteria for Core Question 3

Issue 6: Verifying and Validating Performance	Issue 7: Recognizing Data Limitations
How will the agency ensure that its performance information is sufficiently complete, accurate, and consistent? Criterion 6.1: The plan should describe credible procedures to verify and validate performance information (<i>Results Act, sec. 4(b); OMB Circular A-11, sec. 220.13</i>).	To what extent does the performance plan identify significant data limitations and their implications for assessing the achievement of performance goals? Criterion 7.1: Known significant limitations to data from agency sources should be recognized in the performance plan. Criterion 7.2: The performance plan should indicate when performance data will come from sources external to the agency (<i>OMB Circular A-11, sec. 220.13</i>) and should recognize known significant limitations to external data. Criterion 7.3: The performance plan should discuss or reference any significant new information systems or major changes to existing systems that have been proposed to make more credible data available for performance measures.

Guidance. To be able to assess progress toward the achievement of performance goals, the measures used must be valid and reliable. **Reliability** refers to the precision with which performance is measured, while **validity** is the extent to which the measure adequately represents actual performance. The reliability and validity of the measures are influenced by a number of factors, including the quality of the data on which the measures are based. Performance measures may be derived from data collected and maintained by an agency or obtained from external sources. In order for measures to be valid and reliable, the data on which they are based must be free from significant error, especially bias. This section discusses the influence of data quality. Other

considerations in the choice of reliable and valid measures are discussed under question 1.

To assess whether the goals and measures proposed in a performance plan will provide a reasonable and appropriate basis for assessing performance, the reader must be able to judge whether the proposed performance data will be sufficiently free of error, in particular bias. To this end, the Results Act calls for the plan to describe the procedures that will be used to verify and validate the measured values of actual performance. In this guide, **verification** means the checking or testing of performance data to reduce the risk of using data that contain significant errors. **Validation** means the testing of data to ensure that no error creates significant bias. **Significant error**, including bias, would affect conclusions about the extent to which performance goals have been achieved.

The reasonableness and appropriateness of proposed measures are also influenced by the extent to which the needed data can be obtained at a **reasonable cost**—i.e. the extent to which benefits obtained from providing the data outweigh the costs of producing it.

The role of the evaluator is to

- assess whether the agency has provided sufficient information to permit an informed judgment by the reader of whether the performance data will be sufficiently free of bias and other significant error, and
- determine whether the verification and validation procedures and the data proposed by the agency are credible.

The credibility of the verification and validation procedures and of the data is to be determined by assessing whether there are any problems with them that would influence conclusions about the achievement of results.

Issue 6: Verifying and
Validating Performance

How will the agency ensure that its performance information is sufficiently complete, accurate, and consistent?

Criterion 6

The plan should describe credible procedures to verify and validate performance information (Results Act, sec. 4(b); OMB A-11, sec. 220.13).

Guidance. The Results Act requires that performance plans include descriptions of procedures for verifying and validating the measured

values of actual performance (Results Act, sec. 4(b)). OMB encourages agencies to discuss the verification and validation procedures with their OMB representatives (OMB A-11, sec. 220.13). Agencies should have in place or propose credible procedures for ensuring that their performance data are reasonably complete, accurate, and consistent.

The data required for performance measurement can be collected on an ongoing basis by agency personnel during the performance of duties or by means of periodic studies. For example, client data can be recorded on an ongoing basis during the determination of eligibility for services, or data can be collected in the processing of financial transactions. Client surveys are an example of periodic studies, which may be required for some measures of performance—for example, for measures of service quality.

Error can occur at various points in the collection, maintenance, processing, and reporting of data. At data collection, information can be recorded incorrectly. For example, program personnel can incorrectly record information about clients. Inadequate procedures for maintaining data, such as on computer information systems, can result in the loss or alteration of data. For instance, data from client survey forms can be incorrectly entered into computer information systems. Processing and reporting of data can also add error through, for example, the incorrect transfer of data from computerized databases into analyzable or reportable forms.

Error that is caused by a systematic source can introduce bias and lead to inaccurate estimates of program performance. For example, in programs intended to reduce such inappropriate behaviors as alcohol use, speeding, smoking, etc., clients entering these programs may be asked to estimate the extent to which they engage in these behaviors, as a baseline against which to judge program effectiveness. Clients may initially underestimate these undesirable behaviors, ultimately leading to underestimates of program success.

As another example, a program designed to support the development of small businesses by providing financial assistance may do follow-up of recipients to assess their success. Some recipients may become unreachable for a variety of reasons, including name changes, relocation, or failure. If many of those small enterprises that go out of business are unreachable, they would not show up in the database, and the data would then contain a greater proportion of successful businesses than is the

actual situation. Thus, the ability of the program to stimulate small enterprises could be overestimated.

