



*WHICH FEDERAL AGENCIES
BEST INFORM THE PUBLIC?*

7th ANNUAL PERFORMANCE
REPORT SCORECARD

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The analysis, interpretations and conclusions in this study are those of the authors and the research team, and are not the official positions of the Mercatus Center or George Mason University.

EXECUTIVE SUMMARY

Scandals, embarrassing earmarks, and disaster relief disasters have recently made the federal government appear unmanaged and out of control. Notwithstanding these breakdowns, during the past dozen years, both Congress and the executive branch have taken significant steps to improve accountability for federal expenditures. The Government Performance and Results Act of 1993 requires agencies to produce strategic plans, annual performance plans, and annual performance reports. In fiscal 2001, the Office of Management and Budget began examining the design, management, and results of federal programs using its Program Assessment Rating Tool (PART).

This Scorecard commenced in fiscal 1999 to foster continuous improvement in the quality of disclosure in agencies' annual performance reports. This year, researchers at the Mercatus Center at George Mason University conducted our seventh annual evaluation of the performance and accountability reports produced by the 24 agencies covered under the Chief Financial Officers Act. These agencies accounted for 98.8 percent of federal outlays in fiscal 2005. We employed the same criteria used in previous Scorecards. Our scoring process evaluates (1) how transparently an agency discloses its successes and failures; (2) how well an agency documents the tangible public benefits it claims to have produced; and, (3) whether an agency demonstrates leadership that uses annual performance information to devise strategies for improvement. An expert team evaluated each report on 12 criteria—four each for transparency, public benefits, and leadership.

By assessing the quality of agencies' reports, but *not* the quality of the results achieved, we wish to learn which agencies are supplying the information that citizens and their elected leaders need to make informed funding and policy decisions.

Key findings in this year's Scorecard include:

QUALITY DISCLOSURE COVERS SLIGHTLY HIGHER FRACTION OF EXPENDITURES: The reports receiving an average score of 36 or better (out of 60 possible points) accounted for 15 percent of non-interest spending in the 24 agencies for fiscal 2005, up from 11 percent in fiscal 2004. The remaining 85 percent is in agencies whose reports received average scores below the satisfactory level.

VERY GOOD DISCLOSURE COVERS MINISCALE FRACTION OF EXPENDITURES: Reports that exceed expectations on average, scoring 48 or better, cover only three percent of the 24 agencies' non-interest spending in fiscal 2005. In contrast, programs receiving a "Results Not Demonstrated" rating under PART account for about 10 percent of spending by programs that have undergone PART assessment.

SUBSTANTIAL ROOM FOR IMPROVEMENT: Average scores on six of our 12 criteria are still below 3 (out of a possible 5), suggesting there is still substantial room for improvement.

LITTLE CHANGE: Ten agencies improved their scores from fiscal 2004 to fiscal 2005. Scores fell for 11 agencies and remained the same for two agencies. Scores for one agency cannot be compared because its report was not evaluated in fiscal 2004.

BEST REPORTS: For fiscal 2005, Labor (51 points out of a possible 60), State (50), Transportation (49), and Veterans Affairs (48) produced the highest rated reports. Labor's score set a new record. Transportation pulled ahead of Veterans by one point to capture third place.

REPORTS MOST IN NEED OF IMPROVEMENT: Health and Human Services (25 points), Homeland Security (27), the Social Security Administration (29), and Defense (29) had the lowest-ranked reports for fiscal 2005.

MOST IMPROVED REPORTS: Two agencies' reports received significantly higher scores in fiscal 2005 than in fiscal 2004: Treasury and Defense. Across-the-board improvements elevated Treasury's report from 16th place in fiscal 2004 to tie for 5th place in fiscal 2005. The score for Defense's report rose by eight points, or nearly 40 percent, largely from improvements on the transparency criteria.

BIGGEST DROPS: The Department of Justice's report fell from 5th place to 11th, National Science Foundation's fell from 10th place to 15th, NASA's fell from 16th place to 20th, and Social Security's fell from 16th place to 21st. All four agencies received lower total scores as well.

RECOMMENDATIONS: To achieve comprehensive accountability for costs and outcomes, the federal government needs to (1) produce an analysis of outcomes created by tax expenditures to complement the cost figures already reported in the budget, (2) develop accurate estimates of the complete costs of regulation, and (3) use all of this information in making budget decisions.

This Scorecard evaluates only the quality of agency reports, not the quality of the results they produced for the public. Actual agency performance may or may not be correlated with report rankings in this Scorecard.

AGENCY NAMES AND ABBREVIATIONS USED IN THIS DOCUMENT

AGENCY NAME	SHORT NAME	COMMONLY USED ABBREVIATION
Department of Agriculture	Agriculture	USDA
Department of Commerce	Commerce	DOC
Department of Defense	Defense	DOD
Department of Education	Education	DOEd
Department of Energy	Energy	DOE
Environmental Protection Agency	EPA	EPA
General Services Administration	GSA	GSA
Department of Health & Human Services	Health & Human Services	HHS
Department of Homeland Security	Homeland Security	DHS
Department of Housing & Urban Development	HUD	HUD
Department of the Interior	Interior	DOI
Department of Justice	Justice	DOJ
Department of Labor	Labor	DOL
National Aeronautics & Space Administration	NASA	NASA
National Science Foundation	NSF	NSF
Nuclear Regulatory Commission	NRC	NRC
Office of Personnel Management	OPM	OPM
Small Business Administration	SBA	SBA
Social Security Administration	SSA	SSA
Department of State	State	State
Department of Transportation	Transportation	DOT
Department of the Treasury	Treasury	Treasury
U.S. Agency for International Development	USAID	USAID
Department of Veterans Affairs	Veterans	VA

TABLE 1

SCORECARD SUMMARY & RANKING FOR FISCAL YEAR 2005

Highest Rank = 1; Lowest = 24. Maximum Possible Score = 60; Minimum = 12.

	TRANSPARENCY	PUBLIC BENEFITS	LEADERSHIP	TOTAL	RANK
Labor	17	17	17	51	1
State	17	16	15	48	2
Transportation	19	14	14	47	3
Veterans	18	14	14	46	4
Commerce	15	11	15	41	5
Treasury	16	11	14	41	5
SBA	14	12	14	40	7
USAID	15	12	11	38	8
Agriculture	14	11	12	37	9
Energy	13	10	14	37	9
Justice	14	10	12	36	11
NRC	12	11	12	35	12
EPA	13	10	11	34	13
Interior	14	9	11	34	13
HUD	13	10	10	33	15
NSF	13	9	11	33	15
Education	12	9	10	31	17
GSA	11	9	11	31	17
OPM	11	9	11	31	17
NASA	11	7	12	30	20
Defense	13	7	9	29	21
SSA	9	7	13	29	21
DHS	9	8	10	27	23
HHS	8	8	9	25	24
AVERAGE	13.4	10.5	12.2	36.0	
MEDIAN	13.0	10.0	12.0	34.5	

TABLE 2

FISCAL YEAR 2005 SCORES & RANKINGS COMPARISON TO FISCAL YEAR 2004

Highest Rank = 1; Lowest = 24. Maximum Possible Score = 60; Minimum = 12

	FY 2005		FY 2004		CHANGE IN SCORE	CHANGE IN RANKING
	TOTAL SCORE	RANK	TOTAL SCORE	RANK		
Labor	51	1	50	1	1	0
State	48	2	49	2	-1	0
Transportation	47	3	46	3	1	0
Veterans	46	4	46	3	0	-1
Commerce	41	5	40	5	1	0
Treasury	41	5	32	16	9	11
SBA	40	7	39	6	1	-1
USAID	38	8	37	9	1	1
Agriculture	37	9	35	13	2	4
Energy	37	9	39	6	-2	-3
Justice	36	11	39	6	-3	-5
NRC	35	12	36	10	-1	-2
EPA	34	13	36	10	-2	-3
Interior	34	13	35	13	-1	0
HUD	33	15	32	16	1	1
NSF	33	15	36	10	-3	-5
Education	31	17	34	15	-3	-2
GSA	31	17	32	16	-1	-1
OPM	31	17	30	21	1	4
NASA	30	20	32	16	-2	-4
Defense	29	21	21	23	8	2
SSA	29	21	32	16	-3	-5
DHS	27	23	27	22	0	-1
HHS	25	24	*	*	*	0
AVERAGE	36.00		36.30		0.17	
MEDIAN	34.50		36.00		0.00	

*Fiscal 2004 report not evaluated because not released as of December 1, 2004.

TABLE OF CONTENTS

Introduction	1
Evaluation Criteria	5
Scoring Standards	7
Scoring Summary	11
From GPRA to PART: A Continuing Evolution	21
Toward Comprehensive Accountability	25
Strongest and Weakest Scores	29
Transparency	29
Public Benefits	37
Forward-Looking Leadership	43
Agency-by-Agency Scoring Summaries	49
Department of Labor	50
Department of State	51
Department of Transportation	52
Department of Veterans Affairs	53
Department of Commerce	54
Department of the Treasury	55
Small Business Administration	56
U.S. Agency for International Development	57
Department of Agriculture	58
Department of Energy	59
Department of Justice	60
Nuclear Regulatory Commission	61
Environmental Protection Agency	62
Department of the Interior	63
Department of Housing and Urban Development	64
National Science Foundation	65
Department of Education	66
General Services Administration	67
Office of Personnel Management	68
National Aeronautics and Space Administration	69
Department of Defense	70
Social Security Administration	71
Department of Homeland Security	72
Department of Health and Human Services	73
Research Team and Project Design	74

INTRODUCTION: IF SEVEN'S SO LUCKY, THEN WHY AREN'T WE THERE YET?

The past year has seen a dramatic change in public awareness of government accountability. Lobbying scandals, bridges to nowhere, disaster relief disasters, and earmarks that take precedence over reconstruction have led both the average citizen and the media to ask, “Is anybody minding the store?”

Perhaps surprisingly, the answer is yes. Ever since Congress passed the Government Performance and Results Act in 1993, career civil servants and political appointees alike have labored to define the outcomes their agencies seek to produce, identify measures that show whether they are making progress on these outcomes, and disclose the results to the public. And ever since agencies issued their first performance reports for fiscal year 1999, the Mercatus Center has assembled a research team to assess the quality of their disclosure. As in past years, this Scorecard assesses the reports by the 24 agencies covered by the Chief Financial Officers Act (CFO Act), which accounted for 98.8 percent of federal outlays in fiscal 2005.¹

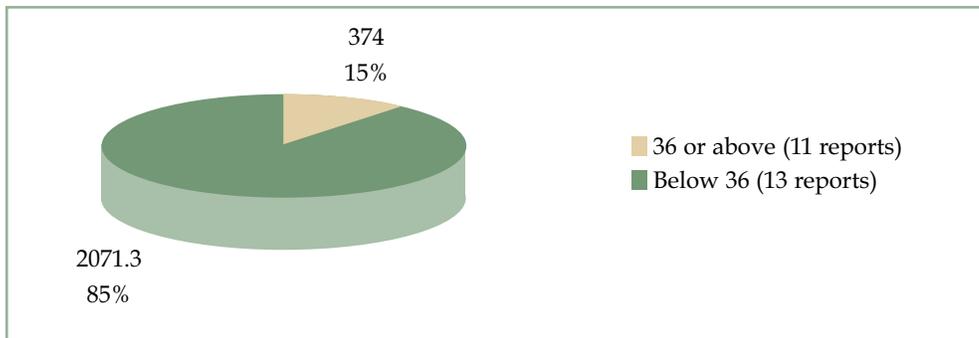
The quality of disclosure in these reports has improved, albeit not as rapidly as we had hoped. Comparing the quality of agency performance and accountability reports with federal expenditures provides a rough idea of how much federal spending is devoted to programs with well-documented outcomes. In fiscal 2005, after seven years of reporting, only 15 percent of non-interest federal spending by the 24 agencies was covered by reports with total scores of “satisfactory” or better in our evaluation.² Though covering less than one-quarter of non-interest expenditures, these reports came from 11 of the 24 Chief Financial Officers Act agencies, as Figure 1 shows. Yet only a tiny fraction of non-interest spending—three percent—was covered by the two reports whose scores put them in the highest category—“very good.”³ (See Figure 2.) A person relying on the reports for performance information would have to conclude that sub-standard disclosure underlies huge portions of federal spending.

¹ Figure calculated from data in *Budget of the United States Government, Fiscal Year 2007, Historical Tables, Table 4.1*. Denominator is outlays plus undistributed offsetting receipts.

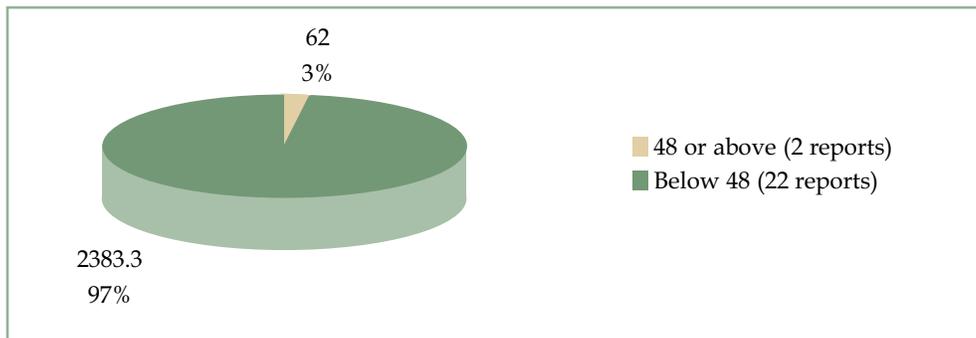
² Reports can earn a maximum of five points on each of 12 criteria. A score of 3 on a criterion corresponds to a “satisfactory” rating, and a report with an average score of 3 across all 12 criteria would earn a 36. Thus, a report must earn a score of 36 or higher to be classified as “satisfactory.” For further explanation, see p. 7.

³ A score of 4 on a criterion corresponds to a “very good” rating. A report with an average score of 4 across all 12 criteria would earn a 48. Thus, a report must earn a score of 48 or higher to be classified as “very good.” For further explanation, see p. 7 below.

**FIGURE 1: FISCAL 2005 SPENDING (\$BILLIONS)
COVERED BY "SATISFACTORY" DISCLOSURE (36 POINTS OR ABOVE OUT OF 60)**



**FIGURE 2: FISCAL 2005 SPENDING (\$BILLIONS)
COVERED BY "VERY GOOD" DISCLOSURE (48 POINTS OR ABOVE OUT OF 60)**



Our approach emphasizes the importance of measuring results rather than intentions. The part of our evaluation that focuses on the public benefit criteria is the part that most directly evaluates the extent to which the reports focus on outcomes. We assess whether the reports articulate outcome-based goals and measures, together with linkage of costs to outcomes. Figures 3 and 4 show how much of the 24 agencies' expenditures are covered by reports that score well on these criteria, which focus on articulation of outcomes and connection of costs to outcomes. In fiscal 2005, only eight percent of non-interest federal spending by the 24 agencies occurred in the six agencies that produced reports earning a satisfactory or better score on our public benefits reporting criteria. Just three percent of non-interest spending was covered by reports earning a score of "very good" or better.

FIGURE 3: FISCAL 2005 SPENDING (\$BILLIONS)
COVERED BY REPORTS WITH “SATISFACTORY” PUBLIC BENEFITS SCORE (12 OR ABOVE OUT OF 20)

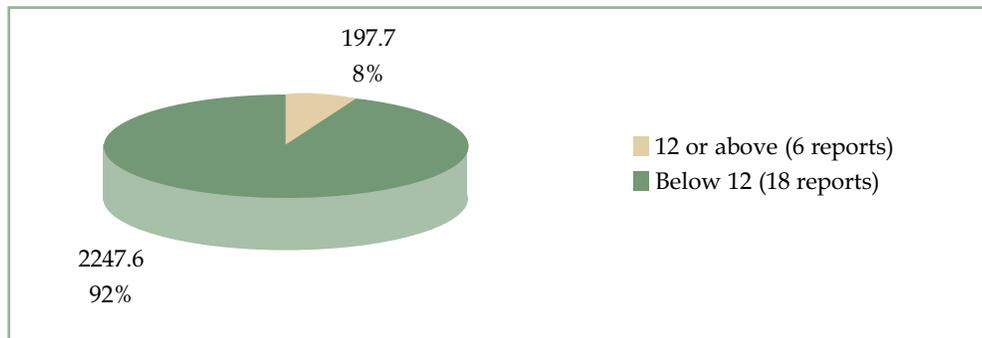
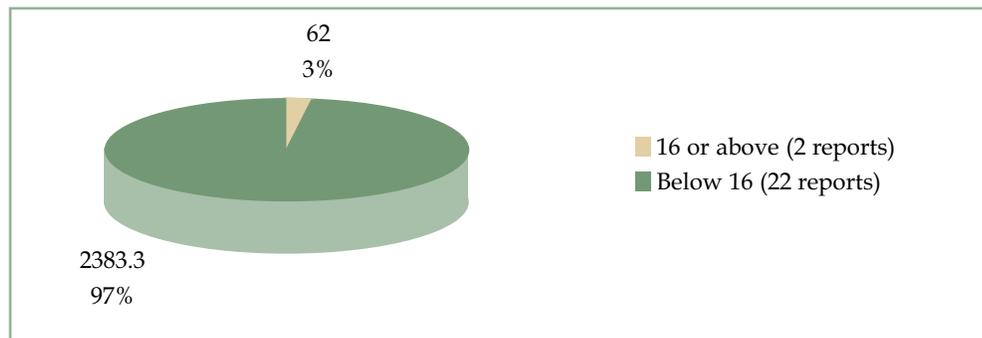


FIGURE 4: FISCAL 2005 SPENDING (\$BILLIONS)
COVERED BY REPORTS WITH “VERY GOOD” PUBLIC BENEFITS SCORE (16 OR ABOVE OUT OF 20)



Given the paucity of links between outcomes and costs in most of the reports, it’s tempting to conclude that vast swaths of federal spending are essentially “faith-based” initiatives. Intentions and values, rather than systematic proof of actual outcomes, drive much of the support for these programs.

Unfortunately, intentions do not equal results. A misguided idealist can jump off a cliff with the intention of flying to Mars by flapping his arms, but wishing does not make it so—and neither does the nobility of his intentions or values. Whether the goal is to fly to Mars, house the homeless, or reduce the threat of terrorism, no substitute exists for real information that shows whether the means we’ve selected have actually accomplished our ends.

An old proverb attributed to several great thinkers warns, “The road to hell is paved with good intentions.”⁴ And because we have made policy decisions based on intentions rather than results, now there’s hell to pay. But recent events, and the failures associated with them, create an excellent opportunity to refocus policymakers’ attention on outcomes and accountability. After all, what better way to promote accountability and restore confidence in government than with real facts about the actual results and costs of federal initiatives?

Effective accountability requires that agencies present full, concise, relevant, accurate, and reliable disclosure of the benefits created for the public, as well as the costs of producing those benefits. In some sense, OMB’s PART initiative has outdone agencies’ Performance and Accountability Reports. OMB also seems to be ahead of Congress in using performance information to make budget decisions. PART analyses line up information on program design, spending, and performance in a way that few agency reports have matched. It’s now a horse race to see whether PART or PARs will be the first to link dollars directly with outcomes. Without such information, it is unlikely that policymakers could allocate federal resources in ways that advance government’s contribution to citizens’ quality of life.

⁴ Contrary to popular belief, the origin of the proverb is neither Karl Marx nor Samuel Johnson. See <http://www.samueljohnson.com/road.html> and http://www.everything2.com/index.pl?node_id=747936.

EVALUATION CRITERIA

The purpose of this assessment is not to evaluate or make judgments about the quality of actual results the agencies produced. Rather, our goal is simply to ascertain *how well the agencies' reports disclose to the public* the results they produced, so that policymakers and citizens may make informed judgments about the agencies' results. Our research team utilized 12 evaluation factors grouped under three general categories of transparency, public benefits, and leadership:

1. Does the agency disclose its accomplishments in a *transparent (easily understood)* fashion?
2. Does the report focus on disclosing tangible *public benefits (valued results)* the agency produced?
3. Does the report show evidence of forward-looking *leadership (guidance)* that uses performance information to devise strategies for improvement?

TRANSPARENCY

Reports should be accessible, readable, and useable by a wide variety of audiences, including Congress, the administration, the public, news media, and other stakeholders. If a report fails to disclose significant achievements and problems to stakeholders, benefits or failures arising from agency activities will remain secret to all but a few insiders, and citizens will have no real opportunity to indicate their approval or disapproval.

PUBLIC BENEFITS

An agency's value to the public becomes clear only when its goals and measures are expressed in terms of the benefit produced or harm avoided for a particular set of clients or the public at large. To demonstrate openly how agency activities produce meaningful results for the community, reports should focus on "outcomes" (i.e., tangible benefits that matter in the lives of citizens) rather than on programs or activities as such. The reports should also clearly present the costs of achieving those results. The ultimate objective of such reporting is to match outcomes with costs, so that policymakers and the public understand what citizens are paying to achieve various outcomes. Goals and measures that merely document agency activities, such as counts of checks processed or number of people enrolled in a program, assume that such activities automatically provide public benefits. Such an assumption can be incorrect for a wide variety of reasons. An agency report must highlight achievement of results; otherwise, it will not inform the public of the success or failure of its programs. Budget decisions that rely on such flawed information will fail to reflect realistic assessments of what agencies can accomplish with appropriations.

FORWARD-LOOKING LEADERSHIP

Agencies should use the performance information produced by their organizations to identify solutions to problems and to change future plans accordingly. The report should inspire confidence in an agency's ability to enhance citizens' quality of life commensurate with the resources they have entrusted to the agency. Among the factors that give such confidence is tangible evidence that the agency is using performance and financial data to improve management of these programs.

TRANSPARENCY

1. Is the report easily accessible via the Internet and easily identified as the agency's Annual Performance and Accountability Report?
2. Is the report easy for a layperson to read and understand?
3. Are the performance data valid, verifiable, and timely?
4. Did the agency provide baseline and trend data to put its performance measures in context?

PUBLIC BENEFITS

5. Are the goals and objectives stated as outcomes?
6. Are the performance measures valid indicators of the agency's impact on its outcome goals?
7. Does the agency demonstrate that its actions have actually made a significant contribution toward its stated goals?
8. Did the agency link its goals and results to costs?

