10 YEARS OF GPRA—RESULTS, DEMONSTRATED

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY AND FINANCIAL MANAGEMENT

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

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10 YEARS OF GPRA—RESULTS, DEMONSTRATED

WEDNESDAY, MARCH 31, 2004

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY AND FINANCIAL MANAGEMENT,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 2 p.m., in room 2247, Rayburn House Office Building, Hon. Todd Russell Platts (chairman of the subcommittee) presiding.

Present: Representatives Platts, Towns, and Maloney.

Staff present: Mike Hettinger, staff director; Dan Daly, counsel; Larry Brady and Tabetha Mueller, professional staff members; Amy Laudeman, legislative assistant; Sarah D'Orsie, clerk; Adam Bordes, minority professional staff member; and Jean Gosa, minority assistant clerk.

Mr. PLATTS. A quorum being present, this hearing of the Subcommittee on Government Efficiency and Financial Management will come to order.

I have a brief opening statement and ask, without objection, that my full statement be submitted for the record.

I was pleased to be part of the request for the General Accounting Office to examine the effects that the Government Performance and Results Act has had on the Federal Government. I certainly commend GAO for its work, and I feel it is very important for us in Congress to go back and analyze how the laws that are passed are implemented. We need to make sure that GPRA is having a positive impact on agency management.

The findings of the report were encouraging. GAO found that GPRA has improved the focus of the Federal Government. The report also identifies some important challenges, and we look forward to discussing these areas here today.

Many of the successes we have seen under the President's management agenda, including the evolution of the Program Assessment Rating Tool, could not have happened without the foundation established by GPRA. It is important for Congress to pay close attention to management reforms. These efforts are not the most exciting issues, but there are few matters more important for us to focus on than ensuring that the Federal Government is well run and results oriented.

Today, we are delighted to have a great panel of witnesses before the subcommittee. We have the author of the report, Pat Dalton, Director of Strategic Issues at the General Accounting Office.

Again, I thank you and your staff for a tremendous effort in compiling all the information and making a great assessment for us to build on as we go forward.

Ms. DALTON. Thank you, Mr. Chairman.

Mr. PLATTS. We also have a panel of experts who have spent a good deal of time looking at these issues from the private sector, including Jonathan Breul from the IBM Center for the Business of Government. We appreciate having you back before the subcommittee again, Jonathan.

Carl DeMaio is president and founder of the Performance Institute.

Richard Keevey is director of Performance Consortium, at the National Academy of Public Administration. As a holder of a degree in public administration, I appreciate Mr. Keevey's work.

Patricia McGinnis is president and CEO of the Council for Excellence in Government.

John Mercer is widely known as the father of GPRA. We appreciate your participation today.

Last but not least, Carl Metzger, director of the Government Results Center.

As a committee, we thank each of you for being with us.

I yield to the ranking member, Mr. Towns from New York, for the purpose of an opening statement.

[The prepared statement of Hon. Todd Russell Platts follows:]

COMMITTEE ON GOVERNMENT REFORM

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY AND FINANCIAL MANAGEMENT

CONGRESSMAN TODD RUSSELL PLATTS, CHAIRMAN

STATEMENT BY TODD RUSSELL PLATTS
March 31, 2004

I was pleased to be part of a Congressional request for the General Accounting Office to examine the effects that the Government Performance and Results Act has had on the Federal government.

I commend the GAO for its work, and I feel it is very important for us in Congress to go back and analyze how the laws we pass are implemented, what effect they are having. We need to make sure that GPRA is having a positive impact on agency management. The findings of the report were encouraging. GAO did find that GPRA has had an impact on the focus of the federal government, but it also identified some important areas for improvement, and we look forward to discussing these areas today.

By enacting GPRA, Congress put government reform in statute. Because of this statutory framework, federal managers now look at the requirements for performance plans and strategic plans required by GPRA and know they are here to stay regardless of changes in Congress and the Executive Branch. When the first round of strategic plans fell short of expectations, the reform effort was not scrapped – it was improved. Now, ten years after GPRA was enacted, we have strategic plans that are more in line with what was envisioned. We have seen slow, sustainable improvement. The most important change has been the beginning of a shift in focus: What agencies view as their goals has changed dramatically. Adapting to the principles of GPRA should not be seen as an additional "cost of doing business," this type of strategic focus should be an integral part of doing business the right way. Over time, the proper implementation of GPRA will, in fact, reduce the cost of government.

Many of the successes we've seen under the President's Management Agenda – including the evolution of the Program Assessment Rating Tool – could not have happened without the foundation established by GPRA.

Congress must resist the temptation to ignore management reforms. Such efforts are not the most exciting issues, and they rarely make headlines. But in reality, there are few matters more important for Congress to focus on than ensuring that the federal government is well run and results-oriented.

Today we will hear from a panel of experts including the author of the GAO report, Pat Dalton, and others who have spent a good deal of time examining the effects of GPRA on the way the federal government operates.

Mr. TOWNS. Thank you, Mr. Chairman, for holding this hearing as we continue to evaluate the progress being made in the Government Performance and Results Act.

Today's hearing focuses on GAO's recent report evaluating the impact of GPRA among the agency community and its progress toward making our government a more results-oriented institution. As this subcommittee knows, initiatives like these have been attempted for over 5 decades through both legislative mandates and administration of both political parties, but have often resulted in only limited progress. While I support our efforts to bring about greater efficiency and accountability in the programs and services that our Nation depends on, it appears that the intent of the GPRA has only been partially fulfilled.

There seems to be a divide among the number of agencies that are committed to utilizing the performance information provided through GPRA and those that choose to only comply with its reporting requirements. Perhaps this is due to a lack of agency leadership and commitment to the requirements under the statute, or an inadequate level of training and guidance from OMB for agency managers to understand the information obtained through the process.

Let me also add that agency management often struggles in establishing appropriate outcome-oriented goals for the program and linking such measures to long-term strategic objectives for both individual program and agency mission.

Last, agencies are now facing new challenges for implementing performance and budget-based measurements through program assessment rating tools as part of the President's Management Agenda Budget and Performance Integration Initiative. With this, I am concerned that agencies are now being required to comply with two separate reporting requirements, while not yet realizing or understanding the benefits of GPRA.

If GPRA is to substantiate the intended benefits that were envisioned when it was enacted 10 years ago, OMB must recommit itself to the cause through increased guidance and communication with the agency community on establishing appropriate measurements and implementation strategies for all programs. Moreover, the utilization of a governmentwide performance plan for an integrated approach to cross-cutting agency issues must be completed.

I look forward to the hearing today and look forward to hearing from the witnesses. On that note, I yield back.

[The prepared statement of Hon. Edolphus Towns follows:]

Congressman Ed Towns
Subcommittee on Government Efficiency, and Financial Management: "10 Years of GPRA—Results, Demonstrated"
March 31, 2004

I would like to thank Chairman Platts for holding today's hearing, as we continue to evaluate the progress being made through the Government Performance and Results Act.

Today's hearing focuses on GAO's recent report evaluating the impact of GPRA among the agency community and its progress toward making our government a more results-oriented institution. As this Subcommittee knows, initiatives like these have been attempted for over five decades through both legislative mandate and administrations of both political parties, but have often resulted in only limited progress. While I support all of our efforts to bring about greater efficiency and accountability in the programs and services that our nation depends on, it appears that the intent of GPRA has only been partially fulfilled.

To begin, there seems to be a divide among the number of agencies that are committed to utilizing the performance information provided through GPRA and those that choose to only comply with its reporting requirements. Perhaps this is due to a lack of agency leadership and commitment to the requirements under the statute, or an inadequate level of training and guidance from OMB for agency managers to understand the information obtained through the process. Further, agency management often struggles in establishing appropriate outcome-orientated goals for their programs, and linking such measures to long-term strategic objectives for both individual programs and agency missions. Lastly, agencies are now facing new challenges for implementing performance and budget based measurements through the Program Assessment Rating Tool (PART), as part of the President's Management Agenda's Budget and Performance Integration initiative. With this, I'm concerned that agencies are now being required to comply with

two separate reporting requirements while not yet realizing or understanding the benefits of GPRA.

If GPRA is to substantiate the intended benefits that were envisioned when it was enacted ten years ago, OMB must recommit itself to the cause through increased guidance and communication with the agency community on establishing appropriate measurements and implementation strategies for all programs. Moreover, the utilization of a government wide performance plan for an integrated approach to crosscutting agency issues must be completed.

I look forward to hearing from today's witnesses on the progress of GPRA, as well as their responses to some of my concerns.

Mr. PLATTS. Thank you, Mr. Towns.

Now I ask for all of our witnesses to be sworn in.

[Witnesses sworn.]

Mr. PLATTS. The clerk will note that all witnesses affirm the oath.

Again, the subcommittee appreciates your presence here today, and your substantive written testimonies that you provided to us ahead of time. We would ask if you could stay as close as possible to the initial 5 minutes for opening statements. Because we have a large panel, we will try to stay close to the 5 minutes, and then we will have questions.

Ms. Dalton, we will begin with you.

STATEMENT OF PATRICIA DALTON, DIRECTOR, STRATEGIC ISSUES, GENERAL ACCOUNTING OFFICE

Ms. DALTON. Thank you, Mr. Chairman. It is a pleasure to be here today to talk about the Government Performance and Results Act.

Prior to enactment of GPRA, our work at GAO on performance measurement showed that Federal agencies generally lacked the infrastructure needed to manage and report on results in a way that was transparent to the Congress and to the American people. Today, based on a decade of work in this area, we can safely say we have seen a transformation in the capacity of the Federal Government to manage for results.

This capacity includes an infrastructure of outcome-oriented strategic plans, performance measures and accountability reporting that have significantly improved over time and provide a solid foundation for improving the performance of Federal programs. However, there are a number of challenges that remain.

Our recent report for this subcommittee and others provides a comprehensive assessment of GPRA at its 10-year anniversary. Our report is based on a large body of work, including three governmentwide surveys over the past 10 years of Federal managers and seven focus groups with managers of 23 out of the 24 CFO act agencies. My statement today will briefly summarize our findings on the effectiveness of GPRA, the challenges facing agencies and, finally, how the Federal Government can continue to shift toward a more results oriented focus. Ten years after enactment, GPRA requirements have laid a solid foundation of results-oriented agency planning measurement and reporting.

First of all, the strategic framework that GPRA established has been very important. GPRA addressed agency shortcomings by creating a comprehensive and consistent statutory foundation of required agency-wide strategic plans, annual performance plans and annual performance reports. It provided consistency as opposed to, in the past, the "flavor of the month" where we had, MBOs, ZZB, and other management initiatives.

Cultural changes also have occurred. Performance planning and measurement have slowly, yet increasingly, become a part of agency cultures. A new vocabulary is being used, new approaches are being taken to problem solving, decisions are discussed in terms of results and performance, not just activities and processes. Rethinking of agency missions has also occurred.

A performance management infrastructure has been established. Federal managers reported having significantly more of the types of performance measures called for by GPRA, particularly outcome-oriented performance measures. The chart to my right illustrates what we have seen in the three surveys from 1997, 2000 and 2003, and it is consistently trending upwards in terms of the types of measures being reported—especially of all types in the outcomes.

At the same time, we are also observing a significant decline in the percentage of Federal managers who found factors hindering measuring performance or using performance information.

The foundation of results-oriented planning and reporting that has been established through GPRA is reflected in the quality of the plans and reports of the six Federal agencies we reviewed as part of our work. We found significant improvement in strategic plans, annual performance plans and annual performance and accountability reports of Education, Energy, HUD, Transportation, SBA and SSA compared to our reviews of their earlier plans and reports. However, there is still further room for improvement, particularly in addressing cross-cutting issues, using program evaluations, discussing and improving data credibility, and linking cost to performance.

The final area that we find a significant positive effect in is in the transparency of government. It has increased under GPRA. Prior to GPRA, few agencies reported their performance information externally; now it is reported on a regular basis. OMB is a key consumer of performance information, most recently through the PART assessment. Our survey data suggested that more Federal managers, especially at the SES level, believed that OMB was paying attention to their efforts under GPRA, and they found that OMB was not micromanaging this process, which gives them more ownership of the process.

GPRA also improves the transparency of government results to the American public with more information and new types of information being available.

Now, as I said, there are challenges and there are significant ones that continue to remain: first of all, top leadership commitment.

While one might expect an increase in agency leadership commitment since GPRA was enacted, our governmentwide surveys of Federal managers have not shown significant increases, although I would note there is a significant difference in the perceptions between the SES and non-SES managers. However, OMB's recently demonstrated leadership in its review of performance information from a budgetary perspective, using the PART tool, is a step in the right direction. Our interviews with senior political appointees of both the Clinton and the current Bush administrations also reflect a commitment to results-oriented management. This commitment clearly needs to be demonstrated at lower levels in the organization.

A second challenge is in the use of performance information to manage. The benefit of collecting performance information is only fully realized when the information is actually used by managers to bring about desired results. Federal managers report mixed results in the use of information, and this is illustrated on the upper

chart here, which compares the use of information on a number of dimensions over our three surveys. As you can see, it has pretty much stayed level.

One point I would add, that is more on a positive note, when we asked managers whether or not they were considering strategic planning goals in their key management tasks, their responses were much more favorable. The ranges went up to from the high 60's to the high 70's percent, so there are some favorable signs.

The human capital arena also presents some challenges. In our survey, Federal managers reported that they were being held accountable for program results, but did not feel they had the decisionmaking authority they needed to accomplish agency goals. Again, there was a distinctive difference in perceptions between the SES and the non-SES managers.

We also noted that fewer than half the managers reported receiving relevant training, and this is important in that we found a correlation between having training and using performance information.

Finally, in the human capital arena, managers also perceived a lack of positive recognition for helping their agencies achieve results.

Performance measurement continues to be a challenge. There are challenges in setting outcome-oriented goals, measuring performance and collecting useful data. Outcome-oriented performance measures were especially difficult to establish for programs in which a line of effort was not easily quantifiable. Managers also identified difficulties in distinguishing between the results produced by the Federal program and results caused by external factors or non-Federal actors.

A fifth challenge is in the cross-cutting area. Cross-cutting issues continue to be a challenge in GPRA implementation. We found some improvement in addressing cross-cutting efforts, but a great deal more is needed. OMB could use the provision of GPRA that calls for developing a governmentwide performance plan to better integrate expected agency level performance across agency lines. The current agency-by-agency focus of the budget does not provide the integrated perspective on government performance envisioned by GPRA.

A strategic plan for the Federal Government would be an additional tool that would provide longer-range perspectives on integration and priorities.

The final area that we identified as a challenge was Congress' use of information. Our focus group members believe that the reluctance of Congress to use performance information when making decisions, especially appropriation decisions, was a hindrance. However, we did find some indications of congressional use, but clearly more use of performance information could be made.

While there is concern among the agencies regarding Congress' use of performance information, it is important to make sure this information is useful. In other words, the information presented amd its presentation must meet the needs of the users, not only the Congress, but also the agencies themselves as evidenced by this chart at my right.

The challenges that we have identified are not new. Most have not changed significantly since we first reported on the governmentwide implementation of GPRA. However, we have frequently reported on approaches that agencies, Congress, and OMB could use to address these challenges. These approaches include strengthening the commitment of top leadership, taking a governmentwide approach to cross-cutting issues, improving to usefulness of performance information to managers, Congress and the public, and improving the quality of performance information.

Collectively, these approaches form the agenda that the Federal agencies, OMB and the Congress will need to follow to bring about a more sustained, governmentwide focus on results.

In our report, we made five recommendations to OMB to address many of these challenges. I am pleased to report that OMB has already started to take some steps to implement our recommendations. We also identified two matters for congressional consideration to improve governmentwide focus on results, first changing the cycle of the agency strategic plans and second, in addition to the governmentwide performance plan, requiring a governmentwide strategic plan I am pleased to note that you, Mr. Chairman, have introduced legislation on changing the timing of the agency strategic plans.

Performance-based management as envisioned by GPRA requires transforming organizational cultures to improve decisionmaking, maximizing performance, and ensuring accountability. This transformation is not an easy one and requires investments of time and resources as well as sustained leadership, commitment and attention. We have come a long way in this transformation, but it is not yet complete.

Mr. Chairman, this concludes my prepared statement. I am pleased to answer any questions.

Mr. PLATTS. Thank you, Ms. Dalton. Thank you for a great job in putting together a good report. It will serve as a foundation as we look to strengthen GPRA.

Ms. DALTON. Thank you, Mr. Chairman.

[The prepared statement of Ms. Dalton follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform, House of Representatives

For Release on Delivery
Expected at 2:00 p.m. EST
Wednesday, March 31, 2004

RESULTS-ORIENTED GOVERNMENT

GPRA Has Established a Solid Foundation for Achieving Greater Results

Statement of Patricia A. Dalton, Director
Strategic Issues

GAO-04-594T

March 2004

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Highlights

Highlights of GAO-04-594T, testimony before the Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform, House of Representatives

RESULTS-ORIENTED GOVERNMENT

GPRA Has Established a Solid Foundation for Achieving Greater Results

Why GAO Did This Study

The Government Performance and Results Act (GPRA) has been in effect for 10 years. In that context, the subcommittee asked GAO to discuss our recent report, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*. Our testimony addresses the effectiveness of GPRA in creating a focus on results in the federal government.

What GAO Recommends

In our recent report, we recommended that the Office of Management and Budget (OMB) improve its guidance and oversight of GPRA implementation, as well as develop a governmentwide performance plan. We also suggested that Congress consider amending GPRA to require that (1) agencies update their strategic plans at least once every 4 years, consult with congressional stakeholders at least once every new Congress, and make interim updates to strategic and performance plans as appropriate, and (2) the President develop a governmentwide strategic plan.

OMB generally agreed with our recommendations, but stated that the President's Budget can serve as both a governmentwide strategic and annual plan. However, we believe the budget provides neither a long-term nor an integrated perspective on the federal government's performance.

www.gao.gov/cgi-bin/getrpt?GAO-04-594T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Patricia A. Dalton at (202) 512-6806 or daltonp@gao.gov.

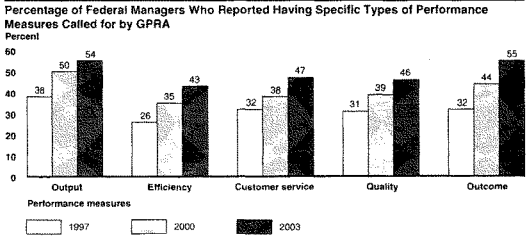
What GAO Found

GPRA's requirements have established a solid foundation of results-oriented performance planning, measurement, and reporting in the federal government. Federal managers surveyed by GAO reported having significantly more of the types of performance measures called for by GPRA (see fig. below). GPRA has also begun to facilitate the linking of resources to results, although much remains to be done in this area to increase the use of performance information to make decisions about resources. In our report, we also found agency strategic and annual performance plans and reports have improved over initial efforts.

Although a foundation has been established, numerous significant challenges to GPRA implementation still exist. Inconsistent top leadership commitment to achieving results within agencies and OMB can hinder the development of results-oriented cultures in agencies. Furthermore, in certain areas, federal managers continue to have difficulty setting outcome-oriented goals, collecting useful data on results, and linking institutional, program, unit, and individual performance measurement and reward systems. Finally, there is an inadequate focus on addressing issues that cut across federal agencies.

OMB, as the focal point for management in the federal government, is responsible for overall leadership and direction in addressing these challenges. OMB has clearly placed greater emphasis on management issues during the past several years. However, OMB has showed less commitment to GPRA implementation in its guidance to agencies and is not using the governmentwide performance plan requirement of GPRA to develop an integrated approach to crosscutting issues. In our view, governmentwide strategic planning could better facilitate the integration of federal activities to achieve national goals.

Percentage of Federal Managers Who Reported Having Specific Types of Performance Measures Called for by GPRA



Source: GAO.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss our report, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results.*[1] The Government Performance and Results Act (GPRA) was enacted in 1993 to bring about a greater focus on results in the federal government. Prior to the enactment of GPRA, our work on performance measurement in the federal government showed that federal agencies generally lacked the infrastructure needed to manage and report on results of federal programs in a way that was transparent to Congress and the American people. Today, based on a decade of work in this area, we can safely say we have seen a transformation in the capacity of the federal government to manage for results. This capacity includes an infrastructure of outcome-oriented strategic plans, performance measures, and accountability reporting that have significantly improved over time and provide a solid foundation for improving the performance of federal programs. However, a number of challenges to GPRA implementation remain.

In light of the serious fiscal, security, and other emerging challenges the nation faces, having such a capacity has never been more important. Without effective short- and long-term planning, which takes into account the changing environment and needs of the American public, recognizes the challenges they face, and establishes goals to be achieved, federal agencies risk delivering programs and services that may or may not meet society's most critical needs. At a cost to taxpayers of over $2 trillion annually, the federal government should be able to demonstrate to the American public that it can anticipate emerging issues, develop sound strategies and plans to address them, and be accountable for the results that have been achieved.

My statement today will focus on the effectiveness of GPRA in creating a focus on results in the federal government. Specifically, I will discuss (1) the effect of GPRA over the last 10 years in creating a governmentwide focus on results and the government's ability to deliver results to the American public, including an assessment of the changes in the overall quality of agencies' strategic plans, annual performance plans, and annual

[1]U.S. General Accounting Office, *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results*, GAO-04-38 (Washington, D.C., Mar. 10, 2004).

performance reports, (2) the challenges agencies face in measuring performance and using performance information in management decisions, and (3) how the federal government can continue its shift toward a more results-oriented focus.

To meet our reporting objectives, we reviewed our extensive prior work on GPRA best practices and implementation and collected governmentwide data to assess the government's overall focus on results. We conducted a random, stratified, governmentwide survey of federal managers comparable to surveys we conducted in 1997 and 2000. We also held eight in-depth focus groups—seven composed of federal managers from 23 federal agencies and one with GPRA experts. We also interviewed top appointed officials from the current and previous administrations. Finally, we judgmentally selected a sample of six agencies that we reviewed for changes in the quality of their strategic plans, performance plans, and performance reports since their initial efforts. The agencies we selected included the Departments of Education (Education), Energy (DOE), Housing and Urban Development (HUD), and Transportation (DOT) and the Small Business (SBA) and Social Security Administrations (SSA). We performed our work in Washington, D.C., from January through November 2003 in accordance with generally accepted government auditing standards.

GPRA Established a Management Framework

GPRA is the centerpiece of a statutory framework that Congress put in place during the 1990s to help resolve the long-standing management problems that have undermined the federal government's efficiency and effectiveness and to provide greater accountability for results. GPRA was intended to address several broad purposes, including strengthening the confidence of the American people in their government; improving federal program effectiveness, accountability, and service delivery; and enhancing congressional decision making by providing more objective information on program performance.

As a key part of the framework, GPRA requires executive agencies to complete strategic plans in which they define their missions, establish results-oriented goals, and identify the strategies that will be needed to achieve those goals. GPRA also requires executive agencies to prepare annual performance plans that articulate goals for the upcoming fiscal year that are aligned with their long-term strategic goals. Finally, GPRA requires agencies to measure performance toward the achievement of the goals in the annual performance plan and report annually on their progress in program performance reports.

The Office of Management and Budget (OMB) plays an important role in the management of federal government performance and, specifically, GPRA implementation. Part of OMB's overall mission is to ensure that agency plans and reports are consistent with the President's budget and administration policies. OMB is responsible for receiving and reviewing agencies' strategic plans, annual performance plans, and annual performance reports. To improve the quality and consistency of these documents, OMB issues annual guidance to agencies for their preparation, including guidelines on format, required elements, and submission deadlines. Further, GPRA requires OMB to prepare a governmentwide performance plan, based on agencies' annual performance plan submissions.

GPRA Laid the Foundation for a Iore Results-Oriented Federal Government

Ten years after enactment, GPRA's requirements have laid a solid foundation of results-oriented agency planning, measurement, and reporting. Focus group participants and high-level political appointees, as well as OMB officials we interviewed, cited positive effects of GPRA that they generally attributed to GPRA's statutory requirements for planning and reporting. Performance planning and measurement have slowly yet increasingly become a part of agencies' cultures. The results of our survey of federal managers indicate that since GPRA went into effect governmentwide in 1997, federal managers reported having significantly more of the types of performance measures called for by GPRA—particularly outcome-oriented performance measures. Survey data also suggested that more federal managers, especially at the Senior Executive Service (SES) level, believed that OMB was paying attention to their agencies' efforts under GPRA.

One of the premises of GPRA is that both congressional and executive branch oversight of federal agency performance were seriously hampered by a lack of adequate results-oriented goals and performance information. Our 1992 review of the collection and use of performance data by federal agencies revealed that, although many agencies collected performance information at the program level, few agencies had results-oriented performance information to manage or make strategic policy decisions for the agency as a whole.[2] GPRA addressed agencies' shortcomings by

[2]United States General Accounting Office, *Program Performance Measures: Federal Agency Collection and Use of Performance Data*, GAO/GGD-92-65 (Washington, D.C.: May 4, 1992).

creating a comprehensive and consistent statutory foundation of required agencywide strategic plans, annual performance plans, and annual performance reports. Participants in all eight of our focus groups cited the creation of this statutory foundation as one of the key accomplishments of GPRA. Furthermore, prior to GPRA few agencies reported their performance information externally. In contrast, OMB officials we interviewed as part of our current review suggested that OMB has been a key consumer of agency performance information produced under GPRA and that it has provided a foundation for their efforts to oversee agency performance. Focus group participants also suggested that a major accomplishment of GPRA is the improved the transparency of government results to the American public.

