

MERCATUS CENTER
GEORGE MASON UNIVERSITY

Annual Performance Report Scorecard Criteria Guidance
OBSERVATIONS ON AGENCY PERFORMANCE REPORTS

The attached document highlights some strengths and weaknesses we have observed over the years in our annual “scorecard” reviews of agency performance reports. It consists of a series of one-pagers that correspond to each of our 12 scoring criteria.

We do not claim to have unique insights into what constitutes a strong or a weak performance report; nor have we attempted to capture all of the characteristics of a good report or all shortcomings. Rather, the attachment simply lists features we have found in the reports that, in our view, are particularly helpful, or unhelpful, in conveying to a member of the public an understanding of, and an appreciation for, the important performance results that the agency achieves. All of these features (both positive and negative) are taken from the actual reports and represent things required by law, OMB guidance, or common sense. We have provided a number of examples from fiscal 2005 reports to illustrate many of the positive features.

We hope that this information will be useful to agencies in better understanding our criteria and, more importantly, in identifying practices of other agencies that they can adopt to improve their own reports. We stand ready to discuss this information further with any agencies and we invite feedback from the agencies on how we can improve our own process and criteria.

Sincerely,

The Mercatus Center team

1. Is the report easily accessible and easily identified as the agency's Annual Performance Report?

Features of good reports:

- Posted to the agency's web site on a timely basis (within 30 days after issuance).
- Direct link to the report from the agency's home page that clearly and prominently identifies the report for a member of the public.
- Downloadable in a single file or in multiple files.
- Easily identifiable information (phone number, e-mail or postal address) on who to contact to obtain a hard copy of the report, ask questions about it, or submit comments—preferably named agency official(s), but at least a specific office within the agency.
- Some agencies (e.g., State) provide different versions of their reports for readers interested in different levels of information, including a shorter overview-type document and a compact disc containing greater detail. (OMB Circular A-11, § 230.3 encourages agencies to do this.)
- Some agencies (e.g., SBA) provide their reports in different versions for diverse audiences, such as a Spanish language edition.
- One agency (Education) developed an interactive on-line version of the report featuring hyperlinks and drop-down menus.

Problem areas:

- The report is not posted to the agency web site on a timely basis. (Rarely a problem area this year.)
- A web site link exists but does not work.
- No direct link to the report from the agency home page.
- The link is not intuitive for a lay reader (e.g., the report can be located only via the chief financial officer's web page).
- The report is downloadable only in one large file rather than in separate files for different portions.
- No contact information.

2. Is the report easy for a layperson to read and understand?

Features of good reports:

- The portions of the report dealing with performance are concise and written in plain language that a member of the public can readily understand.
- Manageable number of performance indicators (goals and measures). Examples: Agriculture (39), Labor (25), Transportation (35).
- If there are a large number of indicators, the report focuses on a limited set of key indicators. Example: Veterans (24 key measures out of 130 in all).
- Effective use of tables and graphics, particularly tables that highlight performance indicators and results. Examples: Transportation, Veterans.
- Goals and measures clearly stated so that a lay reader can understand their significance. If more technical indicators must be used, they are accompanied by narratives that clearly explain their importance to the public.
- The Management Discussion and Analysis (MD&A) section of the report provides a clear and concise overview of performance results and key accomplishments.
- The overall public benefits that the agency achieves are clearly presented for the lay reader, often in specific sections dedicated to this purpose. (This feature also is highly relevant to criterion 9.)

Problem areas:

- A multitude of performance indicators (often 100+) that require a voluminous performance section to cover.
- Lengthy, text-heavy narratives with limited use of tables and graphics.
- Heavy doses of technical language, jargon, or acronyms. (Acronyms can be distracting even if spelled out in a glossary.)
- Levels of detail that may be of interest to government officials and outside experts but are lost on lay readers.
- Poor organization; complicated numbering of goals and measures; confusing pagination.
- Obscure or highly technical goals and measures that do not help the lay reader grasp the importance of what the agency does and how well it is doing.