LEADERSHIP

9. Does the report show how the agency's results will make this country a better place to live?
10. Does the agency explain failures to achieve its goals?
11. Does the report adequately address major management challenges?
12. Does it describe changes in policies or procedures to do better next year?

WHAT DID THE AGENCIES KNOW, AND WHEN DID THEY KNOW IT?

As in past years, the Mercatus Center notified federal agencies of the deadlines we would follow in evaluating the reports and the evaluation criteria we would employ.

For fiscal 2005, the Office of Management and Budget required agencies to submit their reports to the president and Congress by November 15—approximately six weeks after the fiscal year ended. In September, the Mercatus Center notified each agency's chief financial officer via letter (and other individuals listed as agency GPRA contacts by e-mail) that the Mercatus research team would need a copy of the report by December 1 in order to include it in this year's evaluation. The letter also mentioned that reports would need to be available on the web by December 15 to earn credit on the first transparency criterion. A followup reminder went out via e-mail on November 9. All agencies had their reports accessible on the web by December 15.

The September letter included an explanation of our evaluation criteria and noted that the quality of each year's reports "raises the bar" for subsequent years. It also thanked agencies for their continued participation in our study and reiterated our goal of continually improving the quality of reporting. Finally, the letter invited agency personnel to contact Mercatus Center staff with questions or comments about the criteria, and many did so. Thus, agencies had ample notice about the criteria and deadlines.

SCORING STANDARDS

Each report had the opportunity to earn up to 20 points in each of the three categories, for a maximum score of 60 points. Each category included four equally weighted evaluation factors, and scores of 1 through 5 (from poor to excellent) were awarded on each evaluation factor. Thus, an agency could achieve a minimum score of 12 merely by producing a report.

THE 5-POINT SCALE

The 5-point rating scale for individual factors is intended to identify distinct levels of quality. The research team used the accompanying table to guide its scoring. A report that adequately meets all requirements would receive the middle score of 3 on each factor, resulting in a total score of 36. A 2 indicates that the report accomplishes some but not all of the objectives under a given criterion. A 1 indicates failure to provide much relevant information. A 4 indicates unusually good practices that are better than most, and a 5 indicates an especially superior presentation.

Even when a report receives a 5 on a particular criterion, that does not mean there is no room for improvement. A 5 indicates a potential best practice, but best practices should not be confused with perfection. We expect agency reporting practices to improve continually over time, and one of the goals of this Scorecard is to aid in the diffusion of best practices across agencies. Therefore, a practice that earned a 5 this year may only deserve a 4 or 3 in future years as it becomes standard for most agencies and new best practices emerge.

WEIGHTING THE EVALUATION FACTORS

To report the results of this study as transparently as possible, the researchers weighted the evaluation factors equally in calculating each agency's total score and rankings. Since the summary table reports scores for all three evaluation categories separately (transparency, public benefit, and forward-looking leadership), readers who believe that one factor is more

WHAT DO THE SCORES MEAN?

5

- Substantially exceeds expectations
- Opens up a new field of information
- Sets a standard for best practice

4

- Exceeds expectations
- Has potential to be a best practice
- Shows innovation and creativity
- Better than most

3

- Meets expectations in all aspects
- Adequate, but does not exceed expectations

2

- Fails to meet expectations
- May be adequate in some respects, but not all
- Produces partial information
- Does not fully disclose

1

- Fails to meet expectations
- Does not meet standard for adequate disclosure
- Shows no process or plans to overcome problems
- Omits critical information

important than others can apply whatever weights they wish to the separate scores and recalculate rankings accordingly.

In addition, in the interest of transparency, all reports were evaluated against a common scale, even though different agency missions may make it inherently more difficult to develop results-oriented goals and measures or collect appropriate data. For example, agencies that provide direct measurable services, such as the General Services Administration or Department of Veterans Affairs, might find it easier to identify and quantify their contributions than an agency like the State Department, dealing in more intangible results. In reality, some agencies that seem to provide few services directly to members of the public, such as State, have eventually produced highly-ranked reports, and some that arguably have a more direct effect on citizens' well-being, such as the Social Security Administration, have produced low-ranked reports.

INTERPRETING OUR FINDINGS

It is important to emphasize that our research team evaluated only *the quality of reporting, not the quality of results*. Therefore, it would be a mistake to conclude that the agencies with the highest-scoring reports necessarily produced the most or best results for the country. Ideally, an agency's report reflects more about its managers' capabilities than just their ability to write reports. A high scoring report reflects an agency's ability to translate what it does into understandable and meaningful results that Americans can appreciate.

Similarly, it would also be inappropriate to draw policy conclusions from our analysis. We offer no recommendations on whether the federal government should or should not be engaged in its current menu of activities.

So what do the findings in this study really mean? By assessing the quality of agency reports, we are trying to evaluate the agencies that are supplying the information that Congress and the public need to make informed funding, budgeting, and policy decisions.

An additional word on information quality is also in order. Our researchers assessed the quality of each report's disclosure of data verification and validation procedures. However, in the interest of producing a timely study, we did not independently verify the performance information cited in each agency's report. The reports themselves should inspire confidence by indicating how data are verified and validated.

HOW VALID ARE OUR DATA?

The Mercatus research team employed the same criteria to assess the fiscal 2005 agency reports that we used to evaluate prior year reports. However, generally in each succeeding year we have tightened our evaluation standards, for two reasons. One, the highest possible quality that can be achieved is unlimited, because creative innovators can always find ways to improve reporting practices and set new standards. Two, each year gives agencies an opportunity to learn from each others' best practices. If we did not continually raise our expectations, most reports could eventually receive mostly 5s. This Scorecard would then convey little information about the quality of different agencies' reports and it would give little recognition or credit for those agencies that continue to raise the bar for quality reporting.

For these reasons, an agency had to improve the absolute quality of its fiscal 2005 report in order to receive the same numeric score it received for its fiscal 2004 report. If an agency receives a higher score, that score is a reliable indicator that the quality of its report has indeed improved.

Several factors helped ensure that the scoring criteria were applied more stringently this year. The same Mercatus Center research team evaluated the fiscal 2005 reports as evaluated the fiscal 2003 and 2004 reports. The team cross-checked the 2005 evaluations against those done in 2004 in several ways. For each report, the research team generated an extensive set of notes documenting the reasons for each preliminary score on each criterion. The head of the research team reviewed this documentation for both the fiscal 2005 and fiscal 2004 reports to ensure that any scoring differences across years were justified by differences in the actual contents of the reports. The team discussed instances in which proposed scores differed substantially from the previous year's scores.

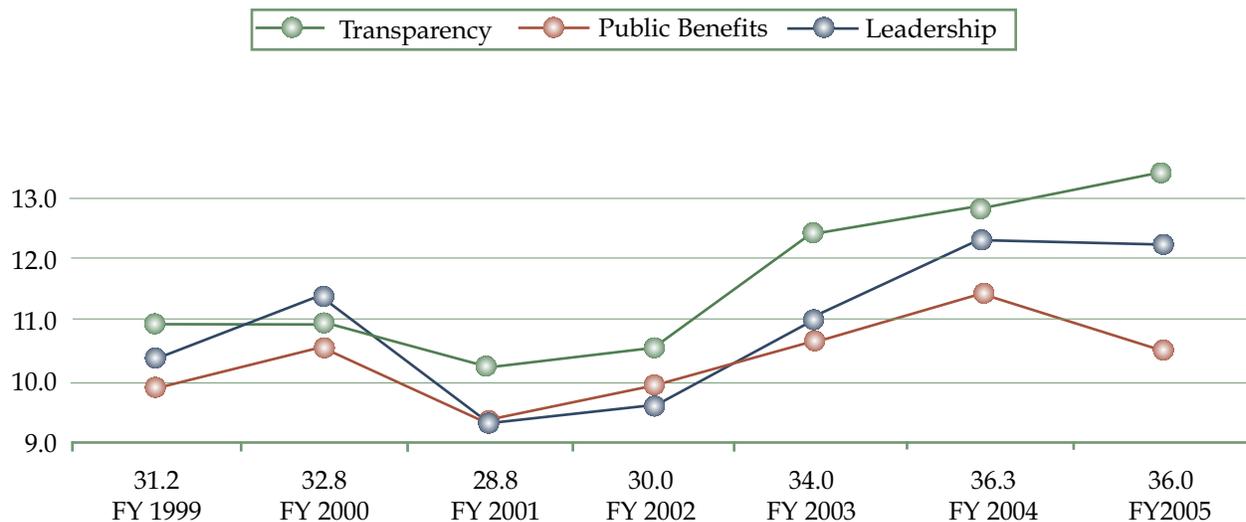
Finally, for each report, a member of our outside advisory panel with extensive experience in performance reporting reviewed the report, scoring, and documentation. In a number of cases, advisors thought the research team's initial scores were too lenient! Final scores thus reflect a careful review to ensure that the results of the scoring process are consistent with the goal of raising standards.

SCORING SUMMARY

TRENDS AND CHANGES

The average total score of 36 remained essentially unchanged in fiscal 2005, as Figure 5 shows. A six percent increase in the average transparency score was balanced by an eight percent reduction in the average public benefits score. The leadership score changed little.

FIGURE 5: AVERAGES FALL FOR THE TOUGH STUFF



The principal factor driving the improvement in the transparency score was a 20 percent improvement in the average score on criterion 1: accessibility. Fourteen reports scored a 5 on this criterion, reflecting the fact that the report appeared on their web page by our deadline, could be found via a direct link on the home page, could be downloaded as a single document or multiple sections, and was accompanied by contact information for readers having further questions or comments. For years, we have emphasized that these “mechanical” factors should be easy for any agency to execute, and in 2005, more than half of them proved our point. In fiscal 2004, only six reports scored a 5 on criterion 1. Scoring standards will tighten in the future when an agency introduces the next big innovation in transparency, and only reports adopting the new best practice will then receive a 5.

The big drop in the public benefits score occurred mostly because of a 20 percent reduction in the score on criterion 8: linkage of results to costs. Scores on this criterion fell because they failed to keep pace with the research team’s rising expectations based on prior years’ best practices. In fiscal 2004, most agencies could at

least link their costs to strategic goals or objectives. But some found ways to link costs to performance goals or other levels below the strategic goal level. Linkage to some level below strategic goals became the new standard for satisfactory performance, and a report could receive a 4, 3, or 2 depending on how “deep” the cost information went and how much of the agency’s costs were broken down in this way. For 2005, a report could not receive better than a 1 unless it broke costs down by more than just strategic goals. Twelve agencies received a 1 on this criterion in fiscal 2005, compared to four in fiscal 2004.

Similarly, a report could not receive a 5 on criterion 8 unless it actually supplied cost information that corresponded to outcome measures. The last agency to receive a 5 on this criterion was the Small Business Administration, which in fiscal 2002 and 2003 pioneered a set of tables that categorized costs by outcome. SBA developed a great concept, but many of the cost entries were blank, and no agency (including SBA) has comprehensively linked actual cost data with outcome data. Such information is crucial if decisionmakers are to understand how much the government pays per successful outcome. No report received a 5 on this criterion in either fiscal 2004 or 2005.

Despite continual tightening of our criteria, many agencies demonstrated that it was possible to achieve a higher score in fiscal 2005 than in 2004. Reports were evenly split between gainers and losers. Ten reports improved their scores in fiscal 2005 compared to fiscal 2004. Eleven had lower scores, and two were unchanged. Scores for one report, Health and Human Services, cannot be compared because its fiscal 2004 report was not available by our evaluation deadline. Its fiscal 2005 score did exceed its score in fiscal 2003, so this too might constitute an improved report, bringing the total of improved reports to 11.

Figure 5 simply averages the scores from all 24 reports. Figures 6 and 7 offer a potentially different perspective on accountability by showing weighted average scores, using each agency’s reported “net cost of operations” as its weight.⁵

Why calculate a weighted average score? The size of agencies varies greatly—from \$635 billion for Defense to less than \$10 billion for several of the smaller ones. Poor disclosure for a very large agency affects a much larger portion of federal spending than for a small agency. The weighted average score may thus be a better indicator of overall accountability for federal spending. The scores on a report from a large agency have a bigger effect on the weighted average than the scores on a report from a small agency. However, at least for fiscal 2005, Figures 6 and 7 show that changes in the weighted average scores closely paralleled changes in the raw scores.

⁵ The figures in each report labeled “net cost of operations” roughly correspond to the agency’s net outlays, with a few exceptions. Veterans Affairs, for example, includes the present value of future benefit liabilities in its net cost of operations and adjusts the figure each year. Variations in interest rates can have a big effects on the present value of these liabilities and on Veterans’ reported net cost of operations. Therefore, for Veterans we use a figure that excludes the present value of future liabilities. GSA presents a different anomaly; its net cost of operations is usually positive because other agencies pay it for services. For weighting purposes we treat GSA’s negative net cost of operations as a positive figure, which has little effect on the results in any event because GSA is relatively small compared to most agencies.

FIGURE 6: RAW VS. DOLLAR-WEIGHTED SCORES

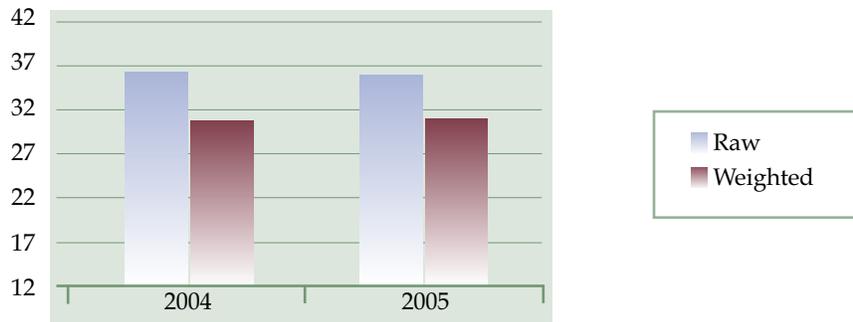


FIGURE 7: TRANSPARENCY WAS PRINCIPAL IMPROVEMENT

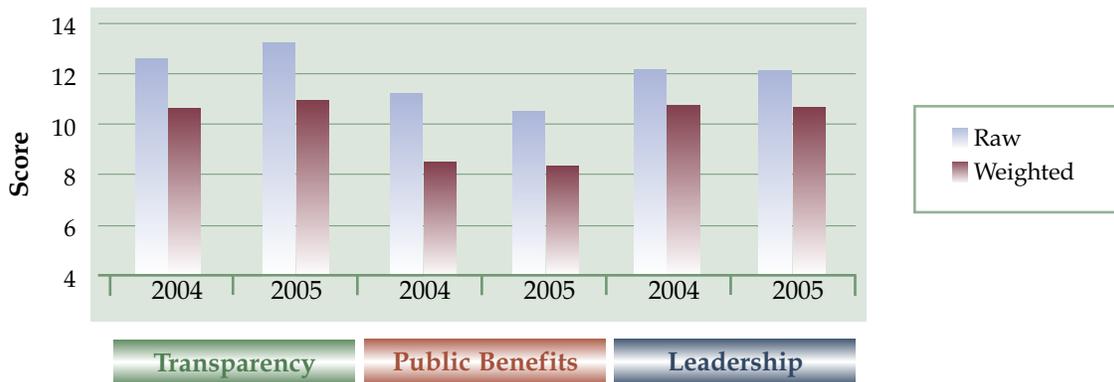


Table 3 confirms a trend that we first noted in last year’s Scorecard: many of the largest agencies tend to do poorly. Agencies with total scores below “satisfactory” spent \$2.07 trillion in fiscal 2005. At the same time, some mid-sized agencies have consistently shown that size need not be a handicap. The Departments of Labor (\$50 billion), Transportation (\$57 billion) and Veterans Affairs (\$65.6 billion) all qualify as mid-sized departments, and they are perennial leaders in the rankings. Table 3 also reveals that several of the smallest agencies scored poorly, suggesting that small size need not be an advantage either.

TABLE 3: AGENCIES SCORING LESS THAN SATISFACTORY

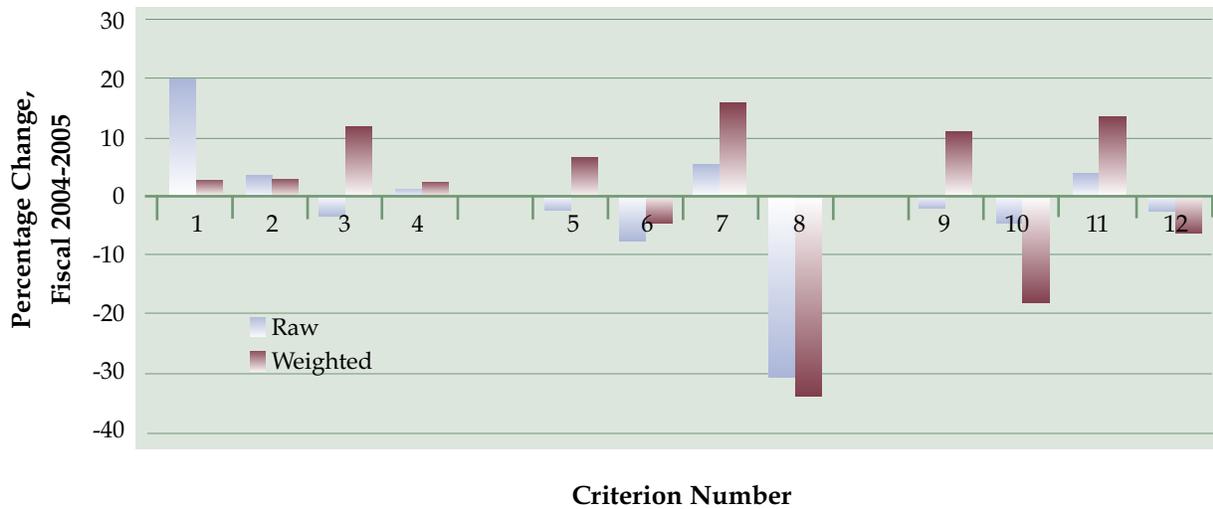
DEPARTMENT	COST	TOTAL SCORE (36=SATISFACTORY)	PUBLIC BENEFITS SCORE (12=SATISFACTORY)
Nuclear Regulatory Comm	\$100 million	35	11
Interior	\$13 billion	34	9
EPA	\$8 billion	34	10
HUD	\$40 billion	33	10
NSF	\$5.4 billion	33	9
Education	\$75 billion	31	9
OPM	\$64 billion	31	9
GSA	(\$800 million)*	31	9
NASA	\$15 billion	30	7
Defense	\$635 billion	29	7
Social Security	\$568 billion	29	7
Homeland Security	\$66 billion	27	8
HHS	\$581 billion	25	8
TOTAL	\$2.07 TRILLION		

*GSA's net cost of operations is negative because federal agencies pay it for services provided.

Figure 8 graphs both the raw and the weighted average scores on each criterion. In most cases, the change in the weighted average score is simply a magnified version of the change in the raw score.

Criterion 7, showing that the agency's actions caused the observed improvement in outcomes, earned a slightly higher average score and a much higher weighted average score for fiscal 2005. The raw score increased by an average of five percent, and the weighted average score increased by 16 percent. One possible explanation is that this was one of the lowest-scoring criteria in fiscal 2004, with a raw score averaging 2.7 and a weighted average score of just 1.9. Clearly, there was room to improve. In addition, this improvement comes on the heels of improvements on the two preceding criteria in fiscal 2004. It's possible that improvement on criteria 5 and 6 the previous year set some reports up for an improvement on criterion 7 in fiscal 2005.

FIGURE 8: RAW VS. WEIGHTED SCORE CHANGE



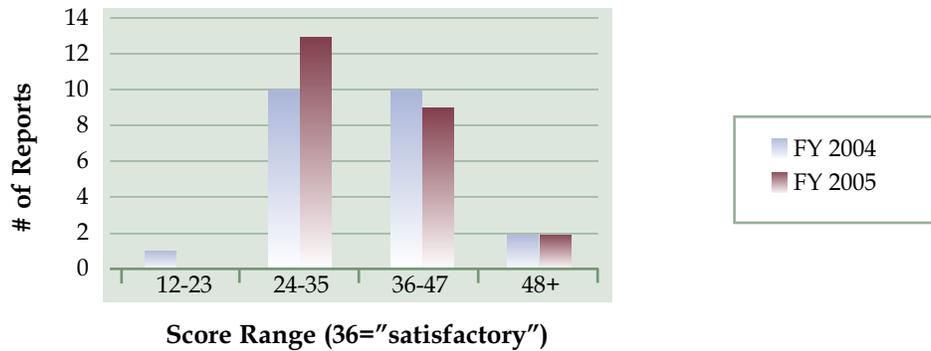
In a few cases, such as criteria 3, 5, and 9, the weighted average suggests improvement where the raw average indicated a small decline. In other cases, the weighted average improves by more than the raw average. Typically, that indicates a situation where one or more large departments improved their scores, which tended to have a larger effect on the weighted average than on the raw average. On criteria 3, 7, and 9, for example, Defense improved its score. On criterion 11, Social Security, which accounts for 23 percent of non-interest expenditures, improved its score. The relatively larger drops in the weighted average scores for criteria 10 and 12, meanwhile, are explained by the fact that the report from Health and Human Services received a 1 on criterion 10 and a 2 on criterion 12. The report from this department, which accounted for 22 percent of non-interest expenditures, was not evaluated in fiscal 2004; inclusion of its scores in 2005 pulled down the average.

REPORT QUALITY

Figure 9 reveals that a little more than half the fiscal 2005 reports (13, to be exact) achieved scores below the “satisfactory” average of 36. This is similar to what occurred for fiscal 2004. As with the average score statistics, Figure 9 suggests that not much changed from fiscal 2004 to 2005.

One of the below-satisfactory reports in fiscal 2005, from Health and Human Services, was not evaluated in fiscal 2004. Given that the HHS report has always scored relatively low, it is misleading to count this as an increase in below-satisfactory reports from fiscal 2004 to fiscal 2005.