A key purpose of GPRA was "to improve the confidence of the American people in the capability of the Federal Government, by systematically holding Federal agencies accountable for achieving program results." When asked about the direct effects of GPRA on the public, an estimated 23 percent of the federal managers surveyed agreed to a moderate or greater extent that GPRA improved their agency's ability to deliver results to the American public. High-level political appointees we interviewed cited a number of examples of how the structure of GPRA created a greater focus on results in their agencies. Participants in our focus groups had mixed perceptions of GPRA's effect on their agencies' ability to deliver results to the American public. Participants indicated GPRA has had a positive effect by shifting the focus of federal management from program activities and processes to achieving the intended results of those programs. Other focus group participants had difficulty attributing the results their agencies achieved directly to GPRA's requirements.

Focus group and survey results suggest that performance planning and measurement have slowly, but increasingly, become a part of agencies' cultures. Compared to the results of our 1997 governmentwide survey of federal managers, in our 2003 governmentwide survey more managers reported having performance measures for their programs. When we asked managers who said they had performance measures which of the five types of measures they used to a "great" or "very great" extent, they

reported statistically significant increases in all five types of measures between 1997 and 2003[3] (see fig. 1).

Figure 1: Percentage of Federal Managers Who Reported Having Specific Types of Performance Measures To a Great or Very Great Extent

Source: GAO.

[a]There was a statistically significant difference between the 1997 and 2003 surveys.

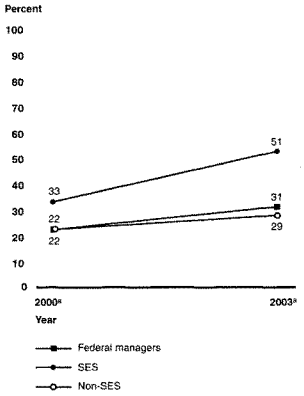
Similarly, focus group participants commented on certain cultural changes that had taken place within their agencies since the passage of GPRA in which the "vocabulary" of performance planning and measurement—that is, a greater focus on performance measurement, orientation toward outcomes over inputs and outputs, and an increased focus on program evaluation—had become more pervasive. This perception is partly borne out by our survey results. Consistent with our survey results indicating

[3]Types of measures were defined in the questionnaire as follows: Performance measures that tell us how many things we produce or services we provide (output measures); performance measures that tell us if we are operating efficiently (efficiency measures); performance measures that tell us whether or not we are satisfying our customers (customer service measures); performance measures that tell us about the quality of the products or services we provide (quality measures); and performance measures that would demonstrate to someone outside of our agency whether or not we are achieving our intended results (outcome measures).

increases in results-oriented performance measures and increasing GPRA knowledge, we also observed a significant decline in the percentage of federal managers who agreed that certain factors hindered measuring performance or using the performance information. For example, of those who expressed an opinion, the percentage of managers who noted that determining meaningful measures was a hindrance to a "great" or "very great" extent was down significantly from 47 percent in 1997 to 36 percent in 2003. Likewise, the percentage that agreed to a "great" or "very great" extent that different parties' use of different definitions to measure performance was a hindrance also declined significantly from 49 percent in 1997 to 36 percent in 2003.

Our survey data suggested that more federal managers, especially at the SES level, believed that OMB was paying attention to their agencies' efforts under GPRA (see fig. 2), but with no corresponding increase in their concern that OMB would micromanage the programs in their agencies. In our survey, we asked respondents to assess the extent to which OMB pays attention to their agencies' efforts under GPRA. In 2003, the percentage of respondents who responded "great" or "very great" to this question (31 percent) was significantly higher than in 2000 (22 percent). Of those, SES respondents showed an even more dramatic increase, from 33 to 51 percent. We also asked respondents to describe the extent to which their concern that OMB would micromanage programs in their agencies was a hindrance to measuring performance or using performance information. The percentage among those expressing an opinion that it was a hindrance to a "great" or "very great" extent was low—around 24 percent in 2003—with no significant difference between 2000 and 2003.

Figure 2: Percentage of Federal Managers and SES Managers Who Reported That OMB Paid Attention to Their Agency's Efforts Under GPRA to a Great or Very Great Extent



Source: GAO.

[a]There was a statistically significant difference between 2000 and 2003 surveys.

The foundation of results-oriented planning and reporting that has been established is also reflected in the quality of the plans and reports of six federal agencies we reviewed for our report. Beginning with federal agencies' initial efforts to develop effective strategic plans in 1997 and annual performance plans and reports for fiscal year 1999, Congress, GAO, and others have commented on the quality of those efforts and provided constructive feedback on how agency plans and reports could be improved. On the basis of our current review of the strategic plans, annual performance plans, and annual performance and accountability reports of six selected agencies—Education, DOE, HUD, DOT, SBA, and SSA—we found that these documents reflect much of the feedback that was provided.

The quality of the six agencies' strategic plans we reviewed reflected improvements over these agencies' initial strategic plans. In our current review, the six strategic plans we looked at reflected many new and continuing strengths as well as improvements over the 1997 initial draft plans, but we continued to find certain persistent weaknesses. Of the six elements required by GPRA, the plans generally discussed all but one—program evaluation—an area in which we have found agencies often lack capacity. Although the strategic plans listed the program evaluations agencies intended to complete over the planning period, they generally did not address how the agencies planned to use their evaluations to establish new or revise existing strategic goals, as envisioned by GPRA. Finally, although not required by GPRA, the strategic plans would have benefited from more complete discussions of how agencies planned to coordinate and collaborate with other entities to address common challenges and achieve common or complementary goals and objectives.

The six selected agencies' fiscal year 2004 annual performance plans addressed some weaknesses of earlier plans, but there is still significant room for improvement. Most of the 2004 plans that we reviewed showed meaningful improvements over the fiscal year 1999 plans by showing a clearer picture of intended performance, providing strategies and resources that were more specifically related to achieving agency goals, and providing a greater level of confidence that performance data would be credible. But these plans also contained a number of serious weaknesses, such as inadequate discussion of coordination and collaboration and inconsistent or limited discussions of procedures used to verify and validate performance data, which limited their quality and undermined their usefulness.

Our review of the six agencies' fiscal year 2002 performance and accountability reports showed a number of strengths and improvements over their fiscal year 1999 performance reports, as well as areas that needed improvement. These fiscal year 2002 reports generally allowed for an assessment of progress made in achieving agency goals. In addition, the majority of agencies discussed the progress achieved in addressing performance and accountability challenges identified by agency inspectors general and GAO. However, many of the weaknesses we identified in the agencies' fiscal year 2002 reports were related to the significant number of performance goals not achieved or for which performance data were unavailable. In addition, the majority of the reports we reviewed did not include other GPRA requirements, such as a summary of the findings from program evaluations. Finally, only one of the six agencies clearly linked its costs to the achievement of performance goals or objectives.

Challenges to GPRA Implementation Exist

While a great deal of progress has been made in making federal agencies more results oriented, we found numerous challenges remain. These challenges included (1) top leadership does not consistently show commitment to achieving results, (2) managers reported mixed results in the use of performance information, (3) managers continue to confront a range of human capital management challenges, (4) managers face persistent challenges in setting outcome-oriented goals, measuring performance, and collecting useful data, (5) crosscutting issues are not adequately addressed, and (6) managers' views that Congress' use of performance information is limited.

Top Leadership Commitment

As we noted in previous GAO reports, top leadership commitment and sustained attention to achieving results, both within the agencies and at OMB, are essential to GPRA implementation. While one might expect an increase in agency leadership commitment since GPRA was implemented, our governmentwide surveys of federal managers have not shown significant increases. Furthermore, although OMB has recently demonstrated leadership in its review of performance information from a budgetary perspective using the Program Assessment Rating Tool (PART) tool,[4] it is unclear whether the results of those reviews, such as changes in program performance measures, will complement and be integrated with the long-term, strategic focus of GPRA. OMB provided significantly less guidance on GPRA implementation for the fiscal year 2005 budget, compared to the very detailed guidance provided in prior years. Without consistent guidance from OMB on meeting GPRA requirements and following best practices, it may be difficult to maintain the improvements in agency performance plans and reports or bring about improvements in areas where weaknesses remain.

Additionally, we found that timing issues may affect the development of agency strategic plans that are meaningful and useful to top leadership. The commitment and sustained attention of top leadership within agencies, OMB, and Congress is critical to the success of strategic planning efforts. A strategic plan should reflect the policy priorities of an organization's leaders and the input of key stakeholders if it is to be an effective management tool. However, GPRA specifies time frames for

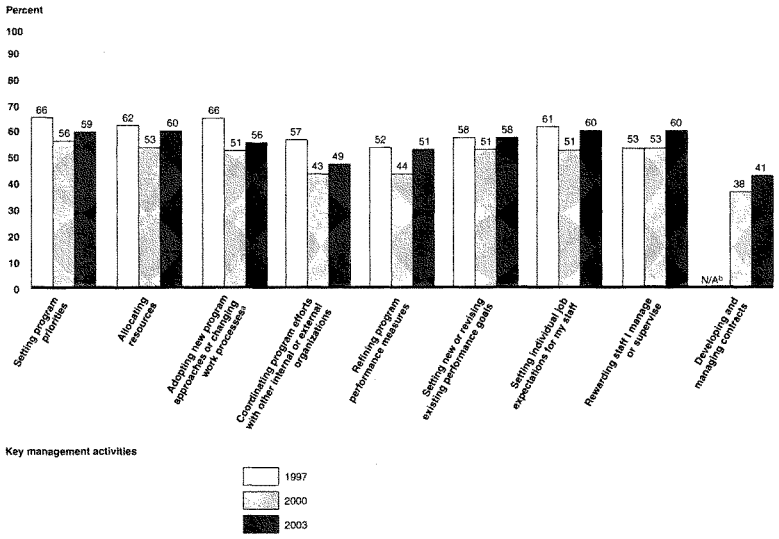
[4]PART is a diagnostic tool developed by OMB that it has been using to rate the effectiveness of federal programs with a particular focus on program results. OMB's goal is to review all federal programs over a 5-year period using the PART tool.

updating strategic plans that do not correspond to presidential or congressional terms. As a result, an agency may be required to update its strategic plan a year before a presidential election and without input from a new Congress. If a new president is elected, the updated plan is essentially moot and agencies must spend additional time and effort revising it to reflect new priorities. Our focus group participants, including GPRA experts, strongly agreed that this timing issue should be addressed by adjusting time frames to correspond better with presidential and congressional terms.

Use of Performance Information to Manage

The benefit of collecting performance information is only fully realized when this information is actually used by managers to bring about desired results. Federal managers reported mixed results in the use of performance information (see fig. 3). Focus group participants and survey respondents noted that although many federal managers understand and use results-oriented management concepts in their day-to-day activities, such as strategic planning and performance measurement, they do not always connect these concepts to the requirements of GPRA. According to our 2003 survey results, the reported use of performance information to a "great" or "very great" extent for nine management activities, such as setting program priorities or setting individual job expectations for staff, ranging from 41 to 66 percent, has not changed significantly since our first survey in 1997. One exception was the reported use to a "great" or "very great" extent of performance information to adopt new program approaches or change work processes, which was significantly lower than the 1997 results. GPRA's usefulness to agency leaders and managers as a tool for management and accountability was cited as a key accomplishment numerous times by focus group participants. However, a number of alternative views indicated that the usefulness of GPRA as a management tool has been limited. Our survey data also indicate that managers perceive their participation in activities related to the development of performance information has been limited.

Figure 3: Percentage of Federal Managers Who Reported Using Information Obtained From Performance Measurement to a Great or Very Great Extent for Various Management Activities



Source: GAO.

Note: Percentages are based on those respondents answering on the extent scale.

[a]There was a statistically significant difference between the 1997 and 2003 surveys.

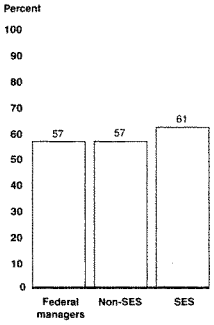
[b]This question was not asked in 1997.

Human Capital Management

Human capital management considerations also pose challenges to GPRA implementation. In our survey, federal managers reported that they are held accountable for program results, but may not have the decision-making authority they need to accomplish agency goals. When asked the extent to which managers or supervisors at their levels were held

accountable for the accomplishment of agency strategic goals, 57 percent responded to a "great" or "very great" extent in 2003. Also, there was little difference between the views of SES and non-SES managers in the area of accountability. (See fig. 4.)

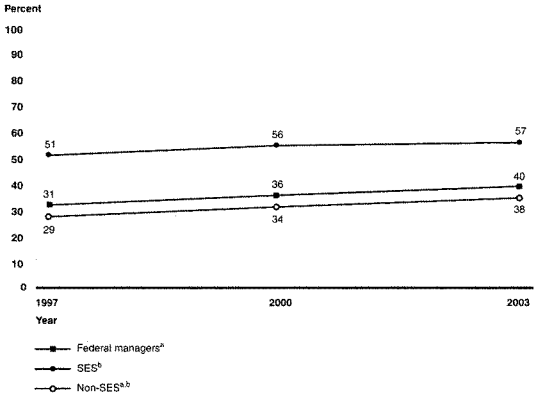
Figure 4: Percentage of Federal Managers, SES, and Non-SES in 2003 Reporting to a Great or Very Great Extent That They Were Held Accountable for the Accomplishment of Agency Strategic Goals



Source: GAO.

In contrast, there was a significant difference between SES and non-SES managers' perceptions of having the decision-making authority they needed to help the agency accomplish its strategic goals. Compared to the 57 percent of SES managers who reported having such authority to a great or very great extent in 2003, only 38 percent of non-SES managers reported having such authority to a great or very great extent. (See fig. 5.)

Figure 5: Percentage of Federal Managers Reporting To a Great or Very Great Extent That Managers/Supervisors at Their Levels Had the Decision-making Authority They Needed to Help the Agency Accomplish Its Strategic Goals



Source: GAO.

[a]There was a statistically significant difference between the 1997 and 2003 surveys.

[b]There was a statistically significant difference between SES compared to non-SES for each survey.

Moreover, fewer than half of managers reported receiving relevant training. Managers also perceived a lack of positive recognition for helping agencies achieve results. Unfortunately, most existing federal performance appraisal systems are not designed to support a meaningful performance-based pay system in that they fail to link institutional, program, unit, and individual performance measurement and reward systems. In our view, one key need is to modernize performance management systems in executive agencies so that they link to the agency's strategic plan, related goals, and desired outcomes and are therefore capable of adequately supporting more performance-based pay and other personnel decisions.

Performance Measurement

Managers reported persistent challenges in setting outcome-oriented goals, measuring performance, and collecting useful data. Focus group participants and survey respondents noted that outcome-oriented performance measures were especially difficult to establish when the program or line of effort was not easily quantifiable. For example, implementing GPRA in a regulatory environment and meeting GPRA reporting requirements for intergovernmental grant programs are particularly challenging. Managers also identified difficulties in distinguishing between the results produced by the federal program and results caused by external factors or nonfederal actors, such as with grant programs. Finally, managers reported that timely and useful performance information is not always available.

Crosscutting Issues

Crosscutting issues continue to be a challenge to GPRA implementation. Our review of six agencies' strategic and annual performance plans showed some improvement in addressing their crosscutting program efforts, but a great deal of improvement is still necessary. We have previously reported and testified that GPRA could provide OMB, agencies, and Congress with a structured framework for addressing crosscutting policy initiatives and program efforts. It can also be a valuable tool to address mission fragmentation and program overlap. OMB could use the provision of GPRA that calls for OMB to develop a governmentwide performance plan to integrate expected agency-level performance. It could also be used to more clearly relate and address the contributions of alternative federal strategies. Unfortunately, this provision has not been fully implemented. Instead, OMB has used the President's Budget to present high-level information about agencies and certain program performance issues.

The current agency-by-agency focus of the budget does not provide the integrated perspective of government performance envisioned by GPRA. For example, the fiscal year 2004 budget identified budget requests and performance objectives by agency, such as the U.S. Department of Defense, as opposed to crosscutting governmentwide themes. From this presentation, one could assume that the only activities the U.S. government planned to carry out in support of national defense were those listed under the chapter "Department of Defense." However, the chapter on the fiscal year 2004 budget discussing "the Department of State and International Assistance Programs," contains a heading titled, "Countering the Threat from Weapons of Mass Destruction." And while OMB may have a technical reason for not classifying this task as being related to national defense or homeland security, it is unclear that a lay reader could make

that distinction. The fiscal year 2005 budget also identified budget requests and performance objectives by agency, not by crosscutting theme.

A strategic plan for the federal government could provide an additional tool for governmentwide reexamination of existing programs, as well as proposals for new programs. If fully developed, a governmentwide strategic plan could potentially provide a cohesive perspective on the long-term goals of the federal government and provide a much needed basis for fully integrating, rather than merely coordinating, a wide array of federal activities. Successful strategic planning requires the involvement of key stakeholders. Thus, it could serve as a mechanism for building consensus. Further, it could provide a vehicle for the President to articulate long-term goals and a road map for achieving them. In addition, a strategic plan could provide a more comprehensive framework for considering organizational changes and making resource decisions. The development of a set of key national indicators could be used as a basis to inform the development of governmentwide strategic and annual performance plans. The indicators could also link to and provide information to support outcome-oriented goals and objectives in agency-level strategic and annual performance plans.

Congressional Use of Performance Information

Finally, focus group members believed that one of the main challenges to GPRA implementation was the reluctance of Congress to use performance information when making decisions, especially appropriations decisions. However, less than one quarter of federal managers in the 2003 survey shared that concern. Further, a recent Congressional Research Service review suggests that Congress uses performance information to some extent, as evidenced by citations in legislation and committee reports. While there is concern regarding Congress' use of performance information, it is important to make sure that this information is useful. In other words, the information presented and its presentation must meet the needs of the user. Regular consultation with Congress about both the content and format of performance plans and reports is critical.

As a key user of performance information, Congress also needs to be considered a partner in shaping agency goals at the outset. GPRA provides a vehicle for Congress to explicitly state its performance expectations in outcome-oriented terms when consulting with agencies on their strategic plans or when establishing new programs or exercising oversight of existing programs that are not achieving desired results. This would provide important guidance to agencies that could then be incorporated in agency strategic and annual performance plans.

Recommendations and Matters for Congressional Consideration

The challenges we identified in our report are not new—most have not changed significantly since we first reported on governmentwide implementation of GPRA. However, we have frequently reported on approaches that agencies, OMB, and Congress could use to address the challenges. These approaches include strengthening the commitment of top leadership to creating and sustaining a focus on results; taking a governmentwide approach to achieving outcomes that are crosscutting in nature; improving the usefulness of performance information to managers, Congress, and the public; and improving the quality of performance measures and data. Collectively, these approaches form the agenda that federal agencies, OMB, and Congress will need to follow to bring about a more sustainable, governmentwide focus on results.

In our report we recommended that the Director of OMB implement five suggestions to improve its guidance and oversight of GPRA implementation:

- To provide a broader perspective and more cohesive picture of the federal government's goals and strategies to address issues that cut across executive branch agencies, we recommend that the Director of OMB fully implement GPRA's requirement to develop a governmentwide performance plan.
- To achieve the greatest benefit from both GPRA and PART, we recommend that the Director of OMB articulate and implement an integrated and complementary relationship between the two. GPRA is a broad legislative framework that was designed to be consultative with Congress and other stakeholders, and allows for varying uses of performance information. PART looks through a particular lens for a particular use—the executive budget formulation process.
- To improve the quality of agencies' strategic plans, annual performance plans, and performance and accountability reports and help agencies meet the requirements of GPRA, we recommend that the Director of OMB provide clearer and consistent guidance to executive branch agencies on how to implement GPRA. Such guidance should include standards for communicating key performance information in concise as well as longer formats to better meet the needs of external users who lack the time or expertise to analyze lengthy, detailed documents.
- To help address agencies' performance measurement challenges, we recommend that the Director of OMB engage in a continuing dialogue with agencies about their performance measurement practices with a particular focus on grant-making, research and development, and regulatory functions to identify and replicate successful approaches agencies are using to measure and report on their outcomes, including the use of program evaluation tools. Additionally, we recommend that the Director of

OMB work with executive branch agencies to identify the barriers to obtaining timely data to show progress against performance goals and the best ways to report information where there are unavoidable lags in data availability. Governmentwide councils, such as the President's Management Council and the Chief Financial Officers Council, may be effective vehicles for working on these issues.

- To facilitate the transformation of agencies' management cultures to be more results oriented, we recommend that the Director of OMB work with agencies to ensure they are making adequate investments in training on performance planning and measurement, with a particular emphasis on how to use performance information to improve program performance.

We also identified two matters for congressional consideration to improve the governmentwide focus on results:

- To ensure that agency strategic plans more closely align with changes in the federal government leadership, Congress should consider amending GPRA to require that updates to agency strategic plans be submitted at least once every 4 years, 12-18 months after a new administration begins its term. Additionally, consultations with congressional stakeholders should be held at least once every new Congress and interim updates made to strategic and performance plans as warranted. Congress should consider using these consultations along with its traditional oversight role and legislation as opportunities to clarify its performance expectations for agencies. This process may provide an opportunity for Congress to develop a more structured oversight agenda.
- To provide a framework to identify long-term goals and strategies to address issues that cut across federal agencies, Congress should consider amending GPRA to require the President to develop a governmentwide strategic plan.

Agency Comments

In commenting on a draft of our report, OMB generally agreed with our findings and conclusions. OMB agreed to implement most of our recommendations, but stated that the President's Budget represents the executive branch's governmentwide performance plan and could also double as a governmentwide strategic plan. However, because of the budget's focus on agency-level expenditures for the upcoming fiscal year, we believe that the President's Budget provides neither a long-term nor an integrated perspective on the federal government's performance. We also provided relevant sections of the draft to the six agencies whose plans and reports we reviewed. DOE, HUD, and SSA disagreed with some of our observations, and we changed or clarified relevant sections of the report, as appropriate.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions you or the other members of the Committee may have at this time.

For future contacts regarding this testimony, please call Patricia A. Dalton, Director, Strategic Issues, at (202) 512-6806. Other individuals who made key contributions to this testimony were Elizabeth Curda and Kimberly Gianopoulos.

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Mr. PLATTS. Mr. Breul.

STATEMENT OF JONATHAN D. BREUL, SENIOR FELLOW, IBM CENTER FOR THE BUSINESS OF GOVERNMENT

Mr. BREUL. Thank you, Mr. Chairman.

The key elements of the Government Performance and Results Act were actually first outlined in 1989 in the fiscal year 1990 budget during the last year of the Reagan administration. In a chapter titled Government of the Future, the Office of Management and Budget described the need for strategic planning, monitoring of performance, an emphasis on results, and greater managerial flexibility and accountability.

Today, the Federal Government is now in the 7th year of governmentwide implementation of the performance-based, results-oriented system of management envisioned by GPRA. Agencies have made very substantial progress, and efforts continue to significantly improve the use and value of performance information. To a surprising and welcome extent, an increasing number of departments and agency officials are embracing results-based government.

The first issue you asked us to address is the effect of GPRA over the last 10 years. The first and perhaps principal effect of GPRA is that we now have a sensible, bipartisan statutory framework for results-based management. Ten years ago no laws existed that supported or required a comprehensive governmentwide approach to performance-based management.

GPRA has also benefited from being part of a series of important statutory reforms under way, thanks to this committee, including, for example, the Chief Financial Officers Act and efforts by the Federal Accounting Standards Advisory Board to improve financial reporting. In addition, the bipartisan nature of the reform gave it added strength.

GPRA was conceived by a Republican Senator, passed under a Democratic committee chair, and signed by a Democratic President. Recently, President Bush has made results a key element of his management agenda.

Strategic planning is a second important effect of GPRA. At the beginning of the 1990's, only a very small handful of agencies did any strategic planning. Now, a decade later, strategic planning is commonplace. Not only is it now required at the department level, but in almost every bureau, agency and activity throughout the government.

In the last 6 months, agencies completed a third round of those strategic plans. Compared to the first round in 1997, the plans have become slimmer, more attractive and much more readable. Importantly, over time, they have become much less a statement of vision and more of a 5 to 6-year operating plan.

Performance measurement is the third important effect of GPRA. Ten years of experience with the act has greatly expanded the supply of results-oriented information. Agencies have improved the focus of their planning, they have strengthened the quality of their performance information, and now are producing useful baselines from which to assess future program performance.

Under the Bush administration, interest in performance measurement has accelerated. Use of the performance information to influence resource allocation and program management decisions is expanding as the Program Assessment Rating Tool has been used to systematically evaluate programs.

The second matter you asked us to address are challenges that agencies face. I would suggest that the first challenge is program evaluation. GPRA has prompted a revival of interest in program evaluation, in part because the statute for the first time defines program evaluation on a governmentwide basis and stipulates that it be addressed in an agency's strategic plans as well as annual reports. Unfortunately, however, despite the efforts to place a premium on evaluation, both the supply and demand for it remain weak.

In the long run, sustaining a credible, performance-based focus in budgeting is going to require significant improvements in evaluation capacities and information across the Federal agencies, as well as in third parties that implement Federal programs. H.R. 3826 is a helpful step in this regard.