The agency should have in place procedures for ensuring that the data are free of significant levels of error and that bias is not introduced. These procedures can include internal controls over such matters as data collection, maintenance, and entry. Particularly important are external assessments such as audits, evaluations, and peer reviews. One such external assessment, of particular importance when goals and measures are financially oriented, is the audit of agency annual financial statements, required under the Chief Financial Officers (CFO) and Government Management Reform acts. Whichever verification and validation procedures are used, their description needs to be sufficiently detailed to permit an assessment of their adequacy.

Key features to look for include

- a clear description of the data verification and validation procedures to be used to ensure that significant error, including bias, are not added during collection, maintenance, or processing of data;
- general procedures to control data quality, such as general controls for computerized information systems; and
- procedures specific to the data required for performance measures proposed in the performance plan, including data gathered both on an ongoing and a periodic basis.

The described procedures are credible if they

- provide for periodic review of data collection, maintenance, and processing procedures by the agency to ensure that they are consistently applied and continue to be adequate;
- provide for periodic sampling and review of data to ensure their completeness, accuracy, and consistency;
- rely on independent audits or other established procedures for verifying and validating financial information when performance measures require the use of financial information; and
- address problems, in verification and validation procedures, known to GAO or the agency.

Credibility is enhanced if the procedures call for formal evaluation or audit of the information by parties external to the program in question.

The evaluator should

- review the performance plans to identify references to verification and validation procedures;
- review previous GAO work, or other available sources, for instances where procedures for verifying and validating agency performance information have been found deficient;
- where performance measurement requires financial information, review the annual audits of the agency's annual financial reports to identify instances where controls over related financial information were found to be deficient;
- interview agency staff to determine whether they are taking or are proposing to take actions to address previously identified deficiencies in verification and validation procedures;
- interview agency staff to determine the extent to which OMB has been consulted on proposed verification and validation procedures prior to submission of the plan, and inquire as to concerns raised by OMB and whether and how the agency addressed them; and
- assess whether GAO and OMB concerns were addressed in the validation and verification procedures described in the plan and whether the procedures are credible.

Issue 7: Recognizing Data Limitations

To what extent does the performance plan identify significant data limitations and their implications for assessing the achievement of performance goals?

Guidance. The specific performance data required—and the means for collecting, maintaining, and analyzing them—should be identified and described in detail sufficient to allow an assessment of the extent to which they can be relied upon (OMB checklist, p. 7).

Evaluators should rely on previously conducted work and on departmental sources to determine whether there are any known problems with the data sources or the data that would cast doubt on the credibility of the information. **Known limitations** are those identified by GAO in its work or in available documents such as program evaluations, independent audits, inspector general investigations, information systems analyses, etc. For example, external audits of agency annual financial reports, required under the CFO and Government Management Reform acts, have identified problems with data accuracy, completeness, and consistency.

No data collection and maintenance process is free of error. **Significant limitations** are errors that would lead to inaccurate assessment of goal achievement. Proposals for performance data **recognize known limitations** to the extent that

- they do not propose to use data with known problems that would lead to inaccurate assessment of the extent of achievement of performance goals, or
- they describe means taken or proposed to address these weaknesses.

Potentially significant data limitations include

- inconsistencies in data collection from location to location, from one time period to another, or from one data source to another, when data from more than one source must be combined to create a measure (Inconsistencies can arise when standardized procedures are not used or followed. For example, this could occur when data are not clearly defined. It could also occur when definitions change, resulting in noncomparable data—for instance, if the number of people finding permanent employment is used to measure an outcome and the definition of “permanent employment” changes in a way that affects the number of people fitting the category.);
- inaccuracies due to imprecise measurement and recording (for example, program personnel incorrectly recording client information); and
- incomplete data (for example, not all cases can be identified and recorded, data are backlogged and not up to date, data are lost when an information system crashes).

The significance of these limitations increases if the error constitutes bias. For example, incomplete data can result in bias if certain types of program clients are less likely to be recorded in a database because they are harder to reach. Certain types of data collection are more prone to bias. For example, management or grant recipient subjective ratings of outcomes may lead to inaccuracies that reflect their interests.