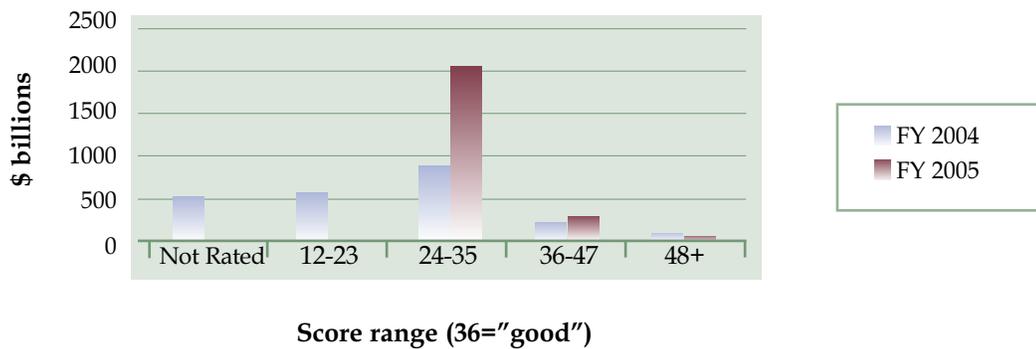
FIGURE 9: HALF THE REPORTS ARE BELOW SATISFACTORY



The pie charts in the introduction to this year’s Scorecard (Figures 1-4) show that a very large percentage of the dollars in the budget are covered by below-satisfactory reporting, and a very small percentage is covered by very good reporting. Figure 10 sheds additional light on this issue. It confirms what the pie charts suggest: reports covering much of the budget scored below 36.

At the same time, Figure 10 provides some cause for optimism. Compared to fiscal 2004, a larger percentage of the budget was covered by satisfactory reporting in fiscal 2005. The amount of spending covered by satisfactory or better reporting rose by 40 percent, from \$268 billion in fiscal 2004 to \$374 billion in fiscal 2005. The

FIGURE 10: MORE OF BUDGET COVERED BY GOOD REPORTING



principal reason for this increase is the improvement in the Department of Agriculture’s score from just below satisfactory in fiscal 2004 (35) to just above it in fiscal 2005 (37). Agriculture’s \$91 billion in expenditures made for a significant swing.

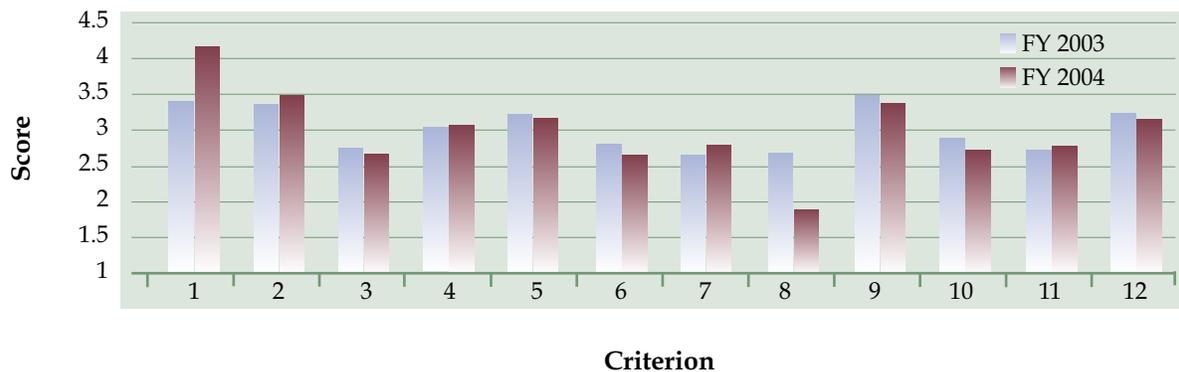
No report scored below 24 in fiscal 2005, and no report went unevaluated due to missed deadlines. The slight reduction in the amount of expenditure covered by very good reporting merely reflects the fact that the combined net cost of operations for the departments with the two best reports in both years—Labor and State—fell from \$67 billion in fiscal 2004 to \$62 billion in fiscal 2005.

Despite this year’s improvements, there is still substantial room for progress. Figure 11 reveals that average scores in six categories are below 3. This is true regardless of whether one considers raw averages or weighted averages. The areas with scores below 3 (in order of severity of the problem) are:

- Criterion 8: linkage of results to costs (average score: 1.88)
- Criterion 6: articulation of outcome-oriented measures that accurately reflect the agency’s impact on its goals (average score: 2.63)
- Criterion 3: ensuring reliability and timeliness of data (average score: 2.67)
- Criterion 7: demonstration that the agency’s efforts actually affected achievement of outcomes (average score: 2.79)
- Criterion 10: explanation of failures to achieve goals (average score: 2.75), and
- Criterion 11: discussion of major management challenges (average score: 2.83).

These are the same six criteria where scores averaged below 3 in fiscal 2004.

FIGURE 11: SIX CRITERIA REMAIN BELOW SATISFACTORY



TOP REPORTS

The top four reports for fiscal 2005 were the same that occupied the top four places in fiscal 2004, in roughly the same order.

The Department of Labor's report earned the top ranking again in fiscal 2005, scoring a record-high of 51 out of 60 possible points. Labor has demonstrated steady improvement in its reporting through the years, moving up from 5th for fiscal 1999 to first, capturing the top ranking in fiscal 2002. Labor has kept the leading position since then.

Similarly, the State Department's report continued to rank 2nd. State's report ranked 20th in fiscal 1999 but has risen in the rankings every year.

Transportation and Veterans ranked 3rd and 4th respectively. These two reports tied in fiscal 2004, but Transportation pulled ahead by one point in fiscal 2005. Only five points separated the 1st from the 4th place report, suggesting a continued cluster of quality near the top. We encourage other agencies to learn from best practices and incorporate those approaches that have been successful at these agencies.

UPS AND DOWNS

Two agencies made significant improvements in their reports for fiscal 2005: Treasury and Defense. Treasury's score jumped from 32 to 41, moving it from 16th to a tie for 5th. Defense improved its score from 21 to 29, moving up two positions in the ranking to 21st.

Four reports fell significantly in the rankings—Justice, NSF, NASA, and Social Security. Justice fell from 6th place to 11th, NSF fell from 10th place to 15th, NASA fell from 16th place to 20th, and Social Security fell from 16th place to 21st. With the exception of Justice, all had scores in the lower ranges. Moreover, all of these reports also had lower scores in fiscal 2004 than in fiscal 2003.

FALLING STARS

Two reports achieved respectable rankings in several previous years but appear to be on a disturbing downward trend:

- Though it ranked as high as 8th in fiscal 1999 and 9th in fiscal 2002, Social Security's report has steadily deteriorated, finishing 16th in fiscal 2004 and 21st in fiscal 2005.
- GSA shows a similar pattern, achieving mid-level rankings thru fiscal 2003, but falling to 16th in fiscal 2004 and 17th in fiscal 2005.

CELLAR DWELLERS

Several reports have consistently ranked in the bottom half for most of the past six years:

- Defense's report ranked 7th in fiscal 1999, fell to 18th in fiscal 2000, and has never ranked higher than 21st since then. Whether its fiscal 2005 improvement signals a change in this status remains to be seen.
- The Office of Personnel Management's report has never finished higher than the middle of the pack; its best ranking was 12th in fiscal 2002. It ranked 16th in fiscal 2004 and 17th in fiscal 2005.
- NASA's report has had a similar, though even more erratic, experience. Its ranking went from 14th in fiscal 1999 to 23rd in fiscal 2000, rebounded over two years to 12th in fiscal 2002, plummeted to 20th in fiscal 2003, rose to 16th in fiscal 2004, then fell back to 20th in fiscal 2005.
- The Department of Health and Human Services ranked 24th in fiscal 2005 and has never ranked higher than 20th.
- The Department of Homeland Security has only existed for three years. Its report remains close to the bottom, finishing 23rd in fiscal 2005. It ranked 24th in fiscal 2003 and 22nd in fiscal 2004.

FROM GPRA TO PART : A CONTINUING EVOLUTION

The federal government has made steady, bipartisan progress toward performance-based budgeting. Whether initiated by the president or Congress, performance-based budgeting means that money will be allocated not just on the basis of perceived needs and policy priorities, but also according to the federal government's ability to address those needs and priorities effectively. Program proponents will have to demonstrate that the particular programs actually accomplish their stated goals more effectively than alternative approaches.

The Clinton administration's initiative to "reinvent government" was inspired by experience suggesting that government served the public more effectively when it focused on the ends rather than the means.⁶ With heavily bipartisan sponsorship, the Government Performance and Results Act passed the Senate by voice vote, passed the House without objection, and was signed by President Clinton in 1993. GPRA followed the Chief Financial Officers Act of 1990 which, in conjunction with the Government Management Reform Act of 1994, mandated that agencies file financial reports and have them audited using uniform accounting standards. GPRA filled a gap by mandating that agencies disclose performance measures and outcomes as well as costs. GPRA was, however, just a first step, and much has happened to improve accountability for outcomes since then.

GPRA IMPLEMENTATION

After passage of the Government Performance and Results Act in 1993, federal agencies developed strategic plans, performance plans, and performance reports to explain what they are trying to accomplish, identify performance measures, and report on their results. Full-scale implementation of the Act commenced in 1997; the first full cycle of reporting was completed for fiscal 1999. Congress has specified additional reporting requirements since then. The Reports Consolidation Act allowed agencies to issue combined performance and accountability reports (i.e., financial statements) beginning in fiscal 2002. These consolidated reports contain both performance information and audited financial statements, thus facilitating the integration of performance information with cost information to inform authorization and appropriations decisions. All of the agencies evaluated by the Mercatus Center issued performance and accountability reports.

The Reports Consolidation Act requires performance and accountability reports to include a transmittal letter from the agency head "containing, in addition to any other content, an assessment by the agency head of the completeness and reliability of the performance and financial data used in the report." This assessment must describe any material inadequacies in the data and what the agency is doing to resolve them.⁷ A "material" inadequacy is one that could cause the reader to make a different assessment if the information was adequate. Similar to the requirement imposed on the chief executive officers of publicly-held companies by the Securities and Exchange Commission, the purpose of this requirement is to ensure that the quality of the underlying data is a management priority, and the deficiencies are acknowledged and corrected as quickly as possible. The Act also requires the reports to include a statement by the agency's inspector general of the most serious management and performance challenges facing the agency and a brief assessment of the agency's progress in addressing them.

⁶ David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* (Addison-Wesley, 1992).

⁷ 31 USC Sec. 3516(e).

The purpose of agency performance reports is to give policymakers and the American people relevant, accurate and timely information that will let them assess the extent to which agencies are producing tangible public benefits. In line with expectations under the legislation, agencies published their first reports in spring 2000 (for fiscal 1999) and subsequent reports each spring since then. The Office of Management and Budget has gradually accelerated the deadlines, with the goal of making performance and financial information available to decision-makers and the public on a timelier basis. Fiscal 2005 reports were due to Congress by November 15, 2005, six weeks after the end of the fiscal year. This is the same deadline agencies faced for their fiscal 2004 reports.

PROGRAM ASSESSMENT RATING TOOL

The executive branch has also started to move toward performance-based budgeting. The Office of Management and Budget's Program Assessment Rating Tool assesses the design, management, and performance of programs that agencies implement. PART seeks to use performance information to guide the program management, design, and budget decisions.

OMB and agencies have now evaluated the performance of 80 percent of federal programs. They plan to complete evaluation of the remaining programs by the end of 2006. Evaluations are available to the public at www.expectmore.gov. Readers can click to links that provide deeper levels of detail underlying the evaluations, funding for each program, and plans for improving performance. Reasonable people can disagree with specific evaluations or the administration's budget decisions based on the evaluations. Nevertheless, the scope of the information provided, and the explicit link to management and budget decisions is a tremendous step forward for accountability and performance-based budgeting.

OUR EVALUATIONS VS. PART EVALUATIONS

One aspect of PART ratings sheds light on the quality of performance measurement for individual programs. If a program lacks sufficient measures or data to evaluate whether it is accomplishing intended results, it receives a rating of "Results Not Demonstrated." This does not mean that the program has failed to produce results; it means that the available information is not good enough to permit evaluation of results or cost-effectiveness. In effect, "Results Not Demonstrated" is similar to financial audit that renders a "disclaimer," wherein the auditor cannot find sufficient competent evidence to verify items in the financial statements.

A "Results Not Demonstrated" rating for a program can also be somewhat analogous to a low score in the public benefits section of this Scorecard. Our public benefits criteria examine whether a report expresses goals and measures as outcomes, demonstrates how the agency's actions have affected the outcomes, and links outcomes to costs to permit an evaluation of cost-effectiveness. PART seeks to develop similar measures and data. OMB data on PART ratings and budget authority for programs can be used to calculate the number of programs and percent of the federal budget for which OMB believes performance information is insufficient. This calculation is analogous to our calculation of the percent of the budget covered by reports that received poor scores on our public benefits criteria.

PARTed programs account for about \$1.47 trillion in fiscal 2005 spending, compared to total non-interest expenditures of about \$2.45 trillion.⁸ Thus, programs representing about three-fifths of federal expenditures have been PARTed at least once. About 25 percent of PARTed programs, accounting for about 10 percent of PARTed spending, received a “Results Not Demonstrated” rating in their most recent PART evaluation.⁹

A “Results Not Demonstrated” rating might be analogous to a total score of 8 or below on our four public benefits criteria. This is the score a report would receive if it averaged a 2, “fails to meet expectations,” on each of the four criteria. A score of 8 or below on the public benefits criteria suggests that disclosure and documentation of outcomes and cost-effectiveness is substantially incomplete. Five agencies, representing \$1.87 billion in federal spending in fiscal 2005, scored 8 or below on the public benefits section. Thus, reports with substantially incomplete disclosure of outcomes and cost-effectiveness account for about 75 percent of federal non-interest spending.

One might argue that this comparison is somewhat misleading if PART’s “Results Not Demonstrated” rating primarily indicates the absence of information on outcomes rather than absence of information on cost-effectiveness. Only one of our public benefits criteria, linkage of results to cost (criterion 8), addresses cost-effectiveness information. Criteria 5-7 address outcome goals and outcome measurement. Five agencies, representing 54 percent of non-interest spending, received a score of 2 on each of criteria 5-7.¹⁰ This is still substantially higher than the percentage of programs and budget that received “Results Not Demonstrated” ratings under PART.

WHY THE DIFFERENCE?

Several factors might explain this large difference between our assessment and OMB’s assessment of the quality of outcome information. Perhaps OMB is more lenient in its view of what constitutes adequate results information. In addition, our research team and OMB are examining measures at different levels of aggregation. An agency could have quite good outcome information for some of its large programs and yet still score poorly on our public benefits criteria if many strategic goals and performance measures are not outcome-oriented.

It is also worth noting that OMB has not yet PARTed programs accounting for about \$1 trillion in federal spending. If some of the larger remaining programs receive a “Results Not Demonstrated” rating in the future, then the percentage of the budget with “Results Not Demonstrated” PART ratings could move much

⁸ These two figures are somewhat different measures of federal spending. Spending on PART programs is fiscal 2005 budget authority. Our measure of non-interest expenditures is agencies’ fiscal 2005 net cost of operations.

⁹ Total PARTed programs had budget authority of \$1.47 billion in fiscal 2005. Programs whose most recent PART rating was Results Not Demonstrated had budget authority of approximately \$144 billion in fiscal 2005. As of February 2006, 194 out of 793 PARTed programs had Results Not Demonstrated as their most recent PART rating. See Eileen Norcross and Kyle McKenzie, “Analysis of the Office of Management and Budget’s FY07 Performance Assessment Rating Tool,” available at <http://www.governmentaccountability.org/PART2007>.

¹⁰ No agency received a 1 on criteria 5-7.

closer to the percentage of the budget that, in our assessment, is covered by substantially incomplete disclosure of outcomes in the Performance and Accountability Reports. Identifying the right explanation will have to wait until substantially all of the federal budget has undergone PART analysis.

For now, low ratings on our public benefits criteria (8 or less) and “Results Not Demonstrated” ratings in PART reveal significant shortcomings with evidence intended to back up statements about accomplishment. Many of the early financial audits gave agencies “disclaimers.” Hopefully, as agencies gain experience with disclosure, they will continually improve their ability to provide concrete evidence on accomplishments.

TOWARD COMPREHENSIVE ACCOUNTABILITY

Performance and Accountability Reports include information on agencies' outcomes and expenditures. But expenditures are only one way that federal agencies achieve outcomes. The federal government also affects resource allocation in the economy through tax policy and regulation. The performance sections of agency reports likely include the effects of regulation, but the financial section includes neither the costs of tax expenditures nor the full costs of regulation. Comprehensive accountability requires a full accounting of the costs and consequences of tax and regulatory policies, as well as on-budget spending.

TAX EXPENDITURES

In addition to on-budget spending, the federal government also seeks to influence outcomes through various targeted tax policies that reduce revenues, such as the exclusion of employer-provided health insurance from income, the home mortgage interest deduction, and the child tax credit. Agencies do not report directly on the outcomes associated with these "tax expenditures."¹¹ The Office of Management and Budget and Treasury Department are currently developing data sources and methods for performance measurement of tax expenditures.¹²

Some tax expenditures are quite substantial compared to related federal spending. Deductibility of home mortgage interest, for example, cost \$62 billion in fiscal 2005—more than HUD's entire \$40 billion net cost of operations. Exclusion of pension and retirement savings contributions and earnings (such as corporate government and corporate pensions, 403bs, and IRAs) cost \$102 billion, equal to nearly one-fifth of the Social Security Administration's expenditures. Favored tax treatment for medical insurance and medical expenses cost \$129 billion – equal to more than 20 percent of HHS expenditures. Good information on outcomes would help policymakers determine whether favored tax treatment or direct federal expenditures most effectively accomplish various public goals, such as promoting homeownership, retirement security, and economic growth.

¹¹ "Tax expenditures" are not explicitly mentioned in GPRA, but the report on GPRA from the Senate Governmental Affairs Committee indicates that the committee expected the Office of Management and Budget to take the lead in assessing the outcomes associated with them:

To increase significantly the oversight and analysis of tax expenditures, the Committee believes that the annual overall Federal Government performance plans should include a schedule for periodically assessing the effects of specific tax expenditures in achieving performance goals. (This schedule would be in addition to the primary content of the overall plan - the program performance goals tied to the direct expenditure of funds.) The Committee expects that annual performance reports would subsequently be used to report on these tax expenditure assessments. These assessments should consider the relationship and interactions between spending programs and related tax expenditures. The Committee hopes that such reports will foster a greater sense of responsibility for tax expenditures with a direct bearing on substantial missions and goals. See S. Rep. No. 103-58, pp. 27-28.

¹² Data are to come from a panel sample that follows the same group of income tax filers over at least ten years, starting in fiscal 1999. The proposed budget for 2007 contains an insightful discussion of how one might define outcomes for various types of tax expenditures. See *Budget of the United States Government, Fiscal Year 2007, Analytical Perspectives*, pp. 299-302.

The *Budget of the United States Government* contains estimates of each tax expenditure. The chapter containing these estimates cautions that adding up the estimates of various tax expenditures may not create an accurate picture of their size or effects, since a simple summation ignores economic incentive effects and interactions by which the size or existence of one tax expenditure may affect the size of others.¹³ Though inexact, adding up the estimates does suit our purpose of providing a rough estimate of the amount of resource allocation the federal government accomplishes through tax expenditures. Tax expenditures totaled \$777 billion in fiscal 2005.¹⁴ The tax expenditure chapter of the budget indicates that data and analysis are not yet good enough to assess outcomes. Therefore, tax expenditures represent a very large additional avenue of federal resource allocation for which disclosure of outcomes is currently poor.

REGULATION

A final way the federal government seeks to achieve outcomes is through regulation. Regulation compels or influences consumers, businesses, and other levels of government to expend resources in various ways. The costs of regulation are substantial, often far exceeding the expenditures the agencies incur to promulgate and enforce them. The most recent estimate suggests that compliance with federal regulations costs approximately \$1.1 trillion—nearly half as large as the \$2.45 trillion in non-interest federal spending.¹⁵ Many of the outcomes associated with regulation are documented in agencies' performance and accountability reports, but costs borne by consumers, businesses, and other levels of government are not. An agency that engages in a lot of regulation but relatively little spending might nevertheless direct substantial social resources toward achievement of the outcomes for which it is responsible.

TOTAL

The sum of non-interest spending, tax expenditures, and regulatory costs totaled \$4.3 trillion in fiscal 2005. That's equal to 34 percent of U.S. gross domestic product in calendar 2005.¹⁶ Tax expenditures and regulatory costs together are equal to 40 percent of the \$2.45 trillion in non-interest spending. Nevertheless, tax expenditures and regulatory costs appear nowhere in agencies' Performance and Accountability Reports. As a result, federal accountability would have serious deficiencies even if every agency achieved a high score on

¹³ *Budget of the United States Government, Fiscal Year 2007, Analytical Perspectives*, p. 286.

¹⁴ *Budget of the United States Government, Fiscal Year 2007, Analytical Perspectives*, Table 19-1.

¹⁵ W. Mark Crain, "The Impact of Regulatory Costs on Small Firms," Report Prepared for the Office of Advocacy, U.S. Small Business Administration, RFP No. SBHQ-03-M-0522 (Sept. 2005), p. 1, available at <http://www.sba.gov/advo/research/rs264tot.pdf>.

¹⁶ Gross domestic product figure is from 2006 *Economic Report of the President*, Appendix B-1, at <http://a257.g.akamaitech.net/7/257/2422/15feb20061000/www.gpoaccess.gov/eop/2006/B1.xls>.

this Scorecard. The federal government needs to take the following steps to achieve comprehensive accountability for the outcomes that occur when the federal government directs resources:

- Significantly improve the quality of the Performance and Accountability Reports.
- Produce an analysis of outcomes created by tax expenditures to complement the cost figures already reported in the budget.
- Develop accurate estimates of the costs of regulation that could supplement the expenditure and outcome data in agency Performance and Accountability Reports.

Only when all three of these steps are achieved will citizens have access to comprehensive information on the costs and consequences of federal activities that allocate resources. That does not mean that all of this information must necessarily appear in agencies' Performance and Accountability Reports. Indeed, the Senate Government Affairs Committee's report on GPRA appears to give the Office of Management and Budget responsibility for evaluating the costs and results of tax expenditures.¹⁷ OMB also has a well-established initiative to evaluate the costs and benefits of major federal regulations, although it tends to focus on newer regulations rather than providing a comprehensive accounting for all existing regulations.¹⁸

Comprehensive disclosure of the costs society incurs and the outcomes that occur when the federal government allocates resources will require that some entity in the federal government take responsibility for integrating information from these diverse sources. Effective accountability requires that both the executive branch and Congress actually use performance information to make budget decisions.

¹⁷ See note 11 above.

¹⁸ See, e.g., OMB, Office of Information and Regulatory Affairs, *Validating Regulatory Analysis: 2005 report to Congress on the Costs and Benefits of Federal Regulations and Unfunded Mandates on State, Local, and Tribal Entities* (December 2005) available at http://www.whitehouse.gov/omb/infoereg/2005_cb/final_2005_cb_report.pdf.