The second challenge agencies face is identifying the full costs of their programs in the budget. In order to improve our understanding of the true cost of a program, budget accounts and activities should be charged consistently for the full annual cost of the resources used. Because of the requirements in law and other precedent, the existing budget reporting structure includes all budget costs, but does not always link those full costs to a program in one place.

An example of this problem are employee costs such as those relating to retirement. Pensions for new employees and military employees were reformed in the mid-1980's, with employers paying their share of the accruing costs, yet costs for employees hired under the earlier Civil Service Retirement System have only partly been charged to programs. Similar anomalies exist with capital costs, support services and environmental costs.

A third challenge agencies face is developing integrated reporting systems. At present, few agencies have automated systems that routinely link information on costs and goals for budget performance reporting. With the exception of the National Aeronautics and Space Administration and possibly the Department of Defense, there are no automated management systems to provide a systematic framework for tracking costs and goals from planning through enactment and on to execution.

GPRA reporting is still often a paper-intensive exercise that focuses on statutory reporting to the Congress. Agencies prepare their budget requests using capabilities that are not linked to central automated systems. Many actually enter the data in Excel spreadsheets, and annual budget requests to the OMB and to the Budget Committees are, for the most part, paperwork products.

Policy decisions, however, are made based on information, and increasingly the challenge is no longer a scarcity of information, but how to manage the flood of that information. The challenge of using this information is one of making that information routinely and systematically available to the decisionmakers, whether they be at the program level or here in Congress.

The fourth challenge facing agencies is performance budgeting. Performance budgeting is the next logical step in the implementation of GPRA. This year, for the first time, many departments and nearly all major agencies developed a performance budget for OMB and sent a performance budget justification for fiscal year 2005 to their Appropriations Committees.

Finally, you asked us to comment on how the government can continue to shift to a more results-oriented focus. The initial years of implementing GPRA were focused on developing a performance management framework accompanied by a growing interest in the use of performance information. However, as I suggested, systematic integration of performance into day-to-day management and budget decisionmaking has not yet occurred.

Ultimately, agencies must routinely link information on costs and goals. They need to involve program managers in directing the setting of costs and performance goals, and then they need to hold managers accountable for the results they produce for systems of information that are transparent to decisionmakers and the public.

Together, GPRA and the CFO Act have made the foundation for performance budgeting by establishing the infrastructure in agencies to improve the supply of information on performance and costs. Sustained executive branch leadership and congressional oversight will be required to build on this foundation to make it useful and used.

Thank you, Mr. Chairman.

Mr. PLATTS. Thank you, Mr. Breul.

[The prepared statement of Mr. Breul follows:]

Testimony of
Jonathan D. Breul
IBM Center for The Business of Government

before

The Subcommittee on Government Efficiency
and Financial Management
Committee on Government Reform
U.S. House of Representatives

March 31, 2004

Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to discuss the implementation of the Government Performance and Results Act (GPRA) of 1993, including, as you requested, the effect of GPRA over the last 10 years, the challenges agencies face measuring performance and using performance information in management decisions, and how the federal government can continue to shift toward a more results-oriented focus.

I am a Senior Fellow with the IBM Center for The Business of Government. The IBM Center for The Business of Government is dedicated to stimulating research and facilitating discussion of new approaches to improving the effectiveness of government at all levels in the United States and across the world.

The federal government is one of the largest, most complex and diverse organizations in the world. It faces a wide range of challenges including diffuse security threats, homeland security needs and looming fiscal challenges. Accountable, results-oriented management can help the federal government deliver economical, efficient, and effective programs and services to the American people.

Government Performance and Results Act

The key elements of GPRA were first outlined in the fiscal year 1990 budget document, *Management of the United States Government* (January 1989). In a chapter titled "Government of the Future," the Office of Management and Budget described the need for strategic planning, monitoring of performance, an emphasis on results, and greater managerial flexibility and accountability. Enacted into law several years later with broad, bipartisan support, GPRA requires agencies to identify performance goals, plan to achieve them, and report on results.

Today the federal government is now in the seventh year of government-wide implementation of the performance-based, results-oriented system of management envisioned by GPRA. Agencies have made very substantial progress and efforts continue to significantly improve the use and value of performance information. To a surprising, and welcome extent, an increasing number of departments and agency official are embracing results-based government. However, additional efforts are needed to describe the relationship between performance expectations, requested funding, and consumed resources.

Effect of GPRA over the last ten years

The attention of the federal government to strategic planning and the supply of performance information has increased substantially in the 10 years since passage of Act. GPRA is doing exactly what was expected – it has laid the foundation for use of performance information. Three features of the Act – its statutory framework, strategic plans, and emphasis on measuring results - have contributed to its success to date and suggest why the law has outlived the gloomy forecasts of the pathologists of prior management and budget reforms.

1. *A sensible, bipartisan statutory framework*

Ten years ago, no laws existed that supported or required a comprehensive government-wide approach to performance-based management. GRPA's sensible statutory framework filled that void. The Act's phased, iterative implementation allowed agencies and the Congress to identify where implementation did not meet expectations and make adjustments and revisions. Its drafters drew heavily on the experiences of other major democratic, market economies such as Australia, Canada, New Zealand and the United Kingdom. GPRA also benefited from being part of a series of important management reforms currently underway, including for example, the Chief Financial Officers (CFO) Act and efforts by the Federal Accounting Standards Advisory Board to improve financial reporting. Finally, the bipartisan nature of the reform gave it added strength. It was conceived by a Republican Senator, passed under a Democrat Committee chair, and signed by a democratic President. Recently, President Bush has made "results" a key element of his President's Management Agenda.

2. *Strategic planning*

At the beginning of the 1990s, only a small handful of agencies did any strategic planning. Now, a decade later, strategic planning is common place not only as now required at the departmental level, but in almost very bureau, agency and activity throughout the government.

In the last six months, agencies completed a third round of strategic plans, collectively answering the question "what is the federal government trying to do?" Compared to the first round of plans in 1997, the plans have become slimmer, more attractive and much more readable. Importantly, over time they have become less a statement of "vision" and more of a five-six year operating plan.

The requirement to update the plans at least once every three years has proved to be awkward because it is out of synch with the four-year Presidential election cycle. Thus, for example, many agencies were required to update their plans in the fall of 2000, with an election in November. Congress should consider amending the Act to synchronize the plans to coincide with the mid-point of a Presidential term.

3. *Performance measurement*

Performance measurement is a third feature of GPRA that has had a significant impact, greatly expanding the supply of results-oriented performance information. In the 10 years since GPRA was enacted, agencies have improved the focus of their planning and the quality of their performance information. Over time, agencies have shown continued improvement in planning and performance and produced useful baselines from which to assess future program performance.

Agencies now have substantial experience with the terms and tools of performance measurement. They are now quite familiar with "inputs, outputs, intermediate and longer-term outcomes" and know how to use "logic models" to explain and analyze the program theory and operation of their programs.

Under the Bush Administration, interest in performance measurement has accelerated. The use of performance information to influence resource allocation and program management decisions is expanding, with the Program Assessment Rating Tool or PART used to systematically evaluate the effectiveness of programs. Evidence of this interest and commitment can be found throughout the FY 2004 and 2005 Budget documents, as well as the supplemental material in the Analytic Perspectives volume and accompanying CD-Rom disk.

The Challenges Agencies Face

Agencies face four significant challenges to better integrate performance information into day-to-day management and decision-making: (1) program evaluation, (2) identifying the full cost of programs in the budget, (3) developing integrated reporting systems, and (4) performance budgeting.

1. *Program evaluation*

GPRA has prompted a revival in interest in program evaluation. For the first time in statute, GPRA defines program evaluation:

> *"Program evaluation means an assessment, through objective measurement and systematic analysis of the manner and extent to which Federal programs achieve intended results."*

Further, it requires agencies, when developing strategic plans, to describe evaluations used in establishing or revising general goals and objectives, with a schedule for future evaluations. And finally, it requires agencies, when reporting on program performance, to include summary findings of program evaluations completed during the fiscal year covered by the report.

Performance measurement, as defined by GPRA, is the ongoing monitoring and reporting of program accomplishments, particularly progress toward pre-established goals. For programs that have readily observable results, performance measurement may provide sufficient information to demonstrate program results.

In some programs, however, results are not so readily defined nor measured. In such cases, program evaluations may be needed, in addition to performance measurement, to examine the extent to which a program is achieving its objectives. Program evaluations typically examine a broader range of information on program performance and its context than is feasible in ongoing performance measurement. For example, impact evaluations use scientific research methods to establish causal connection between outcomes and program activities, estimate what would have happened in the absence of the program, and thus isolate the program's contribution to those changes. In addition, a program evaluation that also systematically examines how a program was implemented can provide important information about why a program did or did not succeed and suggest ways to improve it.

Unfortunately, despite efforts to place a premium on evaluation, both the supply and demand for it remains weak. In the long-run, sustaining a credible performance-based focus in budgeting will require significant improvements in evaluation capacities and information across federal agencies as well as third parties that implement federal programs.

2. *Identifying the full cost of programs in the budget*

In order to improve our ability to understand the true cost of each program, budget accounts and activities should be charged consistently for the full annual cost of the resources used. Identifying the full cost of programs in the budget would be an important step towards results-oriented government and financial

transparency. Currently this is not always the case. Because of requirements in law and other precedent, the existing budget reporting structure includes all budget costs, but does not always link the full cost of program in one place.

As a first step to remedy this problem, the Bush Administration proposed legislation in October 2001 that would assign employee costs, including those relating to retirement, as direct charges to programs. For example, pensions for new employees and for military employees were reformed in the mid-1980s, with employers paying their share of the accruing costs. Yet, costs for employees hired earlier under the Civil Service Retirement System have been only partly charged to programs.

This accounting change would be an important step in closing the gap between current budgetary cost and uniform full operating cost so that cost and results can be compared to each other and across government. Importantly, this change will not affect the "bottom line" of the budget as a whole, or the basic budgetary concepts of budget authority, obligations, and outlays. Correcting this situation requires legislation.

3. *Developing integrated reporting systems*

Policy decisions are made based on information. Increasingly, however, the challenge is no longer a scarcity of information so much as it is how to manage the flood or deluge of data. The challenge of using performance information is becoming one of ensuring that decision makers – whether they are program managers at the operating level, or policy officials and members of Congress – get essential and useful information when they need it. Good decision making requires information technology to provide an "on demand," real-time flow of useful performance information for management and budget purposes. This is a major, major shift in business design and management thinking, and pulling it off requires transforming and integrating the way government operates.

At present, however, few agencies have automated systems that routinely link information on costs and goals for budget and performance reporting. With the exception of the National Aeronautics and Space Administration and possibly the Department of Defense, there are no automated management systems to provide a systematic framework for tracking costs and goals from planning through enactment to execution. GPRA reporting is often a paperwork intensive process that focuses on statutory reporting to the Congress.

Agencies prepare their budget requests using capabilities that are not linked to central automated systems. Many manually enter data onto "Excel" spreadsheets. Annual agency budget requests to OMB and congressional justification materials are for the most part paperwork products.

Fortunately, the spread of information technology allows enormous quantities of information to be stored, sorted, analyzed and made available at minimal cost. Indeed, technology-enabled performance budgeting tools are now becoming available to support agency decision-makers and the development, presentation and execution of the budget

4. *Performance Budgeting*

GPRA not only directs the executive branch to undertake the measurement of effectiveness, but to reflect the answers in budget choices. As former Senator John Glenn explained:

> *"The ultimate goal of GPRA is to use program performance information to guide resource allocation decisions. I repeat that. Use program performance information to guide resource allocation decisions. That is the important connect."*

Performance budgeting is the next logical step in the implementation of results-oriented government. This year, for the first time, many departments and nearly all major agencies developed a performance budget for OMB, and sent a performance budget justification for fiscal year 2005 to their appropriation committees. The overviews and justification are structured around agency strategic goals. Programs are presented in the context of the goals they support, with PART scores and assessments, trend performance data, plans for the budget year, and the usual supporting material.

Ultimately, agencies must routinely link information on costs and goals, involve program managers more directly in cost and goal setting, and then hold managers accountable for the results they produce through information systems that are transparent to decision makers and the public.

Going Forward

Going forward, the challenge is to put performance-based, results-oriented government into practice. The initial years implementing GPRA focused on developing a performance management framework, accompanied by a growing increase in the use of the performance information to support budget decisions. However, systematic integration of performance into day-to-day management and budget decision-making has yet to occur. Notwithstanding the effort to date, it continues to be difficult to systematically assess either the effectiveness of programs, or their relative efficiency when compared to similar activities in other areas of government and the private sector.

Although much more remains to be done, together GPRA and the CFO Act have laid the foundation for performance budgeting by establishing the infrastructures in the agencies to improve the supply of information on

performance and costs. Sustained leadership and continued Congressional oversight will be required to build upon this foundation to make it useful and used.

Mr. Chairman, this concludes my prepared statement. I would be pleased to respond to questions

Mr. PLATTS. Mr. DeMaio.

STATEMENT OF CARL DeMAIO, PRESIDENT AND FOUNDER, THE PERFORMANCE INSTITUTE

Mr. DEMAIO. Thank you, Mr. Chairman. Thank you, Ranking Member Towns. I am Carl DeMaio from the Performance Institute.

We are pleased to be here this afternoon to comment on how to evaluate the results of the Government Performance and Results Act. We have spent 5 years since our founding looking at performance-based management in government at the Federal, State and local level, and the question we always ask is, how do you instill and implement a performance-based management system in government. It is not like in the private sector, there are different rules, and hopefully some of the commentary we share today will inform you and help you in your deliberations on how to improve the Results Act.

First, the Government Performance and Results Act provides all the statutory framework that Federal agencies need to manage for results. We do not need to go and refine the existing framework in terms of what it requires agencies to do. It asks agencies to develop a long-range plan, to translate that long-range plan into an annual plan, to set performance measures, to look at results, and to figure out whether the outcomes are being achieved, not just activities; and ultimately it asks agencies to link this to their annual budget request so Congress can deliberate over where the resources can go to have the greatest impact.

So as a system or a framework for results-based management, GPRA hits the nail on the head. And it has taken a while to implement and there have been some bumps on the road, but the statute itself is sound.

But as Ranking Member Towns pointed out correctly, implementation of the statute in each agency has been uneven. Some are taking it to heart and really implementing a performance management system and generating improved information for decision-making. Others, unfortunately, are treating it as yet another requirement mandate and generating reams of paper.

There are several hurdles to fulfilling GPRA's promise to the American taxpayer. First, as has been noted, leadership. Agencies have to commit to results-based management.

Second, the Federal Government has been slow to develop meaningful outcome measures. In looking at the outcome measures that have been set, most of them fall far short of taxpayer value and what Congress intended to accomplish with various programs. Many agencies resist outcome measurement because they feel they have no control over the outcomes. Whether kids have better reading and math and science scores or whether we have some sort of public health improvement in America, the question becomes, are we asking them to just measure things that they control or things that they are asked to influence on behalf of the American people.

Second, agencies are setting far too many performance measures. When you add up the number of pages of GPRA performance plans filled with performance measures, you come up with a total of 16,000 pages produced by Federal agencies annually filled with data and performance measures. Most of these are measures of ef-

fort or activity, not results, and so too many measures are being collected.

Third, there is no coordination among similar programs to see how various Federal expenditures can be coordinated and we can work with State and local government to achieve outcomes for the American people.

Finally, when people ask, how do you lead performance-based change in an agency, how do you make this real and relevant, we always respond by suggesting they have to hijack three systems within the agency.

First, hijack your budget. Require that Federal program managers submit their budget to OMB and ultimately to Congress using clear performance goals and measures of the agency as a guide. If they do not show how their program contributes to the outcome, then they should not receive funding.

Second, hijack your personnel system. Require that agencies hire, recruit, retain and reward on the basis of contribution to mission. We have to move from a pay system where everyone talks about "the salary increase" to a pay system where they talk about "my salary increase because my contribution to agency mission was recognized."

Finally, hijack the grants and acquisition system. We have to start moving toward a performance-based contracting, a performance-based grants, and a performance-based partnership system where resources are transferred on the basis of results and our partners are held accountable.

All of these initiatives received a major shot in the arm with the President's management agenda. The President's management agenda does not supplant, does not replace, instead it complements the Government Performance and Results Act in two key ways.

First, it demands accountability and attention be paid by agencies to measure, plan, and budget by results. It was an important thing for the Office of Management and Budget and the President to put their name behind GPRA finally. In the initial years of GPRA, we did not see that level of leadership.

Second, integration. What the President's management agenda does is, it looks at five elements of results-oriented management: budget performance integration, strategic management of human capital, improved financial management, competition and streamlining, and e-government and says, how do these, all five, capacities contribute to mission attainment. So integration and accountability.

You heard mention of the PMA, GPRA and PART, and how do they relate to each other. I have always summed it up this way: GPRA was Congress' statutory challenge to the executive branch. The PMA is this administration's response to, yes, we will be accountable, yes, we will have integration. PART is the quality control mechanism to evaluate the various plans and measures generated by agencies.

In conclusion, what are some of the next steps to improve the results of the so-called Results Act? First, I would sum it up with Congress needs to be engaged. You must engage in the review of these strategic plans and performance measures. What do you think about the 16,000 pages of performance goals and measures?

Are there goals and measures on those 16,000 pages that you believe are more informative that the American people should focus on, that oversight hearings and authorization hearings should focus on?

We urge you to have your agencies come forward with their strategic plans and performance measures and evaluate them as you reauthorize Federal programs; and you can take a page out of the PART and look at 20 percent of Federal programs a year.

Second, Congress should institutionalize program review and assessment. You do not have to endorse the PART, but you should endorse OMB's aggressive review of program performance information.

We strongly encourage passage of your legislation, Mr. Platts, for the pure purpose we should have some sort of assessment, whether it is PART or whatever the new administration or next administration might want to call it, but a systematic, methodological, and evidence-based way of looking at performance measures and weeding out bad ones and focusing on good ones.

Finally, we believe you should put a cop on the beat. We are suggesting that Congress create a Congressional Office of Program Performance that would give Congress its own capacity for performance review. Congress would be able to use the COPP office to sort through all of the reams of data and measures and plans that congressional Members and congressional offices are inundated with each year.

I have talked to many Members of Congress and committee members that tell me they do not feel that they are at a shortage of information, but what they are looking for is quality information that can inform congressional decisionmaking. Well, a COPP office can be that filter by which Congress evaluates performance information.

A second important function of the COPP office would be to peer-review any ratings or rankings that the OMB publishes each year should your legislation pass, Mr. Platts.

Finally, we would suggest that the minority and the majority of each Chamber be allowed to select up to 5 percent of Federal programs for the COPP office to do its own independent evaluation of each year. Congress needs to invest in its own independent capacity for program review. This is something that could be staffed by the General Accounting Office and the CBO, but it is not just the purview of either one of those subagencies. It has to be given its own charter and its own focus.

In conclusion, these issues of performance evaluation of Federal programs will only become more important in the coming years. During this year's budget, we have seen the percentage of nondefense discretionary funding fall to 18 percent, which means that the dinner table for domestic programs is getting smaller. It is harder to figure out where to put our scarce resources.

If we can implement GPRA fully, Congress can have better information, the American people can have better information as to what works and what does not.

Ultimately, GPRA should be judged by its ability to deliver three principles for the American people: improved performance, enhanced accountability and expanded transparency. By congressional engagement, you can improve implementation of the Results Act and help us achieve those three principles.

[The prepared statement of Mr. DeMaio follows:]

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CONGRESSIONAL TESTIMONY

Congress Must Engage Before Full Results Can be Demonstrated from GPRA

Testimony Before the House Government Reform and Oversight Committee
Subcommittee on Government Efficiency and Financial Management
March 31, 2004

Carl DeMaio
President, The Performance Institute

Mr. Chairman, members of the subcommittee, I appreciate the opportunity to be here this afternoon. My name is Carl DeMaio, and I am the president and founder of The Performance Institute, a private, nonpartisan think tank that focuses on reforming government through the principles of performance, transparency, competition, and accountability. The Institute has extensive expertise in the area of government performance management, working with tens of thousands of federal, state and local government managers every year to improve the performance of their programs and agencies.

The Government Performance & Results Act of 1993 was and continues to be a critically important statute guiding federal managers and employees in the continual pursuit for better results and more transparent governance. As a statute, GPRA has done its job. It got the ball rolling on an era where planning is strategic, performance is measured, budgeting is results-oriented, and management is results-driven.

The General Accounting Office report that prompted this hearing – *Results-Oriented Government: GPRA Has Established a Solid Foundation for Achieving Greater Results* (GAO-04-38) – provides a comprehensive look at the evolution of GPRA and its affect on agency and program management. It describes a government that is more focused on outcomes and aligned to outcome measures because of the statutory requirements of GPRA.

As a whole, the federal government has come a long way. But the reality is that the full potential of GPRA has not yet been reached. Some of the management challenges exposed by GPRA back in 1993 are still holding back some programs and agencies. Those barriers, and the expected $500 billion budget deficit facing our government for Fiscal Year 2005, reinforce the need for increased Congressional attention to the way the federal government does business. Congressional oversight – Congressional *engagement* – is needed.

Taxpayers are demanding accountability, and no doubt, that demand is justified! They want to see results for their tax dollars and as their representatives in this room, it's up to you to make sure they see those results.

Hurdles to Fulfilling GPRA's Promise

Some of the challenges rampant in the early days of GPRA still linger in some federal government programs and agencies today. They include:

- **Poor Outcome Measures:** GPRA has lacked a focus on outcome-oriented measures – measures that asked what results were achieved instead of what work was done for those results. Without outcome measures, we might know that programs' wheels are definitely spinning, but can't tell if the car is going anywhere... let alone in the right direction.

- **Too Many Measures:** With an absence of outcome-oriented performance measures, the emphasis has been placed entirely on the work that is done – the processes. Agencies often develop a litany of activity-oriented performance measures that focused on the work being done by front-line employees and not the mission-aligned results generated by the program. Those measures are often then used in decisions on funding, resource allocation and goal attainment in the absence of true outcome measures.

- **No Coordination or Common Measures among Similar Programs:** Across our government, we often have several programs performing similar activities, addressing similar issues, and thus facing similar challenges. There has been a severe lack of coordination and an absence of "common" performance measures, leaving programs with similar missions and customer bases alone in their attempts to improve performance. Instead of sharing their innovations, they idle with their frustrations. GPRA failed to lay a foundation for coordination of measures.

- **Limited Linkage to Budget:** The lack of outcome-oriented measures has made it difficult for budget requests to be integrated with performance data, despite that integration being one of the original aims of GPRA. Essentially useless measures can't be used to make management decisions, and therefore, can't be reflected in the budget. With the Program Assessment Rating Tool and the President's Management Agenda, we have seen a stronger link between budget and performance because of the demand that performance measures be outcome-oriented.

- **Limited Linkage to Personnel Systems:** GPRA did not create a strong link between organizational mission and the individual work of employees and managers. Rarely could we see the connection between the goals of a member of the Senior Executive Service and the goals of an individual employee because most employees lacked strategic-level goals and measures communicated down throughout the organization. Thus the full impact of activities and expenditures on mission-aligned program results often can not be accurately measured.

- **Limited Linkage to Contracts/Grants:** Numerous agencies and departments rely on contracts and grants for their business purposes. The idea of a "performance-based grant" or "performance-based contract" is not new, however GPRA provided little guidance to see the importance of those crucial elements. Without contracts and grants that are truly performance-based, mission-aligned accountability ends just beyond an agency's front door.

The President's Management Agenda: A Shot in the Arm

Attention paid to GPRA has risen tremendously since the debut of the President's Management Agenda, or "PMA," in 2001. Administered by the Office of Management and Budget, the PMA has sought to overhaul the way the federal government is managed by focusing innovation on five key areas of administration: budget/performance integration, improved financial management, strategic management of human capital, competitive sourcing, and citizen-centered e-government.

The budget/performance integration initiative has resulted in a significant change in the way program and agency budgets are written and submitted to the White House and to Congress. At the center of the Administration's approach to "performance budgeting" is the Program Assessment Rating Tool (PART). The PART is a methodological, standardized and evidence-based evaluation - offering hard data on whether federal programs are doing what taxpayers are paying for them to do and assessing whether they are being managed properly.

It investigates the most important aspects of performance... from relevance to results. By focusing on these various characteristics, managers can paint an in-depth picture of just what exactly they are achieving, or if they are achieving anything at all! The results are presented by OMB as four different percentages (one for each section of the PART) and as a categorical assessment ("Effective," "Moderately Effective," "Adequate," "Ineffective" or "Results Not Demonstrated").

Largely attributable to the clear commitment from OMB and the anticipated impact on the budget, many federal managers have taken note of the PART and made substantial efforts to improve their use of performance management. One of the most vivid indicators of the growth in government-wide buy-in to the PART process is the side-by-side analysis of the categorical ratings assigned by OMB to each program between FY 2004 and FY 2005.

Examiners have only five options: "Effective," "Moderately Effective," "Adequate," "Ineffective," and "Results Not Demonstrated." Between FY 2004 and FY 2005, the following changes were seen:

- The percentage of programs rated as "Effective" increased from 6 percent to 11.28 percent.
- The percentage of programs rated as "Moderately Effective" increased from 24 percent to 26.32 percent.
- The percentage of programs rated as "Adequate" increased from 14.5 percent to 20.55 percent.
- The percentage of programs rated as "Inadequate" decreased from just 5.1 percent to 4.76 percent.
- And the percentage of programs rated as "Results Not Demonstrated" decreased from 50.4 percent to 37.09 percent.

