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BEST PRACTICES IN FISCAL YEAR 2008 FEDERAL PERFORMANCE REPORTS

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THE MERCATUS CENTER'S annual Scorecard that evaluates the quality of federal agencies' performance reports has identified substantial improvements in best reporting practices since FY 1999. However, only one or two reports used the best practices identified for most of our evaluation criteria in FY 2008. Since 60 percent of FY 2008 spending was covered by reports scoring below satisfactory, more rapid adoption of best practices could yield substantial benefits.

Every year since FY 1999, federal agencies have produced annual performance reports required by the Government Performance and Results Act of 1993. And every year since 1999, the Mercatus Center has conducted an annual evaluation to assess how well the reports inform Congress and the public about the outcomes agencies produce and their strategies for improvement.¹

The Mercatus Performance Report Scorecard rates and ranks the reports produced by the 24 federal agencies covered by the Chief Financial Officers Act, which account for the vast majority of federal outlays.² The reports are assessed on 12 criteria grouped into three categories:

- **Transparency**—Was the report easy for a non-specialist to find and understand?
- **Public Benefits**—Does the report have outcome-oriented goals and measures that are linked to costs?
- **Forward-Looking Leadership**—Is there evidence in the report that the agency's management uses performance information to guide decisions?

An expert team evaluates each report on 12 criteria—four each for transparency, public benefits, and leadership. On each criterion, the report receives a score that can range from 1 (no useful content) to 5 (best practice that other agencies should adopt). The maximum possible score is 60, with

TABLE 1: TRANSPARENCY

EVALUATION CRITERIA	FY 2008 BEST PRACTICES
1. Accessibility: Is the report easily accessible via the Internet and easily identified?	<ul style="list-style-type: none"> • Report posted online in a timely fashion • Direct link from agency home page • Downloadable as single or multiple files • Contact information provided for questions/comments
2. Readability: Is the report easy for a layperson to read and understand?	<ul style="list-style-type: none"> • Performance section focuses on key measures • Goals, measures, and results presented in tables • Agency head's letter describes FY 2008 results for each goal as well as achievements over time • Citizens' reports include concise summaries of results and reader-friendly links to more information • Relative absence of jargon
3. Verification and Validation: Are the performance data valid, verifiable, and timely?	<ul style="list-style-type: none"> • Assessment of data quality for each goal • Data source provided for each measure • Discussion of validation procedures • Data definitions, verification and validation information, and limitations discussed for each measure • Outline of plans to develop more/better data
4. Baseline and Trend Data: Did the agency provide baseline and trend data to put its performance measures in context?	<ul style="list-style-type: none"> • Multiple years of data include targets, actual results, and costs • Long-range targets/forecasts provided for each measure

TABLE 2: PUBLIC BENEFITS

EVALUATION CRITERIA	FY 2008 BEST PRACTICES
5. Outcome-oriented Goals: Are the goals and objectives stated as outcomes?	<ul style="list-style-type: none"> • Most goals are clear, measurable outcomes • Outcomes are intuitively meaningful to the public
6. Outcome Measures: Are the performance measures valid indicators of the agency's impact on its outcome goals?	<ul style="list-style-type: none"> • Most measures are final or intermediate outcomes
7. Agency Affected Outcomes: Does the agency demonstrate that its actions have actually made a significant contribution toward its stated goals?	<ul style="list-style-type: none"> • Report consistently describes how activities led to observed results • Performance metrics are highly outcome-oriented • Report acknowledged other factors that might affect results
8. Linkage to Costs: Did the agency link its goals and results to costs?	<ul style="list-style-type: none"> • Costs broken down by strategic goal and most individual performance measures • This information is provided for several years

TABLE 3: FORWARD-LOOKING LEADERSHIP

EVALUATION CRITERIA	FY 2008 BEST PRACTICES
9. Vision: Does the report show how the agency's results will make this country a better place to live?	<ul style="list-style-type: none"> • Each strategic goal identifies a result of interest to citizens and states how the department intends to accomplish it • Narratives cite major accomplishments that affect citizens' quality of life • Narratives linked to outcome-oriented performance measures demonstrating that the narratives describe typical results
10. Explain Failures: Does the agency explain failures to achieve its goals?	<ul style="list-style-type: none"> • All performance shortfalls identified, along with plans and a timeline to remedy them • Improvement plans offered even when targets were met
11. Major Management Challenges: Does the report adequately address major management challenges?	<ul style="list-style-type: none"> • Thorough discussions of major management challenges identified by the agency inspector general and Government Accountability Office • Inspector general's report lists major management challenges and assesses agency's progress on them • Report provides self-assessment of progress and timeline for resolving each challenge • Report explains how each challenge affects strategic goals
12. Improvement Plans: Does it describe changes in policies or procedures to do better next year?	<ul style="list-style-type: none"> • Improvement strategies presented for all shortfalls and major management challenges. • Report describes broader challenges the agency faces and plans for addressing them.

a minimum of 12. An average of 3 points on every criterion yields a score of 36, which could be considered “satisfactory.”

Tables 1–3 present the best practices developed by agencies after ten years of GPRA reporting. These should be viewed as the baseline for agencies in 2009.

In FY 2008, 13 agencies utilized the best practices identified for criterion 1, accessibility. For each of the other 11 criteria, the best practices identified in FY 2008 could usually only be found in one or two reports.

There is substantial room for improvement for many of the criteria. As table 4 shows, average scores for eight criteria are below the satisfactory score of 3. Especially noteworthy are the low average scores for linkage of results to costs (criterion 8), explanation of how the agency affected outcomes (criterion 7), and explanation of failures to meet goals (criterion 10).