STRONGEST AND WEAKEST SCORES

T TRANSPARENCY

TABLE 4: TRANSPARENCY SCORES

	CRITERION				CATEGORY
	1	2	3	4	TOTAL
TRANSPORTATION	5	5	4	5	19
VETERANS	5	5	3	5	18
LABOR	5	5	3	4	17
STATE	5	5	3	4	17
TREASURY	5	4	3	4	16
COMMERCE	5	4	3	3	15
USAID	5	4	3	3	15
SBA	5	4	2	3	14
AGRICULTURE	2	4	4	4	14
JUSTICE	4	4	3	3	14
INTERIOR	5	4	3	2	14
ENERGY	5	3	3	2	13
EPA	5	2	2	4	13
HUD	5	3	2	3	13
NSF	3	3	4	3	13
DEFENSE	5	3	2	3	13
NRC	4	3	3	2	12
EDUCATION	5	2	2	3	12
GSA	2	4	2	3	11
OPM	4	3	2	2	11
NASA	4	3	2	2	11
SSA	1	3	2	3	9
DHS	3	2	2	2	9
HHS	2	2	2	2	8

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

Access to performance information is critical because public accountability can only be served if members of the public can actually find out what benefits an agency provides. The annual report should be easily available to the public, stakeholders, and the media. Ideally, this means that the agency's home page displays a link clearly guiding the reader to the annual report for the most recent fiscal year. If one has to be an expert on performance management, the agency's structure, or the structure of the agency's web page to locate it, the spirit of accountability to the public is not satisfied. If the report is large, it should be divided into sections for more convenient reading and/or downloading. Making the report available in multiple formats is also desirable, since readers' needs vary and each format has its advantages and disadvantages (e.g., ease of printing, searching, etc.). Finally, it is helpful to include contact information so that people can phone or e-mail questions, comments, or requests for a hard copy of the report.¹⁹

Reports were due to the president and Congress by November 15. Reports are included in this evaluation if they were made available to Mercatus in some form by December 1. The Mercatus research team gave agencies several additional weeks, until December 15, before checking to see if the reports were available on agency web sites. Links to agency reports can be found on the Mercatus web site at [insert link to 2005 Scorecard page].

For years we have been saying that criterion 1 should be the easiest criterion to satisfy, because any webmaster should be able to ensure a good score. This year, reports from 18 agencies proved us right. We received all 24 reports in time for evaluation this year (the first time in several years), and the research team was able to find all 24 reports on the agency web sites by the cutoff date. The scores confirm the widespread improvement here. Fourteen agencies scored a 5 this year, up from just six last year. Nine of the top ten reports received a 5. Perhaps encouragingly, several low-ranked agencies received a 5 on this criterion as well. Another four agencies scored a 4, meaning that the agency had a direct link to the report from its home page but lost a point for lack of contact information. In other words, 18 of the 24 agencies had direct links to the report from their home pages.

STRONGEST SCORES: Numerous.

The Education report is particularly noteworthy. It is designed primarily as an interactive on-line product rather than a hard copy document. It includes a number of hyperlinks and drop-down menus. As far as we know, Education is the first agency to do this. Although it should not be viewed as a substitute for a clear, well-written document, the web-based version is a potential best practice for the future in terms of enhanced accessibility.

¹⁹ Contact information as used here means, ideally, a named agency official or employee to contact or, at a minimum, a specific office within the agency.

WEAKEST SCORES: HHS, Social Security, Agriculture, GSA

HHS and Social Security were the only two reports we had some difficulty finding, although we did eventually locate them on the web sites. Reports from Agriculture and GSA also got a 2 in this category, but not because their reports were particularly hard to find. Both lacked direct home page links, but had links from the home page that were easy to follow. The Agriculture report lacked contact information and the GSA report was downloadable only in a single file. Though “weakest” on criterion 1 this year, these reports are nevertheless much more accessible than some reports were a few years ago, when some agencies declined to put them on the web, and others declined to make reports available anywhere near the deadline.

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

The annual performance and accountability report is a communications device directed at non-specialist audiences. Therefore, its style, language, and subject matter must reflect that purpose. It should focus on an agency’s mission, how it organizes efforts toward that end, and how much progress was made toward its achievement in the preceding fiscal year. Contents should be clear, logical, easy to navigate, and presented in such a way that the structure aids understanding. Consistent format, clarity of text, absence of jargon, and effective use of visual techniques like headings, graphs, tables, and photos are helpful.

Acronyms can be helpful if they substitute for lengthy proper names that readers may be familiar with, but use of acronyms to refer to documents, processes, systems, nouns other than proper names, verbs, short names, or names of things known only to insiders inhibits understanding, even if the report provides a list of acronyms. Details can either inform or confuse, depending on how they are presented. Anecdotes can promote effective communication if they complement and illustrate, rather than substitute for, outcome-based results measures. Information necessary to evaluate the agency’s performance should actually be present in the report, not just referenced as available in some other document, web page, or computer disk.

There was slight improvement in this category. Four agencies got a 5 this year, up from three last year. It’s probably no coincidence that the agencies with a 5 were also the top scorers overall. Several agencies improved to a 4 in this category. Only four agencies got a 2 in this category, including those with the overall lowest scores: HHS and Homeland Security.

STRONGEST SCORES: Labor, State, Transportation, Veterans

One feature that stands out for three of the four best reports is the limited number of performance measures. Labor has just 25 and Transportation has 35. While Veterans has 130 in all, the report focuses on 24 “key” measures. The exception is State, which has 195 measures, although that number is down slightly from 209 for the prior year.

A member of our advisory board noted that the performance reports are much too long, particularly when compared to private sector annual reports. A member of the public surely is more likely to read and understand a report that is relatively concise and built around a manageable number of key measures than the “kitchen sink” versions many agencies produce.

ANACRONYM-ISMS?

ACRONYM	APPARENT MEANING	PERPETRATOR
PRAGMA	Pacific Rim Applications and Grid Middleware Assembly	NSF
WARS	Worldwide Ammunition Reporting System	Defense
FSU	Former Soviet Union	State
PCP	Potomac Center Plaza	Education
NULO	Negative Unliquidated Obligations	Defense
OPDIVs	Operating Divisions	HHS
SORTs	Status of Resources and Training System	DHS
PIH	Office of Public and Indian Housing	HUD
WCC	White Collar Crime	Justice
HGJTI	High Growth Job Training Initiative	Labor
FBU	Funds Put to Better Use	Interior
BMENA	Broader Middle East and North America	Treasury
LGY	Loan Guaranty	Veterans
DFWP	Drug-Free Work Place	SBA
IWMS/DOWR	Integrated Work Measurement System/District Office Workload Report	SSA
COTS	Commercial Off-the-Shelf	GSA
AO	Abnormal Occurrence	NRC
ABC	Abstinence, Being Faithful and Using Condom Approach	USAID
HCLMSA	Human Capital Leadership and Merit System Accountability Division	OPM
EEIs	Exemplary Ecosystem Initiatives	Transportation
Unbelievably Numerous (Acronym includes numbers that are especially unintuitive)		
C2	Command and Control	Energy
P2	Pollution Prevention	EPA
Daily Double (Acronym with two different meanings)		
SAR	Search and Rescue Selected Acquisition Report	DHS Defense
Trifecta (Acronym with three different meanings)		
IP	Intellectual Property Internet Protocol Improper Payment	Commerce Commerce HHS

List is intended merely to be illustrative, not exhaustive.

Some agencies also enhanced transparency by tailoring versions of their reports for different audiences. Education’s interactive on-line report is one example. Another example is State’s publication of a “highlights” version, a brochure, and an interactive CD version in addition to the full hard copy version. Several other agencies also produce separately a summary version of their reports.

WEAKEST SCORES: EPA, Education, HHS, Homeland Security

Discussion in EPA’s report is often quite technical. It takes a four-page appendix to list the acronyms.

Education’s report makes heavy use of acronyms, which, while defined in the text and in an appendix, are still a distraction. More fundamentally, it is difficult to get a handle on the department’s overall performance results since they are scattered throughout the 135-page section of the report. Although a useful format is used to present results for 58 individual measures, there is a lot of detail to go through. A further readability challenge is the plethora of tables that are organized by program goals rather than performance goals or measures. The report could benefit greatly by a summary table that ties the goals and results together in a more holistic and readily understandable way. The introductory portions of the report do highlight some major accomplishments, but they are somewhat selective and not consistently results-oriented. The secretary’s transmittal letter is quite brief and says little about specific departmental accomplishments.

The HHS report presents a number of readability challenges. It is organized more as a collection of reports on the department’s components, which it refers to as “OPDIVs,” instead of a unified and cohesive department level report. It is rife with acronyms (seven pages worth in an appendix) (IV.I.1). The report is text-heavy and often written in technical terms and jargon that are unhelpful to the lay reader. It uses a complex pagination system that makes it hard to navigate between sections.

Homeland Security’s complex organization and plans for further reorganization make its report especially difficult to follow. Annual performance goals sometimes support several intermediate performance goals, but it is not clear what outcome the intermediate performance goal supports. The number of measures (113) presents another challenge, requiring 90 pages to cover them all. Many of the measures are highly technical and difficult to relate to outcomes.

3. Are the performance data reliable, credible, and verifiable?

The Reports Consolidation Act requires that the head of each agency assess the quality of the performance and financial data in the report, disclose any material weaknesses, and explain what the agency is doing to remedy any identified inadequacies.²⁰ Like a similar requirement imposed on the chief executive officers of publicly-held companies by the Securities and Exchange Commission, the purpose of this requirement is to ensure that the quality of the underlying data is a management priority, and the deficiencies are acknowledged and corrected as quickly as possible.

²⁰ 31 USC 3516 (e).

More generally, the report should indicate the agency's confidence in the quality of the data used to document its results. Since the purpose of gathering these data is to manage programs strategically, one test of their adequacy is whether they are relevant, timely, complete, accurate, and consistent enough to use as the basis for decision-making. Data should be independently validated (i.e., certified as appropriate for the associated performance measure) and verified (i.e., assessed as reliable). Outside verifiers should be able to access the data with relative ease. Sources and descriptions should be provided for all outcome data.

This seems to be one of weaker categories each year. There were no 5s this year (or last year) and only three 4s (versus four last year). By contrast, there were 11 scores of 2 (versus nine 2s and a 1 last year). The reports pay somewhat more attention to data issues now than they did a few years ago. However, many agencies still face major data challenges and could do a much better job of explaining how they are addressing them. On the positive side, most agencies were able to report current results for the great majority of their measures again this year, although they often had to rely on estimates.

STRONGEST SCORES: Agriculture, Transportation, NSF

Each of these reports received a 4.

The secretary of agriculture's transmittal letter provides reasonable assurance that the data in the report are valid and reliable. Nothing in the body of the report casts doubt on this assurance. The performance section of the report provides a detailed assessment of the data supporting each performance measure that covers data completeness, reliability, and quality (e.g., p. 133).

The secretary of transportation's transmittal letter states that the report's financial and performance data are "substantially complete and reliable" (p. 3). It refers to another section of the report for a detailed assessment of data inadequacies and what the department is doing to remedy them. This section of the report (pp. 129-131) does address these issues, although in somewhat general terms. It references a departmental web site for data source and accuracy statements for each measure used in the report. Another section of the report (pp. 238-272) provides further extensive detail on the completeness and reliability of data for each measure. With respect to timeliness, the report includes fiscal 2005 results for all 35 measures (pp. 66-70). It clearly indicates when results are based on estimates.

NSF appears to do the most thorough job of data validation and verification, although its measurement system is unique. The director's transmittal letter refers to a statement (I-18) that provides assurance that the report's financial and performance data are complete and reliable as defined by OMB guidelines. Moreover, the report describes extensive efforts that NSF undertakes to verify and validate its performance data. Specifically, the agency has, for the past six years, retained an outside firm to conduct a verification and validation review. The report presents the results of the review, which were favorable for all measures reviewed. (See pp. I-13-13; II-87-89; II-92 et seq.) These extensive efforts are particularly important since NSF relies primarily on a qualitative system of performance assessment with input from external reviewers. Nevertheless, there are clearly best practices here that other agencies could adopt, even if they have less direct control over the process that generates their performance data.

WEAKEST SCORE: Almost Half

Eleven reports received a 2 on this criterion, including all of the reports ranked 17th or lower, one ranked in the middle (EPA, 13th), and one ranked in the top third (SBA, 7th).

Problems include vague or nonexistent descriptions of data verification and validation procedures, vague or nonexistent attestations to data quality in the letter from the agency head, an attestation of data quality that is contradicted by material presented elsewhere in the report, missing data, excuses rather than solutions for data quality problems, failure to cite data sources, disclaimers or qualified opinions from auditors, and data quality problems identified by the agency's inspector general. HHS, for example, reported fiscal 2005 results for only one-third of the limited measures covered in its report, and EPA did not report results for 33 of its 84 annual performance goals. HUD's report states that it "can assess outcomes of a number of programs only in limited ways because of statutory provisions, potential reporting burdens, and privacy concerns" (p. 60). Compliance with GPRA is identified as one of Homeland Security's material weaknesses, based on a lack of supporting documentation for performance measures (p. 93). NASA has received disclaimers on its financial statements for the past three years (p. 230). Social Security's inspector general found the data for five of the seven performance measures audited were unreliable (p. 178). SBA and Defense do not assess data shortcomings and describe steps to resolve them, as required by the Reports Consolidation Act.

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

The "bottom line" for citizens is whether an agency's actions are making a given situation better or worse. To provide this information, agencies must design a measurement system that facilitates analysis of trends over time. Data should be displayed in a way that allows readers to detect and understand their significance easily. Both quantity of data (years of data included) and presentation matter. Good performance measures that have limited data (due to newness or revision) may convey more information than inferior measures with more data points that are not clearly linked to an agency's results.

Multiple years of data help identify trends, but they do not by themselves show how close the agency is to achieving its goals, or explain why the agency will produce a significant level of public benefits if it hits its targets. Reports should explain rationales behind the selection and alteration of quantitative targets, so the reader can understand the magnitude of the agency's goals in relation to the size of the problem.

STRONGEST SCORE: Transportation, Veterans

Both reports received a 5. Transportation's report illustrates the value of clear and consistent measures over time. The report is rich in baseline and trend data that often go back to fiscal 1999, particularly for the key transportation safety measures. This makes it easy to identify performance trends. The report's narratives also do an excellent job of providing additional context for the measures and targets. The Veterans' report also is rich in baseline and trend data. Another excellent feature is that the tables on performance results in the Veterans' report incorporate the strategic goal for the relevant measures, thus further assisting the reader in assessing progress toward the long-term goal.

WEAKEST SCORE: Numerous

Seven agencies received scores of 2. In general, here are some recurring problems:

- (1) Measures tend to be in a state of flux from year to year. This lack of consistency in the measures obviously impedes identification of performance trends.
- (2) Some agencies report on whether or not prior year measures were met, but do not describe those measures in terms of targets and actual results. This provides no basis for assessing progress.
- (3) Agencies fail to provide adequate background information to put their annual performance targets in context. This limits the reader's ability to assess progress toward the ultimate goal.
- (4) Significant unexplained disparities between the targets and actual results for the current year (and sometimes prior years) raise questions about the credibility of the measures.

B PUBLIC BENEFITS

TABLE 5: PUBLIC BENEFITS SCORES

	CRITERION				CATEGORY
	5	6	7	8	TOTAL
LABOR	5	4	4	4	17
STATE	5	4	4	3	16
TRANSPORTATION	5	4	4	1	14
VETERANS	4	4	4	2	14
SBA	4	2	3	3	12
USAID	5	3	3	1	12
COMMERCE	2	2	3	4	11
TREASURY	3	3	3	2	11
AGRICULTURE	3	3	3	2	11
NRC	4	3	3	1	11
ENERGY	2	2	2	4	10
JUSTICE	3	3	3	1	10
EPA	3	2	3	2	10
HUD	4	2	3	1	10
INTERIOR	2	3	2	2	9
NSF	2	2	3	2	9
EDUCATION	3	3	2	1	9
GSA	3	2	3	1	9
OPM	2	2	2	3	9
DHS	3	2	2	1	8
HHS	3	2	2	1	8
NASA	2	2	2	1	7
DEFENSE	2	2	2	1	7
SSA	2	2	2	1	7

5. Are the goals and objectives stated as outcomes?

An “outcome goal” is defined as the intended benefit (or harm avoided) that results from an agency’s programs or activities. It should be articulated in clear and simple terms that describe benefits to the community rather than activities that are presumed to be of value. Vague verbiage that emphasizes things an agency does instead of why it is doing them should be avoided. This admonition applies at all goal levels—strategic goals, objectives, and annual performance goals.

Strategic goals should be few in number (three to five). Management goals (including financial, human resources, information technology, etc.) exist to support the achievement of genuine outcome goals. A majority of agencies now articulate at least one strategic goal focused on management improvement, but these should not be confused with actual outcome goals.

Methods, measures, and targets are different from goals, since they are expected to change. By comparison, goals (if selected and stated properly) are likely to remain valid over several years at least. Overly specific goal statements make trend analysis difficult, since goals (not just quantitative targets) might change each year.

This particular criterion is crucial for effective performance reporting, and it is also crucial for earning a high score. Agencies typically enunciate strategic goals, performance goals or objectives, and measures. A report’s success on this and the next two criteria depends in large part on whether it has articulated outcome-oriented goals and measures; it is very difficult to do well on these three criteria without having outcome-oriented goals and measures.

Criteria 5, 6, and 7 are quite closely related. It is difficult to achieve a high score on criterion 7, which assesses whether the report has demonstrated that the agency has an effect on outcomes, if the report has not articulated clear outcomes (criterion 5) and outcome-oriented performance measures (criterion 6). Similarly, it is difficult, though not impossible, to score high on criterion 6 without scoring high on criterion 5. A high score on 6 combined with a low score on 5 would indicate that the report managed to articulate good, outcome-oriented measures even though its goals were not stated as outcomes.

STRONGEST SCORES: Labor, State, Transportation, USAID

Labor’s report has four strategic goals, each of which is stated as an outcome (p. 13). Each strategic goal is accompanied by several strategic objectives, which the report refers to as “outcome goals” (pp. 41, 75, 97, 123). All of the outcome goals under the first three strategic goals also are clearly stated as outcomes. The outcome goals under the fourth strategic goal are somewhat less clear but could also be described as at least intermediate outcomes (p. 123). The report lists 25 annual performance goals (pp. 14-17). Most of these are likewise stated as outcomes or at least intermediate outcomes.

Transportation’s report has five programmatic strategic goals and one management-related strategic goal. Each is accompanied by strategic objectives. (See pp. 71, 89, 99, 105, 109, and 117.) (The department refers to its strategic goals as “strategic objectives” and its strategic objectives as “strategic outcomes.”) The programmatic strategic goals and their accompanying objectives are highly outcome-oriented. The security goal (“Balance homeland and national security transportation requirements with the mobility needs of the Nation

for personal travel and commerce”) could be made more outcome-oriented, but the objectives under this goal are stated as intermediate outcomes.

State’s report has 11 programmatic strategic goals and one management-type strategic goal. All of the 11 programmatic goals as well as almost all of the 32 programmatic annual strategic goals are stated as outcomes. Moreover, the goals are expressed in clear, non-technical terms so that their nature and importance can be easily grasped by the lay reader. (The strategic and annual performance goals are listed by name on page 21; they are spelled out in more detail in the performance section.)

USAID shares a joint strategic plan with State and thus uses many of the same strategic goals. (State has some additional strategic goals that USAID does not use.) Most of USAID’s annual performance goals are also the same as State’s (pp. 38-40). These strategic and annual performance goals are highly outcome-oriented.

WEAKEST SCORES: Numerous

Eight departments received a 2 on this criterion: Commerce, Energy, Interior, NSF, OPM, NASA, Defense, and Social Security.

The principal problem in the low-scoring reports under this criterion is that they simply fail to express many of their goals and objectives as outcomes. NASA, for example, pursued 14 strategic goals during fiscal 2005, but virtually all of them are activities; similarly, 78 “multi-year outcomes” are mostly activities. OPM’s measures focus on providing services to other federal agencies rather than assessing whether the services actually achieved the outcomes the client agencies sought. (In contrast, the report from the other agency that primarily provides services to the rest of the federal government—GSA—scored a 3 because the strategic goals at least suggest ultimate outcomes sought by the client agencies.) Commerce’s score of 2 is somewhat unusual, given that its report ranked fifth overall. The strategic goals and objectives allude to some outcomes, but only 10 of 28 performance goals are clearly outcomes.

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

Performance measures selected by an agency should relate directly to its outcome goals. Activity measures, such as number of participants, studies completed, facilities built, projects funded, etc. may contribute to achievement of a result, but do not constitute results of interest to the public at large. Including these measures in the report may actually detract from the report’s effectiveness in demonstrating the agency’s impact. Data measuring levels of output can support a claim for success, but only if the agency makes a compelling case for a causal link between the output and results achievement.

STRONGEST SCORES: Labor, State, Transportation, Veterans

Each of these reports received a 4; no report received a 5. All four reports present many solid examples of outcome-oriented measures, and any of these reports could have earned a 5 if it had carried the same practice through for all measures.

Of the 29 performance measures under Transportation’s programmatic strategic goals, 26 are outcome-

oriented. All eight measures under the safety strategic goal are solid end outcomes. The measures under the remaining programmatic strategic goals consist primarily of intermediate outcomes, although the measures under the Global Connectivity goal could use further refinement. All of the measures relate directly to their goals and demonstrate impact due to their highly outcome-oriented nature.

State's performance measures consistently relate directly to their goals and to a large extent are outcome-oriented. However, they are not as consistently outcome-oriented as the goals and include a significant proportion of activity or process measures (e.g., pp. 98, 121). Many of the targets describe actions or conditions to meet current needs and require the exercise of judgment in determining the extent to which the target was met.

The Veterans' report characterizes the nature of its key measures and describes only nine of the 24 as "outcome" measures (pp. 6-7). However, a number of what the report describes as "efficiency" measures could be regarded as at least intermediate outcomes, such as timeliness and accuracy of determinations. In any event, most of the key measures relate directly to the outcome and other goals and serve to demonstrate the department's impact. The other measures are a mix of outcomes and activities.