The chief difference between the FY04 and FY05 PART evaluations is an added emphasis on the use of performance measures in the planning and management sections. OMB's call for outcome-oriented performance measures and efficiency measures illustrate a commitment to improving performance while using cost-effective procedures. By including a section on performance measures, OMB is sending the message that performance measures, as well as goals, are essential in the planning process for any program in government. OMB's decision to move questions about budget-performance integration from the Management section to the Strategic Planning section conveyed a message that performance measures need be developed in conjunction with our strategic goals, and be a driving force behind our resource allocation and tracking of output production.

The focus on performance measures also elevates the discussion on programs that are rated as "Results Not Demonstrated". As demonstrated by the FY05 PART results, programs that have overall high scores can still receive a "Results Not Demonstrated" if there is an absence of long-term performance measures. The absence of long-term measures illustrate that programs cannot effectively plan and allocate resources for continuous goal improvement and performance improvement and are not in line with the overall strategic plan of the program.

Some managers complain that PART is merely another mandate that has been applied on top of the already existing GPRA performance management requirements and the initiatives contained in the President's Management Agenda. This interpretation is misinformed and fails to recognize the entwined relationship between GPRA, the PMA and the PART.

GPRA is the statutory requirement that agencies plan, measure, manage and budget for results. PMA is the Bush Administration's commitment to implementing the PMA through the "Budget-Performance" integration goal. Finally, the PART is best seen as a "quality control" assessment tool to evaluate implementation of GPRA on a program-specific basis and fulfill the promise of the PMA.

For years, GPRA generated little more than voluminous documents—strategic plans, performance measurements, performance reports, etc. Indeed, over 16,000 pages of GPRA performance planning documents were generated in FY 2002. With the PART process, programs are paring down their performance measures to the vital few – three to five measures per program in most cases. Moreover, the measures are being reviewed and improved through the OMB/agency dialogue process. Ideally, Congress will engage in the PART process and add its views on how GPRA performance measures can be improved.

Next Steps for Congressional Engagement

Legislating management reform is the most important step Congress can take right now to ensure the momentum started by GPRA and accelerated by the President's Management Agenda.

- **Consult with Agencies and Programs on their Strategic Plans:** The backbone of GPRA is its requirement of outcome-oriented performance measures that tie into long-term strategic plans to guide agency and program activities. By consulting with agency staff on the creation of these strategic plans, Congress can ensure those plans include efficient and useful performance measures that can later be used by Congress to gauge results and to better inform appropriations and budgetary decisions.

  Being a part of the effort to identify the most useful measures will dramatically improve Congress' ability to hold program managers and agency officials accountable for their performance and results. Those measures should then be codified in statute or committee reporting by Congress to mandate adherence.

- **Institutionalize the Program Assessment Rating Tool and its Successors:** Introduced just two years ago by the White House Office of Management and Budget, the Program Assessment Rating Tool (PART) has proven its immense potential for improving the results of federal programs. The PART is a systematic, methodological and evidence-based evaluation system that assesses program results and program management. While the PART was borne of a Bush Administration initiative, it need not bear the burden of political affiliation with one particular administration. Tools like the PART can be helpful in wading through data to find a vital few outcome-oriented measures of program and activity performance.

  In February, the Program Assessment and Results Act was introduced by the chairman of this subcommittee in order to codify the progress made by the Executive Branch and ensure its momentum continues through the November elections. The Act would require the Office of Management and Budget to conduct a complete evaluation of each program at least once every five years and more frequently as necessary. Such legislation mandates program assessment, and not merely the Program Assessment Rating Tool. This is an appropriate tact to take in that it allows future directors of the Office of Management and Budget to decide for themselves what evaluation system is best, while fulfilling the Congressional requirement for performance review.

- **Create a Congressional Office of Program Performance:** Congress can help improve the integrity of OMB program reviews by creating a Congressional Office of Program Performance (COPP) that would "peer-review" the OMB ratings. In addition, the COPP would conduct its own program performance reviews based on member and committee requests. The COPP

would help Congress sort through the reams of performance plans, reports and budget justifications that pour into Hill offices during the budget process.

By peer-reviewing OMB's ratings and conducting some of its own reviews, the COPP can help provide a much-needed balance to the Administration's assessment of a program. In doing so, a healthy "Good Cop/Bad Cop" dynamic would be created for programs where differing political views drive differing conclusions regarding program effectiveness. While politics might drive some elements of the assessment on a program, having an assessment capacity in both branches will make these political differences more transparent and provide opportunity for an informed and healthy debate on program effectiveness.

To avoid the creation of a new Congressional bureaucracy, the COPP would be staffed jointly by the General Accounting Office (providing program performance information) and the Congressional Budget Office (providing program cost and budget information.) A joint House/Senate committee composed of members from the appropriations, budget and oversight committees would be created to select which programs would be reviewed each year—with each chamber and political party having an opportunity to select programs for review.

Should you like to discuss any of our recommendations further, I and the director of The Performance Institute's Center for Government Performance, Jeffrey Bergin, stand ready to help you and your staff. We look forward to supporting the committee's efforts to improve the way the federal government is managed.

Thank you.

The Performance Institute *is a private think tank seeking to improve government performance through the principles of competition, accountability, performance and transparency. The Institute serves as the nation's leading authority and repository on performance-based management practices for government. Its mission is to identify, study and disseminate the leading management innovations pioneered by "best-in-class" organizations.*

Carl DeMaio *is President and Founder of the Performance Institute. He is a nationally-recognized expert in government reform and performance-based management.*

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Mr. PLATTS. We have been joined by Mrs. Maloney.

Mr. Keevey.

STATEMENT OF RICHARD F. KEEVEY, DIRECTOR, PERFORMANCE CONSORTIUM, NATIONAL ACADEMY OF PUBLIC ADMINISTRATION

Mr. KEEVEY. Mr. Chairman, members of the subcommittee, I appreciate the opportunity to testify at this hearing.

I am the director of the Performance Consortium at the National Academy of Public Administration, and I have been a manager and principal executive at both the Federal and State levels of government. I have been a State budget director, a State controller, and in the Federal Government I have served as the Director of the Defense Finance and Accounting Service, the Under Secretary for Financial Management for the Department of Defense, and the Chief Financial Officer at the U.S. Department of Housing and Urban Development.

Over the course of 40 years in management, I have seen many a budget system and a lot of new ideas come and go, and I have seen my fair share of failed attempts to improve government performance.

When I joined the Federal Government in 1994, GPRA had just been initiated. I inquired then as to what it entailed and was told that GPRA involved strategic planning and the establishment of effective outcome performance measurements. My response was, I have been there and I have tried that.

Four years later, as the CFO at HUD, I was developing the Department's first strategic plan, and while I obviously thought the endeavor had a lot of initiative behind it and had a lot of momentum, I did not think it had enough traction to be effective in the long run.

Fortunately, I was wrong in both of these instances because there is no doubt in my mind that GPRA has made steady progress during these past 10 years. Indeed, GPRA has been successful, and I think will only get better as we move forward and better integration is achieved with other results-oriented initiatives already under way.

The GAO report is correct when it concludes that "Significant progress has been made in installing a focus on results in the Federal Government." Furthermore, projects under way at the National Academy of Public Administration confirm this view.

Prior to GPRA, many agencies made few attempts to link budgets to results. There was no stated relationship between agencies' strategic plans, if in fact they had one, and their requests for funding. There was little or no interest in the cost of programs, the cost of achieving objectives, and the relationship between cost and performance. Then along came GPRA. GPRA stimulated the process of planning, targeting and reporting on what government was achieving.

At first, progress was slow. Despite leadership from OMB, there was inconsistent achievement among agencies. Some took it very seriously, others just hoped it would go away. Many strategic plans were filled with a lot of good intentions, but not a lot of sophistication. There were numerous measures that showed workload and

outputs, but not a lot of outcomes, and very little connection between cost, work, results, and budgetary requests.

Today, however, many managers and agencies routinely manage for outcomes. Public benefits achieved and the related costs are now the definition of outcome rather than simply workload information. And the lexicon of performance management is now the norm for senior agency managers and top executives.

There is no doubt in my mind that these very aggressive goals set out by Congress in the GPRA legislation have been achieved in most cases. But more needs to be done to further enhance these achievements, particularly regarding the development of more sophisticated outcome measures and the use of information in making budgetary decisions.

One of the earliest issues government executives faced in implementing GPRA was the development of meaningful performance measures. Historically, governments at all levels tended to focus on activities or outputs as the means to measure program effectiveness or program success. Therefore, it was quite natural in the early stages of GPRA that this trend would continue. Developing outcome-oriented performance measures was and still remains very difficult, but significant progress is being made.

In government, budgets drive policy and control resource allocation. To that end, we need to press forward on tools that enhance program analysis and evaluation for GPRA to be completely successful. Accepting that premise, I believe that steps already undertaken by the Office of Management and Budget to introduce the Program Assessment Rating Tool is a decision that will lead toward a better results-oriented focus.

GPRA provides the overall framework for performance management. However, the GPRA process must be connected to an effective budgetary decisionmaking process such as PART or some future iteration of PART.

My years of experience tell me that unless an instrument like PART becomes an annual event, the fruits of the GPRA process will not be fully realized. In my judgment, nothing succeeds in forcing effective program management more than effective and frequent program evaluation.

PART can certainly be improved. For example, OMB now needs to select activities for evaluation that will facilitate cross-cutting comparisons of programs that focus on the same outcome. But in my opinion, GPRA and PART are perfect together. One should not be a substitute for the other, but both are needed to enhance performance management and to improve budgetary decisionmaking.

Finally, the executive and the legislative branches need to work together and more aggressively so that both GPRA and PART or a similar tool are used in a complementary fashion by both branches of government.

Thank you, Mr. Chairman.

Mr. PLATTS. Thank you, Mr. Keevey for your testimony.

[The prepared statement of Mr. Keevey follows:]

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Celebrating the 20th Anniversary of Our Congressional Charter

Richard F. Keevey

Director, Performance Consortium

National Academy of Public Administration

Testimony

Before the Subcommittee on Government Efficiency and Financial Management

Committee on Government Reform

U.S. House of Representatives

March 31, 2004

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to testify at this hearing on the recently released General Accounting Office (GAO) report entitled, "Results-Oriented Government—GPRA Has Established a Solid Foundation for Achieving Greater Results." Specifically, you asked me to address:

- the effect of GPRA over the last 10 years in creating a government-wide focus on results;
- the challenge agencies face in measuring performance and using performance information in managing decisions; and
- how the federal government can continue to shift toward a more results-oriented focus.

I am the Director of the Performance Consortium of the National Academy of Public Administration, which as you know, is a Congressionally-chartered, independent, non-partisan organization created to offer trusted advice to public sector leaders. Views presented today are my own, and do not necessarily represent the Academy.

I have been a manager and a principal executive at both the state and federal levels of government. I have been a State Budget Director and State Comptroller. At the federal level, I served as Director of the Defense Finance and Accounting Service, Deputy Under Secretary for Financial Management at the Department of Defense and the Chief Financial Officer at the U.S. Department of Housing and Urban Development (HUD). Over the course of 40 years in management I have seen many budget systems and new

ideas come and go. And I have seen my fair share of failed attempts to improve government performance and find meaningful ways to develop processes to measure the performance of governmental programs.

I have also benefited from an extensive body of research produced by the Academy as we work with top federal executives on GPRA and PART. The Academy and its Performance Consortium have been able to play a constructive and helpful role in helping Agencies and Congress with the difficult implementation of GPRA. We continue to be involved by helping and consulting with agencies, by running monthly Forums and Annual Conferences and by contributing to the literature of Performance Management.

When I joined the federal government in 1994, GPRA had just been initiated. I inquired then as to what it entailed and was told that GPRA involved strategic planning, goal setting and establishing effective outcome performance measures. My response was "been there and tried to do that." Four years later as the Chief Financial Officer at HUD, I was developing the Department's first Strategic Plan and related documents. Again, while I thought the endeavor had obviously picked up some momentum, I did not think it had enough traction to be effective in the long run.

Fortunately, I was wrong in both instances. There is no doubt that GPRA has made steady progress during these past ten years. Indeed, GPRA has been successful and will only get better as we move forward and better integration is achieved with other results-oriented initiatives already underway.

The Effect of GPRA Over the Last 10 Years

The GAO Report is correct when it concludes that "significant progress has been made in installing a focus on results in the federal government." Furthermore, projects ongoing through the Academy's Performance Consortium also confirm this view.

Prior to GPRA, many agencies made few attempts to link budget to results. There was no stated relationship between agency strategic planning—assuming an agency even had a strategic plan—and their request for funding. There was little or no interest in the cost of programs, the cost of achieving objectives, and the relationship between cost and performance. Then, along came GPRA.

GPRA stimulated the process of planning, targeting, measuring and reporting on what government was achieving. Specifically, agencies now:

- develop strategic plans, including mission, goals and strategies to achieve them;
- consult with Congress, stakeholders and the Office of Management and Budget (OMB) to develop a common understanding about what the agencies programs are all about;
- publish annual performance plans with targets toward long-term goals; and
- publish an annual performance report on what performance was achieved.

At first progress was slow. Despite leadership from OMB, there was inconsistent achievement among agencies: some took the process seriously—others just hoped it would go away. Many strategic plans were filled with a lot of good intentions but not a

lot of sophistication. There were numerous measures that showed workload and outputs and not many outcomes and little or no connection between cost, work, results and budget requests.

But, as GAO has pointed out, progress has been steady, considering that the Act did not fully apply until six years after its enactment. Now, many managers and agencies routinely manage for outcomes. Public benefits achieved and related costs are now the definition of "outcome," rather than simply workload information. And, the lexicon of performance management is the norm for senior agency managers and executives. Also, one can now access most Agency Strategic Plans on the web and find much improvement regarding the crafting of mission statements, goals and objectives, and program benefits, although agencies still struggle with priority setting and budgetary linkage.

But, this, I am sure, will come as we move forward and as we further transform the organizational culture in agencies. Such a transformation is necessary for GPRA to move to the next level. But, transformation and change in organizations do not come easily. Transformation, as GAO points out, requires significant investment in time and resources as well as sustained leadership and commitment at all levels in the organization. Major corporations in this country invest significant money and resources in managing change in their organizations—including significant attention to human capital management. Such resource dedication and focus on human capital management is equally critical in the federal government. Indeed, one cannot achieve effective performance management without having effective human capital management. So, agencies must align individual

performance with institutional performance, and agency personnel must receive training to ensure that everyone understands the relationship between organizational and individual performance.

In short, GPRA was a significant undertaking by the Congress. Its goal was to improve the accountability and transparency of the government and of its managers. There is no doubt in my mind that these very aggressive goals set out by the Congress have been achieved in many cases—although more needs to be done to further enhance these achievements, particularly regarding the development of more sophisticated outcome measures and the use of the information in making budgetary decisions.

The Challenge Agencies Face in Measuring Performance and Using Information

While GPRA has indeed been successful, significant challenges remain—measuring performance and using information are two of the biggest such challenges.

One of the earliest issues government executives faced in implementing GPRA was the development of meaningful performance measures. Historically, governments at all level tended to focus on activities or outputs as the means to measure program effectiveness or success. Therefore, it was quite natural in the early stages of GPRA this trend would continue. Developing outcome-oriented performance measures was and still remains difficult.

Let me say first, however, that output measures are not bad in themselves and in many instances can be very useful in giving the manager a tool to measure certain aspects of a program and to give the Congress and the general public some idea of what the program is all about. For example, the number of doctors receiving reimbursements from the Medicaid program is not necessarily a measure of how effectively the Medicaid program is being administered, but it does indicate how large the program is and how many doctors are enrolled in the program. So, output measures are in fact useful, but they are not meaningful in measuring the effectiveness of a program or telling the American people the quality of a governmental program.

Not surprisingly, GAO notes that six of the eight focus groups they surveyed cited "the complexity of establishing outcome–oriented goals and measuring performance" as one of the biggest challenges faced by managers. I recognize the complexity and agree with the need for agencies to develop better outcome-oriented measures to fully meet the goals of GPRA and the goals of good program management. The GPRA process has been the catalyst in forcing agencies to develop better outcome measures, but more needs to be done, and measures need to be continually refined and updated before we can claim complete success.

But, some programs are just difficult to measure and perhaps we should consider some proxies in some instances. Take the case of grant programs managed by many federal agencies, for example. A federal agency provides a grant to a state government, who in turn passes a portion of this grant to a local government or non-profit organization.

Determining the effectiveness of such programs would require complex and costly data collection techniques since many of the entities do not have uniform activities or objectives—nor do they measure program performance in the same way. Even more challenging is the situation where the federal government's disbursement of funds is only a fraction of a program's total cost. How does one measure the federal government's contribution versus the locality's contribution? The problem is magnified when the federal grant is in the form of a block grant. The same challenge exists for research and development programs since it is often years before one realizes the fruits of the research—and even then success may be measured by the absence of failure.

One can develop a performance system that includes meaningful strategic plans, outlines good goals and objectives, and produces effective outcome-oriented performance measures, but if the correct data are not incorporated into the decision-making process, the exercise is for naught. The GAO report discusses these issues, focusing on the fact that performance information is not always timely or available due to the constraints in collecting data. In addition, the report points out that OMB has accelerated the time frames for the reporting of annual performance data. This is all true, but it could be managed by simply indicating in the annual and quarterly reports that the data is estimated and that in subsequent reports the data will be revised and updated. In my judgment, one should not view data collection aspect as the primary issue. Rather, the issue is whether information is being used over a period of time to enable managers to take control of their programs and operate them more effectively in order to deliver the maximum results per taxpayer dollar. Ultimately, however, if the GPRA process is to be

truly judged as a complete success, the Executive and Legislative branches must fully use GPRA in the budget process.

How the Federal Government Can Shift Toward a More Results-Oriented Focus

In government, budgets drive policy and control resource allocation. To that end, we need to press forward on tools that enhance program analyses and evaluation for GPRA to be completely successful. Accepting that premise, I believe steps already taken by OMB to introduce the PART will lead toward a better results-oriented focus.

GPRA provides the overall framework for performance management. To evaluate programs one must first have a good strategic plan, clearly defined goals and objectives, and effective and meaningful measures of program success. This is the foundation that GPRA lays. However, the GPRA process must be connected to an effective budgetary decision-making process such as PART, or some future iteration or evolution of PART. While it is true the role of PART is not to make decisions, it is, however, extremely useful in its support for recommendations to improve program design, assessment, and management—and after all, if one does this well it will go a long way toward helping decision makers allocate recourses more effectively. My years of experience tell me that unless an instrument like the PART becomes an annual event, the fruits of the GPRA process will not be fully realized. In my judgment, nothing succeeds in forcing effective program management more than effective program evaluation. PART has been successful because agencies and OMB have built on the successes of GPRA. Historically, budget

reviews always had something similar to PART, but it just was not as systematic and detailed, nor was it as transparent as what is now performed under the PART process.

PART can certainly be improved. As GAO points out, PART needs to be better integrated with GPRA so there is no conflict, for example, in defining a unit of analysis or in replacing goals and measures that had been previously agreed upon. More importantly, one needs to move from reviewing individual programs to an evaluation of inter and intra-departmental programs that have similar goals and objectives. Specifically, OMB needs to select activities for evaluation that will facilitate cross-cutting comparisons of programs that focus on the same outcome.

In my opinion, GPRA and PART are perfect together. One should not be a substitute for the other—both are needed to enhance performance management and to improve budgetary decision making. Evolution is inevitable. Changes and improvements may occur to PART, for example, but in my judgment both tools are critical for effective performance management. Finally, the Executive and Legislative branches need to work together so that both GPRA and the PART (or a similar tool) is used in a complementary fashion by both branches of government. Working together, both GPRA and PART establish an effective way for the Executive branch to analyze and propose good budgets and provide a good foundation for Congressional approval, oversight and review.

Thank you Mr. Chairman.

Mr. PLATTS. Ms. McGinnis.

STATEMENT OF PATRICIA McGINNIS, PRESIDENT AND CEO, THE COUNCIL FOR EXCELLENCE IN GOVERNMENT

Ms. MCGINNIS. Thank you, Mr. Chairman and Mr. Towns.

The Council for Excellence in Government is made up of leaders in the private sector who have served in government, and our focus is squarely on improving the performance and results of government and also increasing the participation and confidence of citizens in their government. So it is all about accountability.

We are very interested, obviously, in the Government Performance and Results Act. In fact, I testified last year before the full committee on GPRA and was very pleased to see that you've included in your legislation one of our recommendations that the timing of these reports coincide with Presidential terms so this can be more of a routine policy consideration.

There are a number of missing links in the way GPRA has been implemented, and I compliment GAO and this report on both pointing out the improvements and also identifying some of those missing links. Most of the GAO report focuses on the executive branch and using GPRA in the management of programs. There is also some focus on the role of Congress, which we have suggested for a long time. I thought, when I read it, it would be very interesting if GAO would, in addition to interviewing and surveying executive branch leaders, use some of those same approaches with congressional leaders, committee members and congressional staff to really get a good idea of the potential for increasing the use of this work, the performance reports and measures in the appropriations and authorization process, in addition to the oversight process.

I want to talk about three issues which I think need some additional attention. One is connecting the performance plans and reports to high-stakes management and budget decisions, and that has been discussed quite extensively by my colleagues. Also the expansion of the use of rigorous program evaluation, and Jonathan Breul alluded to that, and it is certainly included in the GPRA legislation; and then reporting the results to the public.

PART has gone a long way toward making a connection between performance measurement and performance reporting and budgeting, and that is terrific. In fact, including this performance information in annual budgets makes a lot of sense.

I noticed in the GAO report that only 55 percent of Federal managers report having outcome measures at this point, and even though that is an improvement over time, there is still a long way to go. If there were a very strong connection between these measures and the budget, and also if these measures were included in appropriations reports, for example, I think you would see that number of 55 percent go up in a hurry if the outcomes of budgeting and appropriations depended on the quality of such measures.

On the rigorous evaluation—and this is really important because what I am talking about is something that goes beyond measuring performance of a program in a fairly short-term timeframe—GPRA is terrific in talking about the importance of program evaluation to decisionmaking, but we do not see that has been emphasized over the 10 years that GPRA has been in effect.

We have been working with OMB at the Council on their PART guidance to include some stronger language about rigorous evaluation of the net impact of different approaches that might be included in a program, and I would actually encourage you, in looking at your legislation, to consider adding some language in terms of reviewing reports that would allude to what I am talking about. And, of course, the gold standard for rigorous evaluation is randomized controlled experiments where you actually use randomization and you can determine the impact of one approach as opposed to another, because that is the only difference between the two population groups.

Of course, there are other methods that could be used, and you choose the method depending on the timeframe and the nature of the problem, etc. But this is really important in the long run for us to actually move the needle on some of these tough problems, and we have data and we are getting better data, but I don't think the needle is moving fast enough for any of us.

In terms of public reporting, this is, I think, just a tremendous weakness of the implementation of GPRA. There is a wonderful requirement for annual public reports on results, and I am sure that most people in this country would like to hear on an annual basis how we are moving the needle on issues that they care about, and so I thought I would take a look, before coming over here, at some of those performance reports, just thinking in my role as a citizen how this would look to me.

Here is one. It looks like a telephone book. I don't think anyone who is not very sophisticated could get through this. I am not going to name the agency because you would see the same thing with almost any agency.

I did notice the improvement in one agency from this to this, and that is good, but I think we need to get out of the box here and think about reports that would actually be useful to people who need these tools to hold government accountable. How we do that? It is hard to legislate clear report writing. I think Mr. DeMaio has a point when he urges focusing on a few priorities.

I would suggest it would be wonderful if we had a government-wide performance report every year that took the top priority items and told the American people where we are using high-quality data in moving that needle and showed some trend data; showed something about the challenges and talked about strategies in the future. Again, this takes a serious commitment to making that connection between performance and how the American people can hold government accountable. But I think if we could do this it would go a long way to advance the use of this data and integrating it in a very strategic way.

Mr. PLATTS. When you held up the reports, I thought of the general public using it, and that is just one. It takes me back to my public administration class days when I was given the assignment to go through one of those reports and make informed commentary on the—getting down from 16,000 pages to something more manageable.

[The prepared statement of Ms. McGinnis follows:]

Testimony of Patricia McGinnis, President and Chief Operating Officer of
the Council for Excellence in Government before
The House of Representatives
Committee on Government Reform
Subcommittee on Government Efficiency and Financial Management
March 31, 2004

Mr. Chairman and distinguished members of the Subcommittee, thank you for inviting me to appear before you today to discuss the recent GAO report entitled *Results-Oriented Government – GPRA Has Established a Solid Foundation for Achieving Greater Results* (GAO-04-38).

The Council for Excellence in Government is a non-partisan non-profit organization that has been dedicated for more than 20 years to helping government improve the quality of its performance, and to increase the public's participation and confidence in government.

I am especially pleased to be here today to discuss this report, because this subject is so closely related to the Council's purpose and much of its work. Also, it is directly connected to my testimony here last year on the Administration's PART initiative. Along with that testimony, I submitted to the Committee the text of a discussion draft written at the Council entitled "Linking Resources to Results." That paper and the testimony addressed many of the pluses and minuses of GPRA implementation and offered a number of recommendations for future action.