Resolving limitations to the data needed for performance measurement can pose serious challenges to agencies and take time. Some agencies may not have available all the needed data because of the challenges involved. GAO’s previous review of the Department of Health and Human Service’s April 1997 draft strategic plan observed that some federal data on the Medicaid program are of questionable accuracy.¹⁴ Some of the problems

¹⁴HHS’ Draft Strategic Plan (GAO/HEHS-97-173R, July 11, 1997).

stem from data collected from different states, all of which do not use identical definitions for data categories. It is not expected that agencies will have resolved all significant limitations, but that they are at least taking reasonable steps to address them. In some instances, however, previous work may have revealed that the agency was not making reasonable progress in resolving the challenges.

Criterion 7.1

Known significant limitations to data from agency sources should be recognized in the performance plan.

Key features to look for include

- a description of limitations to the data, the significance of the limitations for judging the extent to which goals have been achieved, and the steps being taken or proposed to address the problems (OMB checklist, p. 7; congressional leadership letter to the OMB Director, dated Dec. 17, 1997).

The evaluator should

- review previous work by GAO, or other sources, to determine whether previously identified potentially significant limitations to the proposed performance information have not been discussed in the performance plan;
- where performance measurement requires financial information, review the annual audits of the agency's annual financial reports to identify instances where significant limitations have been found in related financial information;
- assess the means used to collect the data to determine whether the performance plan has not discussed weaknesses inherent in the form of data collection itself that could result in significant error (examples of such forms include management or client ratings and estimates of outcomes);
- assess whether actions described in the plan as being taken or planned to address the known data limitations appear reasonable; and
- interview agency officials to determine whether reasonable action, other than that described in the performance plans, is being taken or proposed to address potentially significant limitations or, alternatively, whether there is reason to believe that the limitations do not apply to the particular use intended for the data.

Criterion 7.2

The performance plan should indicate when performance data will come from sources external to the agency (OMB A-11, sec. 220.13) and should recognize known significant limitations to external data.

OMB requires that agencies identify in their performance plans data received from external sources. OMB specifies that agencies are not required to develop an independent capacity for verifying or validating performance data from external sources. However, agencies should collect available information from outside sources on the consistency, accuracy, and completeness of the data, although they are not required to include such information in the plan. It is expected that proposals to rely on external sources should not include sources with known significant limitations, unless actions are being taken or proposed to address these limitations. Better performance plans will also identify limitations to the data, discuss their significance, and describe steps being taken or proposed to address the problems (OMB checklist, p. 7; congressional leadership letter to the OMB Director, dated Dec. 17, 1997).

The evaluator should

- ascertain, based on previous reviews, whether external sources (for example, information produced by other agencies, state governments, or independent organizations) are used but not identified;
- determine whether the external sources to be relied on are recognized and generally accepted as reliable sources of this data (e.g., statistical offices, research organizations, etc.);
- interview agency officials to ascertain whether an effort was made to collect available information regarding the completeness, accuracy, and consistency of the information as well as on whatever limitations may have been identified;
- examine prior work to identify whether there are any significant problems with the completeness, accuracy, and consistency of the proposed external data; and
- assess whether known data limitations have been adequately taken into account in the performance plan.

Criterion 7.3

The performance plan should discuss or reference any significant new information systems or major changes to existing systems that have been proposed to make more credible data available for performance measures.

When existing data contain significant limitations, providing credible data may require new information systems or major changes to existing

systems. In deciding whether to continue to rely on existing data or embark on major development or modification efforts, the agency will have to balance the incremental costs of different data collection approaches against the need to ensure that the collected data are complete, consistent, and accurate enough to document performance and support decisionmaking.

Excessively costly performance data may reduce the feasibility of performance measurement, needlessly direct resources away from program or service delivery, or place an undue burden on program clients or third parties. Conversely, costs may be offset by the potential benefits of more efficient and effective programs and greater accountability. They may also be offset when performance measurement is implemented as part of managing for results, through the elimination or reduction of outdated management practices. Agencies can also reduce costs by building performance data collection into the processes that govern daily operations, rather than creating entirely new and separate data systems.

Potential costs include the management and staff time required to collect, maintain, analyze, and use performance data; the costs of any contracts for data collection and analysis; related equipment costs; the burden imposed on those required to report the data; political and bureaucratic costs; and other important negative consequences of performance measurement.

Agencies are not required to report on the costs of collecting, maintaining, and reporting performance information. However, better performance plans discuss the costs and benefits of proposed information collection approaches, and of alternatives when the proposed performance measures are costly to implement. Although evaluators are not expected to assess whether costs are reasonable, recognition should be given to agencies that report the costs of collecting performance data, the costs of alternative data sources, or other information that allows the reader to assess whether the benefits of collecting better data outweigh the costs.

The evaluator should

- examine the agency's capital plan to assess whether new information systems, or significant modifications to existing systems, are proposed to implement performance measures and whether these proposals are appropriately referenced in the performance plan.

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