3. Are the performance data valid, verifiable, and timely?

Features of good reports:

- As required by law, 31 U.S.C. 3516(e), the agency head's transmittal letter includes an assessment of the completeness and reliability of data, including a description of any material inadequacies and what is being done to resolve them.
- Candid disclosure of data challenges, including often inherent challenges such as reliance on third party data sources and long lead times to develop meaningful results data, along with what the agency is doing to address them.
- The report responds to specific data concerns raised elsewhere in the report, such as material weaknesses or inspector general comments. Example: Labor.
- Results are reported, at least on an estimated basis, for all or most indicators.
- The report describes steps taken to verify and validate performance indicators and data. Example: NSF.
- The report provides data sources for each reported indicator and discloses any applicable limitations. Examples: Agriculture, Justice, Labor, Transportation.

Problem areas:

- The transmittal letter does not include the required data assessment by the agency head.
- The letter and the report do not go beyond a mere statement that data meet OMB guidelines. Such a statement is of limited value since the OMB guidelines do not explain what constitutes reliable data. Circular A-11, § 230.2(f), says little more than that data "need not be perfect to be reliable."
- The body of the report does not discuss data completeness and reliability and thus fails to provide the reader an affirmative basis for confidence in the data. (It seems unlikely that a major federal agency would have no significant data issues.)
- Information in the body of the report raises data concerns that the agency fails to address, even seeming to contradict an agency head's assurance that the data are complete and reliable. The agency need not agree with the concerns raised, but should not simply ignore them; this raises a red flag for the reader.
- Results are missing for a significant number of indicators due to lagging data.
- The report does not describe data verification and validation efforts.
- The report does not provide data sources for individual indicators.

4. Did the agency provide baseline and trend data to put its performance measures in context?

Features of good reports:

- The report includes baseline and prior year results data for consistent measures going back a number of years that enable the reader to see performance trends. Example: Transportation.
- The report describes the long-term goal applicable to each measure, thereby enabling the reader to assess the extent of progress. Example: Veterans.
- The report briefly describes the significance of individual performance measures and the rationale for the annual performance targets it uses. Examples: Agriculture, Education, Labor.
- The report includes data on external trends (e.g., unemployment; home-ownership rates) to assist in showing whether and to what extent overall conditions are improving. Examples: Education, State, Transportation, Treasury.
- The report explains large disparities between annual targets and results, as well as prior year performance levels versus current targets and results. Example: Labor.

Problem areas:

- Performance measures are in a state of flux from year to year, thereby lacking the consistency necessary to identify trends. While continuous improvement of measures is desirable, there is a need for some fundamental consistency from year to year.
- The report states whether the agency met or missed its prior year measures but does not describe those measures or their targets. This greatly limits identification of performance trends.
- Measures and targets are expressed in non-quantifiable ways that make it difficult to compare results from year to year.
- There is no description of long-term goals or the rationale for annual targets, thereby limiting the reader's ability to assess performance trends or progress.
- Major disparities between targets and current or prior year results lack explanations and thus raise red flags for the reader about the credibility of the targets and/or the performance data. For example, actual results far exceed the targets, suggesting that the agency set the performance bar too low.

5. Are the goals and objectives stated as outcomes?

Features of good reports:

- To the greatest extent practical, long-term (strategic) goals and annual performance goals are expressed as measurable end outcomes or at least intermediate outcomes that a lay reader can readily understand and relate to public benefits. Examples: Labor, State, Transportation.
- Where strategic goals are stated at a high level of generality, they are accompanied by strategic objectives that provide more specific and measurable outcomes. Example: Veterans.
- The goals capture all of the agency's key missions.

Problem areas:

- Many goals are stated as activities or outputs rather than outcomes.
- Goals are stated as outcomes, but too vaguely or at too high a level of generality to permit realistic measurement or attribution of results to the agency's efforts.
- Goals are not clearly tied to public benefits.
- Goals do not capture all important agency missions.

6. Are the performance measures valid indicators of the agency's impact on its outcome goals?

Features of good reports:

- Measures and targets relate directly to outcome goals and are themselves stated as outcomes.
- Where measures are not stated as outcomes, they are accompanied by narratives that explain their relevance to mission outcomes.
- Where measures are technical or their significance is otherwise not self-evident to the lay reader, accompanying narratives explain their relevance to mission outcomes.