I am pleased to see one of those recommendations incorporated into Chairman Platts' bill, H.R. 3826 "The Program Assessment and Results Act." That is the provision shifting the timing of GPRA strategic plans to coincide with Presidential terms. This is a long overdue improvement that would permit these plans to reflect more directly the executive branch's program management strategies. GAO's report also supports this approach.

It is significant that the Chairs and ranking members of this subcommittee and full committee, and your counterparts in the Senate joined in requesting this report from GAO. There can be few more indisputably important and non-partisan goals than steadily increasing the focus of government leaders and the people they serve on the tangible results of policies and programs and the return on the investment of our tax dollars.

GAO has done an important service with this report, pointing out both good and less good aspects of GPRA implementation and suggesting important improvements. I agree with the summary conclusion that GPRA has laid a base for improving management and budgeting for results.

I also agree with GAO's determination that much more work remains to be done in every agency and consistently across government. The report is replete with statements such as, "challenges lie ahead", or "more work is needed." I also agree that GPRA would have been more effective if it had been accompanied by stronger and more consistent leadership since enactment in 1993, by both Administrations and each Congress since then.

GAO covers a wide range of issues, all of which deserve careful consideration. In my testimony, in addition to stressing the importance of much stronger bi-partisan leadership and support at both ends of Pennsylvania Avenue, I want to focus primarily on what we see as the biggest government-wide issues.

The "missing links" in GPRA implementation:

(1) Connecting performance plans and reports to high stakes management and budget decisions
(2) Expanded conduct and use of rigorous program evaluation
(3) Reporting results to the public

(1) High stakes decisions

The most important structural gap in GPRA implementation was the weak connection between GPRA performance plans and reports and high stakes agency and OMB decisions on program management and resource allocation. The current Administration deserves significant credit for exposing that missing link and seeking to establish the connection, primarily through its Budget and Performance Integration initiative and the related Performance Assessment Rating Tool.

Some have argued that the slow pace of GPRA implementation gave agencies time needed to build capacity. While time was surely needed and in some instances still is, we must also recognize that virtually every Administration and many in Congress throughout the latter half of the 20th century advocated and issued directives intended to improve managing for results. Even without those pushes, the focus on results has always been a

cardinal duty of every agency in every administration, career staff and political, for the expenditure of public funds. We must be extremely cautious in accepting excuses for slow development.

GAO found that by 2003, only 55% of federal managers report having outcome measures as called for by GPRA. (p.36 fig. 22). That is an improvement over the reported use in 1997, but hardly a record to be proud of.

Had GPRA implementation been tied more directly to high stakes management and resource-allocation decision-making in a deliberate developmental process, led systematically by the Executive Branch and supported strongly by both parties in Congress, then a decade after enactment agencies would be much further along on realizing the benefits of this key framework for managing for results.

There is good news. GPRA came along at the right time to give a statutory base to renewing the focus on results that successive executive branch initiatives had tried to establish without lasting success. Now GPRA's purposes and designs have been given the necessary strong push forward by the current Administration's management agenda and specifically, the Program Assessment and Rating Tool, which is being used in the budget process. Although their relation to GPRA requirements is not always clearly spelled out, they use the same language of performance goals and measures, management responsiveness, and public reporting of results as GPRA. And then they give them force and effect by the connection to high stakes budget decisions.

In this connection, I also concur with GAO's emphasis on the value of examining together sets of programs in multiple agencies that address the same goals. This is perennially difficult to do in the Executive Branch as it is in Congress, because of the way both institutions are organized, but it is essential for determining how best to achieve important national goals.

(2) Rigorous evaluation

Unfortunately, the past decade of GPRA implementation has not been accomplished by the clearly necessary effort to improve the frequency and quality of program evaluation. Logically, a system expressly tied to results must determine objectively and rigorously whether results are achieved in

the most efficient and effective manner possible. GAO calls this a "persistent weakness" in GPRA implementation (p. 13).

Certainly some agencies and programs have sustained a focus on evaluation for many years before and since GPRA was enacted. But the absence of an aggressive government-wide effort to expand high quality evaluation means the absence of key data on government programs of every kind.

There are many varieties of evaluation, most of which have important uses in various settings. For GPRA purposes, for most agencies and activities, the most important kind of evaluation is rigorous net impact evaluation: determining by use of the best methodology possible whether the program achieves results that would not otherwise have occurred. Only that determination justifies taking money from taxpayers to support the program. Randomized controlled trials are the classic form of highest quality impact evaluation in settings where they are feasible.

These studies can sometimes be difficult, time consuming, and costly, though by no means in all cases. A concrete expression of commitment to managing for results would be the Administration and Congress turning much greater attention to the use of evaluation and routinely providing the necessary resources every agency needs for this function, whether its programs are annually appropriated, mandatory spending, tax incentives, regulatory, or research. Every form of federal spending and policy has to develop publicly credible evidence of results.

We also need to see much more evaluation of the net impact of the sum of similar programs in multiple agencies addressing the same goals.

(3) Reporting to the public

It would be hard to overstate the *potential* importance of GPRA's innovative requirement for annual public reports on results, or the concern we have for the way in which this requirement has been implemented.

Most agencies are getting better at defining goals in quantifiable terms, establishing performance measures, collecting data, and even informing internal management and budget proposals with performance data. They are doing less well in engaging the public with reports that are

accessible, understandable, and allow citizens to hold their government accountable for important results.

Virtually all agencies now routinely publish ponderous annual reports running to hundreds of colorful glossy pages with many pictures, and they post them on websites. I doubt whether any can demonstrate that their reports are being widely used by the public or by the media, or whether the agency encourages, responds to and considers public feedback to their reports.

Making information about performance and results accessible and useful is fundamental to an effective citizen-centered government, especially now that Congress requires the GPRA report to be combined with reports on financial performance.

Our colleagues at the Mercatus Center and the Association of Government Accountants help this process by annually assessing these reports, as does GAO. It would also be useful to ask a group of citizens to react to these annual reports and suggest how they could be more useful.

Having a government wide annual performance and financial report that clarifies top goals, priorities, results and progress would be a great service, if it were accessible, concise and understandable to citizens. A government wide report would provide useful context for agency annual reports and could also focus on goals and priorities that cross agency lines.

The public needs congressional authorizing and appropriating committees to pay systematic attention to these annual reports through regular hearings and other public forums and in legislative and funding decisions. The public needs Executive Branch leaders to use them routinely to report not only results achieved or not achieved, but also how programs will be managed differently to improve performance.

Reporting results to the public and listening to what the public says in response would go a long way to advance the use of performance data to improve management and resource allocation, and to encourage participation and confidence in government.

In conclusion, Mr. Chairman, let me say that GAO's response to the questions of the two government oversight committees offers an important

and timely service to those in Congress and the Executive Branch charged with leading the continuing effort to inform decision-making with increasingly better performance information.

Intense focus on the results of spending the public's money has never been more important than now, as the toughest decisions must be made if government is to cope successfully with enormous demographic pressures, fiscal limits, and the public's demand for a growing range of high quality programs and services.

Thank you.

Mr. PLATTS. Next, we have Mr. Mercer.

When I referenced the "father of GPRA," it was your work as a staff member for Senator Roth when this legislation was created. You certainly bring an important perspective as one who was involved in the creation of this program and requirement and a perspective on where we are 10 years later. I appreciate your being here.

STATEMENT OF JOHN MERCER, GPRA & PERFORMANCE MANAGEMENT SERVICES

Mr. MERCER. Thank you, Mr. Chairman and Mr. Towns, for the opportunity to be here and testify about the implementation of the Government Performance and Results Act. I am going to hop through my testimony, the full written testimony, which I understand will be inserted in the record. I will just read excerpts from it.

I am John Mercer, an independent consultant to government agencies on performance planning, budgeting, and management. Previously I served for 13 years on staff in the Congress, 5 years in the House and 8 as counsel to the Senate Governmental Affairs Committee.

During my service on the Governmental Affairs Committee from 1989 to 1997, my primary responsibility was development and oversight of Federal management reforms. My involvement with GPRA includes having proposed the idea for that law to Senator Bill Roth, then having been asked by him to lead the development of the legislation and to oversee its enactment and initial implementation.

I will look at a few of the things that have happened over the last 10 years. Some of the ways in which GPRA has had a positive effect over the last 10 years in creating a governmentwide focus on results include the steady improvement in strategic and performance plans shows that Federal agencies have become significantly more results-oriented in their long-term and annual planning. In the best plans the relationship between dollars and results is becoming increasingly transparent and there is an increasing sense within agencies that what GPRA requires is actually just good business practice and ought to be done regardless of any law.

Turning to page 4, I will touch on some of the challenges that agencies face. Some of the challenges that agencies face in measuring performance and using performance information in management decisions include the following: cascading the goals and strategies of the departmental and bureau plans down through all levels of organizational subunits, thereby linking long-term goals to day-to-day activities; integrating the budget with performance information at the program activity and task level by implementing effective managerial cost accounting systems to show full costs of programs and, ideally, the unit costs of activities and outputs; getting timely, accurate performance data to managers throughout the year so that they can actually manage their programs for results; strengthening the linkage between the agency's support functions and its programs by ensuring that the support functions such as CFO, CIO, HR, etc., measure how well they help the agency

achieve its programmatic goals; and last, ensuring the validity of the reported results.

Agencies are actually getting better at identifying meaningful outcome-oriented goals and the annual performance measures that support these long-term targets. This has been a major issue of attention by GAO evaluators, as well as a primary focus of OMB's PART assessments. However, unless these top level goals cascade all of the way down through the organization and connect to day-to-day activities, all the agency really has is a wish list, we hope to achieve these goals, and not a real plan.

If you will move ahead to page 6, I would like to talk about continuing the shift toward a more results-oriented focus. To continue this shift toward a more results-oriented focus, I would like to address two things in particular that need to happen. Program performance and results will have to have real consequences, both for the programs themselves and for the managers involved. Second, there needs to be a much greater degree of congressional involvement in using the GPRA-related performance plans and reports both in the appropriations process and in conducting general oversight.

Having clear, complete and comprehensive performance plans and reports is not an end in itself. Developing high-quality plans will be seen as little more than a paperwork exercise if the results from implementing those plans has no impact on agency budgets, program structures and processes, or managerial evaluations.

And then I would like to move to page 9 of my testimony.

Finally, Congress itself has a very important role to play in ensuring a continued shift toward a more results-oriented focus by the Federal Government. Congressional interest or lack thereof in this subject sends a strong signal to agencies about whether program performance and results matter. Agencies do read these signals and react.

So far, Congress has generally not shown a great deal of interest in the substance of agency plans or performance reports or even suggested how to make them more useful.

Now if I may vent a little frustration here, back in the early days of GPRA and developing it, I had hoped that the Committees on Appropriation would become much more supportive of agency efforts to integrate plans and budgets into program performance budgets. I had hoped that they would welcome a chance to examine and critique program goals, strategies and results when deciding program funding levels.

I had also hoped that the authorizing committees would find these plans and reports to be a font of interesting and useful information. I had imagined real oversight hearings with members referring to specific pages and items in the long-term and annual plans and in the annual reports while drilling agency officials over their strategies to achieve measurable results or why past performance did not match the goals.

I had imagined committee and floor debates with members arguing about how best to measure a program's performance, even offering amendments to change the indicators of success or to increase the target level of performance.

Despite my years of experience on Capitol Hill, I had rather naively expected a more enthusiastic response to GPRA plans and reports than we have seen so far.

In an effort to suggest how these GPRA plans and reports and related analyses by GAO and OMB might be used to conduct better agency oversight, I have developed a guide for Congress. Because this guide is intended to help point in the direction of more comprehensive and effective oversight, I call it the COMPAS, the Congressional Oversight of Management and Performance Accountability Scorecard [COMPAS]. I have included it attached to my testimony for reference. It may serve as an illustration of how congressional committees can become more active in supporting a results-oriented Federal Government.

I should add that while it is cast as a scorecard, it is really intended primarily to serve as a guide and suggestion as to how issues should be covered in a real, comprehensive oversight hearing.

In conclusion, I think that all too often programs and funding levels have been justified on the basis of need and good intentions, that is, how big the problem is and a general conviction that the more we spend, the better we will address it.

GPRA is essentially a statement that good intentions aren't good enough anymore.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Mercer follows:]

STATEMENT OF JOHN MERCER

BEFORE THE
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY
AND FINANCIAL MANAGEMENT
U.S. HOUSE OF REPRESENTATIVES

MARCH 31, 2004

IMPLEMENTATION OF THE
GOVERNMENT PERFORMANCE AND RESULTS ACT

Mr. Chairman and Members of the Subcommittee, thank you very much for the opportunity to testify at this hearing on implementation of the Government Performance and Results Act.

I am John Mercer, an independent consultant to government agencies on performance planning, budgeting and management. Previously, I served for 13 years on staff in the Congress – five years in the House and eight as Counsel to the Senate Governmental Affairs Committee. During my service with the Governmental Affairs Committee, from 1989 to 1997, my primary responsibility was development and oversight of federal management reforms. My involvement with GPRA includes having proposed the idea for that law to Senator Bill Roth, and then having been asked by him to lead the development of the legislation, and to oversee its enactment and initial implementation.

GPRA's effect over the last 10 years

Some of the ways in which GPRA has had a positive effect over the last 10 years in creating a government-wide focus on results include:

- The steady improvement in strategic and performance plans shows that federal agencies have become significantly more results-oriented in their long-term and annual planning;
- In the best plans, the relationship between dollars and results is becoming increasingly transparent;
- There is an increasing sense within agencies that what GPRA requires is actually just good business practice and ought to be done regardless of any law.

It is fair to say that over that past decade under GPRA, federal agencies have become significantly more results-oriented in their planning, both on a long-term and an annual basis. This is particularly true since the law went into effect government-wide in September of 1997. The initial strategic plans and annual performance plans that were released by the agencies in 1997 and 1998 were generally not very good. The goals were insufficiently outcome-oriented and the supporting strategies often just rambling descriptions of routine program activities. The linkage of dollars to results was tenuous at best. Agencies used cross-walks that often matched multiple budget accounts with several program activities, so that the relationship between spending and results was not very transparent. But all of this was actually an improvement over pre-GPRA days, when little consistent effort was made to develop and publish a comprehensive set of performance goals and strategies or to report actual results compared to the goals.

Today a number of agencies have made quite impressive progress in these areas. While others are still struggling to get it right, the best departmental and bureau-level plans and performance reports are becoming much more results-oriented. They include strategy descriptions that more clearly explain the specific actions planned to reach the goals and that do a better job of justifying the requested resources. The linkage between dollars and results is increasingly transparent in these plans, particularly this year. We now have a growing group of agency plans that illustrate good performance planning techniques. While there is still room for further improvement in these plans, some are at a point where they can serve as useful examples for others.

While the agencies themselves of course deserve the lion's share of the credit, I believe that much of this improvement has been spurred by the constant scrutiny and excellent critiques of these plans by GAO, and by the useful guidance of OMB's Circular A-11, and more recently by application of OMB's new Program Assessment Rating Tool with its specific criteria.

The most significant effect of GPRA may be that there is an increasing sense within departments and agencies that what the law requires is simply the right thing to do. We may be approaching the point where there is enough momentum behind GPRA implementation that, at least in general, there is a consensus within the agencies that with or without this law these reforms should be sustained. I hasten to add that doing this *well* is often difficult enough that there will probably remain for quite some time a need for constant pressure to improve the quality of these plans and not to backslide.

Challenges agencies face in measuring performance and using the information

Some of the challenges that agencies face in measuring performance and using performance information in management decisions include the following:

- Cascading the goals and strategies of the departmental and bureau plans down through all levels of organizational sub-units, thereby linking long-term goals to day-to-day activities;
- Integrating the budget with performance information at the program activity and task level, by implementing effective managerial cost accounting systems to show full costs of programs and the unit costs of activities and outputs;
- Getting timely, accurate performance data to managers throughout the year, so that they can actually manage their programs for results;
- Strengthening the linkage between the agency's support functions and its programs, by ensuring that the support functions (CFO, CIO, HR, etc.) measure how well they help the agency achieve its programmatic goals;
- Ensuring the validity of the reported results.

Agencies are getting better at identifying meaningful, outcome-oriented goals and the annual performance measures that support these long-term targets. This has been a major issue of attention by GAO evaluators, as well as a primary focus of OMB's PART assessments. However, unless these top-level goals cascade all the way down through

the organization and connect to day-to-day activities, all the agency really has is a wish list and not a real plan.

It should be understood that the words "Performance" and "Results" in the law's name are not redundant. Within the context of what GPRA is all about, these two words are intended to refer to interrelated, but distinct, concepts. "Results" refers to measures of outcome, meaning what the program is trying to accomplish. "Performance" refers to underlying measures of how it gets to those results – such as measures of activity, process and output.

This distinction is important because on a day-to-day basis, program managers actually manage elements of performance, rather than results. They manage inputs, such as costs and work hours, and they manage staff activities and processes, mostly in an effort to achieve certain outputs. In a well-designed plan, these activities and their outputs should lead to the desired outcomes. It is actually the management of program performance by front-line managers that in most cases will determine the agency's ultimate success in achieving its intended results.

If an agency's outcome goals cannot be traced down through a hierarchy of cascading performance measures all the way to the activities that consume the budget resources, then saying that spending X amount of money should achieve Y results is little more than a guess. And that is not real performance budgeting. Making the linkages explicit between long-term goals and day-to-day activities will be essential to instilling effective

performance management in government agencies and to bringing even greater transparency to the relationship between budget dollars and program results. It will help show how and why changes in spending levels may impact program performance and ultimately program results. An important adjunct to this step will be the implementation of good cost accounting systems that can track the unit costs of program activities and outputs. These are real measures of program efficiency that managers may often be held accountable for controlling. They also form the basis for calculating program cost-effectiveness, for which the agencies and Congress can be held accountable.

Continuing the shift toward a more results-oriented focus

To continue this shift toward a more results-oriented focus, I would like to address two things in particular that need to happen:

- Program performance and results will have to have real consequences, both for the programs themselves and for the managers involved;
- There needs to be a much greater degree of Congressional involvement in using the GPRA-related performance plans and reports, both in the appropriations process and in conducting general oversight.

Having clear, complete and comprehensive performance plans and reports is not an end in itself. Developing high-quality plans will be seen as little more than a paperwork exercise, if the results from implementing those plans have no impact on agency budgets, program structures and processes, or managerial evaluations.

There has to be real accountability by the agency for the performance of its programs. This might mean shifting budget resources from underperforming programs to those that achieve good results. Or it might mean restructuring an underperforming program, and perhaps even adding resources, if that is that it takes to achieve the necessary level of results addressing an important need.

OMB has recently helped boost this type of accountability, by using the results of its Program Assessment Rating Tool evaluations in developing the recommended funding levels for the FY 2005 President's Budget. It is clear that the PART is holding programs accountable for their performance and is driving new efforts to reform program structures and strategies, as well as having an effect on OMB's budget recommendations. This approach is an excellent example of how to ensure a continued shift in government toward a more results-oriented focus.

Another important step in that direction will be the development and implementation of meaningful pay-for-performance systems for senior government executives and program managers. It is probably just common sense that organizational leaders ought to be compensated in some significant part based on the degree to which they successfully lead the organization to achieving its goals. I think the taxpayers would expect that this principle ought to apply to governmental organizations.

The challenge for the Federal government is to design personnel evaluation and pay-for-performance systems that are fair and effective. The main argument against

governmental pay-for-performance is that the systems are too *subjective* and allow the evaluators to "play favorites." Frankly, I have no problem at all with the idea of "playing favorites" – as long as the ones being favored are the organization's top performers.

This is where effective implementation of GPRA can provide a very positive benefit. Good program performance plans – containing not only measurable goals for program results, but also for the supporting activities and outputs – may provide a much more *objective* basis for assessing managerial effectiveness.

This is one reason why it is not sufficient to have only outcome-oriented goals for the agency and its programs. Too many external factors may affect program results, including statutorily mandated strictures. Managers are naturally quite reluctant to be held accountable for things over which they may have little direct control. What managers actually manage on a day-to-day basis is staff-related, such as tasks, activities, personnel deployment, etc. In other words, program managers often have more direct control over things that create program outputs than they do over the achievement of actual end results. However, above the level of the program managers, agency leadership might more reasonably be held accountable for program design and achieving desired outcomes.

This is why it is so important to cascade the agencies outcome goals down through the organization, and to link them to the types of activities that managers manage. When this happens, program managers can be fairly evaluated and compensated on their efficient

and cost-effective management of program outputs. With proper incentives in place, this type of evaluation system can be a powerful tool for limiting overhead costs, improving efficiencies and maximizing program cost-effectiveness.

Finally, Congress itself has a very important role to play in ensuring a continued shift toward a more results-oriented focus by the Federal government. Congressional interest or lack thereof in this subject sends a strong signal to agencies about whether program performance and results matter. Agencies do read these signals and react. If through inattention or lack of interest, or especially through negative responses, Congress signals that GPRA-type plans and reports are not important or even useful, it often turns into an uphill fight within an agency to implement more results-oriented accountability.

So far, Congress has generally not shown a great deal of interest in the substance of agency performance plans or performance reports, or even suggested how to make them more useful. There has admittedly been occasional instances of reference to program goals and results in some committee reports, and this is certainly helpful, but it is largely episodic and quite the exception. It appears that generally speaking, members of Congress and their committees seldom refer to or use agency performance plans or performance reports in their deliberations.

I am personally quite concerned about this. In developing GPRA, I had hoped that the appropriations committees would be much more supportive of agency efforts to integrate plans and budgets into program performance budgets. I had hoped they would welcome

a chance to examine and critique program goals, strategies and results when deciding program funding levels.

I had also hoped that the authorizing committees would find these plans and reports to be a font of interesting and useful information. I had imagined real oversight hearings, with members referring to specific pages and items in the long-term and annual plans, and in the annual reports, while grilling agency officials over their strategies to achieve measurable results or why past performance did not match the goals. I had imagined committee and floor debates with members arguing about how best to measure a program's performance, even offering amendments to change the indicators of success or to increase the target level of performance. Despite my years of experience on Capitol Hill, I had rather naively expected a more enthusiastic response to GPRA plans and reports than we have seen so far.

Frankly, if I were a member of Congress, I know I would have a difficult time trying to explain to my constituents that, "Yes, I sit on subcommittees with jurisdiction over these agencies. And yes, we do have officials from those agencies come before us. But no, I have never asked them about the substance of their measurable goals, or the strategies they have outlined for achieving results, or how these relate to specific funding levels, or about past results. In fact, I have never even looked through their strategic plans, annual performance plans, or annual performance reports. Yes, I can tell you how much they spend in our district; but no, I can't tell you how that relates to specific program goals."

To me, this would be like being on the board of directors of a corporation, but not reading the annual report.

In an effort to suggest how these GPRA plans and reports, and related analyses by GAO and OMB, might be used to conduct better agency oversight, I have developed a guide for Congress. Because this guide is intended to help point in the direction of more comprehensive and effective oversight, I call it the "COMPAS" – the Congressional Oversight of Management and Performance Accountability Scorecard." I have included it with my testimony for reference. It may serve as an illustration of how congressional committees can become more active in supporting a result-oriented Federal government.

I think that all too often, programs and funding levels have been justified on the basis of need and good intentions – how big the problem is and a general conviction that the more we spend the better we will address it. GPRA is essentially a statement that "good intentions aren't good enough anymore."

Congressional Oversight of Management & Performance Accountability Scorecard (COMPAS)

SCORING PROCESS

Step 1: Identify the departments and independent agencies over which the Committee/Subcommittee has partial or exclusive jurisdiction, and the amounts of their respective budget authority.

Step 2: Within each such department, identify the bureau-level organizations over which the Committee has jurisdiction and the amounts of their respective budget authority.

Step 3: Determine whether any general oversight hearings were held by the Committee/Subcommittee during the past 4 years covering these departments/agencies/bureaus (agencies).

Step 3: Apply the Scorecard to each such hearing.

Step 4: Total the score for each hearing and award a letter grade for each.

Step 5: Weight the score for each oversight hearing according to the agency's proportion of the total budget authority under the jurisdiction of the Committee. If no oversight hearings were held, award zero points.

Step 6: Award a final letter grade for oversight and performance accountability to the Committee/Subcommittee based on total of weighted scores.

SCORECARD **100 points possible**

For a general oversight hearing that was held during the past 4 years at which a major focus was an agency's overall past performance and expected future results, as reflected in the content of the Strategic Plan, annual Performance Budget, and annual Performance and Accountability Report (PAR) that covered the agency, determine whether—

1. At least one of the agency's long-term, general goals or objectives in the Strategic Plan was the subject of questions or comments—
   a. By the Chairman **3 points**
   b. By other Members **2 points per Member**
   7 points maximum

   (The questions/comments could involve such issues as: whether the goals and objectives are sufficiently results-oriented rather than process-oriented; whether the goals/objectives are derived from specific statutory mandates.)

2. At least one of the agency's long-term, measurable performance targets in the Strategic Plan was the subject of questions or comments—
   a. By the Chairman **6 points**
   b. By other Members **3 points per Member**
   15 points maximum

   (The questions/comments could involve such issues as: whether the right thing is being measured and whether the long-term target is set at the right level of performance; whether the performance target is a meaningful measure of success in achieving a true outcome rather than a process or output; whether several performance targets together collectively define the full scope of the general long-term goal/objective to which they link; whether there is an important outcome-oriented priority not covered by any of the long-term performance targets; whether the reported trend in past performance provides confidence that the future performance target will be achieved; whether there are any statutory changes Congress could enact that would improve program efficiency or cost-effectiveness.)