For the most part, Labor's performance measures and targets track outcomes that relate directly to the outcome goals. Some process and intermediate outcome measures can be directly related to improved end outcomes in the future (e.g., pp. 72, 79). However, there is still room to develop more outcome measures.

WEAKEST SCORES: More than Half

Thirteen reports earned a 2 on this criterion, usually because most measures focus on activities or processes.

The vast majority of the 246 measures in Energy's report, for example, address activities and outputs. Fewer than 20 of Homeland Security's 113 measures clearly capture outcomes or intermediate outcomes; most of the outcome-oriented measures relate to the Coast Guard or Secret Service. For two of HUD's strategic goals, less than one-third of measures are outcomes, and three other strategic goals have no outcome measures. Fewer than one-third of HHS's measures are ultimate or intermediate outcomes. For example, targets for a measure "to improve health care quality across Medicaid and SCHIP" (the State Children's Health Insurance Program) are to refine strategies and work plans and continue collecting performance measurement data (p. I.23).

Some reports indicate that people at the agency are aware of the problem. EPA's report pledges that for fiscal 2006, about 65 percent of its annual performance measures will track environmental or intermediate outcomes (pp. 16-20). Defense states about half its measures as outcomes but notes that many measures are still under development. Homeland Security notes that it is moving from output to outcome measures (pp. 142-44).

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

The report should show whether things improved because of what an agency did, and if so, how much of the improvement can be attributed to its actions. Claims of impact should be supported by program evaluations or other empirical evidence of a cause/effect relationship. A less desirable alternative would be to logically connect outcome measures, output measures, and anecdotal evidence. A case that rests on merely assumed

cause/effect relationships is unsatisfactory. The report should explain how agency outputs create or enhance outcomes for the public and describe the nature and extent of influence so that outcomes can be attributed (at least in part) to specific agency actions.

Discussion of the operating environment and the extent of the agency's influence are helpful in keeping expectations ambitious, yet realistic. External factors, however, should be treated as influences that must be controlled in order to identify the agency's contribution — not excuses for a failure to demonstrate performance.

STRONGEST SCORES: Labor, State, Transportation, Veterans

Clearly the top four reports all start with outcome-oriented strategic goals and then work downward to design measures and report on performance. This approach yields much clearer reporting than a "bottom up" approach which assumes everything the agency is doing fits somewhere, and then tries to craft strategic goals broad enough to make everything fit. The latter approach is mere marketing, not performance reporting.

State's goals are highly results-oriented. The measures are somewhat less outcome-oriented overall, but they include many outcomes that are consistently related to the goals. The narratives accompanying the individual measures, particularly the description of "impact" for each measure, do a good job of demonstrating the significance of the measure and re-enforcing its connection to the goal.

Transportation's performance metrics are almost exclusively results-oriented, probably more so than any other department or agency. Thus, they serve the department well in demonstrating that its actions have made significant contributions. The narratives in the performance section do a good job of re-enforcing the connection between the department's actions and its intended goals.

The highly outcome-oriented nature of Labor's goals and measures, combined with the excellent narrative portions of the report, combine to produce a very effective demonstration of the department's impact. Of course, as the report acknowledges, the department's impact on the results it seeks to achieve is affected by many external factors such as economic conditions. Interestingly, Labor's report notes that of the 21 department programs that have been assessed under PART, only one was rated "Results Not Demonstrated" — the indicator that a program lacked sufficient performance measures and data to reach a conclusion (pp. 37-38).

Performance metrics in the Veterans' report do a good job of documenting substantive, results-oriented contributions. They yield many specific accomplishments that are described in the secretary's transmittal letter and highlighted elsewhere in the report.

WEAKEST SCORES: Numerous

Nine reports received a score of 2 on this criterion.

Social Security's report illustrates some common problems as well as opportunities for improvement. The agency's performance metrics generally lack a sufficient focus on outcomes to earn a good score on this criterion. Social Security's main outcomes deal with effective customer service and stewardship of Social Security programs. It has some measures that relate directly to these outcomes, such as timeliness and

accuracy of eligibility determinations and payments. However, such measures are limited in number and quality. Some outcome or intermediate outcome measures could be improved to provide a more meaningful indication of contributions. For example, measures focusing on employment of people with disabilities (p. 62) could be expressed as percentages rather than raw numbers. Even some of the activity measures could be improved if they were calculated on a basis other than raw numbers.

In some cases, agency performance discussions appeared to contain contradictions. For example, OPM declares that the goal for a customer service measure—“positive stakeholder feedback”—was met, but the reported result seems more ambiguous: “Stakeholders applaud the new flexibilities, but some complain that the process is outdated” (p. 67).

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

In some ways this is the most crucial criterion of all for effective government accountability. When results are linked to costs, decisionmakers know how much they have to pay per successful result. Armed with this information, they can assess the opportunities forgone when resources are allocated to less effective programs, and they can estimate how much more could be accomplished if resources were reallocated to the most effective programs.

This is the criterion on which scores are lowest – a raw average of 1.88, and a weighted average of just 1.26. This is also the category where we have seen the least progress from year to year.

This year’s scoring roughly corresponded to the following standards: 1 if the report had no relevant content or linked budget resources only to strategic goals; 2 if the linkage was carried down only to the strategic objectives; 4 if the linkage was carried down to the individual performance goals; and 3 in cases where there was some useful content beyond the strategic objective level but short of the performance goal level. To earn a 5, the report would need to link budget costs to individual performance measures. No report did this.

STRONGEST SCORES: Commerce, Energy, Labor

Each of these reports earned a 4.

The body of the Commerce report links costs (and personnel levels) to strategic goals and strategic objectives. Appendix A takes the linkage down to the performance goal level (p. 265). The only missing element is a link between costs and individual performance measures. Energy’s report links budget resources to the seven strategic goals and then extends the linkages to the strategic objectives (“general goals”) and, most importantly, to each annual performance goal (pp. 13, 19, 27, 35). Similarly, Labor’s report links its budget costs to its strategic goals, its outcome goals, and its annual performance goals. All that remains is to link costs to individual performance measures.

WEAKEST SCORES: Half of Them

Fully half of the reports received the lowest possible score of 1 on this criterion. Another six reports received a 2. The scores in this category were low last year and are even lower this year since we were a little more demanding. Several of our advisors have suggested that we are still too generous in this category. Federal agencies are far from being able to tie their costs to their performance results in a meaningful way.



FORWARD-LOOKING LEADERSHIP

TABLE 6: LEADERSHIP SCORES

	CRITERION				CATEGORY
	9	10	11	12	TOTAL
LABOR	4	4	5	4	17
STATE	4	3	4	4	15
COMMERCE	4	4	3	4	15
TRANSPORTATION	4	3	3	4	14
VETERANS	4	4	2	4	14
TREASURY	4	3	3	4	14
SBA	4	3	4	3	14
ENERGY	4	3	3	4	14
SSA	3	3	4	3	13
AGRICULTURE	3	3	3	3	12
JUSTICE	3	3	3	3	12
NRC	4	2	3	3	12
NASA	3	4	2	3	12
USAID	3	2	3	3	11
EPA	3	3	2	3	11
INTERIOR	4	2	2	3	11
NSF	3	2	3	3	11
GSA	3	3	2	3	11
OPM	3	2	3	3	11
HUD	3	3	2	2	10
EDUCATION	3	2	2	3	10
DHS	3	2	2	3	10
DEFENSE	3	2	2	2	9
HHS	3	1	3	2	9

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

Does an agency realize and articulate the value it provides to the country? The report should speak directly to the public about how the agency produces benefits that are important to citizens. Politics have no place in this report. The public's interests are paramount, not individual or partisan credit or blame. Just as the best corporate reports feature communication directly from the chief executive, agency reports should demonstrate accountability of agency heads for their organization's performance. Lofty ideals must be supported by an outcome orientation, sound strategies, and successful achievement discussions. The report should create confidence in an agency's ability to improve America's future. Anecdotes and success stories can be important communication strategies in this regard, but their value is limited if not backed up by solid performance data.

The research team's evaluation tends to focus here on the introductory portions of the report, such as the transmittal letter, and the performance aspects of the "Management's Discussion and Analysis" (MDA), such as a narrative description of "performance highlights" (if there is one).

STRONGEST AND WEAKEST SCORES: Numerous

Every report received either a 3 or a 4 on this criterion. Defense, the only report receiving a 2 in fiscal 2004, moved up to a 3 in fiscal 2005.

Several examples of good transmittal letters stand out: Labor, State, VA, Treasury, and Transportation. In these transmittal letters, the agency heads took the opportunity to highlight how their agencies serve the public and usually included specific examples of fiscal 2005 accomplishments. By contrast, the transmittal letters for other reports are perfunctory and mainly limited to the boilerplate legalisms and required assurances. Examples include EPA, Education, and GSA. The GSA letter even lapses into jargon that is lost on the lay reader. The worst example is Defense. The transmittal letter is not only perfunctory but it is signed by the acting deputy secretary. The secretary of defense remains the only agency head who does not bother to personally sign the performance report. This sends an unfortunate signal.

The reports are generally quite weak in describing the extent of progress toward the fundamental public benefits the agencies exist to achieve. While agencies report on specific accomplishments and success or failure in relation to their specific measures, they rarely address the broader question of whether overall conditions are improving—e.g., are poverty levels and homelessness declining, are Americans healthier, are we safer and more secure from domestic crime and terrorist and other international threats? A few reports provide this broader focus, at least in part, such as Transportation's report on transportation safety trends. However, most do not. A reader could much better assess how well agencies are achieving public benefits if the reports were not just internally focused but provided more information on relevant national trends in their key mission areas.

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

If an agency cannot identify reasons for failure, its ability to claim credit for success is suspect. Successes and failures that really matter occur at the strategic goal and objective level. The report should aggregate performance goal results and assess their impact on high-level goals. These summaries should take into consideration the fiscal year's priorities and relative significance of different goals, measures, and actual

results. Transparency and accountability are ill-served by merely listing detailed measures and data from which the reader is expected to draw conclusions.

It should be clear why specific targets were chosen. What are the upper and lower limits of acceptable and achievable performance, and why? The effects of unexpected events or barriers – both internal and external – should be explained, and solutions revealed or suggested. Special care should be taken with resource explanations to indicate precisely how more or different resources would fix the problem and why reallocations were not made internally.

STRONGEST SCORES: NASA, Commerce, Veterans, Labor

On this criterion, NASA’s report is the strongest. It contains detailed tables that systematically assess each missed target and describe remedial actions (pp. 132-42). If a goal is deemed impractical or infeasible, the table explains why that is and what if any action will be taken.

The Commerce report contains a summary table that clearly discloses the department’s performance results using “traffic light” symbols (pp. 10-13). The body of the report also displays the results in a clear manner using the traffic lights. Appendix A displays the results for each performance measure, again using traffic lights. The appendix also includes for each missed measure a brief statement explaining why performance was not met and describing strategies for improvement.

Veterans’ report discloses performance results, including shortfalls, very clearly. Narratives in the detailed performance section provide some elaboration where targets were missed. The report has a table that goes into greater detail on significant deviations between actual and targeted performance, including causes and resolution strategies (p. 60).

Labor’s report clearly discloses the department’s overall performance results, including missed goals (in tables on pp. 13-16). Additional tables and narratives in the performance section of the report further disclose performance results in a clear and candid manner. The narratives consistently provide explanations for performance shortfalls.

WEAKEST SCORE: Numerous

Eight agencies scored a 2 and HHS scored a 1. HHS fails to report on most of the department’s performance measures and does a poor job of explaining those few performance shortfalls that it does disclose.

11. Does the report adequately address major management challenges?

The report should describe how risks to an agency’s success are being minimized so as to maximize results for citizens. The impact of management issues is clearest in a context of specific goal achievement. It should be clear which challenges are “mission-critical,” and why. Major management challenge discussions should include full disclosure of the background, comments of the agency’s inspector general and Government Accountability Office, agency responses indicating an appreciation of threats to its mission and goals, and an anticipation of future risks.

This year, we continued to scrutinize the reports for specific evidence that major management challenges were being addressed rather than mere expressions of good intentions. As a whole, the scores are low. There was one 5 and there were three 4s.

As in past years, the research team focused on the inspector general (IG) presentations of major management challenges that each report must contain; the agency's response, if any, to the IG presentation; and any discussion of management issues raised by GAO. Once again this year, there was considerable variation in the quality of the IG presentations.

For the first time this year, the research team also considered the agency's scores on the President's Management Agenda, which are included in each report. The "status" rather than the "progress" scores are what count. Our evaluation focused on the areas of human capital, financial management, e-government, and budget-performance integration.

STRONGEST SCORE: Labor

Labor received a 5 on this criterion – the first time any agency has received a 5 on this criterion since fiscal 2000. The Labor report responds to management challenges identified by the IG and GAO and lists actions it took to address them in fiscal 2005 as well as remaining actions needed and expected completion dates. For the most part, this information is quite substantive and specific. Labor also is the only agency to receive "green" status scores for all government-wide areas on of the President's Management Agenda.

State, SBA, and SSA were the only agencies to score a 4 in this category. The SBA report again constitutes the "gold standard" for an IG presentation. The SBA IG breaks down each major management challenge into the steps needed to resolve it and then uses a color coded system to rate the agency's progress under each of these steps. The assessments are presented in concise tables that are exceptionally informative. The presentations by the Agriculture and EPA IGs are also quite good.

The Energy report also does a very good job of describing major management problems and what the department is doing to resolve them. Its score suffered in this category because the department received a disclaimer of opinion on its fiscal 2005 financial statements. This appears to be a temporary problem.

WEAKEST SCORES: Numerous

Nine agencies earned a 2. Defense is probably the weakest of all. It has the most pervasive and persistent management problems of any agency. Unfortunately, the report conveys no sense of urgency to resolve the problems. Projected completion dates for some of the problems are 10 years into the future.

Some reports may have been hurt by poor-quality presentations of management challenges by their IGs. Some IGs simply provided laundry-list narratives of management challenges with limited analysis of the challenges and little if any assessment of the agency's progress in addressing them. Interior and GSA are two examples of this.

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

The intent of the Government Performance and Results Act is not just reporting for its own sake. The law's intent is to hold agencies accountable for results rather than for activities. The idea is to gather information on results and then to use that information in a strategic manner – that is, as a guide to future decisions. The most important improvement will therefore occur at the highest level, rather than in individual program goals or with the adjustment of measures. Is it evident that knowledge gained from the reporting process is actually being used by the agency to revise its priorities and guide its activities? What is the potential for an agency to make a positive difference in the future? How will it realize that potential?

STRONGEST SCORES: Numerous

Seven agencies scored a 4, including the six top overall scorers. Of these, Energy, Labor, State and Treasury probably are the best.

The Energy report generally does a good job of describing improvement plans both for missed program measures and in terms of resolving major management problems. Another useful feature of the report is a section that follows up on the status of remedial efforts for measures that were missed in fiscal 2004 (p. 171).

Labor's report thoroughly demonstrates that the department takes performance accountability and reporting very seriously and that it is thoroughly engaged in improving its performance results. The report contains thoughtful assessments of results under each performance goal and consistently describes how it plans to do better in the future. Even where targets were met, the report discusses potential future concerns and how they will be addressed (e.g., p. 56). The report demonstrates the same focus on, and commitment to, improvement on the management side.

The secretary of state's transmittal letter is particularly noteworthy in describing her strategic vision for the department. The report follows through by describing changes to improve on specific performance shortfalls as well as management challenges.

Treasury's performance tables consistently describe steps to improve on performance shortfalls. More generally, the report has a good section on broad future challenges facing the department and strategies to address them (p. 26). A section entitled "Moving Forward" accompanies each strategic objective (e.g., p. 36). Appendix F provides good analyses of the department's results under the Program Assessment Rating Tool (PART) and what it is doing to improve them.

WEAKEST SCORES: HUD, HHS, Defense

All three reports received a 2. There is relatively little in these reports describing future changes to improve on specific performance shortfalls.

AGENCY-BY-AGENCY SCORING SUMMARIES

IN FISCAL 2005 RANK ORDER

This section summarizes the scores received by each agency in the three major scoring categories: Transparency, Public Benefits, and Leadership. Each agency summary appears on a separate page in rank order from highest to lowest. The graphic at the top of each page displays the scores each agency received in the three categories this year, fiscal 2005. The graph at the bottom shows the rankings each agency has earned on the Scorecard for fiscal 1999 thru fiscal 2005.

For example, the Department of Labor's report this year earned scores of 17, 17, and 17 on the Transparency, Public Benefits, and Leadership criteria respectively. The total of these scores, 51, gave this report the top ranking for fiscal 2005.

Significant strengths and weaknesses of each agency's report are then summarized in bullet form. These summaries correspond to the 12 evaluative factors and are organized according to the three evaluative categories: Transparency, Public Benefits, and Leadership.

These 1-page descriptions summarize extensive notes compiled by the research team that explain the reasons for each report's score on each criterion. The full sets of notes for each report are available on the Mercatus Center's web site at <http://www.governmentaccountability.org/scorecard/agencies>.

DEPARTMENT OF LABOR (LABOR)

FISCAL 2005 SCORES													FISCAL 2005 RANK: 1			
4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Poor			Fair			Acceptable			Good			Excellent				

Total Score: 51 (out of a possible 60)

T TRANSPARENCY

- Direct link on home page, downloadable as single or multiple files, contact info furnished.
- Clearly written for the lay reader; presents performance in a way that is readily understandable and highly informative.
- Narratives under each performance goal present baseline and trend data for at least the prior year and often for additional years.

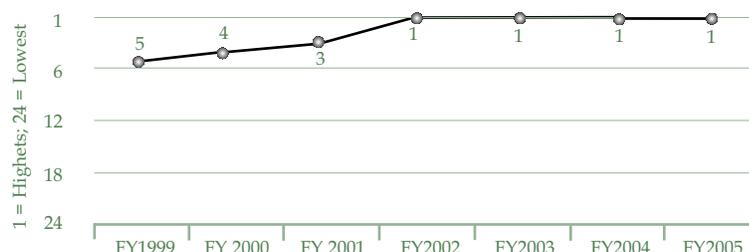
B PUBLIC BENEFITS

- All four strategic goals and most strategic objectives are outcomes.
- Most measures track outcomes related to goals.
- Highly outcome-oriented nature of the goals and measures, combined with the excellent narrative portions of the report, produce a very effective demonstration of the department's impact.
- Budget costs linked to strategic goals, outcome goals, and annual performance goals.

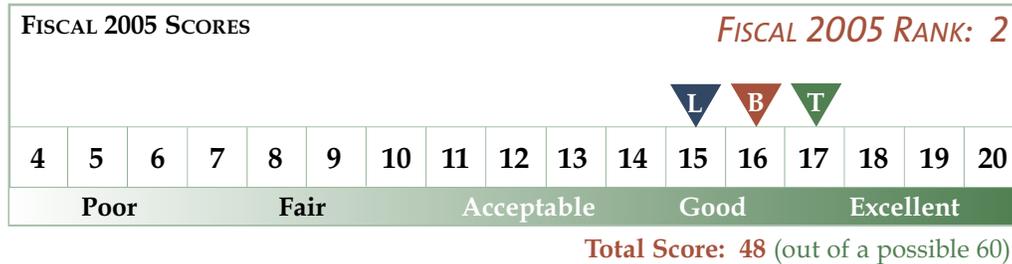
L LEADERSHIP

- Report backs up effective narratives with strong, outcome-oriented performance metrics.
- Report clearly discloses results, including performance shortfalls, and provides explanations.
- Inspector general's discussion of management challenges is substantive and specific.

RANKING HISTORY



DEPARTMENT OF STATE (STATE)



T TRANSPARENCY

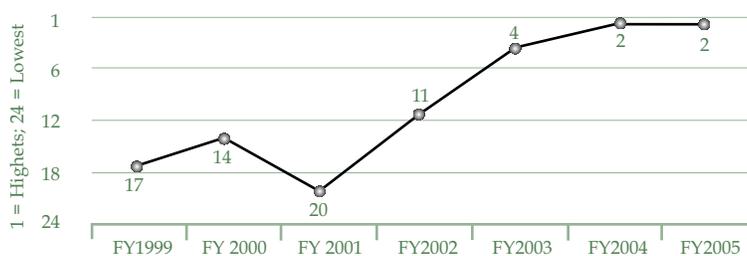
- Downloadable as a single file or multiple files.
- The report is visually appealing – excellent use of tables, graphs, and photographs.
- Several portions highlight accomplishments in a compelling way that emphasizes public benefits.
- Report lacks detail on data verification and validation.
- Baseline and trend data provided for measures expressed numerically, but many are not.

B PUBLIC BENEFITS

- Almost all 12 strategic goals are expressed as outcomes.
- Performance measures consistently relate directly to their goals and are largely outcome-oriented.
- Narratives accompanying the individual measures, particularly the description of “impact” for each measure, demonstrate significance of the measure and its connection to the goal.
- Report links budget resources to the strategic goals and performance goals, but some information seems inconsistent with data from the financial statements.

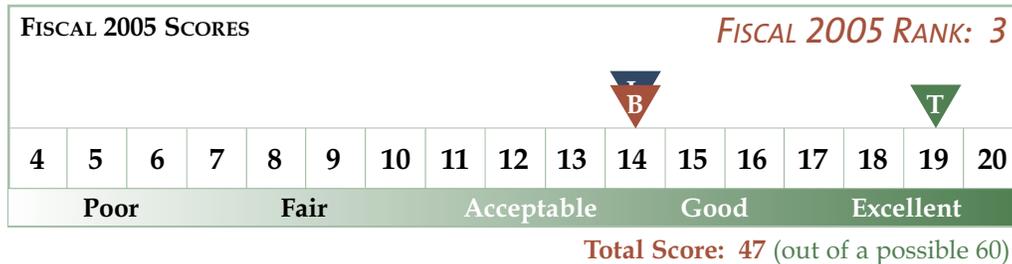
L LEADERSHIP

- Narrative for each strategic goal begins with a description of its public benefits.
- Narratives consistently provide brief explanations of performance shortfalls and plans to improve.
- Descriptions of management challenges include major recommendations, actions the department is taking to address them, when the actions will be taken, and the expected results.



RANKING HISTORY

DEPARTMENT OF TRANSPORTATION (TRANSPORTATION)



T TRANSPARENCY

- Home page has a direct link to the report, which is downloadable as a single file or multiple files.
- Report consistently provides information through clear and concise tables and narratives.
- Report provides extensive detail on the completeness and reliability of data for each measure, although it offers less detail on how data inadequacies will be addressed.
- Extensive prior year data in the summary tables depict long-term performance trends and put the current performance results in perspective.