Problem areas:

- Measures do not clearly relate to their goals.
- Measures are not stated as outcomes.
- Measures are highly technical or otherwise difficult for the lay reader to understand and are not accompanied by narratives that explain their significance.
- Measures are expressed as raw numbers that do not show whether progress is being made toward the overall end outcome (e.g., number of acres reclaimed from environmental harm versus percentage of all lands that meet environmental standards).
- Exclusive reliance on “pass/fail” or “zero-tolerance” measures (e.g., no catastrophic events) that capture end outcomes but do not provide a basis for assessing gradations of performance, particularly progress from year to year, absent a catastrophic event.

7. Does the agency demonstrate that its actions have actually made a significant contribution toward its stated goals?

Features of good reports:

- Good overall performance metrics—strong goals (criterion 5) and strong measures (criterion 6) – combine to effectively demonstrate the extent of progress toward end outcomes.
- Narratives in the performance section of the report concisely describe performance results under the goals and measures and explain any features that are not self-evident from the goals and measures themselves.
- Sufficient data are available to permit reporting results for all or most performance indicators, at least on the basis of estimates.
- The agency reports some performance shortfalls. Unless an agency claims to have achieved perfection, a 100 percent success rate suggests that the performance metrics are not sufficiently comprehensive or challenging.
- Claims of impact are supported by program evaluations or other empirical evidence of a cause/effect relationship.

Problem areas:

- Weak goals or measures or both. A strong showing on criterion 7 is highly dependent on good overall performance metrics, both strong goals and measures. It is virtually impossible for the report's performance metrics to effectively demonstrate contributions toward end outcomes if either the goals or measures are weak.
- Narratives accompanying the presentation of individual performance results do not effectively explain the importance of goals or measures whose significance would not be self-evident to a lay reader.
- The narratives do not elaborate on the performance results, particularly where the reported results would raise red flags for a lay reader. For example, when an agency reports 100 percent success for all or virtually all of its measures, particularly over a period of several years.
- Lagging data prevent reporting even estimated results for a significant proportion of performance indicators, particularly key indicators.
- The report does not cover all of the agency's performance indicators, thereby presenting an incomplete picture of its performance results. Even if the report concentrates on a set of key indicators, it should include some information, such as performance results, for all indicators.

8. Did the agency link its goals and results to costs?

Features of good reports:

- All agency costs are linked to individual performance measures, thereby permitting analysis of the cost-effectiveness of performance for each measure. (This is the ultimate objective under this criterion, which no agency has yet achieved.)
- Four agencies—Commerce, Energy, Labor, and State—have made progress by linking their costs to their annual performance goals—one step above the level of individual performance measures.
- Two additional agencies—SBA and OPM—have made progress by linking all or most of their costs to a level below their strategic objectives.

Problem areas:

- No linkage at all of costs to the report's performance metrics, even at the level of strategic goals.
- No linkage beyond the strategic goals or strategic objectives.
- Linkages exclude some costs, such as central agency management.
- Data used for linking costs to the performance metrics seem inconsistent with the financial data provided elsewhere in the report, particularly in terms of amounts budgeted rather than actually expended.

9. Does the report show how the agency's results will make this country a better place to live?

Features of good reports:

- The narrative portions of the report, such as the agency head's transmittal letter and the Management Discussion and Analysis (MD&A) section, describe the public benefits that flow from the agency's work in a manner understandable to lay readers and illustrate those benefits with concrete, outcome-oriented examples of the agency's accomplishments for the applicable year. Examples: EPA, Interior, Labor, State, Transportation, Veterans.
- Sections of the report are devoted specifically to describing how the agency serves the public. Examples: Energy, State.
- The report includes vignettes that illustrate how the agency and its programs have benefited real individuals. Examples: Labor, HUD, SBA.
- The report backs up its narratives with strong performance metrics that affirmatively demonstrate the results the agency achieves for the benefit of the public. Examples: Labor, State, Transportation, Veterans.

Problem areas:

- The narrative portions of the report are weak in terms of clarity and/or examples of tangible accomplishments and thus fail to convey to the reader what important public benefits the agency serves.
- The agency head's transmittal letter is limited to a perfunctory recitation of boilerplate management assurances and fails to highlight key missions and accomplishments.
- Weak performance metrics fail to convey to the reader how well the agency is providing important public benefits.
- Even where the agency's mission outcomes are clear, the report is weak in explaining how positive outcomes are attributable to the agency's programs and activities. Understandably, showing such attribution is an inherent challenge for many agencies – particularly those whose missions involve broad social, economic, environmental and other national or international outcomes. However, explanations concerning how the agency influences results in conjunction with other factors can strengthen the agency's case.