3. At least one of the agency's annual performance goals or other annual measures in the Performance Budget was the subject of questions or comments—
   a. By the Chairman **6 points**
   b. By other Members **3 points per Member**
   12 points maximum

   (The questions/comments could involve such issues as: whether the right thing is being measured and whether the annual target is set at the right level of performance; how past results compare to the original goals; whether the annual performance goals adequately measure progress toward the desired long-term outcomes; whether the activity and output measures include program efficiency and cost-effectiveness measures.)

4. The effectiveness of at least one of the supporting strategies described in either the Strategic Plan or the Performance Budget for achieving a goal was the subject of questions or comments—
   a. By the Chairman **6 points**
   b. By other Members **3 points per Member**
   15 points maximum

   (The questions/comments could involve such issues as: whether the strategy provides a clear rationale as why it will likely be successful in achieving the goal it supports; whether the strategy is more than just a routine description of program activities; whether the strategy reflects innovative ways to achieve better results with the same amount of funding as in the past; whether the incorporation of improved financial management (especially managerial cost accounting), information technology and human resources planning were incorporated in development of the strategy; whether the

strategy reflects specific activities by the agency to ensure coordination of its efforts with other agencies that share a similar goal.)

5. The integration of program performance and budget information in the Performance Budget was the subject of questions or comments—
   a. By the Chairman **4 points**
   b. By other Members **2 points per Member**
   8 points maximum

   (The questions/comments could involve such issues as: the degree to which the agency's annual budget now links its funding requests to measurable levels of results; whether the funding of activities is linked to program outputs, and whether those outputs are linked to measurable outcomes; whether the unit costs of activities, outputs and other results are calculated and shown in the budget, and what the recent and projected trends are for these costs; whether the budget includes measures of program efficiency and cost-effectiveness; whether the program and results costs are fully-loaded to show all direct and indirect costs, including overhead, benefits, etc., or whether some costs are buried elsewhere.)

6. Issues relating to the verification and validation of reported performance data were the subject of questions or comments—
   a. By the Chairman **4 points**
   b. By other Members **2 points per Member**
   6 points maximum

   (The questions/comments could involve such issues as: whether managers receive accurate, timely and meaningful program performance data throughout the year; processes for ensuring the accuracy of program performance data and reported results; plans for improving performance data systems.)

7. At least one issue raised in the agency's financial reports and audits was the subject of questions or comments—
   a. By the Chairman **3 points**
   b. By other Members **2 points per Member**
   5 points maximum

   (The questions/comments could involve such issues as: whether the agency received a clean audit opinion or the timetable for doing so; any outstanding material weaknesses in financial controls identified by the agency or its auditors and how those weaknesses relate to agency accountability and effectiveness.)

8. At least one GAO or Inspector General report (including the agency Management Challenges Report) cited in the Performance and Accountability Report (PAR) and relating to agency management or program effectiveness was the subject of questions or comments—
   a. By the Chairman **4 points**
   b. By other Members **2 points per Member**
   8 points maximum

   (The questions/comments could involve such issues as: how a problem spotlighted in the PAR affects the agency's ability to achieve a particular performance goal or fulfill a stated strategy; the specific recommendations made by GAO or the Inspector General; the timetable and action plans the agency has for resolving the problem.)

9. OMB's use of its Program Assessment Rating Tool (PART) in evaluating a particular agency program was the subject of questions or comments—
   a. By the Chairman **4 points**
   b. By other Members **2 points per Member**
   8 points maximum

   (The questions/comments could involve such issues as: the score and rating received by a program; why a program received a "no" answer or less than full credit on a specific PART question; the steps the agency is taking to improve its score for a program; efforts by the agency to ensure that other programs will score well when evaluated with the PART.)

10. The agency's progress in achieving compliance with the criteria for one or more of the 5 initiatives on the Presidents' Management Agenda was the subject of questions or comments—
   a. By the Chairman **4 points**
   b. By other Members **2 points per Member**
   8 points maximum

   (The questions/comments could involve such issues as plans for meeting the criteria to receive a rating of "green" for budget and performance integration, human capital reform, e-government, financial management reform, or competitive sourcing.)

11. The agency's processes or plans for ensuring the personal accountability of managers and senior officials for program and agency performance was the subject of questions or comments—
   a. By the Chairman **3 points**
   b. By other Members **2 points**
   5 points maximum

   (The questions/comments could involve such issues as: the use of by the agency of program past performance in evaluating managers and implementing pay-for-performance; whether the agency makes meaningful distinctions between adequate

performance and truly superior performance and provides sufficient reward for personnel in the latter category so as to provide real incentive for sustained excellence; what the agency has done with poor performing managers.)

12. The agency's processes or plans for using evaluations by objective, independent sources to assess program effectiveness was the subject of questions or comments—
    a. By the Chairman **2 points**
    b. By other Members **1 point**
    3 points maximum

(The questions/comments could involve such issues as: how results in a difficult to measure area were or will be objectively evaluated; what specific plans and timetables the agency has for retaining independent evaluations of program effectiveness.)

Half credit if the issue was raised in a post-hearing written question to the agency.

LETTER GRADES

92 – 100 points = **A**
90 – 91 points = **A-**
88 – 89 points = **B+**
82 – 87 points = **B**
80 – 81 points = **B-**
78 – 79 points = **C+**
72 – 77 points = **C**
70 – 71 points = **C-**
68 – 69 points = **D+**
62 – 67 points = **D**
60 – 61 points = **D-**
59 points or less = **F**

Mr. PLATTS. Thank you, Mr. Mercer. And your closing statement there, "Good intentions aren't good enough anymore," I think is really the focus here. We need to be results-driven and not just intend to do good work but ensure that we are doing good work. Good capsule summary of our efforts.

Mr. Metzger.

STATEMENT OF CARL J. METZGER, DIRECTOR, GOVERNMENT RESULTS CENTER

Mr. METZGER. Thank you, Mr. Chairman.

With respect to your questions regarding the effects of GPRA, I commend the Congress for the well-conceived GPRA framework that the Congress conceived, with John's help, your management reform scrutiny, including the scoring and the use of the GAO to provide indispensable guides and analyses that have proven so helpful to agencies.

During the initial stage of 6.5 years, practitioners were simply producing GPRA documents that addressed requirements in a timely manner. It was apathy, cynicism or confusion. Identifying outcomes seemed too difficult to many, but you are well aware of those early problems.

Practitioners organized informal interagency working groups to share their progress. Some top leaders but very few program managers were engaged. Nevertheless, the period may be characterized by stating there were pockets of results.

Progress and congressional scoring gained some top leadership attention to GPRA compliance. Since that first cycle culminating in the performance reports for fiscal year 1999, the current stage of progressive implementation and management has been marked primarily by the PMA budget and performance integration and the PART to increase commitments from top leaders and managers of programs.

PMA initiative owners coordinate and report quarterly. Over 400 programs have been PARTed. Top leadership is accountable for results through performance agreements. Such agreements have also been imposed on many lower level political appointees and managers.

Commonly, departments and major independent agencies have organized themselves for getting to Green in every initiative by appointing a coordinator who is charged with planning improvements and reporting quarterly on progress and status.

The GPRA required strategic plans be clearer, more succinct and integrated for all components. Annual performance plans are better aligned with strategic plans and now with the budget as performance budgets. Annual reports are sensibly joined for both performance and financial accountability.

Incorporating the program-specific PART has reinforced the entire process. And this committee's legislative initiative to require evaluations of all programs within every 5 years is important.

Priorities may shift, of course, but by and large, GPRA's process intent of transforming to a results-oriented government has been institutionalized. This administration's broader management and program-specific efforts may be characterized by saying there has

been a change from pockets of results progress, to transforming results-oriented cultures in process.

There are still many weaknesses to overcome, but the Clinton administration prepared the ground and started the infrastructure. The Bush administration has laid a concrete GPRA foundation. To be sure, challenges abound, not the least of which is identifying outcome goals and strategies, measuring outcome performance with the data that are valid, reliable, timely, relevant and reasonable cost-of-collection and monitoring and reporting through cost-minimized, effective, enterprise-wide performance management systems.

Challenging, too, is making available performance and results information that is useful to customers, stakeholders, agency leaders, program managers and individual employees for planning decision-making, execution and management.

Performance measurement development, especially outcome-related, is still elusive for many kinds of agencies, especially those in R&D, grantmaking and regulatory affairs as was noted in the GAO report.

Yet interagency groups of planners, performance budgeters and evaluators regularly meet to share lessons learned and better practices in those challenged communities of practice; emphasizing that performance information is helpful for budget justification to OMB, alternative strategic tradeoffs between sub-units for funds allocation, comparing sourcing costs or overlapping services identification; and encouraging the development of logic models and stakeholder participation, consensus on strategic goals and measures and utilization of reliable data and evaluation studies.

Those groups monitor the release of GAO reports and OMB guidance such as evaluation studies or the 2006 PART, receiving explanations on usage and foster agencies learning and growth.

For example, VA sharing about an external evaluation of their Cardiac Care Program underscores evaluations for value for other agencies at that meeting. And second, the VA sharing their six-page, 2003 to 2008 Strategic Plan for Employees, specifically for them, impressed other practitioners on communicating effectively. It was a clear example for achieving difficult-to-grasp employee alignment with an agency's strategic plan, promoting multi-level understanding of the fit of performance measures and PART reviews within their strategic framework, seeding considerations of linking resources to results and contributing to the use of performance information in budget formulation and management decisions.

As to continuing the shift to a more results-oriented focus, one factor that has never changed since the GPRA was signed into law has been the paramount importance of top leadership commitment to results-management as has been stated by several on this panel. While such commitment today is still not totally consistent, President Bush has made progress by requiring performance agreements and reporting quarterly on their status and progress on his initiatives.

It is true that some Federal managers continue to have difficulty setting outcome-oriented goals, collecting useful and timely data on results and linking institutional program unit and individual performance measurement and reward systems.

However, many agencies, today, are transforming their cultures to become more results-oriented. The challenge for every agency is to work toward integrating planning, budgeting, total costing, financial management, execution, technology and evaluation into effective performance-management systems in order to manage for results.

Only one agency to date, NASA, has reached the Green status for budget and performance integration. They linked full cost budgets to goals in a single integrated document and instituted a management-information system. As with most agencies, they assign coordinators responsible to work the agency to Green for every management initiative. Multiple documents from fiscal 2003 and before are now one in fiscal 2004 and 2005 Integrated Budget and Performance Documents, IBPD as they call them, with marginal cost analyses, helping them to say if they gain additionally, how much funding will result in so-and-so result.

The benefits of the NASA system are that it provides a management dashboard; full views of major areas of investment across their enterprises, themes and programs are available to senior management, all employees and all working in the NASA domain; and provides full transparency into cost, schedule, management and performance status that permits an ability to assess their collective progress against the performance plan.

While other agencies have not made as much integration progress as NASA, many have focused on recently beginning and developing results-driven systems and cultures. One example is NOAA, another science agency. NOAA is transforming its culture in a sea change manner by reorganizing itself to look anew for fiscal year 2006 at all aspects of strategic and performance planning, budget and performance integration, program management and reporting. Their objective is to instill in agency employees a sense that performance matters, that GPRA is in front of everybody, important to and including every employee as a contributor to the agency's strategic goals.

Another agency, Farm Service Agency of the USDA, has been designated as a budget-and-performance management-system pilot for the entire Department of Agriculture. They have chosen to start with the basics of strategic-planning consensus with customers and stakeholders for moving toward a performance-based, results-driven culture in order to serve their customers, 2.2 million registered farmers and ranchers.

Much like NOAA and FSA, virtually all Government agencies are in different stages in their cultural transformation to manage for results. In the years ahead, the Government would profit by not only integrating and pulling everything together, but as GAO suggests, managing toward a succinct transparent Government-wide strategic plan that presents the Federal Government's broad strategic goals, performance measures and targeted results.

At present, evaluations and scoring are only performed for the President's Selected Management and Program Initiatives, plus annually selected programs through the PART process. But what we recommend is the development of a performance management maturity model against which agencies would assess their process maturity.

A good example for adaptation may be found in GAO's just published Executive Guide for IT Investment Management Framework. The framework suggests assessing and improving process maturity of five increasing mature stages and 13 processes critical for success in IT investment management.

A similar framework for a performance management enterprise maturity model would be helpful. Any Government entity's level of maturity as a government performance management enterprise could be assessed in accord with the model so that tactics could be fashioned to reach the next stage of improvement.

Mr. Chairman, thank you, I hope this testimony will assist you in your continuing effective Government management reform.

[The prepared statement of Mr. Metzger follows:]

March 26, 2004

The Honorable Todd Russell Platts, Chairman
Subcommittee on Government Efficiency and Financial Management
Committee on Government Reform
U.S. House of Representatives\Washington, DC 20515

Dear Mr. Chairman:

Thank you for inviting me to testify before your committee on March 31, 2004. As a long-standing admirer of the goals of the Government Performance and Results Act, I appreciate your review of the Act's impact upon Government's ability to deliver results to the American public and your willingness to listen to and read my remarks.

Enclosed is my written testimony. I look forward to Wednesday's hearing.

Sincerely,

Carl J. Metzger
Director
Government Results Center
7794 Tangier Drive
Springfield, VA 22153

TESTIMONY of

Carl J. Metzger
Director

Before the

Subcommittee on Government Efficiency and Financial Management

Committee on Government Reform
United States House of Representatives

March 31, 2004

On

"Results-Oriented Government – GPRA Has Established a Solid Foundation for Achieving Great Results"

Mr. Chairman and Members of the Subcommittee:

Thank you. It is an honor to testify before you, to present my views on the General Accounting Office's (GAO) Report about the achievements of Government in complying with the Government Performance and Results Act (GPRA). I will further comment on the challenges of measuring performance and using performance information for management decisions, and how the Federal Government can realize the goal of a more results-oriented focus, to manage for results.

I am the Director of the Government Results Center (GRC) which for the last ten years has sought to collect Federal Government strategic planning

and performance management information and communicate that data to government practitioners via speaking to inter-agency groups; e-mailing to approximately 10,000 practitioners; or designing and convening inter-agency meetings that include agency managers and analysts, Office of Management and Budget (OMB) officials, Hill staffers and GAO evaluators. We seek to promote, first, sharing of lessons learned and better performance management practices in line with the President's Management Agenda (PMA) initiatives and, second, a more effective dialogue between the Executive and Legislative Branches about decision-making needs to manage for results. GRC charges no fees for these services to government, for our mission is to serve public servants.

My direction of the GRC has been part-time. Over these last ten years I also have provided GPRA/PMA management consulting services to scores of agencies through part-time employment with three government contractors. That work has permitted in-depth exposure and insight into many agencies' progress, challenges and plans to transform themselves into mission-driven, results-oriented, accountable cultures downward through the hierarchy of top leaders to program managers to individual employees.

EFFECTS OF GPRA

As many have commented to various congressional committees, the magnitude and complexity of imposing a results-oriented focus on the largest government on earth has been a prodigious effort that has taxed the minds, skills, and perseverance of many. Congressional and OMB wisdom was clearly evident in the selection of the seventy-two GPRA performance measurement pilots in 1994; the GAO benchmarking studies of foreign governments' efforts; the granting of a time period until September 1997 for agencies to develop at least five-year strategic plans

with inputs from customers and stakeholders; congressional scoring of those draft plans in June 1997 which irked but provoked some agency leaders toward producing much better final plans by September; and pushing out the first required annual performance plans and performance reports for FY 1999. Since the President signed the GPRA into law in August 1993 and the FY 1999 performance reports were submitted in March 2000, the initial GPRA cycle of goal setting and results measurement was over six years and seven months. Only the third iteration of the three-year strategic plan (1997, 2000, and 2003) cycle was recently finished. The first in 1997 was usually characterized by a hasty compilation of separate plans of a Department's components. The last set of plans in 2003 moved forward as integrated and focused plans around Department/Agency strategic goals.

Anyone seriously observing GPRA compliance angst in the beginning years noted apathy, cynicism, or confusion. Seeds of David Osborne's ideas about empowering customers, measuring results and using competition were planted and watered by the National Performance Review (these have become part of the mainstream today). There were a few top leaders in agencies who cared and encouraged acceptance of the law and its spirit, but they were hearing cries of despair over why managers should be held responsible for "outcomes" beyond their total control. Worse for bureaucrats used to detailed guidance, comparatively little prescriptive help came out of "Let a Thousand Flowers Bloom" OMB except the annual A-11 revisions and a few memoranda that included some direction on GPRA. It was Congress through many study requests of GAO, some oversight Committee reports, especially from Senator Thompson's Governmental Affairs Committee, and two studies by the National Academy of Public Administration (NAPA) that provided the most helpful guidance in the 1990's. Doggedly the Congress pushed for results-oriented management improvements, not just the production of plans and

performance reports. A little-recognized phenomenon of informal peer to peer cooperation also happened. While high-level Councils such as the President's Management Council, Chief Financial Officers Council, and President's Council on Integrity and Efficiency addressed some aspects of the GPRA, they were sometimes slow-acting or communicated relatively little down to practitioners trying to do the work. Such practitioners, with no external funding support, formed inter-agency working groups to share their progress and hear from OMB, GAO, consultants, and Hill staffers. Pockets of recognizable progress in strategic planning and performance measurement sprang up such as the Marine Safety and Security Program of the Coast Guard and the National Highway Traffic Safety Administration which prompted Transportation's Deputy Secretary to champion wider implementation in the Department. Departments and Agencies deemed more advanced at the time such as Transportation, Defense (Support Agencies), Interior, the Mint, the Veterans Health Administration, and the National Aeronautics and Space Administration were frequent speakers. General groups included monthly meetings at NAPA and the Office of Personnel Management. Specific groups hosted by Commerce, Health and Human Services, Interior, and Food and Drug Administration/ Environmental Protection Agency focused on procurement, research, natural resources, and regulatory affairs respectively. Meetings were open and free. Only one of those free original working groups functions today. But that was how many practitioners learned in the initial GPRA cycle – primarily from GAO guidance and their peers to network and develop their craft...and outcomes. The effort to make programs and agencies work better was slow and grinding, carried out largely by planners. Some top leaders but very few program managers were engaged. Nevertheless, the period was marked by "pockets of progress".

In 2001 President Bush apparently picked up partially on Senator Thompson's results management improvement analyses and his own

beliefs of the importance of good management practices in government. He put into place the PMA, appointed Owners to coordinate and report on each of the initiatives, and directed his appointees in every agency to develop the initiatives. He introduced a traffic light grading system that revealed agencies' status and progress toward reaching the goals he set, and he publishes the scores quarterly, urging all to "get to green". Within one of the President's five governmentwide initiatives, budget and performance integration, OMB constructed a five-year program evaluation system using what is called the Program Assessment Rating Tool (PART). Before PART was launched, planners moaned about the lack of program manager involvement. PART changed that situation. With 234 programs (approximately 20% of the Federal Government) evaluated for the Fiscal Year 2004 Budget and 173 programs "PARTed" in the 2005 Budget, managers are now involved. With every annual improvement in the PART, such as the FY 2006 guidance just released the week of March 22, 2004, there is evidence that OMB is working with agencies to understand their concerns and needs and make the PART evaluations more helpful and effective.

The President is requiring top agency leadership to be accountable for results through performance agreements. Some such agreements have been imposed on lower level political appointees and managers. Commonly Departments and major independent agencies have organized themselves for "getting to green" in every initiative by appointing a coordinator who is charged with planning improvements and reporting quarterly on progress and status. The five governmentwide initiative owners at OMB and OPM report periodically, and their reports are on a prominent White House website (www.results.gov).

The GPRA-required strategic plans have changed from unwieldy and collected plans to a clearer, more succinct integrated plan for the whole

Department or Agency. Annual Performance Plans have come to align much better with strategic plans. Annual Performance Plans beginning with the Fiscal Year 2005 Budget were combined to be a performance budget submission that attempts to include total cost accounting per program with performance projections. Annual Program Performance Reports have been sensibly joined with annual financial Accountability Reports so now agencies produce an annual Performance and Accountability Report. The Mercatus Center has annually since the FY 1999 reports scored the CFO Act agencies' performance reports, emphasizing transparency, public benefit, and leadership aspects of the reports to increase readability and taxpayer interest. Incorporating the program-specific PART program has reinforced the entire process.

In short we no longer hear agency representatives say that GPRA, i.e., moves toward results-management cultures, will end with a change in administration or with their next political leader. Priorities may shift of course, but by and large GPRA's process intent of transforming to a results-oriented government has been institutionalized. Similarly, driving to identify strategies to achieve outcome goals that are based upon measurable data for proving the successful delivery of targeted results to the American public has been operationalized. This Administration's broader management and program-specific efforts may be characterized by saying there has been a change from "pockets of results progress" to "transforming results-oriented cultures in process". There are still many weaknesses and deficiencies to overcome, but the Clinton Administration prepared the ground and started the infrastructure. The Bush Administration brought in the sand, stone, water, cement, and mixed them. The concrete GPRA foundation has been poured in the right place and is curing well.

I agree with the GAO report title: "GPRA Has Established a Solid Foundation for Achieving Greater Results"!

CHALLENGES IN MEASURING AND USING PERFORMANCE INFORMATION IN MANAGEMENT DECISIONS

To be sure, challenges abound, not the least of which is identifying outcome goals and strategies; measuring outcome performance with data that are valid, reliable, timely, relevant, and reasonable in cost of collection; and monitoring and reporting through cost-minimized, effective, enterprise-wide performance management systems. Challenging too is making available performance and results information that is useful to customers, stakeholders, agency leaders, program managers, and individual employees for planning, decision-making, execution, and management.

Performance measurement development, especially outcome-related, is still elusive for many kinds of agencies, especially those in research and development, grant-making and regulatory affairs. Some inter-agency groups of planners, performance budgeters, and evaluators, such as the 2003 initiated Washington Research and Evaluation Network (WREN), the 1995-organized Inter-agency Regulatory Forum, and the January 2004-initiated Government Enterprise Integrators Group are trying to help by (a) sharing lessons learned and better practices in those challenged communities of practice; (b) emphasizing that performance information is helpful for budget justification to OMB, alternative strategic trade-offs between sub-units for funds allocation, comparative sourcing costs, or overlapping services identification ; and (c) encouraging the development of logic models and stakeholder participation, consensus on strategic goals and measures, and utilization of reliable data and evaluation studies.

Those groups monitor and analyze the release of GAO reports and OMB guidance such as on evaluation studies or the 2006 PART, receive explanations on usage, and foster agencies' learning and growth. For example, Veterans Affairs (VA) thought their Cardiac Care Program was quite sufficient, but an external evaluation by Harvard revealed deficiencies compared with the private sector in mortality, staffing, facilities, and clinical practice guidelines. Sharing that story at an inter-agency meeting of practitioners underscores evaluation's value to other agencies. Another illustration was VA's distributing at an inter-agency meeting as "hot off the press" copies of their "2003-2008 Strategic Plan for Employees", a six-page compact designed to inform employees effectively of the Department's Mission, Vision, Who We Serve, Who We are, and their five goals with concise, lucid statements of Outcome-oriented Objectives and specific Performance Targets for the beginning and ending years of the Plan period: 2003 and 2008. Secretary Principi states the document, based on the Department's 106-page Strategic Plan, was specifically designed for VA employees to "help each of you better understand the current and future priorities for our Department and to see how you directly contribute to our mission... We have included a subset of measures to help employees focus on the role you play in achieving outcomes and improving our operations." The VA believes the investment of printing two hundred fifty thousand copies at 15 cents each, distributing, chronically referring to the document, and communicating its value will bring dividends of enhanced employee motivation and buy-in of goals and measures. The inter-agency group was afforded a clear example to replicate in their own agencies for achieving difficult-to-grasp employee alignment with an agency's strategic plan, promoting multi-level understanding of the fit of performance measures and PART reviews within their strategic framework, seeding considerations of linking resources to results, and contributing to the use of performance information in budget formulation and management decisions.

A basic principle of marketing in the private sector for realizing customer satisfaction is that customers may be segmented, stratified and analyzed by demographics, potential interests, economic capacities, and purchase decision tendencies for products or services, i.e. they know their customer. Knowing your audience is important in government's drive to accelerate the use of performance measures for management decision-making. Top leaders or Congress may want only the "vital few" goals and measures that adequately inform about results achieved agency-wide. They may wish data and answers about the effectiveness of programs, appropriate distribution of staff, or a comparison of cost to outcome – program by program, or public versus private. On the other hand a line manager may primarily be centered upon cost to output, a bureau head on the relationship of costs, outputs, and outcomes. A performance budget official should provide whatever performance and results data is needed by different kinds of people according to their requirements at every stage of development, execution, or evaluation.

CONTINUING THE SHIFT TO A MORE RESULTS-ORIENTED FOCUS

One factor that has never changed since the GPRA was signed into law has been the paramount importance of top leadership commitment to results management. In the early years of GPRA top leadership involvement was spotty; absence of that involvement and commitment hindered the development of results-oriented cultures. While such commitment today is still not totally consistent, President Bush has made his Administration, at least at the Cabinet-level, accountable for results by requiring performance agreements and reporting quarterly on their status and progress on his management initiatives.