The average score for criterion 8, linkage of results to costs, is lowest because 11 reports received just 1 point on this criterion. These reports either had no useful content on this topic or only linked costs to agency-wide strategic goals.

More reports had some content relevant to criterion 7, explanation of how the agency’s actions affected outcomes. But 14 reports received only a 2 because their explanations were weak. The principal causes of this were:

- Lack of outcome-oriented goals or measures (also reflected in low scores for criteria 5 and 6)

- Technical, hard-to-understand measures
- Performance targets that did not seem very challenging
- Absence of FY 2008 data for a high proportion of performance measures

In reality, best practices improved significantly on only a few criteria during the past two years. Therefore, the small number of reports utilizing best practices in FY 2008 suggests that good habits spread slowly.

Similarly, 12 reports received a score of 2 for criterion 10, explanation of failures to meet goals. (Only one report received a score of 1 because it had no useful content.) Typically, these reports explained only some shortfalls, and the explanations were not very helpful. Unhelpful explanations often blamed the measures for being too ambitious, arbitrary, or based on inadequate data instead of identifying a remediable reason for the performance shortfall.

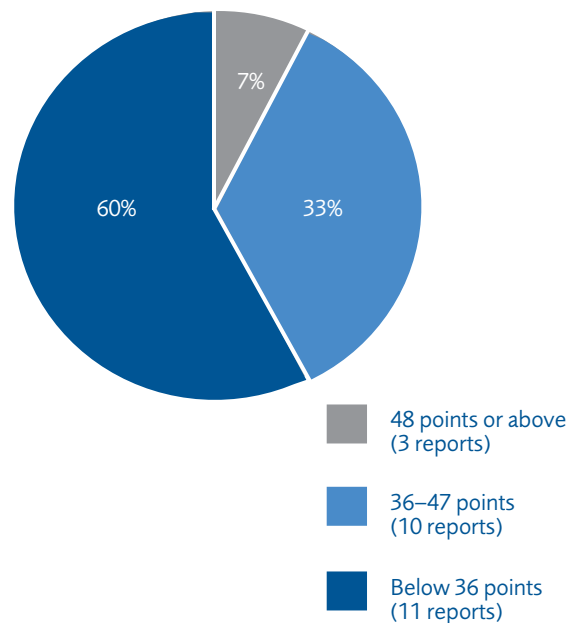
TABLE 4: SCORES ON MANY CRITERIA BELOW SATISFACTORY

CRITERION	FISCAL YEAR 2007	FISCAL YEAR 2008	CHANGE 2007–08	% CHANGE 2007–08
1. Accessibility	4.08	4.38	0.29	7
2. Readability	3.63	3.58	-0.04	-1
3. Verification & Validation	2.46	2.92	0.46	19
4. Baseline/Trend Data	2.67	2.88	0.21	8
5. Outcome Goals	3.13	3.21	0.08	3
6. Outcome Measures	2.67	2.88	0.21	8
7. Agency Affected Outcomes	2.67	2.63	-0.04	-2
8. Linkage to Costs	2.13	2.21	0.08	4
9. Vision	3.00	3.08	0.08	3
10. Explain Failures	2.67	2.63	-0.04	-2
11. Management Challenges	2.83	2.92	0.08	3
12. Improvement Plans	2.67	2.83	0.17	6

A small number of reports using best practices might indicate that some exceptionally innovative agencies developed many new best practices in FY 2008, and the rest will not have a chance to follow their lead until the next round of performance reports. In reality, best practices improved significantly on only a few criteria during the past two years.³

Therefore, the small number of reports utilizing best practices in FY 2008 suggests that good habits spread slowly. More rapid spread of best practices could generate substantial benefits. As figure 1 shows, 60 percent of federal spending in FY 2008 was covered by reports scoring below “satisfactory” (36 out of 60 possible points). Only 7 percent of federal spending (in the Departments of Labor, Veterans Affairs, and Transportation) was covered by reports rated “very good” (48 points or higher). More rapid diffusion of best practices could render many unsatisfactory reports satisfactory and make some of the satisfactory reports very good.

FIGURE 1: FISCAL 2008 SPENDING BY QUALITY OF DISCLOSURE



ENDNOTES

1. Maurice McTigue, Henry Wray, and Jerry Ellig, *10th Annual Performance Report Scorecard: Which Federal Agencies Best Inform the Public?* (Arlington, VA: Mercatus Center at George Mason University, 2009).
2. The principal parts of government not included in these 24 agencies are the judiciary, the legislature, the executive office of the president, and the independent agencies not among the 24 CFO Act agencies. Maurice McTigue, Henry Wray, and Jerry Ellig, *10th Annual Performance Report Scorecard: Which Federal Agencies Best Inform the Public?* (Arlington, VA: Mercatus Center at George Mason University, 2009).
3. Aside from innovations introduced as part of the “pilot” format initiated in FY 2007, there were so few new best practices in FY 2007 that the Performance Report Scorecard for 2007 simply referred readers to the prior year’s edition for a list of best practices. See Maurice McTigue, Henry Wray, and Jerry Ellig, *9th Annual Performance Report Scorecard: Which Federal Agencies Best Inform the Public?* (Arlington, VA: Mercatus Center at George Mason University, 2008), 31, <http://www.mercatus.org/PublicationDetails.aspx?id=16102>. For further explanation and analysis, see *10th Annual Performance Report Scorecard*, 31.

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