10. Does the agency explain failures to achieve its goals?

Features of good reports:

- For reasons previously discussed, the agency has some performance shortfalls to report.
- All performance shortfalls are clearly and candidly disclosed. Examples: Commerce, Labor, Veterans.
- Explanations are provided for all shortfalls and give the reader reasonable insight into the cause of the shortfall. Examples: Commerce, Labor, NASA, Veterans.
- The explanation of shortfalls includes a description of planned actions to remedy them in the future, thereby adding to the reader's understanding of the shortfall and the reader's confidence that the shortfall is being seriously addressed. (This is also a positive feature in relation to criterion 12.)

Problem areas:

- The agency reports 100 % success for all indicators.
- The report does not clearly disclose all performance shortfalls. Either shortfalls are not specifically disclosed or the report must be read closely to find them.
- The agency's performance shortfalls are obscured by use of a reporting system that defines success to include meeting less than 100% of a performance target.
- The report does not consistently include explanations for performance shortfalls.
- Explanations seem to be more in the nature of excuses and provide little if any insight into the underlying causes. For example, agencies have attributed shortfalls to: (1) measurement or reporting issues rather than substantive performance challenges; (2) staffing problems; (3) transition to new work processes; (4) time required to complete seemingly routine and foreseeable administrative tasks; (5) litigation; and (6) overly ambitious targets.

11. Does the report adequately address major management challenges?

Features of good reports:

- As required by law, 31 U.S.C. 3516(d), the statement by the inspector general (IG) both summarizes the agency's most serious management and performance challenges and assesses the agency's progress in addressing them.
- The IG statement outlines specific steps needed to address each challenge and evaluates the agency's progress in relation to those steps. Best example: The IG statement in the SBA report.
- The agency responds to the IG statement and provides specifics on what it is doing to address each challenge, including estimated timetables for completion. Examples: Energy, Labor.
- The report includes an analysis and response to challenges identified by others outside the agency, such as the Government Accountability Office and the Office of Management and Budget.
- The report describes prior year challenges addressed and any remaining actions needed to fully implement the resolution.
- The report indicates good "status" scores on the President's Management Agenda.

Problem areas:

- The IG statement consists of a lengthy "laundry list" narrative of challenges that provides little insight into the nature of the challenges and what must be done to address them.
- The IG statement lacks any assessment of agency progress in addressing the challenges or limits its assessment to unhelpful generalities, such as the agency is "working hard" to deal with the challenges or "progress is being made but much remains to be done." More specific information is particularly important when the same challenges remain year after year, as they often do.
- The report lacks an agency response to the IG's statement, either agreeing or disagreeing with it.
- The report fails to provide specifics on what the agency is doing to address major management challenges, thus giving the reader little confidence that they are being dealt with adequately.
- The report shows weak "status" (results) scores on the President's Management Agenda, even if they score well under "progress" (efforts).

12. Does the report describe changes in policies or procedures to do better next year?

Features of good reports:

- The report systematically describes strategies to address specific performance shortfalls. These may entail improving performance in order to meet the measure in the future or changing the measure if that is indicated. Examples: Labor, NASA, Transportation, Treasury, Veterans.
- The report describes improvement strategies even where current performance met or exceeded expectations. Examples: Labor, Transportation.
- The report describes specific steps and estimated time frames to improve on major management challenges. Examples: Energy, Labor.
- The report describes actions to improve the overall performance of individual programs in response to Program Assessment Rating Tool (PART) evaluations and other evaluations. Examples: Treasury, Veterans.
- The report looks beyond specific performance and management shortcomings to describe more generally future challenges that the agency faces in accomplishing its mission and how to address them. Examples: Commerce, State, Veterans.
- The report outlines steps to enhance performance accountability and reporting, such as improving performance measures and data quality. Examples: EPA, GSA.

Problem areas:

- The report fails to provide improvement strategies for specific performance shortfalls.
- The report fails to respond to identified major management challenges or to describe specific steps to resolve them.
- There is little content in the report that indicates forward-looking strategic thinking to anticipate and address future challenges to accomplishing the agency's mission.