It is true that some federal managers, as pointed out in the GAO Report, continue to have difficulty setting outcome-oriented goals, collecting useful and timely data on results, and linking institutional, program, unit, and individual performance measurement and reward systems. However, agencies' preoccupation with wrestling with outcomes has largely moved beyond that into addressing the transformation of cultures to become results-oriented. Most agencies have improved financial management systems. The process of integrating budgets and performance normally considers the technologies employed in the financial management systems and identifying total costs per program. Web-based and other technologies for data collection systems, optimal use of resources and human capital over the long-term, and other program initiatives of the President are mutually necessary components to integrate in future years. The challenge for every agency is to work toward integrating planning, budgeting, total costing, financial management, execution, technology, and evaluation into effective performance management systems if they are to manage for results successfully. At least one inter-agency group of federal practitioners, the Government Enterprise Integrators Group, will share their agencies' integration and cultural transformation progress in the months and years ahead.

Only one agency to date, NASA, has reached a "green" status for budget and performance integration. They linked full-cost budgets to goals in a single integrated document and instituted a management information system called ERASMUS where ongoing performance results guide management and budget decisions. As with most agencies they assigned coordinators responsible to work the agency to "green" for every management initiative of the President. NASA instituted a seventeen-volume set of strategic planning documents: six enterprise strategies and ten center implementation plans based on the Agency Strategic Plan. Multiple documents from Fiscal Year 2003 and before are now one in FY

2004 and FY 2005 Integrated Budget and Performance Documents (IBPD) with marginal cost analyses.

The benefits of the NASA system is that it provides a management dashboard, full view of major areas of investment across their enterprises, themes and programs; is available to senior management, all employees, and all working in the NASA domain; and provides full transparency into cost, schedule, management and performance status that permits an ability to assess their collective progress against the Performance Plan. NASA integrates vision, mission, strategic plan, budget, and performance planning and reporting. Their annual and long-term performance measures are directly traceable through the strategic plan to the vision and mission, demonstrating clear accountability for results through their themes.

While other agencies have not made as much integration progress as NASA, many have focused on recently beginning and developing results-driven systems and cultures. One example is the National Oceanic and Atmospheric Administration (NOAA), another science agency. NOAA is transforming its culture. Their Administrator, Vice Admiral Conrad Lautenbacher, elected in the Fall of 2002 to institute a strategic planning and performance management system analogous to the Defense Department's Planning, Programming, and Budgeting System (PPBS). He established a new Office of Program Analysis and Evaluation (PA&E). In the Spring of 2003 he organized under an Assistant Administrator (Mary Glackin) the Office of Program Planning and Integration (OPPI) to be responsible for strategic planning and eighteen (since increased) of the agency's more than 40 programs. In June he established an employee-led review group, the Performance Management Working Group, with twenty-five representatives from line and functional offices. The Group's primary charter is to develop more outcome-oriented performance measures, consistent terminology, a performance management guide, and assistance

in evaluating management information system alternatives for the FY 2006 budget cycle and beyond.

Among Assistant Administrator Glackin's charges in undertaking this "sea change" transformation since Spring 2003 is to raise expectations about cost and performance; to reward effective programs; to develop a management information system that will enable short- and long-term solutions for the use of data and a constant reporting mechanism; and through training to nurture additional skill sets for the agency (most employees are scientists; also needed are people trained in program management). She wants to instill in agency employees a sense that performance matters, that GPRA is in front of everybody, important to and including every employee as a contributor to the agency's strategic goals.

Another agency, the Farm Service Agency (FSA), of the Department of Agriculture (USDA) has been designated as a Budget and Performance Management System (BPMS) pilot for the Department of Agriculture, seeking BPMS to be a tool that facilitates the transformation of the $34 billion budget, 17,000 employees agency to a performance-based, results-focused organization. In the FSA case they decided to start with the basics, a "grassroots" consensus with their customers and stakeholders around the country, Puerto Rico and the Pacific Rim of FSA's mission and vision to serve their customers, 2.2 million registered farmers and ranchers. FSA therefore has embarked toward change that will align people, process, and technology during the transition in order to build a capability and commitment to new ways of operating.

Much like NOAA and FSA, virtually all government agencies are at different stages in their cultural transformation to manage for results and to be responsive fully (at the "green" status) to every one of the President's inter-related management initiatives. In the years ahead the government

would profit by, not only integrating and pulling everything together, but as GAO suggests in their report, looking at a succinct, transparent, government-wide strategic plan that presents the federal government's broad strategic goals, performance measures, and targeted results. A government-wide plan would permit harmonizing between Departments and Agencies, or at least attention to the possibilities of harmonizing or rationalizing cross-cutting programs and activities. Certainly such broad attention would assist R&D agencies.

At present evaluations and scoring are only performed for the President's selected management and program initiatives plus annually selected programs through the PART process. That analysis and scoring by component may imply a kind of total capability. Yet one could easily argue that those five government-wide management initiatives are not sufficiently comprehensive to constitute all components of an ideal performance management system. Perhaps more appropriate components may be planning, business process, performance measurement, resource allocation, data, technology, and governance/accountability which could be assessed by a developed set of criteria such as those currently applied for budget and performance integration or the PART. Needed is a performance management enterprise standard, a set of end stage characteristics evaluated by performance management component. Characteristics of three other stages such as "early", "advancing" and "intermediate" might be fashioned. The continuum could be labeled a Performance Management Enterprise Maturity Model, and any government entity's level of maturity as a Government Performance Management Enterprise could be assessed in accord with the characteristics per stage as outlined in Table 1. That would help an agency understand its maturity level and devise tactics to reach the next stage of improvement.

Table 1: CHARACTERISTICS OF STAGES BY COMPONENT IN A PERFORMANCE MANAGEMENT GOVERNMENT ENTERPRISE MODEL

Component	Early Stage	Advancing Stage	Intermediate Stage	End Stage
Planning				
Business Process				
Resources Allocation				
Performance Measurement				
Data				
Technology				
Governance/ Accountability				

Thank you, Mr. Chairman. I hope this testimony will be helpful to the Committee in your deliberations on continuing an effective government management reform effort.

Testimony respectfully submitted by:

Carl J. Metzger
Director
Government Results Center
Springfield, Virginia

Mr. PLATTS. Thank you, Mr. Metzger.

And thanks to each of you for your oral testimonies here today as well as your written testimonies and, certainly, the wealth of experience and knowledge that you have shared with us.

As we get into questions—I wanted to be flexible in giving each of you the time you needed for your opening statements—if we can try to be as succinct as possible, because I want each of you to have the opportunity to respond to questions. And given the number of you, the more succinct, the more questions and issues we can address.

I would like to start with kind of a broad question to each of you. It concerns your familiarity with the strategic plans of the various departments and agencies. If you had to pick just one that you think is the best example, or one of the best examples in using GPRA which really embraced it and ran with it, to the benefit of the services being provided, and those receiving services from whatever department or agency?

And also if there is one you think is the worst example of what not to do and how GPRA is not being understood and embraced?

You all, or any one of you, are free to respond to the best example or the worst example? Who would like to go?

Mr. KEEVEY. In addition to NASA, I think Labor has produced a very good report, and I think Education has done a pretty good job.

Mr. BREUL. I would agree. I think NASA is one of the stellar examples, particularly with all of the changes that have been going on there and the challenges they are facing. They have done an extraordinary job of being clear and crisp and taking that plan and cascading it down through all of their operations.

Mr. PLATTS. Mr. Metzger touched on that connecting to the budgeting and actually having a plan. Anyone want to take a shot at the worst?

Ms. DALTON. I don't think I want to take a shot at the worst.

What we found was that all of them are improving. Some of the better ones, I think, have been mentioned here. I would also add the Department of Transportation into that category. They initially were one of the leaders and have continued to be a leader in strategic planning and overall performance planning and management.

Mr. MERCER. I won't put this in the category of saying that it is the worst because that implies that I looked at all of them.

I will tell you one that was not very good and the reason I am willing to tell you is that it was not very good until recently when they hired me to help them improve it.

With that caveat, SBA did not have a very good plan, and OMB told them that. And OMB was right. And they had to do a performance plan based on it and integrate it with the budget. In late summer, they scrambled to revise it, and it was a very painful process, trying to do it very quickly and forcing them really back to square one, trying to define the outcomes that they actually do contribute to. Because an entity like SBA, you can imagine the grandiose kind of rhetoric about how, "We are going to," and in truth forcing them through this discipline saying, "No, we don't really help all small businesses. We help those that come to us and how do we know we are helping them compared to the rest of them?"

Going through that and then devising strategies, now they are significantly better. They still have a good ways to go. They are working at it, and they know it and have made it a priority. But I would say that as of earlier in the summer, they did not a have very good plan.

Mr. PLATTS. And that is—given their mission of guiding businesses, and if that agency doesn't do its own good strategic plan, what example are they setting for the businesses they are seeking to help, guide and develop?

Mr. MERCER. There is a certain irony in them telling people, "You ought to have a good business plan if you want to succeed."

But again, it's a problem that a lot of agencies have when they sit down and just off the top of their head think, what are we trying to accomplish? And the goals become very lofty and you can imagine the soaring rhetoric. And then when you get down to actually setting targets, it tends to be activity. So when you say, wait a minute, you are doing a lot of activity, but the goal, how do you measure that?

And in truth, sometimes you have to lower your goal to what you really do have an impact on and not all small businesses, because all small businesses do not come to SBA for help. And how do you know which ones? And so you start developing measures based on what percentage of startups and small businesses under a certain size actually succeed 3 years later. OK. We are going to say, "Anyone who comes in the door that we help ought to be able to beat that target," you know, things like that.

Mr. PLATTS. Definitive analysis. And now that we know you are on the hook of helping to refine their plan, we know their next one will be in great shape.

Mr. MERCER. There is more work to be done.

Mr. PLATTS. Mr. Metzger.

Mr. METZGER. Just commenting on your initial query, any department or agency undergoing change drastically, such as Homeland Security, would be challenging for the planning effort.

Those departments, such as Treasury or Transportation, who have been downsized by sending components over to DHS, those, too, are challenged by their planning efforts. So those will be troublesome to do.

But as I suggested, referring to the results-oriented culture aspect of things, what we see is where agencies enter in and say, "We want to engage our program managers along with representatives of line offices or functional offices," and they really go into it, because in the managers of program case, they are getting scored on the PART process and that engages them to a greater extent than ever before.

But it takes that kind of almost grassroots approach to say where we are strategically, where are we going in our milestones and targets to go toward that 5-year or in the NASA case, 25-year horizon, and to work toward that and see it as a total cultural change.

Mr. PLATTS. And I will turn to Mr. Towns.

That comment about grassroots is how I see the partnership between PART and GPRA, going from that strategic long-term plan

and into the grassroots, how you are doing it and why they complement each other well.

Mr. Towns.

Mr. TOWNS. Thank you very much, Mr. Chairman.

Let me begin with you Ms. McGinnis. You said something I thought was very interesting, the term of office should coincide with that. Is the reason you wanted that to happen was because of being sensitive to the political shifts, or is it a better structure for the managerial priorities? I mean, that point is not clear to me.

Ms. MCGINNIS. If we are talking about having goals and priorities and measures that are connected to the budget and reflect the overall policy priorities, I think it has to be connected to the leadership of the executive branch of Government.

And so having it on that 4-year cycle and requiring the first plan—I mean, you give a year to make the transition, establish the priorities, etc., but, yes, I think it is because of this importance of connection to policymaking and budget, absolutely, regardless of who is in office. This is not a political statement. It is really just a statement of what good strategic planning should look like.

Mr. DEMAIO. And Mr. Towns, I would go a step further and say that Congress needs that same right or opportunity to engage, in that congressional committees should be looking and scrutinizing individual program performance measures.

The question of what is a good strategic plan for an agency, that is the 10,000-foot level. We don't authorize agencies or departments. We authorize programs, and that is where the PART really gets the measures down to a program level.

We feel Congress should engage at the program level, because it authorizes programs, and have the same sort of opportunity to influence those plans.

GPRA doesn't take politics out of budgeting. It is an inherently political process. The Federal budget process is inherently political. It is not economic.

But with GPRA, we have an opportunity to insert performance into that political process. And so whether it is the administration having to basically come up with their policies in that first year of the term and then measure it or Congress, when it receives the measures, having to say, "Yes, we accept them and we will hold the administration accountable using this measuring stick," or, "We are going to refine it," both branches must engage using their existing tools. And one is the appointments process at the beginning, to do strategic planning, and the other is right of review over agency program budgets.

Mr. BREUL. What has happened recently because of the current statutory formulation, there is sort of a cicadian rhythm to the strategic plans. They are required to be revised at least every 3 years.

And so what happened most recently was that the deadline fell with the fall of 2000 during a Presidential election, and that caused career officials some anxiety. But there is always suspicion by an incoming and outgoing administration that somehow there is a little bit of tilt in the way the plan might be structured.

So the wisdom that is prevailing at this point is that it will be helpful to schedule those strategic plans at the midpoint of a Presi-

dential term so the new administration would be in and have some familiarity with the programs and could do a structuring of it and still have some opportunity to use that plan before the next election. And it would take it outside the immediate calendar years of a Presidential election.

Mr. TOWNS. I want to go to you.

Mr. MERCER. Since the issue of the timing of the strategic plan cycle came up, Jonathan Breul just mentioned that the planning ought to be mid-term. I would agree with that because the legislation, Mr. Chairman, that you have developed, I understand the concept.

And when the new administration comes in 1 year later after they have been in for a number of months and a new plan is developed, realistically, you don't get a lot of the people appointed in that first year who are actually going to be the political leadership who would have to sign off on these plans.

It may be that it should be after they have been in for 2 years because a lot of them will have been in just a year. And once they come in, they are not going to want to be confirmed and then a month later the plan is due and are they going to sign off on it.

So we have to think about that. I don't know if it is 2 years or 1 year or something in between or 1 year but then some flexibility. I still like the idea of a 5-year plan revised every 4 years and somehow made consistent with the Presidential election cycle so an administration comes in and can rightfully feel that they can overhaul the plan and nobody is scrambling at the end, shortly before a Presidential election to get a strategic plan out the door. Working through the practicality of it has to be worked on.

Mr. TOWNS. Ms. McGinnis, what role should OMB play in this, if any?

Ms. MCGINNIS. In what?

Mr. TOWNS. In oversight of agencies in terms of the planning. Should OMB play any kind of role in this at all in terms of the coordinating?

Ms. MCGINNIS. I think so. I think I would point to the PART process as an example of a very constructive role for OMB. OMB traditionally—the budget side of OMB is the strong, powerful side of OMB. To get budget examiners who are putting the budget together, working with their agency counterparts and their leaders in OMB to focus on management and performance requires some process to do that, because they are not naturally going to have the time or the information to do that.

So making this a routine way of thinking that you are actually going to construct these budgets based in some part on how the programs are doing, how much they are improving—and I would say that the budget decisions are not all going to be to punish programs that aren't, you know, aren't moving the needle in the right direction and reward ones who are. It has to be much more strategic and thoughtful if a program is intended for a very purpose but it is not making a difference.

And I think that is true of a lot of our domestic programs, to be honest. Then let's take a hard look at it. Let's try to figure out what the right measures are and look at some long-term evaluation and try to come up with some changes in that program that might

require some additional investment but that will begin to show some results.

I think OMB has a big role to play in this. But the role of OMB—and I think the PART changes the perspective of OMB—is not to be the sort of green eye shades putting the budget together and the agency to be feared throughout the Government, but a constructive partner in trying to achieve a higher level of performance. So I think this PART review is important, and it should be integrated totally into the budget process.

Mr. TOWNS. Thank you.

I yield back.

Mr. PLATTS. As we look to strengthen as we go forward after 10 years, what do you think is going to be most helpful and most critical as we go forward? Is it having a mandatory Government-wide strategic plan as is suggested?

Is it continuing to enhance the education of the actual managers and how to develop their GPRA plans and then use those in their agencies?

Is it the PART process in that we make it statutory so the managers know that more grassroots review is going to be permanent as GPRA is?

Does one of those or something else jump out as the next critical step as we try to enhance what GPRA is doing?

Mr. DEMAIO. The overall issue is you will find that things that are used will be improved.

If you use the performance information that is generated under the Government Performance and Results Act, it will improve. Managers will develop capacities. They will start improving the way it is presented to Congress. They will start using it to drive decisionmaking. You use it. That is No. 1.

And I think the PART has been a good tool in that it stimulates OMB's use because you have to sit down before your budget examiner at least once every 5 years, and you are going to be asked questions. And it is on a program level. It is not pie-in-the-sky GPRA strategic planning. It is on a program level.

If Congress had a similar capacity, can you imagine if you had something like a COPP office that you really did 20 percent of its own programs based upon 5 percent from the majority and minority in the House and 5 percent from the majority and minority in the Senate. And they were doing 20 percent. They were peer reviewing OMB's 20 percent which could be the administration's priority programs.

You would have programs being used—that information would be used on a quite regular basis. And they would recognize that we better put our best foot forward and have answers to these questions.

So your use is needed. Anything that facilitates congressional use because certainly, as Pat had mentioned, facilitates the budget side of OMB using performance information. Anything that facilitates your use like a COPP office or some sort of requirement that performance measures be included in Appropriations Committee print or what-not, those things would be very helpful in the next 10 years in improving the quality of information.

Ms. DALTON. I would say that there are two things, and one is following up on Carl's comments about the use of the information. However, it may not be another level of review, but how do you make the information that we have available more useful to those people that need to use it?

Ms. McGinnis showed us the big fat books. We have a system of performance information and we have a lot of information, but how do we extract that information and put it into a form that you as a Member of Congress can find useful for your purposes, how agency managers can, how OMB can?

I think that it is really important to extract the information, and present it in a way that is easy to use for the users. The American public isn't going to look through that thick book. They might look at a one-page summary or depiction of agency performance.

The second thing that is needed is a Government-wide plan or some other mechanism that cuts across our current structures, whether it is the budget structures or the agency structures. We have programs, for example, that are helping in our education goals and all these programs are not in the Education Department. They are in Agriculture. They are in Labor. They are in Health and Human Services. So we need to break down those barriers.

Mr. KEEVEY. The whole issue of cross-cut analysis is important, lots of programs going toward the same outcomes located in different areas that may be competing for resources when one is more effective than the other.

Mr. PLATTS. Looking at economic development as one.

Mr. KEEVEY. I think that is more aptly done in a budget analysis or program review or budgetary review process as opposed to an overall strategic plan.

Second, there are lots of programs—and if I could pick one for example, and that is the whole intergovernmental flow of dollars, grant-in-aid programs, where it is very difficult to measure the performance because most of the dollars are being spent at a State level or a local level. The Federal Government may be providing a large part of it or they may be providing a small part of it, but there needs to be a better mechanism to get information and common indicators.

We are structuring a panel next month to look at that. And I was talking with the folks at the Education Department, and I didn't realize this. They are actually going to each of the education departments throughout the States and trying to develop some common understanding and agreement on terms and measurements so that when we put information out about the performance of certain educational programs, they will have good dialog and information arriving from the States. I think that is one example where it is now difficult to measure the performance of grant programs where we can make a lot of improvements.

Third point, there is a lot of talk about the discretionary programs. But I don't think the defense programs are exempt from this kind of analysis also. We talk about the small pie, needing more concentration to allocate resources from the domestic programs, but the same rigor is applicable to the defense expenditures, their half of the discretionary budget, and need to be focused for the same kind of analysis.

Mr. DEMAIO. Could I carry that on the entitlement?

Mr. PLATTS. Mr. Breul is next, and I am trying to go in order as the individual has indicated by their interest.

Mr. BREUL. I think we have to look at those products that Pat McGinnis showed us and use them to understand that GPRA at this point is a reporting exercise. People see it in terms of a bound book, what I would call shelf work.

I have almost become famous in the Government Accounts Association and the Mercatus Center, for a test I have been using on the plans. They asked me to review many of them, and I put them on a kitchen scale. Most weigh well over 3 pounds. That is simply unacceptable. You have to get them down to a much briefer and understandable fashion.

Mr. PLATTS. Which goes to the comment as far as it actually being used and the likelihood of it being acted upon.

Mr. BREUL. A printed document is not going to be used these days. We have to force it into the way agencies conduct their day-to-day management, personnel evaluations, the way appropriations and authorization committees undertake their work and make the data routinely available whether it is through the Internet and other systems so it is available in ways that are useful for folks in whatever their line of business.

Ms. MCGINNIS. That is a hard question, because we have all been trying to figure out where the leverage is. I agree that if we could think of something that would incentivize the appropriators to use this information, that would be my No. 1——

Mr. PLATTS. Mr. Towns and I would like to know what that incentive is and encourage our colleagues to do that.

Ms. MCGINNIS. Here is what I would say if I could say one thing: I like the idea of an annual Government-wide report that doesn't just—in fact, it shouldn't be a published document. Could be a dashboard or a Web application. But that should include and should look more like a corporate annual report, very small. It should include a critical few high-priority goals and measures and the results of some rigorous evaluation.

If we had that every year, I think that discipline would encourage managers, would encourage the kind of strategic thinking and action that we are looking for around performance in the executive branch and perhaps also in the Congress if the public, if the constituents had access to such a usable set of information.

And if it were a Web application, it could actually be updated and people could always go and look and see how their favorite—or how the things they are interested in are doing. And in fact, you could imagine a Web application that could allow people to tailor their own. They could decide what goals and priorities they are interested in and build their own sort of State of the Nation set of indicators and measures. I think that would be very different than what we are doing now.

Mr. DEMAIO. I wanted to clarify one thing, and it doesn't link up to the appropriations issue. GPRA applies to all programs except for, in a few small cases, for national security. The important things that agencies have not gotten in terms of measures on are the entitlement programs, and they feel it is not their responsibility.

Like SSA, should we measure retirement security or should we talk about how quickly we cut the check? Should we talk about a strong agriculture system at FSA or how quickly we cut the check?

And the question in my mind has always been, you are administering the law. Part of your responsibility is telling the Congress whether the law is having an impact in terms of outcome. So it is all programs.

The reason why I focus on non-defense discretionary is because that is where you get the appropriators. That is what they are in charge of. Most of the Government's budget is on auto pilot. In the defense area, we know armed services plays a large role in where that money goes. So the appropriators' pot is what I am trying to focus on in terms of helping them inform their decisionmaking.

This year in the budget, we did something to drive some sort of transparency in terms of how OMB is using it, and that is, we took their rankings of failed programs versus good programs. And we said, what was the increase that OMB recommended or the President recommended for a good program versus a bad program?

And you know what, there is correlation. As a taxpayer, I am pleased with how they are using that to drive budget. Had someone been able to create a similar structure where you take the President's rankings or if we have a COPP system, the Office of Program Performance, what rankings they came up with and correlate it to spending levels as approved by the appropriators, if you had the sort of public transparency and if this report card was published every year when you got your taxes and you could go online and look at how your Member of Congress voted, I think you might see appropriators starting to look at the performance goals and measures.

So you are not going to get some magic potion to finally get those committees to say, "Yes, we are going to go over to House Government Reform, and we are going to talk to you about how to do GPRA." What you do is engage the public, and that pressure and that transparency drives behavior.

Mr. PLATTS. Mr. Towns, did you have other questions?

Mr. TOWNS. Back to you again, Ms. McGinnis. You mentioned that we should use GPRA and PART in a complementary manner. Could you go into that?

Ms. MCGINNIS. I think they do complement each other because GPRA is creating the framework of a plan where you are setting your goals and your priorities and your measures and then PART provides the discipline in that framework to actually ask managers to focus on what their measures are and how they are doing on those measures and to integrate that into the budget process. I think they are completely complementary.

Mr. TOWNS. Ms. Dalton, I want to hear from you on that.

Thank you, Ms. McGinnis.

Ms. DALTON. I would agree with Ms. McGinnis that they are integrated in that GPRA provides the base performance information and the PART process uses that information and tries to make those links with performance in making resource decisions.

PART is really a tool. It is a means, a mechanism, to use the information that is generated through the whole performance measurement GPRA process and translate it into some of the decision-

making processes in the executive branch. PART provides a systematic look at the information and a targeted way to look at information for decisionmaking.

Mr. METZGER. I just would like to make that emphasis on the comment before. Early GPRA, one of our problems was engaging managers of programs. I believe GPRA and PART are essential together for that reason, that PART, being program specific, engaged lower levels of the department or agency than typically was true previously with the GPRA's strategic plans, performance plans.

They seem to be more upper stratosphere by having the PART or something similar in the future. To engage the managers of programs, you get strength to the entire process.

I would like to second, also, Ms. McGinnis' point about the Government-wide strategic plan and report. I believe it is very helpful to any enterprise, be it private or public, to think broadly about the enterprise as a whole, consider the various components, functions, mission, etc., of that enterprise, analyze those things but always thinking about the entire organization, its strengths, weaknesses, so that you can pinpoint exactly what has to be improved, maybe even fixed because it is totally broken.

And with this kind of approach, that is why I suggested the performance management maturity model consideration in that you look at your components of what it takes to manage for results through a system. You analyze what is preferred. You help agencies target toward various levels of maturity, and in that entire process, you are going to gain improvements. Just like in the original question about what would be preferred as changes, probably the best answer is all of those things have to be attended to. And we have to prioritize them. But we have to really address them all and consider them all in how the Government as a whole operates so that we can improve its parts.