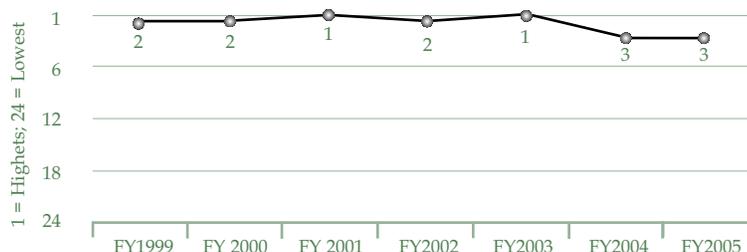
B PUBLIC BENEFITS

- Programmatic strategic goals and their accompanying objectives are highly outcome-oriented.
- Twenty-six of 29 programmatic performance measures are outcome-oriented.
- Performance metrics help demonstrate that Transportation's actions have made significant contributions.
- Report links budget resources only to strategic goals.

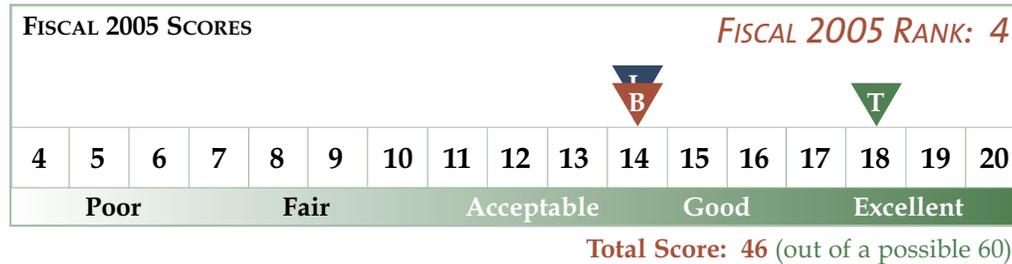
L LEADERSHIP

- Department's goals capture matters of obvious public importance.
- Explanations of shortfalls are provided in most but not all cases.
- Inspector general does not systematically assess the department's actions to address each major management challenge.
- Report consistently describes strategies to improve on performance shortfalls and even describes actions to improve where the department met performance measures.

RANKING HISTORY



DEPARTMENT OF VETERANS AFFAIRS (VA)



T TRANSPARENCY

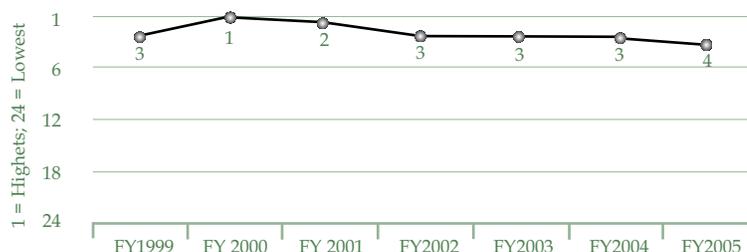
- Home page has a direct link to the report, which is downloadable as a single file or multiple files.
- Straightforward narratives combine with excellent tables and graphs to convey the department's performance results effectively.
- Inspector general lists data validity as a major management issue.
- Rich in baseline and trend data, including an indication of whether performance under each key measure changed versus fiscal 2004.

B PUBLIC BENEFITS

- Two of the four strategic goals are outcomes; a third is accompanied by outcome-oriented strategic objectives.
- Most "key" measures are outcome-oriented.
- Performance metrics document results-oriented contributions and yield many specific accomplishments.
- Costs linked only to the strategic goals and objectives.

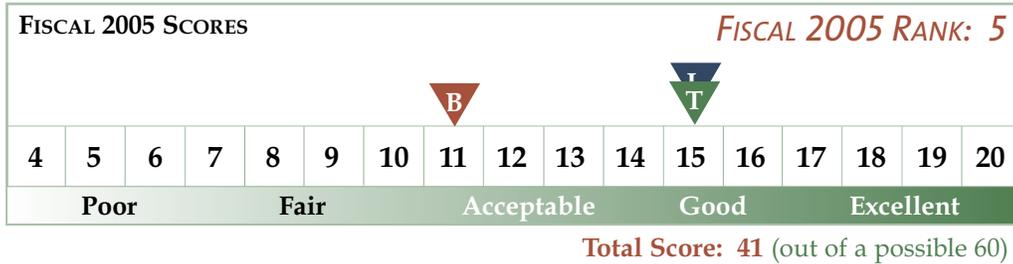
L LEADERSHIP

- Transmittal letter, clear main body of the report, and solid performance metrics all demonstrate public benefits.
- Report explains significant deviations between actual and targeted performance, including causes and resolution strategies.
- Unclear how much progress the department is making on major management challenges.
- Detailed performance section includes a specific section on new policies and procedures under each strategic objective.



RANKING HISTORY

DEPARTMENT OF COMMERCE (COMMERCE)



T TRANSPARENCY

- Report is downloadable in a single PDF file or in multiple files via the homepage, along with a helpful guide to what the various sections of the report contain.
- Written clearly; makes good use of tables and graphics.
- Report reveals serious data problems, but it is candid about them and shows steps to resolve them.
- Appendix A presents baseline and trend data for the performance measures, usually since 2002. Absence of targets for prior years makes it harder to track progress.

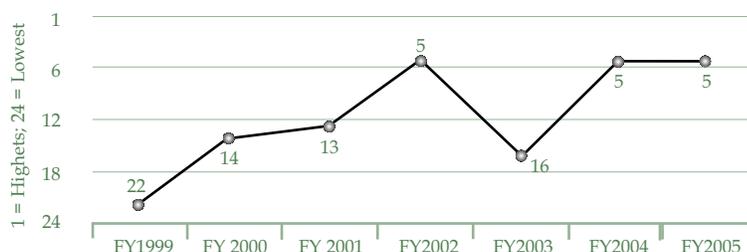
B PUBLIC BENEFITS

- Ten performance goals are clearly expressed as outcomes and another six might be regarded as intermediate outcomes; the remaining 12 are not outcome-oriented.
- Measures lack a strong outcome orientation.
- Good narratives help compensate for the weak performance metrics.
- Costs (and personnel levels) are linked to strategic goals, strategic objectives, and performance goals. Still missing is a link between costs and individual performance measures.

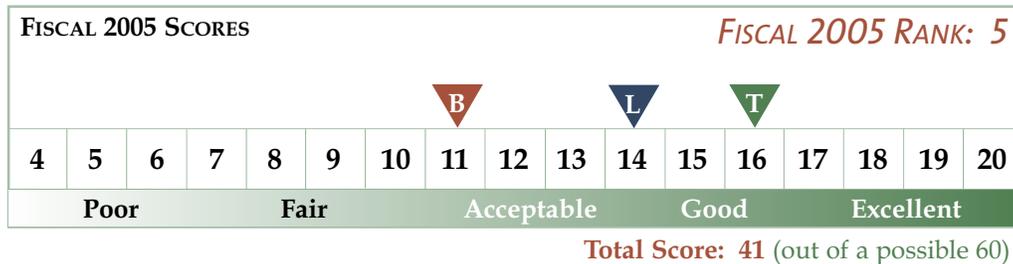
L LEADERSHIP

- Narratives do a good job of describing public benefits, but would be more compelling if backed up by stronger outcome-oriented performance metrics.
- Appendix A displays results for each performance measure and includes for each missed measure an explanation and strategies for improvement.
- The inspector general's presentation on management challenges is not detailed.
- The report lists strategies to improve on missed performance measures and specific steps to resolve major management challenges.

RANKING HISTORY



DEPARTMENT OF THE TREASURY (TREASURY)



T TRANSPARENCY

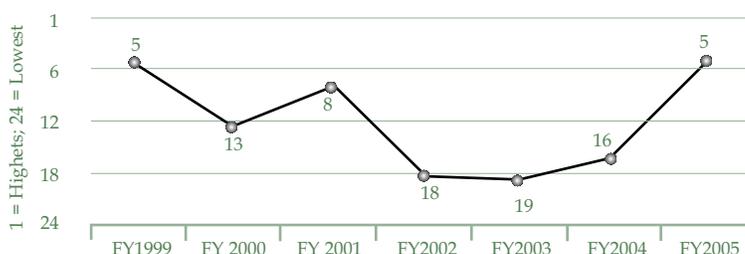
- Report found via direct link from home page and is downloadable in a single file or multiple files.
- Halving of number of performance measures, the introduction of a “performance scorecard,” and use of tables and graphics improve readability dramatically.
- Results presented for all 30 “key” measures, but results lacking for 11 percent of all measures.
- Detailed tables provide baseline and trend data going back to fiscal 2002.

B PUBLIC BENEFITS

- Four programmatic strategic goals and a management-related strategic goal accompanied by several strategic objectives that are mostly stated as outcomes.
- Report describes 20 of the 30 key measures as “outcomes,” but only about half are truly intermediate or end outcomes.
- Performance metrics indicate the department’s impact on its outcomes, but since only four of the 30 key measures deal with IRS, the report gives short shrift to Treasury’s largest component.
- Costs are linked only to strategic goals and objectives.

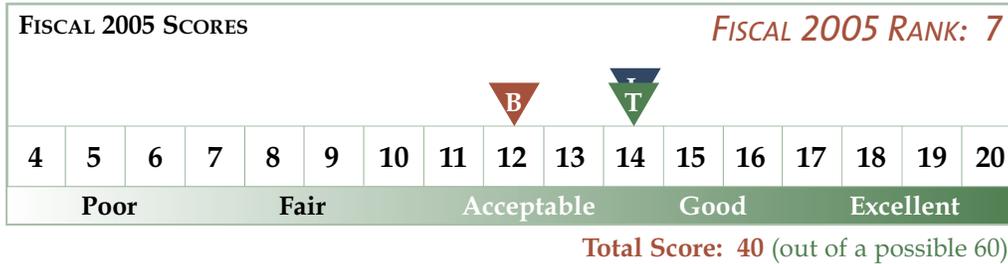
L LEADERSHIP

- The narrative portions of the report, particularly the secretary’s transmittal letter and the introductory sections, do a good job of describing importance to the public.
- Tables on performance results consistently provide explanations for missed measures.
- Department recognizes management challenges and is working hard to address them; however, much remains to be done, particularly at IRS.
- Appendix F provides good analyses of the department’s PART results and what it is doing to improve them.



RANKING HISTORY

SMALL BUSINESS ADMINISTRATION (SBA)



T TRANSPARENCY

- Home page has a direct link to the report, which is downloadable only in separate files.
- Report has good narratives and makes excellent use of graphics and tables.
- Long report for a relatively small agency.
- Detailed narratives occasionally hint at data reliability problems.
- Usually includes baseline and trend data going back to fiscal 2002, but there is little information to provide context.

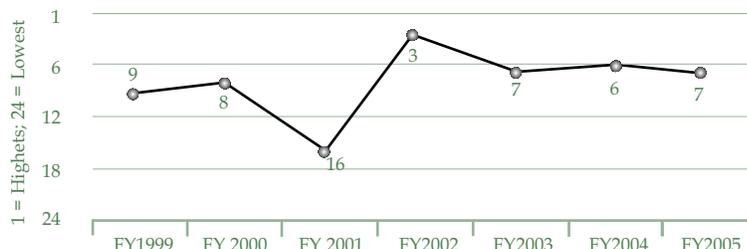
B PUBLIC BENEFITS

- The three programmatic strategic goals are stated as outcomes, as are most of the strategic objectives under them.
- Overwhelming majority of the performance measures deal with outputs and activities.
- Narratives accompanying descriptions of performance results provide considerable information on actual contributions.
- Costs linked only to strategic goals and objectives, and these linkages do not include the agency's total budget.

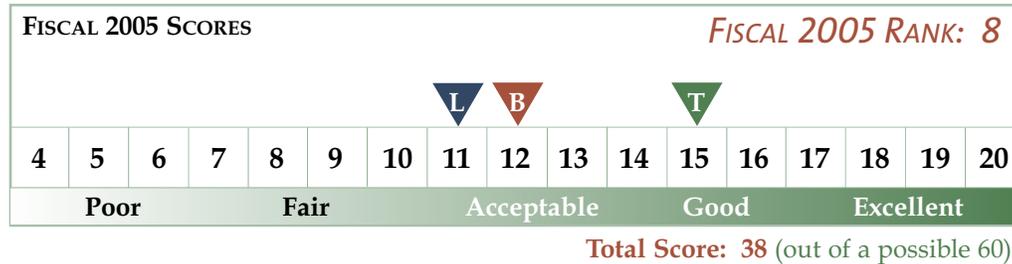
L LEADERSHIP

- Highlights sections and narratives accompanying detailed descriptions of performance results list many specific accomplishments.
- Report provides explanations for performance shortfalls, although the explanations vary in quality.
- Assessments of major management challenges are presented in exceptionally informative, concise tables.
- Report discusses steps the agency is taking to improve program measurement and performance and to resolve management challenges.

RANKING HISTORY



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)



T TRANSPARENCY

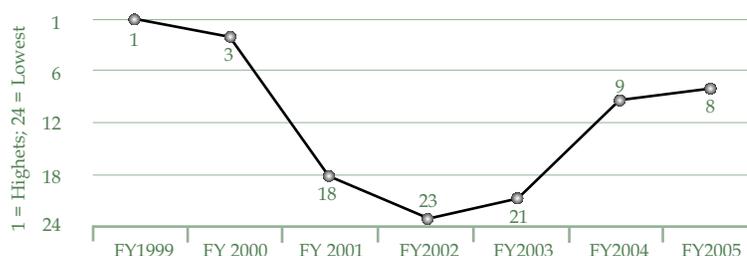
- Home page has a direct link to the report, which is downloadable only in separate sections.
- Report makes effective use of tables, graphics and photos.
- Fiscal 2005 results reported for all but five of 71 measures – a notable improvement from last year.
- Baseline and trend data for measures generally go back to fiscal 2002.

B PUBLIC BENEFITS

- Strategic and annual performance goals, which are mostly the same as the State Department's, are highly outcome-oriented.
- Performance measures are much less outcome-oriented.
- Goals and results are linked to costs only at the strategic goal level.

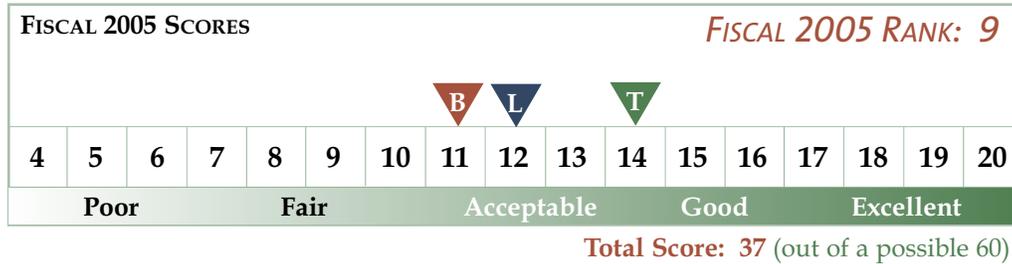
L LEADERSHIP

- Report includes a section on public benefits for each strategic goal and provides many examples of specific accomplishments.
- No explanation for performance shortfalls.
- Limited information provided on major management challenges.
- Sections describing future challenges are largely conceptual.



RANKING HISTORY

DEPARTMENT OF AGRICULTURE (AGRICULTURE)



▼ TRANSPARENCY

- The department’s home page does not have a direct link to the report.
- Report is well organized and easy for the lay person to understand. It uses a very manageable number of performance measures—39.
- Detailed assessment of the data supporting each performance measure that covers data completeness, reliability, and quality.
- The narratives and data assessments accompanying each performance measure explain the rationales for the targets very well.

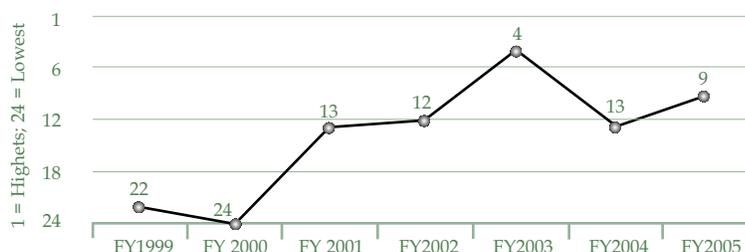
▼ PUBLIC BENEFITS

- Five very general strategic goals. Eight of 13 strategic objectives and half of the annual performance goals are outcomes.
- The measures/targets are about half outcomes and half output, activity, or efficiency measures.
- Narratives generally explain how the measures reflect the department’s contributions to its intended outcomes, but performance metrics could be more outcome-oriented.
- Resources linked to strategic goals and objectives, but not to performance goals.

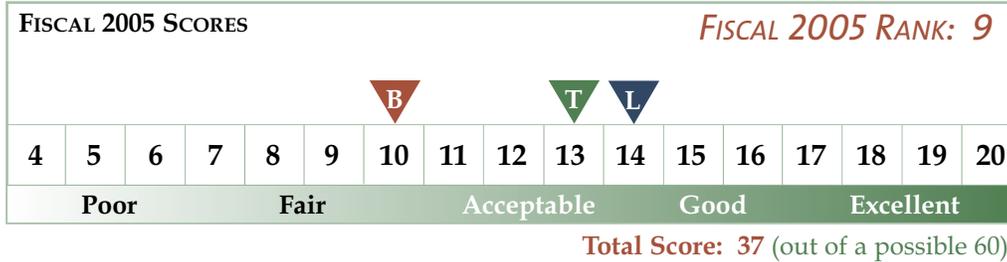
▼ LEADERSHIP

- The report would be stronger if it contained more information on the extent of progress to meet ultimate objectives.
- Report clearly discloses the department’s performance results, including shortfalls.
- Discussion of major management challenges is much improved over last year’s version due to the very informative inspector general’s presentation and detailed departmental responses.
- Emphasis is on the individual components and not a cohesive overall departmental strategy to address future challenges.

RANKING HISTORY



DEPARTMENT OF ENERGY (ENERGY)



T TRANSPARENCY

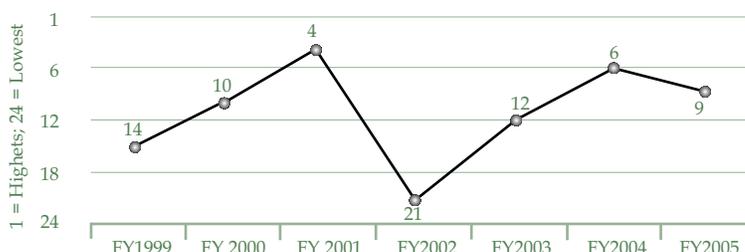
- Link from home page, available as single or multiple files, includes contact info.
- Good performance overview and detailed performance section, but acronyms and shorthand create readability challenges.
- Apart from financial data, nothing in the report points to problems with the performance data.
- Narratives tell whether goals were met in previous years, but present no real baseline or trends.

B PUBLIC BENEFITS

- Most goals are activities or outputs.
- Most of the 246 measures are activities or outputs.
- Budget linked to strategic goals, strategic objectives, and annual performance goals.

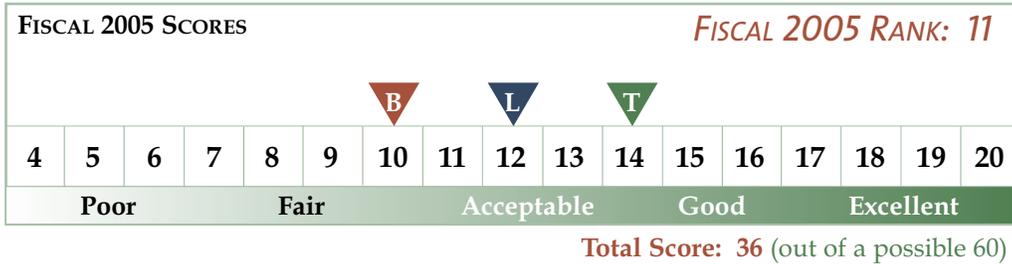
L LEADERSHIP

- Narratives are far more valuable than the performance metrics in telling how the department serves the public.
- Report clearly discloses performance shortfalls and describes plans to address them.
- Provides a description of each management issue, a statement of corrective actions taken and remaining, and expected completion dates for some actions.



RANKING HISTORY

DEPARTMENT OF JUSTICE (JUSTICE)



T TRANSPARENCY

- Home page has a direct link to the report, which is downloadable in sections but not as a single file.
- Narratives are straightforward and easy to understand; tables and graphs are sparse but well done.
- Results missing for 19 percent of measures due to unavailable data.
- Performance section usually provides several years of baseline and trend data.

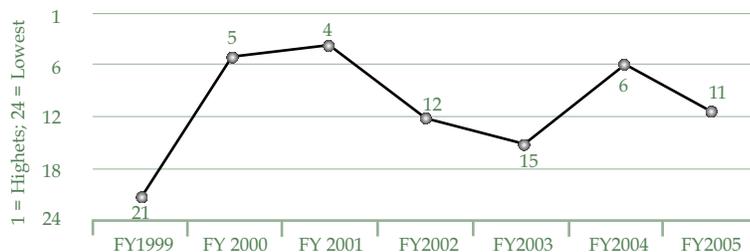
B PUBLIC BENEFITS

- Three of four strategic goals are stated as outcomes; 18 of 31 long-term “outcome” goals are actually outcomes.
- Key performance measures generally track and relate directly to the goals, but some of the goals rely exclusively on “pass-fail” measures.
- Report links budget resources only to its four strategic goals.

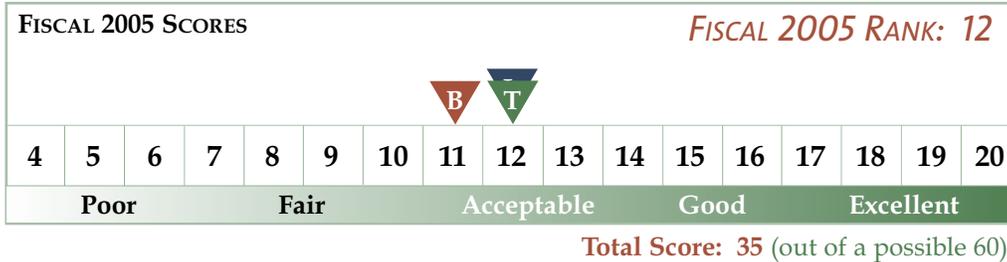
L LEADERSHIP

- Provides limited insights into the specific public benefits the department has achieved in terms of end results.
- Performance shortfalls are clearly disclosed, but explanations are not always satisfying.
- Inspector general’s presentation of major management challenges is not particularly helpful; the department’s response is much more informative.
- Report lacks substantial content on specific changes to improve next year, but its references to setting new and more ambitious targets are refreshing.