Ms. MCGINNIS. Can I clarify one thing because—and this is a bit of a difference. I would suggest an annual Government-wide performance report, not necessarily the plan. And it is sort of interesting, but—and I know the administration has responded, saying that the budget is the plan.

I sort of like the idea of asking for a report if the plans are there, if the budget is there. And on these critical few priorities and measures, I think that is going to get us closer to what we want in terms of public accountability than starting with an elaborate government plan which I fear would look like this or the budget document.

Ms. DALTON. I would just followup, where we have talked about a Government-wide plan, that currently is required under the Government Performance and Results Act. It has never been fully implemented. It was produced one time in 1999 and subsequently has been characterized that the plan has been the budget.

The issue really is, the budget is structured by agency and by account and doesn't integrate across these lines. Certainly, Ms. McGinnis' idea of a performance report naturally would flow from a plan. A report, on how we did has to be a part of the whole process.

Mr. KEEVEY. I have a lot of sympathy for the approach or the comments coming back from OMB. The Federal Government is a very, very complex organization.

Mr. TOWNS. You are being kind.

Mr. KEEVEY. It does a lot of things. To suggest that we could concentrate in a particular year on a priority or two and focus on that, I think is difficult because the priority in one person's mind is not a priority in the other person's mind.

So the organization is complex. There are elements in the budget, albeit it has lots of volumes, there are components of the budget that could be pulled together perhaps in a better fashion and put out in a separate document that would hit the areas we are talking about, that is, give the overall strategic needs of the Government.

But to suggest that it could be compressed so as to focus on certain priorities 1 year versus another year, I would argue that may not do justice to what the Federal Government is all about because it is so complex and has so many competing priorities that you may want to be a little bit more cautious about that.

Mr. TOWNS. Mr. Mercer.

Mr. MERCER. I share Mr. Keevey's concerns about trying to do something on a Government-wide basis. It would either be a massive document that nobody would use; or so generalized that the information may not be useful; or so selective that it would be political to make the administration look good, picking and choosing specific indicators.

And we do get a lot of information that comes out about where the Nation is, the health, education, at a large level every year. I don't know to what extent something really large would be useful. If it would be useful, then certainly.

There may be another approach, and I will offer it as a suggestion. If you are asking what is it that the public would be interested in, the public might be more interested in knowing about specific programs or agencies that they relate to, whether they are a veteran or somebody that is a community service organization that is interested in housing or education or whatever. And it is great to have these large documents.

Realistically, I think what you want is to make it easy for the public to find pieces of information relating to programs or agencies that they are interested in. And one way to do that might be to include every year in the 1040 instructions that go out, two or three pages that just lists Web sites. I know not everybody has a computer or Internet service, but you can't mail everybody lots of reports. So realistically, that approach makes it easy for the public to see, at the time they are sitting down to prepare their taxes, where they can look if they are interested in a particular program, agency, to see what they are getting for their money. And that is how you would cast it.

You know, this is where you could go to—and if you are interested in the National Park Service because you take your kids every summer to the parks and you look down and see the National Park Service Web site, and here is the link to the plans.

You would have to make it easy. You would have to make it easy for them to follow, but just knowing where we are going with e-government and that sort of thing, I think a focus on that—and the

easy way to do it would be to print the list of these sites in a document that everybody gets every year and looks at when they are doing their taxes and says, here is where you can look to see what you are getting for your money in particular aspects that might be of interest to you. That is a thought as to how to make the public connect to something like this.

Mr. TOWNS. Good point. Thank you again.

I yield back, Mr. Chairman.

Mr. PLATTS. Thank you, Mr. Towns. Two other areas before we wrap up.

Ms. Dalton, you talked about human resource management and your perspective. If you want to expand on it and others as well, on how developing strategic plans is actually being used from human-resource management and matching, what are their mission and goals and what are they supposed to be doing? How are they actually filling their human capital needs in achieving those goals?

Ms. DALTON. One of the things in developing a strategic plan, the agencies need to and the Government needs to be looking at is, how are we going to achieve our goals? And the key is the people and having the right skills and mix.

As you are developing your goals, you need to be looking at your people, the agency's people and saying, do I have the right skills to achieve these goals? If not, what kind of training do I need or how do I acquire that talent? And we need to be looking at that.

There are a couple of things that can be done. Obviously, training and development needs to be focused on. Clearly, we need to look at how we translate the goals that are identified at the organizational level down to the subcomponents and ultimately down to the individual, a cascading of those goals down so that each person can take ownership and say, I am responsible for this, do I have the skills, do I have the knowledge to do this or is there somebody around that can help me accomplish these goals? There are a couple of things that need to be done.

Mr. PLATTS. In your opinion, is that match occurring as the norm or is it more the exception when we are really seeing the use of strategic planning matching that with human resources?

And I use an example. Our next hearing is in a couple of weeks with the SEC. As they are meeting the new challenges of Sarbanes-Oxley and have a lot of positions they are filling, their strategic plan is in the works, but it seems we are getting the cart ahead of the horse. Is that common in departments, in your opinion?

Ms. DALTON. I think it is common and probably more so in departments that are undergoing change, because often, their skill needs are going to be different. What they had and what they need are going to be different. And there is going to have to be a transition period.

What strategic planning does if you are doing it properly, you look at your means and strategies. And it forces an agency to focus on those resource issues and say, hey, do I have these things needed to accomplish organizational goals; and if not, what do I need to do to acquire them? What goes hand-in-hand with a strategic plan for an organization is also a human capital strategic plan to be sure that everything matches up.

So one of the things I would be looking at in the SEC is, do they have a strategic plan? Do they have a human capital strategic plan? Have those been integrated? And because they are faced with challenges that need to be addressed now as opposed to later, they may have to develop the plans simultaneously. However, they need to be working in an integrated fashion so that there is discussion from the various groups and, often, overlap between the groups.

Mr. BREUL. This is an important area, a linchpin to making all this work. It is one we are just seeing progress on in significant ways right now.

Senior executive standards for the SES have been locked in with this expectation now, so there is a cycle of evaluations that are actually starting to come through with performance measures and strategic plans reflected in those SES standards.

The enactment of the Homeland Security Department and the flexibilities given the Defense Department and NASA are based on performance-based human-resource systems, and that will begin to make adjustments that will make pay, recognition and a whole bunch of factors performance-sensitive. And that performance will tie back to the mission goals. So we are beginning to see some very significant progress and activity in this area.

Mr. PLATTS. Yes.

Mr. DEMAIO. One of the items I testified before Chairwoman Davis' Subcommittee on Civil Service was exactly on the need to codify in statute the requirement that agencies develop a human-capital plan. This Administration has made that an initiative that each agency develop a strategic human-capital plan, but that could go away if there is a new administration or the current Administration decides to take it in a different direction. So I think Congress could play a key role in codifying that as a statute.

There are two agencies that I would point out besides NASA that are doing a remarkable job in developing strategic human-capital plans, and that is the Nuclear Regulatory Commission and the Internal Revenue Service, which has done a lot to match its work force changes over a long period of time with recruitment, retention and reward systems. So this committee could look at those two as best-practice models.

Mr. KEEVEY. I agree that work force planning is critical, performance measurements are critical and one has to press forward with them.

On a day-to-day basis in running an organization in running a governmental entity, things, however are pretty basic. You have to reward the good people who are performing. You have to have a system that can get people into the Government and retain the people in the Government to give them worthwhile jobs, proper management, proper training, proper pay. Nothing has changed in the traditional way of managing a good organization. They are a key strategy and puts the overall emphasis on it.

From my years of experience, the weakness always comes back to, you don't have the training for the people or a reward system so that the high-performers are getting the rewards and those people who are not performing are moved our of the Government and moved into other organizations perhaps to where their skills and

talents better suit them. And that is the way to make the Government perform better in my judgment.

Mr. PLATTS. The final question I have is on the PART process and as we are looking at legislation to codify that approach, not necessarily the PART itself but that type of review. Is your opinion on the role of GAO and the IG—one of the concerns raised—and while we acknowledge that politics is part of the process here—but is there a role for GAO or the IG community to, in essence, perform an oversight on a certain percentage of each PART review that is done each year to kind of look at what was done and the information that was gathered and then the conclusions that were reached and then give an opinion on that information? Is that redundant, or do you think that would be helpful for GAO or IG's?

Ms. Dalton.

Ms. DALTON. As you know, Mr. Chairman, we did review the whole PART process in 2004, the initial process. And that is a role that we can continue to play in looking at the overall process. One of the things that we looked at in our review is, how is GAO's work reflected in the PART assessment? And I think that could be a continuing role.

Ms. MCGINNIS. As part of our role, we produce an incredible amount of work every year on a wide number of programs and areas and how is that being reflected in the process. I think that is how we can probably most efficiently use our resources.

Mr. PLATTS. Thus far, in your view, how has your information been used in the 400 or so programs?

Ms. DALTON. In the review of the 2004 work, we saw it was being reflected. In fact a GAO evaluation was considered one of the evaluation tools that OMB expected to be reflected in the PART assessments.

Mr. PLATTS. Mr. Breul.

Mr. BREUL. Mr. Chairman, I come to this question having, to up until 2 years ago, spent the last 20 years in the Office of Management and Budget working on these matters. I think it needs to be recognized that the resource allocation process is inherently political. There are priorities and policies reflected there, and there are judgments of every kind of personal and political nature. Indeed, a President ought to have the prerogative, as the Budget and Accounting Act lays out, to put together the budget he or she feels is appropriate for the Nation and the program put forward.

That said, the Constitution is very clear that the President proposes, and it is the Congress that actually disposes and enacts appropriations. So there is a very open and clear give-and-take. I don't think it would be appropriate, however, to get the GAO or the IGs involved in sort of the mosh pit of the budget process within the President's decisionmaking, particularly given the fact that it is all laid out as clearly as it is on CD-ROMs, published materials and the rest, with all the frameworks that have been used to evaluate these programs. The judgments and scores and justifications have made it about as transparent as it has ever been, and I think that is to the good. But, again, to put the GAO in the midst of that would be an awkward matter for both parties.

Once the budget is out, it is fair game for the public and everybody to see what has been proposed and to make their own judgments as well.

Mr. PLATTS. Mr. DeMaio.

Mr. DEMAIO. With the COPP proposal, we believe Congress should do a review, and we decided not to propose GAO as the agency to do this. GAO and IGs are inputs into the PART process. The evaluations that they conduct can be used. PART is not an evaluation. It summarizes what we do and do not know about a program's performance. Just like when OMB publishes its revenue estimates or its cost estimates, CBO peer reviews that and publishes sometimes a contrary revenue or cost estimate. Congress desperately needs the capacity to have its own shop that says here is what we do or do not know about the performance of this program, and we disagree with the administration or we concur.

I would say a COPP office, something like it that could be overseen by this committee and the Budget Committee, and maybe there is a role for appropriations there, to look at what do we know and not know, and maybe GAO and IG reports are input that office looks at, amongst other peer-reviewed and other third-party evaluations, but PART is not an evaluation in and of itself. PART is a framework for sorting through all of the tons of information, and Congress and committees want that. They are not at a lack for information, they are at a lack for quality information to drive decisions.

Mr. KEEVEY. Just an observation. The budget is one thing and the appropriation acts are something else. The gap between what the President proposes based upon program analysis by OMB, PART analysis—not that there is not political judgment there—then it gets into the congressional arena where we have a combination and more information on programs is important. So if you use the data, for example, that OMB has put together and then add the political judgment to it, I think that is where it comes together. I don't think you necessarily need another entity to critique in some detail a PART analysis or the analysis that comes through in the budget, but to take that information, weigh it, bring it together with your congressional oversight and come out with an appropriation act.

I would be curious to see what the big gap is between what the budget is proposing and what ultimately gets factored into the appropriation act. There may be some gaps as you go through it.

Mr. MERCER. With respect to the IGs, I don't know what their thinking would be today. My only clue was what their thinking was several years ago when I worked with a lot of them when I was with the Senate Governmental Affairs Committee.

From what I recall, this is not at all the kind of thing that the IGs would welcome, looking at the credibility of a process within OMB. We had a hard time getting them interested in looking at management kinds of issues. They did not want to be seen as rendering management-related advice to the agencies. They basically wanted to look for problems and blow the whistle and yell foul. It was really pulling teeth.

I can remember the meeting where the chairman of the committee at that time, Senator Glenn, got a politely hostile reaction from

a room full of IGs when he told them he would be expecting them to look at the agency's management systems and advising them how to improve it.

That may have changed since then, but I would think about the best I could comfortably ask IGs to do would be to go in and audit the performance information. That is a huge role for them. They do financial audits; but performance audits, verifying the actual results, outputs, activities and outcomes that are reported by the agencies agency-wide is a huge task. And if we are going to ask people to use this information, the reported results have to be credible, especially if you want to get it to managers throughout the year to actually manage for results. That is a huge task. Since it is internal to the agency, they are probably more comfortable doing something like that.

Mr. PLATTS. So if the IG is involved, it is a straight objective review.

Mr. MERCER. Right; and something internal to the agency, not I am going to evaluate the process at OMB and its credibility of the review there. I don't think that is something that they would welcome.

Mr. PLATTS. Given that the IG budgets remain part of that department's or agency's decisionmaking process and they are not independent, that complicates their challenge.

Mr. Metzger.

Mr. METZGER. The IGs are, through their semiannual reports, are being engaged in analyzing performance aspects of their agencies today.

Mr. PLATTS. Mr. Towns, did you have any other questions?

Mr. TOWNS. I have one last question for Ms. Dalton. If GPRA or PART is used to grade programs without the constructive involvement of the Congress and other stakeholders, they might easily be used as a partisan tool to accomplish ideological objectives. Is there any way we can avoid this?

Ms. DALTON. If strategic planning and GPRA are used properly, it requires the engagement of Congress and all stakeholders. What an agency is doing has to reflect not only the desires of the executive branch, but also what its oversight committees, its authorizing committees, want it to do and where those priorities should be reflected. So, yes, Congress has to be and should be engaged in the process to really reach its full potential.

I think we have some engagement in some areas. We certainly have a lot of areas where we need to improve that engagement. One of the things that we have recommended in our report on the strategic plans that the agencies are developing is, as Ms. McGinnis also recommended, that the planning cycle be more in line with the Presidential term so a new strategic plan would be issued 12–18 months after the new President comes in.

However, we also say that the agencies need to consult with the Congress at the beginning of each congressional term, because it is very important that congressional views be reflected in agency strategic planning and subsequently in their performance planning.

Mr. TOWNS. Mr. DeMaio, do you have any comments on that.

Mr. DEMAIO. Our proposal to engage Congress through a COPP would allow the minority of the Senate and the House to provide

a list of programs that they would like the COPP office to review. And they could also flag programs that they think OMB has not reviewed appropriately and ask for an independent evaluation.

The other thing is to highlight what Jonathan noted, the PART is transparent. If you disagree with a score, you can go back and see it is evidenced based. If you say no, they do not have a good mission statement, if OMB's examiner says no, they do not have a good mission statement based on statute, they have to attach the mission statement. We encourage the public to review these PARTs. We have even created a Web site, www.transparentgovernment.org, where they can download their own version of the PART and look at the program of their choice.

But Congress would have, as part of the COPP office, the ability to do this more routinely. It has capacity, and I would suggest that the minority in both Chambers and the majority in both Chambers be allowed equal representation in terms of what programs to evaluate.

Mr. TOWNS. Thank you, and I yield back.

Mr. PLATTS. Thank you, Mr. Towns.

I thank each of you for your participation here today. You bring a wealth of knowledge to this issue. As we go forward the rest of this year and the years to come with our oversight responsibilities with GPRA, and if we are successful in enacting legislation regarding PART or a variation of that, we will continue to look to each of you for your expertise as to what we are doing right and what we are doing wrong and how we can continue to partner with the executive branch and the private sector and, in the end, have good results for all American taxpayers for funds they are sending this way.

I would also like to thank the staff on both sides for the hearing, and especially Dan Daly, counsel. This is his last day officially with our subcommittee. He is moving over to Chairman Putnam's Technology Subcommittee, so he is not moving physically very far, through the wall from where our office is. Dan has been great for the last 15 months. As I came in as the new chairman, he provided great counsel to the committee, and to Chairman Horn prior to his retirement. We wish you well in your new position. Because you will not be too far, I am sure we will continue to pick your brain in the months to come.

Mr. TOWNS. I would like to associate myself with the remarks made. We have enjoyed working with you, Dan, and wish you the best in your new assignment.

Mr. PLATTS. We will hold the record open for 2 weeks for any additional information that you want to submit, and I once again thank everybody for their participation. This hearing stands adjourned.

[Whereupon, at 4:15 p.m., the subcommittee was adjourned.]

[Additional information submitted for the hearing record follows:]

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

THE CONTROLLER

MAY 18 2004

The Honorable Marsha Blackburn
Vice Chairman
Subcommittee on Government Efficiency and Financial Management
Committee on Government Reform
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Blackburn:

I am writing to follow up on issues you raised at the hearing on the Federal Government's financial statements for Fiscal Year (FY) 2003 before the Subcommittee on Government Efficiency and Financial Management.

At the hearing, you inquired about agency progress in issuing audited financial statements within 45 days after the close of the fiscal year. For FY 2003, eight agencies issued their Performance and Accountability Reports (PARs) by mid-November, one year ahead of schedule. Additionally, nine agencies were determined to be compliant under the Federal Financial Management Improvement Act (FFMIA) of 1996: Departments of Commerce, Education, Energy, Labor and State; Environmental Protection Agency; National Regulatory Commission; National Science Foundation; and Social Security Administration. (Please note that both the Departments of Labor and State reported compliance with FFMIA without the agreement of their auditors, and that Education issued a subsequent statement as to compliance after it submitted its PAR.)

This fiscal year, in which all agencies must submit audited financial statements by November 15, the Office of Management and Budget (OMB) is working directly with the agencies to ensure they are taking the necessary steps for meeting specific milestones and deadlines throughout the year, as well as improving their FFMIA compliance. As I mentioned at the hearing, we continue to meet with the Offices of the Chief Financial Officer (CFO) and the Inspector General (IG) at the agencies to review their progress. (Please see the attached excerpts from agency plans to improve FFMIA compliance.)

Following the FY 2003 agency financial reporting cycle, a survey was prepared to be completed by the agency CFO offices. The results of this survey provided insight into many of the issues, challenges, and keys to success cited by agencies in meeting the accelerated reporting date. For instance, agencies noted that the "biggest improvements" allowing them to meet the early reporting date for financial data were: combined team effort from leadership and staff; quarterly financial statements to help identify problems; enhanced reconciliation and analysis processes; early and frequent coordination with the IG, external auditors, and operating partners; improved data submission process and data quality; earlier external organization information; streamlined and automated reporting processes; and improved estimation techniques.

Additionally, the survey results indicated that the "biggest obstacles" for agencies meeting the accelerated deadline were: providing documentation to the OIG in a systematic and timely manner; completing timely reconciliations; receiving key data in a timely manner from external sources; government-wide eliminations; timeliness of the actuarial data; competing reporting due dates; and resource constraints.

We recognize that agencies face many obstacles and challenges in meeting the November 15 deadline. However, as I testified at the hearing, the combination of effective planning, management, and execution has enabled agencies to achieve this goal. OMB remains committed to working with the agencies to assist them in this undertaking.

At the hearing, you also inquired about the classification of Federal Government assets. Under Federal accounting standards, real property assets are typically classified as: 1) General Property, Plant and Equipment (PP&E); 2) Stewardship Lands; and 3) Heritage Assets. The General PP&E assets are reported by dollar amounts annually in the government-wide financial statements. Stewardship Lands and Heritage Assets, however, are not recognized in the financial statement but are reported, in acres, as supplementary information.

In FY 2003, the Department of Defense implemented a new accounting standard that now recognizes national defense PP&E as General PP&E in the government-wide balance sheet. As a result, the physical assets of the government rose from $325 billion in FY 2002 to $650 billion in FY 2003. The government also owns approximately $240 billion in Inventories and Related Property, up from $192 billion in FY 2002.

While management practices vary widely among agencies, as a whole, the Federal Government has never done a good enough job of managing its real property assets. Much of the Federally-owned real property assets are used to support agency missions, but it is not always clear how many of these properties are actually being used in an efficient manner. Given this situation, the Administration has taken steps to improve the overall management of real properties on a government-wide level. Specifically, in early February, the President signed Executive Order 13327, which directed all major agencies to:

- Establish the position of a Senior Real Property Officer, who will be held accountable for the effective management of agency real properties;
- Determine what it owns, what it needs, and how and what it costs to manage its real properties;
- Develop and implement asset management plans;
- Develop and monitor real property performance measures; and
- Dispose of properties that are not needed.

Ultimately, we expect to have a comprehensive and descriptive database of all Federal real properties. Upon the completion of this database, agency management will be able to make more informed decisions, and we can better ensure that Federal real properties are being utilized effectively on a government-wide level.

In conjunction with, and to accompany, the executive order, a new program initiative was also added to the President's Management Agenda (PMA). This new Federal Real Property Asset Management initiative applies to the largest Federal landholding agencies, which will be given a "score" on the status of real property management improvement efforts on the quarterly PMA scorecard. OMB looks forward to working with these agencies to assist them in this process.

Thank you again for your interest in these important issues. I look forward to continuing to work with you and the other members of the Subcommittee to improve the overall management of the Federal Government and its assets.

Sincerely,

Linda M. Springer
Controller

cc: The Honorable Todd Russell Platts

Enclosure

ATTACHMENT

Excerpts from Agency Plans for Improving FFMIA Compliance

1) "The Federal Financial Management Improvement Act (FFMIA) builds on the foundation laid by the Chief Financial Officers (CFO) Act of 1990 by emphasizing the need for agencies to have financial management systems that can generate timely, accurate, and useful information with which to make informed decisions. The Department is working toward full compliance with FFMIA by updating [the Department's] legacy accounting system to Delphi for auditable financial statements, ensuring that Delphi utilizes the U.S. Government Standard General Ledger, implementing managerial cost accounting standards by July 1, 2004, and working to eliminate material weaknesses for [the Department's] financial, accounting, and information security programs."

2) "[Department] also continues to address its financial management system deficiencies and to bring them into compliance with FFMIA, FMFIA, and OMB Circulars A-123, A-127, and A-130. The Department is conducting independent assessments of the program offices' self-certified compliant financial systems, verifying that these systems are substantially compliant with requirements."

3) "[Agency project] will be completed in the 4th quarter of FY 2004 and will provide a comprehensive financial management/financial systems plan for [the agency]. [Agency project] milestones and costs will be based on the results of the Vision and selected alternatives resulting from the analysis of current financial information flows and completion of the Systems Development Methodology (SDM) Initiate phase. The Initiate phase includes a feasibility study, cost/benefit analysis, risk management plan, and project plan that will provide the framework for [the agency] to develop detail plans, performance metrics and milestones for the new FY 2004 vision."

4) "In November 2003, [agency] completed one of our primary Financial Management goal: full conversion to the new [agency]-wide Financial Management system, Delphi. This system is both standard general ledger (SGL) and Federal Managers Financial Integrity Act (FMFIA) compliant .... All of [agency] Operating Administrations (OAs) have now converted from ... legacy mainframe accounting system (DAFIS) and are in production on Delphi. The final OA to convert to Delphi ... simultaneously converted to Delphi and implemented a Delphi-integrated procurement management system (PRISM)."

5) "Delphi is Standard General Ledger compliant and provides a single accounting classification structure throughout [the agency] .... Delphi produces Financial Statements from the core system, not external spreadsheets, increasing data accuracy, reducing the need for data reconciliation, and enabling [agency] to meet OMB's accelerated schedule for year-end closing and Financial Statements .... Delphi can be upgraded easily to take advantage of evolving capabilities or changing requirements because it is a single-instance, non-customized commercial off-the-shelf (COTS) software solution. Delphi was

upgraded to Release 11.5.8 in April 2002 and will be upgraded to release 11.5.9 in March 2004."

6) "In April 2004, [agency] payroll and HR will both be migrating to Department of Interior's (DOI) Federal Personnel and Payroll System (FPPS). In order to avoid re-training 14,000 timekeepers to use a new T&A system, the [agency] Integrated Personnel and Payroll System (IPPS) will be re-hosted and new interfaces will be developed to FPPS and Delphi. This migration will also improve [agency's] labor distribution system and support managerial cost accounting."

7) "In FY 2004, [agency] will begin the implementation of an end-to-end travel service based on the GSA e-travel contract award and testing results. This will include a web-based system that provides a complete integration of travel management from creating and approving travel authorizations to processing of travel vouchers and reimbursements to the travelers, along with a self-booking web engine for an end-to-end travel service."

8) "The Office of the CFO re-defined and re-scoped the Departmental General Ledger (DGL) project to the [agency project] to include all [agency] financial systems .... Initiative commenced in January 2003 and included a new RFQ and contract award to obtain the resources and skills required to conduct a complete review, analysis and update of the FY 2000 Financial Management Vision. The new Vision will include [agency's] commitment to fix financial systems and include new requirements and mandates promulgated by JFMIP, e-Government, PMA and Federal Enterprise Architecture Framework. In addition, [agency] will maintain communications and counsel with other federal agencies that have had success in implementing Enterprise Resource Planning systems and leverage the knowledge gained to support a successful completion of the [agency project] on schedule and on budget. The [project] update will investigate options that include: 1) upgrading existing systems; 2) acquiring and implementing a new COTS system; 3) outsourcing; and 4) cross servicing."

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