RANKING HISTORY



NUCLEAR REGULATORY COMMISSION (NRC)



T TRANSPARENCY

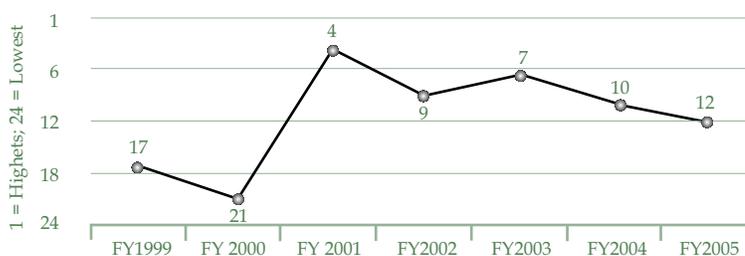
- Downloadable in separate files only, via direct link, with no contact information.
- Introductory narratives and summary are clearer than main performance section.
- Data appear reliable, but little detail is provided to substantiate this.
- Little baseline or trend info, in part because of pass/fail nature of many measures.

B PUBLIC BENEFITS

- Two of five strategic goals, and their objectives and measures, are highly outcome-oriented.
- Reported performance results obviously indicate success in achieving key safety and security goals.
- Does not systematically link goals or results to costs.

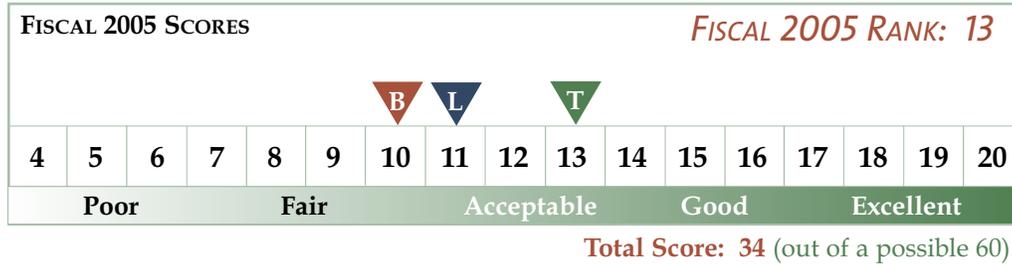
L LEADERSHIP

- Narratives connect agency's programs and activities to reported results.
- Report discloses performance shortfalls, but not as clearly as most reports.
- Inspector general's discussion says little about progress on major management challenges, but agency's response does.
- Describes future changes to improve some performance measures, remedy financial management weaknesses, and deal with future challenges.



RANKING HISTORY

ENVIRONMENTAL PROTECTION AGENCY (EPA)



T TRANSPARENCY

- Home page has a direct link to the report, which is downloadable as a single file or multiple files.
- Report is technical, text-heavy, and acronym-laden.
- Data missing for 33 of 84 annual performance goals.
- Baseline and trend data generally go back three years.

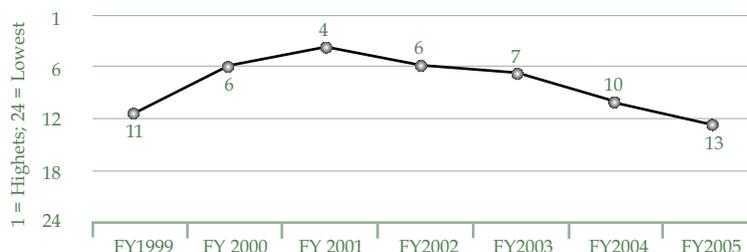
B PUBLIC BENEFITS

- Most goals and objectives are general intermediate outcomes.
- The measures under the first two strategic goals are more outcome-oriented, but the rest are not.
- Data lag often blamed for missing results information.
- Costs linked to strategic goals and strategic objectives, but not beyond that level.
- Absence of information on what ultimate environmental outcomes EPA seeks to achieve limits the ability to grasp the public benefit the agency provides.

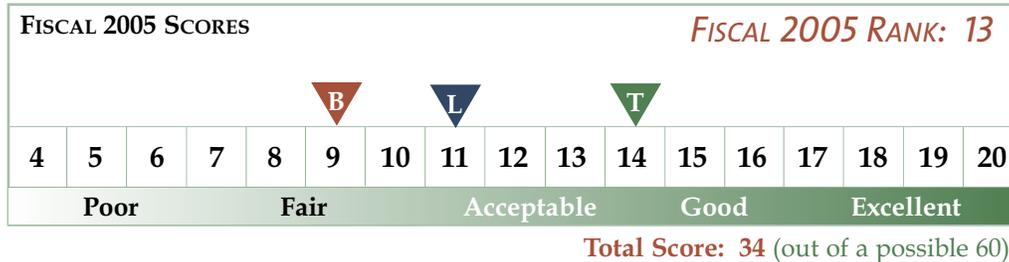
L LEADERSHIP

- Report could better convey how the agency makes this country a better place to live if it were written for the lay reader.
- Report clearly discloses performance results, including shortfalls.
- Inspector general's presentation is much improved and provides more perspective and specifics concerning major management challenges.
- Management explains efforts to improve collaboration, data gathering, and performance.

RANKING HISTORY



DEPARTMENT OF THE INTERIOR (INTERIOR)



T TRANSPARENCY

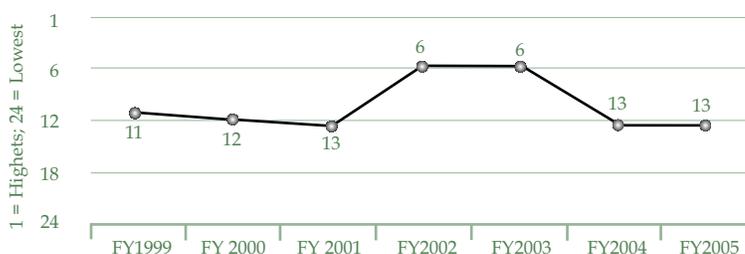
- The home page has a direct link to the fiscal 2005 report, which is downloadable in a single or multiple files.
- Report is lengthy, but generally easy to read and understand.
- Lagging data are a problem; 21 of 214 measures could not be reported because verified data were insufficient to provide even estimated results.
- Baseline and trend data usually go back only to fiscal 2004.

B PUBLIC BENEFITS

- Three of the four programmatic strategic goals are not stated as outcomes.
- Measures are mixed but do a better job of capturing outcomes than do the goals.
- Weak goals and better measures provide a fair but not strong basis for demonstrating contributions toward the department's outcomes.
- Costs are linked down to the level of strategic objectives, but not beyond that to the annual performance goals.

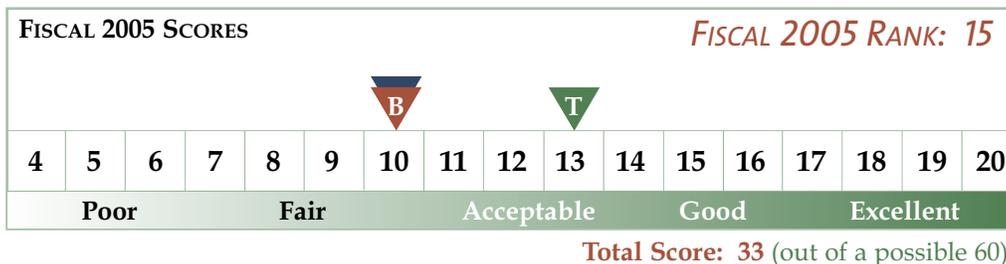
L LEADERSHIP

- Narrative portions of the report do an excellent job of describing the public benefits that flow from the department's work.
- The explanations of department shortfalls sometimes focus on measurement issues or deadlines rather than genuine performance issues.
- Presentation of major management challenges does not provide a sense of overall progress in addressing the challenges or when they are likely to be resolved.
- The narratives discuss improvement plans for missed measures but indicate no significant rethinking of policies and procedures.



RANKING HISTORY

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)



T TRANSPARENCY

- Home page has a direct link to the report, which is downloadable as a single file or as multiple files.
- “Performance Report Card” tables for each strategic goal aid in presentation of numerous measures.
- Significant data problems remain.
- Baseline and trend data for measures usually go back to fiscal 2002.

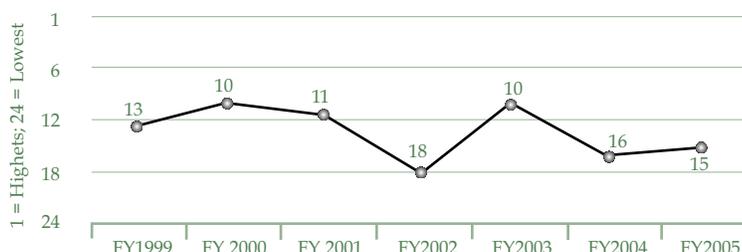
B PUBLIC BENEFITS

- Four of six strategic goals incorporate outcomes.
- Few performance measures address outcomes.
- No annual targets for some of the most important outcome measures, such as the national homeownership rate.
- Report links budget resources only to strategic goals.

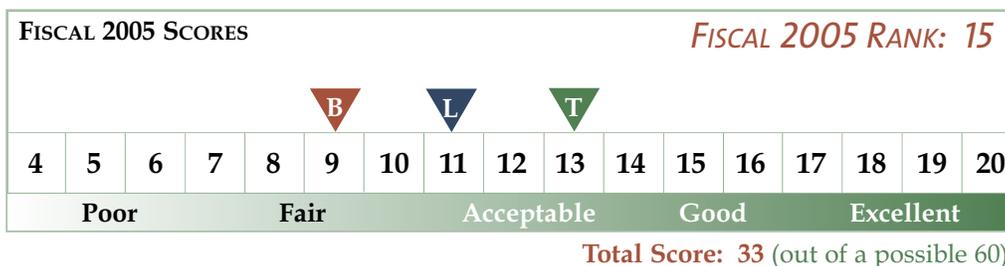
L LEADERSHIP

- Narratives show accomplishments, but lack of results-oriented measures makes it hard to demonstrate public benefits.
- Explanations of missed goals often imply results are beyond HUD’s control.
- Report outlines remedial steps to overcome major management challenges, but not time frames for completion.
- Relatively little in the report describes future changes to improve on specific performance shortfalls.

RANKING HISTORY



NATIONAL SCIENCE FOUNDATION (NSF)



T TRANSPARENCY

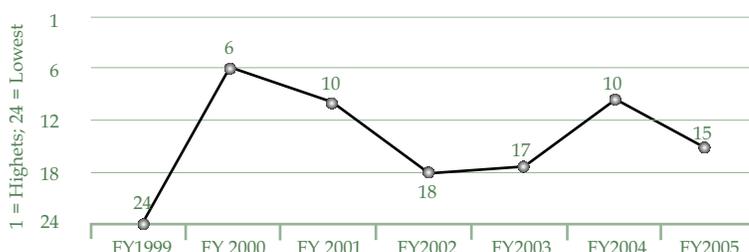
- The report is located several links away from the home page and is confusing to download in multiple files.
- Report has some useful tables, but is rather text-heavy and makes excessive use of acronyms.
- Report shows trend data for quantitative measures, but provides no information about prior year performance under qualitative measures other than to state whether or not NSF was “successful.”
- Trend data provided for quantitative targets, but not for qualitative targets.

B PUBLIC BENEFITS

- Three programmatic strategic goals imply some outcomes, but 17 additional annual performance goals are not outcomes.
- Because NSF’s main mission and outcome goals do not lend themselves to quantitative measurement, the agency uses qualitative measures for them that center on assessments by outside experts.
- Narratives demonstrate contributions but may be difficult for lay readers to understand.
- Budget costs linked to strategic goals and categories within strategic goals, but not to performance goals or measures.

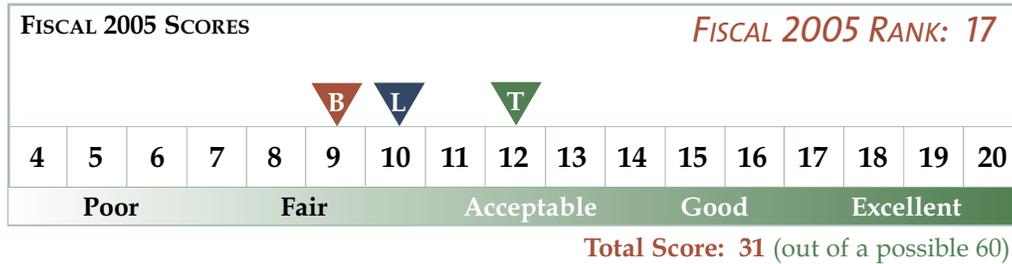
L LEADERSHIP

- Little explanation of how the agency’s results produce important public benefits.
- Assessment system does not identify negative examples from which the agency might improve its performance.
- Inspector general gives credit for making significant progress on some challenges, and also lists ten management challenges from fiscal 2005 that will likely require attention for years to come.
- Report provides information on what NSF is doing to remedy specific management and performance problems.



RANKING HISTORY

DEPARTMENT OF EDUCATION (EDUCATION)



▼ T TRANSPARENCY

- Home page has a direct link to the report. Downloadable as a whole or in sections via a link to a “printer friendly” version.
- Online navigation format is commendable, but report is hard for lay reader to understand in either its interactive online or conventional document form.
- Reliability of data identified as top management challenge; data timeliness is also a major problem.
- An excellent section on “Target Context” is provided, but performance data are limited due to constant change in measures.

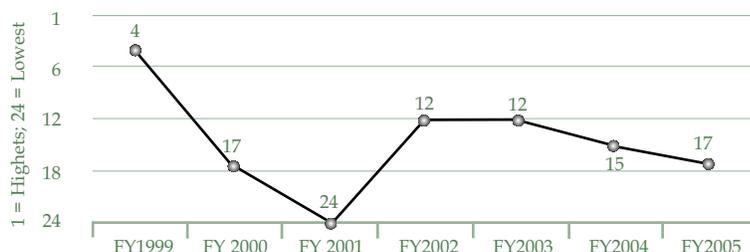
▼ B PUBLIC BENEFITS

- Three strategic goals are outcomes; three are not.
- Introductory portion of the report highlights key “results” under each strategic goal, but less than half of these are outcome-oriented.
- Department faces significant challenges in demonstrating causality between its actions and the results that it seeks to achieve.
- The report links budget to results only at the strategic goal level.

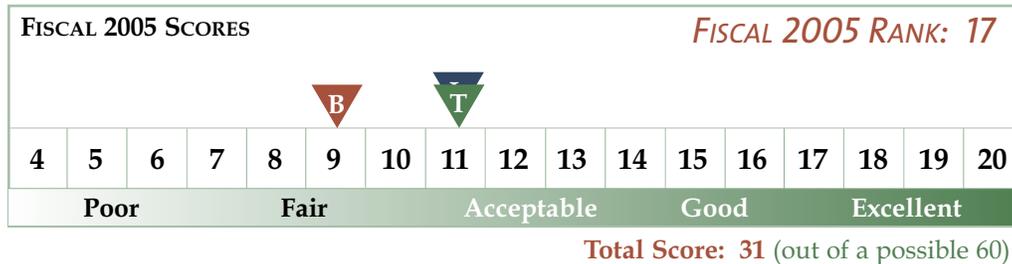
▼ L LEADERSHIP

- Narratives are not compelling in terms of attributing educational results to the department’s efforts.
- Where targets have been missed, the report does not consistently provide explanations.
- Report says little about changes to improve upon specific performance shortfalls.
- Information is most detailed in describing efforts to respond to PART assessments.

RANKING HISTORY



GENERAL SERVICES ADMINISTRATION (GSA)



T TRANSPARENCY

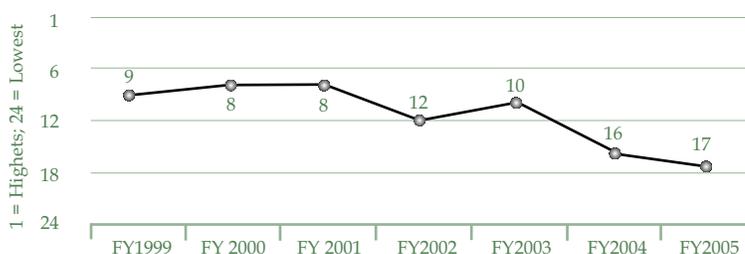
- Home page does not have a direct link to the report, which is downloadable only as a single file.
- The report focuses on 21 key performance measures and presents the performance results clearly, using good narratives, tables, and formats.
- Report fails to include results for non-key measures.
- The performance section does not specify data sources or assess data quality for individual performance measures.
- Report provides baseline and trend data for the key measures that generally go back to fiscal 2002.

B PUBLIC BENEFITS

- GSA has six strategic goals; the first five are somewhat outcome-oriented.
- Only five of the 21 key measures clearly capture outcomes.
- The goals and measures along with the accompanying narratives in the performance section do an adequate job of demonstrating the agency's contributions.
- The report has no content linking goals and results to costs.

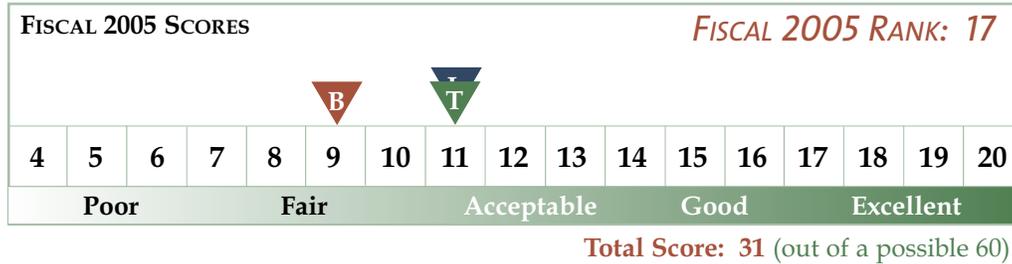
L LEADERSHIP

- Narratives discuss the public benefits that flow from GSA's work, but transmittal letter could be stronger.
- Report clearly discloses the agency's performance results, including shortfalls, for its key measures, both in summary form and in detail.
- Inspector general's presentation provides little insight into the agency's progress in resolving major management challenges.
- Report indicates that GSA is doing considerable work to improve verification and validation of performance data.



RANKING HISTORY

OFFICE OF PERSONNEL MANAGEMENT (OPM)



T TRANSPARENCY

- Downloadable as a single or multiple files via direct link on home page; no contact information furnished.
- Number of performance goals (28) is reasonable, but number of measures (150) is high for an agency of this size.
- Little specificity about data sources, verification, and validation methods.
- Little baseline or trend data for two of three strategic goals.

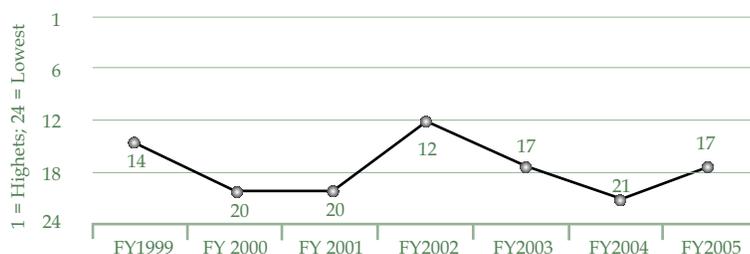
B PUBLIC BENEFITS

- At best, goals focus on intermediate outcomes, rather than outcomes OPM ultimately seeks to produce for agencies.
- Measures focus on processes, activities, and services.
- Direct program costs, but not full costs, linked to performance goals.

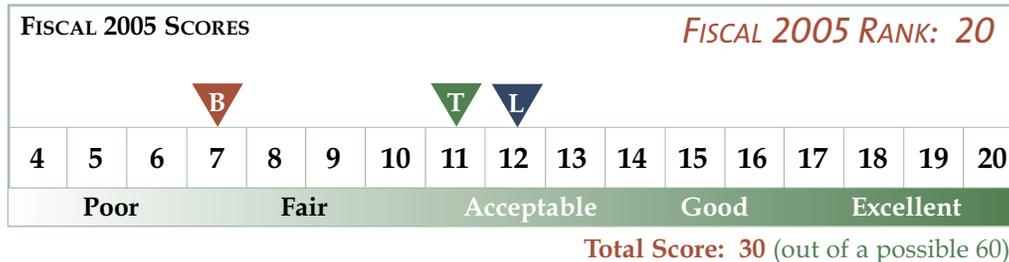
L LEADERSHIP

- Narratives in the introductory highlights section do a much better job than the performance metrics in conveying the agency's accomplishments.
- A goal is considered "met" if 70 percent of fiscal 2005 targets were achieved, and "partially met" if 50 percent of targets were achieved.
- Suggests one goal was missed because fiscal 2005 target was "very aggressive."

RANKING HISTORY



NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)



T TRANSPARENCY

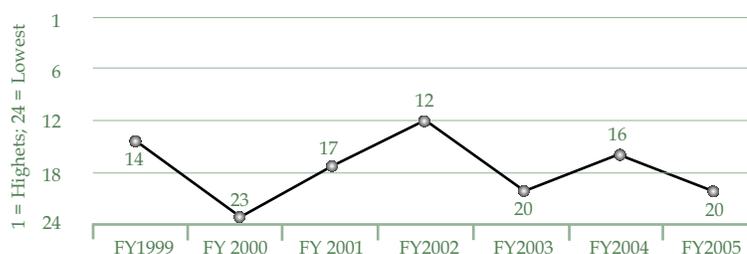
- Report is at the bottom of a web page that is linked from the bottom of the homepage.
- The highlights section, while lengthy, conveys considerable information in a way that the lay reader can readily grasp.
- Virtually nothing in the body report discusses data reliability.
- NASA has received disclaimers of opinion on its financial statements for fiscal 2005 and the previous two fiscal years.
- No baseline or trend data provide useful context for performance measures.

B PUBLIC BENEFITS

- Virtually all of the pursued strategic goals are activities rather than outcomes.
- Annual performance goals are treated as annual measures and are stated primarily as activities or outputs.
- Performance metrics do little to demonstrate NASA's accomplishments.
- Budget costs are linked only to the strategic goals.

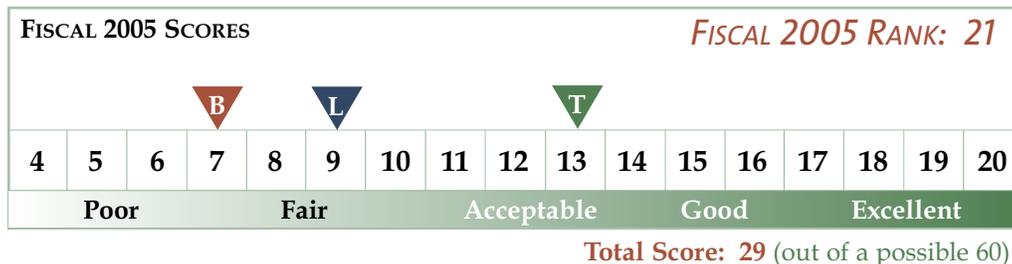
L LEADERSHIP

- Highlights section and the vignettes scattered in boxes throughout the report provide a good sense of the public benefits NASA seeks to achieve.
- Report provides detailed tables that briefly explain the reasons for each performance shortfall and what is being done to achieve the goal in the future.
- Inspector general describes NASA's major management challenges, but does not specifically assess the agency's progress in addressing them.
- It appears NASA is fundamentally rethinking its strategies for the future.



RANKING HISTORY

DEPARTMENT OF DEFENSE (DEFENSE)



T TRANSPARENCY

- Home page has a direct link to the report, which is downloadable in a single file or multiple files, and an organizational e-mail address is included.
- Department still relies primarily on Quadrennial Defense Review rather than GPRA for performance accountability and reporting, which creates confusion. QDR is essentially a policy document rather than a management tool.
- Transmittal letter acknowledges systemic data weaknesses but lacks assessment of data shortcomings required by Reports Consolidation Act.
- Includes baseline and trend data back to fiscal 2001 where available.

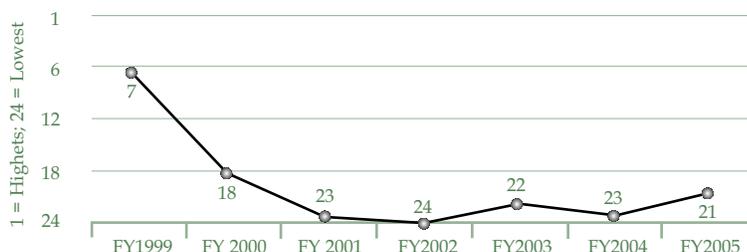
B PUBLIC BENEFITS

- Fewer than 25 percent of performance goals are outcomes.
- Many measures under development, but half of current measures are outcome-oriented.
- No content linking goals and results to costs.

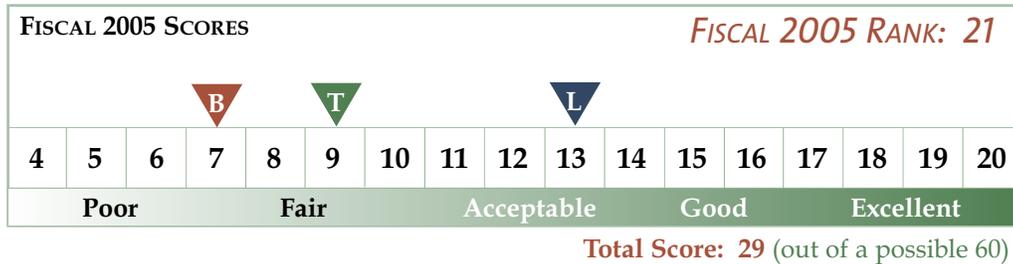
L LEADERSHIP

- Many measures are so preliminary that they do not indicate success or failure.
- Inspector general's presentation describes long-standing and massive management challenges.
- Little explanation of changes to improve performance in future.

RANKING HISTORY



SOCIAL SECURITY ADMINISTRATION (SSA)



T TRANSPARENCY

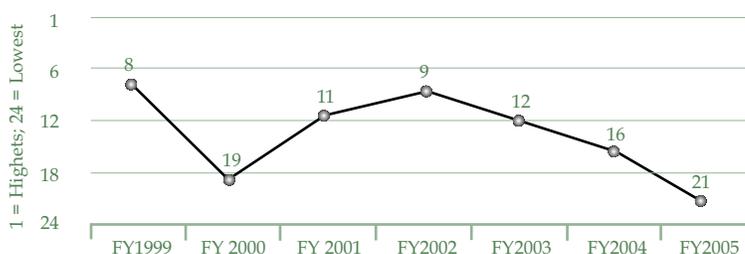
- No direct home page link to the report.
- Text is clear and report makes effective use of tables and graphics.
- Inspector general's audit found that data for 6 of 7 performance measures were unreliable.
- Report presents baseline and trend data usually going back to fiscal 2001.

B PUBLIC BENEFITS

- Agency's four strategic goals are stated at a high level of generality that does not specify measurable outcomes.
- Of the 42 performance measures, seven might be described as end outcomes and at most another 18 might qualify as intermediate outcomes.
- Agency's performance metrics generally lack a sufficient focus on outcomes to show a significant contribution to its stated goals.
- The report apportions operating costs only to strategic goals.

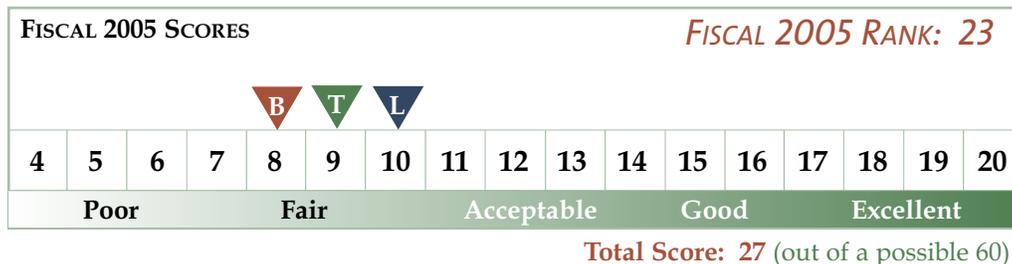
L LEADERSHIP

- Narratives, aided by the clear tables and graphics, generally do a good job of describing the agency's accomplishments.
- Report includes explanations for all shortfalls, but some sound more like excuses than explanations.
- Report devotes considerable discussion to management challenges identified by agency's inspector general and the Government Accountability Office.
- The report describes future actions to address a broad range of management challenges.



RANKING HISTORY

DEPARTMENT OF HOMELAND SECURITY (HOMELAND SECURITY)



▼ T TRANSPARENCY

- Home page does not have a direct link to the report.
- Relationships between the strategic goals and the annual performance goals are difficult to understand.
- Inspector general observed that the department “made little or no progress to improve its overall financial reporting during FY 2005.”
- Does not systematically incorporate relevant performance data from prior organizations.

▼ B PUBLIC BENEFITS

- Prevention and Protection strategic goals, and many of their strategic objectives, are stated as outcomes.
- Fewer than 20 of the 113 measures clearly capture outcomes or intermediate outcomes.
- Paucity of outcome goals and measures limits the usefulness of the performance metrics.
- Costs are linked only to strategic goals.

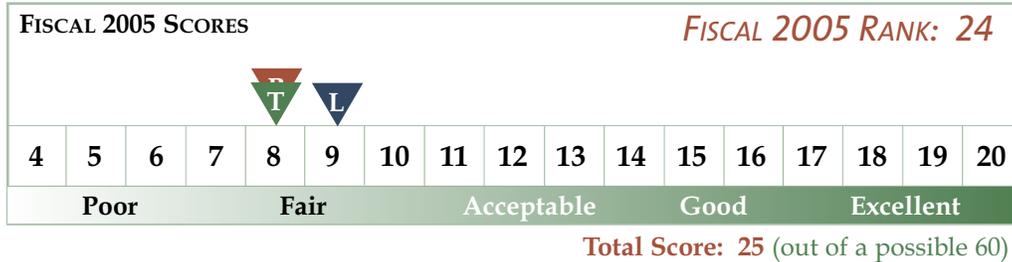
▼ L LEADERSHIP

- The narratives do a useful job of describing how the department is working to accomplish results.
- Shortfalls are clearly disclosed in introductory graphics and in the detailed performance section, but the explanations are not very thorough.
- The inspector general’s presentation describes the major management challenges but does not assess progress in addressing them.
- Transmittal letter lays out a detailed strategic vision for the department and voices a strong commitment to improve its performance.

RANKING HISTORY



DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)



T TRANSPARENCY

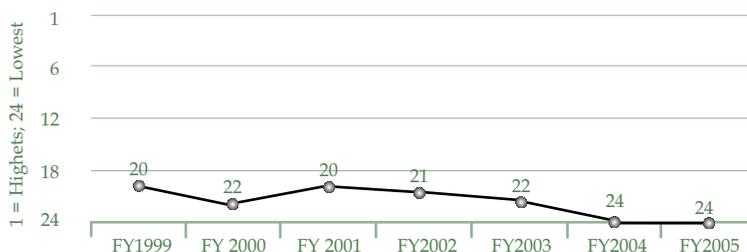
- A search on the web site for “Performance and Accountability Report” eventually leads to the report.
- Report leaves out 32 of the 50 largest HHS programs responsible for more than \$40 billion in annual spending.
- A text-heavy, jargon-filled collection of separate reports with seven pages of acronyms.
- Performance section includes a description of data sources, validation procedures, and data limitations for measures, but the descriptions are hard to follow.
- Baseline and trend data often absent.

B PUBLIC BENEFITS

- Seven programmatic strategic goals stated as outcomes, plus one management strategic goal.
- Less than one-third of measures under each strategic goal are outcomes.
- Performance metrics show little about department’s fiscal 2005 contributions toward outcome-oriented goals.
- No content linking its goals and results to costs.

L LEADERSHIP

- Highlight sections show public benefits flowing from the department’s work, but vary considerably in their quality.
- Reasons for failures to meet goals are often unclear.
- Presentation of major management challenges is well-structured and indicates some progress.
- Report devotes some attention to management improvements, but little to enhanced performance.



RANKING HISTORY

RESEARCH TEAM AND PROJECT DESIGN

The scorecard project is headed by the Hon. Maurice McTigue, QSO, a distinguished visiting scholar at the Mercatus Center, and Dr. Jerry Ellig, a senior research fellow at the Mercatus Center at George Mason University.

Dr. Tyler Cowen, the Mercatus Center's general director, served as advisory director for the study. A three-member professional research team with extensive government experience completed all report review and analysis. A 10-member advisory panel, made up of experts in public management, former federal performance managers, corporate strategists, and communications experts, reviewed our evaluations and analysis.

PROJECT MANAGEMENT

Ms. Jen Wekelo, Associate Director, Government Accountability Project
Mercatus Center at George Mason University

Ms. Heather Hambleton, Program Associate, Government Accountability Project
Mercatus Center at George Mason University

ADVISORY PANEL

Jonathan D. Breul
IBM Business Consulting Services
Washington, DC

Jonathan D. Breul is currently a senior fellow at IBM's Center for The Business of Government. He is a widely recognized expert on the policy and practice of improving government management and performance.

Formerly senior advisor to the deputy director for management in the White House Office of Management and Budget, Mr. Breul was OMB's senior career executive with primary responsibility for government-wide general management policies. He helped develop the President's Management Agenda, was instrumental in establishing the President's Management Council, and championed efforts to integrate performance information with the budget process. He led the overall implementation of the Government Performance and Results Act. In addition to his OMB activities, he helped Senator John Glenn (D-Ohio) launch the Chief Financial Officers Act. Mr. Breul also served as the U.S. delegate and vice chair of the Organization for Economic Cooperation and Development's Public Management Committee.

Mr. Breul is a fellow and member of the board of trustees of the National Academy of Public Administration, and an adjunct professor at Georgetown University's graduate Public Policy Institute. He holds a Masters in Public Administration from Northeastern University, and a Bachelor of Arts from Colby College.

Veronica Campbell

*Independent Consultant
Falls Church, Virginia*

Veronica Campbell is currently consulting on performance, financial management and general management issues after retiring in 2003 from a 30 year career in the federal service, where she contributed to the effectiveness of programs operated by the Departments of Labor, Interior and Agriculture. As the director of the Center for Program Planning and Results, she managed the Department of Labor's strategic planning and performance-based initiatives from 2000 to 2003, working with the department's top executives and a dedicated inter-agency committee to foster a results-driven organizational culture. Ms. Campbell joined the planning office after participating on the department's Year 2000 Project Management Team, where she served from 1998 to 2000.

Prior to her administrative experience, Ms. Campbell managed and performed program evaluations and audits for twenty-five years in the Offices of Inspectors General of three federal agencies. She served as the first director of the Office of Evaluations and Inspections at the Department of Labor, OIG, from 1992 to 1998, where she offered departmental clients a range of new consultative services with an emphasis on collaborative program evaluation. From 1987 to 1992, Ms. Campbell was the regional inspector general for audit for the Labor Department's New York and Boston regions. Her early audit career at the Department of Agriculture, from 1973 to 1982, developed Ms. Campbell's analytical skills as she recommended improvements to USDA's international programs in 20 countries and evaluated a wide array of domestic programs.

Ms. Campbell holds a Bachelor of Arts in History from Barat College.

Mortimer Downey

*PB Consult, Inc.
Washington, DC*

Mortimer L. Downey, III is chairman of PB Consult, Inc., a Parsons Brinckerhoff subsidiary providing advisory and management consulting services to public and private owners, developers, financiers, and builders of infrastructure projects worldwide.

Prior to joining PB Consult, Mr. Downey served eight years as U.S. deputy secretary of transportation, becoming the longest serving individual in that post. As the department's chief operating officer, he developed the agency's highly regarded strategic and performance plans. During this period he also served on the President's Management Council, chaired the National Science and Technology Council's Committee on Technology, and was a member of both the Trade Promotion Coordinating Council and the National Railroad Passenger Corporation's board of directors (Amtrak). In addition to his federal service, Mr. Downey has served as executive director/chief financial officer of the New York Metropolitan Transportation Authority and a senior manager at the Port Authority of New York and New Jersey. His legislative branch experience includes being on staff of the U.S. House of Representatives' Committee on the Budget.

Mr. Downey has received numerous professional awards, including election to the National Academy of Public Administration, where he has served as chairman of the board of directors. He earned a Masters in Public Administration from New York University, a Bachelor of Arts in Political Science from Yale University, and completed the Advanced Management Program at Harvard Business School. He has also served as an officer in the U.S. Coast Guard Reserve.

John Kamensky

*IBM Business Consulting Services
Washington, DC*

Mr. Kamensky is a senior fellow at the IBM Center for The Business of Government. During 24 years of public service, he had a significant role in helping pioneer the federal government's performance and results orientation. He is passionate about creating a government that is results-oriented, performance-based, and customer-driven.

Mr. Kamensky served eight years as deputy director of Vice President Gore's National Partnership for Reinventing Government. Previous to his White House position, he worked at the U.S. Government Accountability Office for 16 years where, as an assistant director, he played a key role in the development and passage of the Government Performance and Results Act (GPRA).

Mr. Kamensky is a fellow of the National Academy of Public Administration. He received a Masters in Public Affairs from the Lyndon B. Johnson School of Public Affairs from the University of Texas.

Patricia Kelley

*Silo Smashers
Fairfax, Virginia*

Patricia Kelley is vice president for planning, measurement, and analysis for SiloSmashers, a management consulting firm that specializes in strategic planning and performance management. She has held senior management positions with the Federal Reserve Board, advising the governors on policy issues regarding efficiency and effectiveness of the board's operations. She also worked extensively with the Federal Reserve Banks on automation and payment system policy matters and acted as the liaison to other federal banking regulators.

Prior to joining the Federal Reserve, Ms. Kelley held various positions with the U.S. Government Accountability Office and evaluated the effectiveness of programs in the Departments of Defense, Treasury, Agriculture, the Government Printing Office, and the Overseas Private Investment Corporation. In 2000, Ms. Kelley co-authored *The Business of Government: Strategy, Implementation, and Results* with Dr. Thomas Kessler. She has provided management consulting support to over 30 federal agencies.

She holds a Masters of Science in Computer Systems Management and a Bachelors of Science degree in Accounting from the University of Maryland. She is also a graduate of its Stonier School of Banking. She is working on her Doctor of Public Administration dissertation at the University of Baltimore.

Thomas Kessler, Ph.D.

*Silo Smashers
Fairfax, Virginia*

Dr. Thomas Kessler is a SiloSmashers senior consultant. From 1983 through 1996, Dr. Kessler was a manager at the Board of Governors of the Federal Reserve System. He frequently advised senior officials and provided recommendations for enhancing mission-critical business processes. Prior to joining the Federal Reserve, Dr. Kessler was employed at Westinghouse Electric Corporation's Manufacturing Systems and Technology Center, and as assistant director for systems and programming at the Maryland State Government's Judicial Information Systems.

Over the past several years, Dr. Kessler has trained and facilitated outcome-based performance measurement and planning sessions for many federal agencies, including the Departments of Labor, Treasury, Justice, Veterans Affairs, Commodity Futures Trading Commission, Agriculture, and the Federal Aviation Administration. He co-authored *The Business of Government: Strategy, Implementation, and Results* with Patricia Kelley and is a frequent speaker at professional conferences throughout the United States.

Dr. Kessler received his Doctor of Business Administration degree from Nova Southeastern University, has a Masters of Business Administration from University of Baltimore, and is a certified information systems auditor.

Sarah E. Nutter, Ph.D.

*Associate Professor of Accounting
George Mason University School of Management
Fairfax, Virginia*

Sarah Nutter is an associate professor of accounting in George Mason University's School of Management. Prior to joining the GMU faculty in 1995, she worked as an economist at the Internal Revenue Service. Dr. Nutter teaches a variety of courses in accounting and taxation in undergraduate, MBA, and executive MBA programs. She recently received a teaching award for Outstanding Faculty Member from George Mason's executive MBA program.

Professor Nutter's research interests include investigating the impact of changing decision rules on individual and business behavior. Her research focuses primarily on the impact of taxes and tax structures on individuals and businesses. She has written extensively and has published in the *Journal of the American Taxation Association*, *Journal of Accounting and Economics*, *Advances in Taxation*, and the *Statistics of Income Bulletin*. One of her articles was recently granted the 1998-99 American Taxation Association's Outstanding Manuscript Award.

Dr. Nutter earned a Bachelors of Science from Ferris State University, and a Masters of Business Administration and Ph.D. from Michigan State University.

John M. Palguta

*Partnership for Public Service
Washington, DC*

As vice president for policy and research at the Partnership for Public Service, John Palguta has responsibility for the development and implementation of a comprehensive program of research and analyses on human capital issues in the federal government.

Prior to joining the Partnership in December 2001, Mr. Palguta was a career member of the federal senior executive service as director of policy and evaluation for the U.S. Merit Systems Protection Board (MSPB), the culmination of a federal career spanning almost 34 years of progressively responsible experience in federal human resources management and public policy issues.

Mr. Palguta received a B.A. degree in sociology from California State University at Northridge and a Master of Public Administration degree from the University of Southern California. He is active in a number of professional associations and is a fellow of the National Academy of Public Administration, vice chair of the Coalition for Effective Change, and a past president of the Federal Section of the International Public Management Association for Human Resources. He has published a number of articles on federal human resources management issues and is a frequent speaker at professional conferences and other forums. He is a recipient of MSPB's highest honor, the Theodore Roosevelt Award.

Michael Rosenbaum

*Rosenbaum Advisors, Inc.
Arlington Heights, Illinois*

Michael Rosenbaum is currently president of Rosenbaum Advisors, an independent consulting firm specializing in investor relations and strategic communications.

During the past 20 years he has counseled more than 150 public and private firms—including both start-ups and Fortune 500 companies—on issues from initial public offerings to mergers, acquisitions, bankruptcy, proxy, earnings restatements and crises. He has written two books on investor relations: *Board Perspectives: Building Value Through Investor Relations* (CCH, 2004) and *Selling Your Story to Wall Street: The Art and Science of Investor Relations* (McGraw-Hill, 1994) and is co-author of *The Governance Game* (Aspatore, 2003). He is also widely published on investor relations, corporate governance and management issues, and is a frequent speaker on a wide range of business topics. Mr. Rosenbaum holds both a Masters in Business Administration from Roosevelt University, and a Bachelors of Arts in Communications from the University of Illinois.

John Sacco, Ph.D.

*Department of Public and International Affairs
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Dr. Sacco is currently working on a government and nonprofit accounting and financial reporting textbook that will be accessible to students on the Internet. In 1999, along with several scholars, he published a policy paper about the major government reforms undertaken by New Zealand during the 1980s and 1990s. The paper compared New Zealand's integrated, business-like financial management system with the emerging attempts by the U.S. federal and state governments to use accounting and performance measures similar to those in private business. In 2000, Dr. Sacco published work in the *Association of Governmental Accountants' Journal* analyzing the most dramatic changes in state and local governmental accounting and finance practices that have taken place in the 20th century. He has forthcoming work on the evolution of end-user computing. In addition to his writing, Dr. Sacco has consulted for several state and local governments and Certified Public Accounting (CPA) firms, including contact work with CPA firms on finance and accounting for the Chinese government.

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Michael D. Serlin is currently writing and consulting on public service change and participating in a number of volunteer activities after a 36-year federal career. He retired in 1994 from the U.S. Department of the Treasury’s Financial Management Service. As an assistant commissioner, he directed innovations in electronic funds transfer and financial operations for the U.S. government and initiated entrepreneurial administrative support across agencies.

Mr. Serlin led the financial management team for the National Performance Review (Reinventing Government) Task Force, most of whose recommendations were incorporated in the Government Management Reform Act of 1994. The law included requiring audited financial statements for all major agencies and introduced franchising—competitive cross-servicing of agency administrative support.

A former senior executive service presidential rank award winner, Mr. Serlin is a principal with The Council for Excellence in Government; he has participated in their reviews of agency strategic performance draft plans. He has contributed frequent articles and research papers on entrepreneurial government, executive mobility, and other government change efforts to magazines and professional journals.

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At the Mercatus Center, Maurice McTigue shares with U.S. policymakers his practical experience and lessons learned. Since 1997 he has worked with senior administration officials, members of Congress, and scores of senior agency executives on applying the principles of economics, transparency and accountability in the public sector. He frequently speaks at conferences on performance issues, testifies before congressional committees on issues of government reform, and writes on the importance of transparency in reforming government. Mr. McTigue co-authored the Mercatus Center publication *Putting a Price on Performance: A Demonstration Study of Outcome-Based Scrutiny*.

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