

EXECUTIVE SUMMARY

The federal government spends 20 percent of what America produces—more than \$2.5 trillion in fiscal 2004. Over the long term, federal spending will claim an ever-higher percentage of Gross Domestic Product as an aging population places heavier demands on federal entitlement programs. The Government Accountability Office projects that by 2040, the biggest three entitlement programs plus interest on the national debt could consume as much as 35 percent of U.S. Gross Domestic Product. Such trends can only increase the political pressure for change in both entitlement and non-entitlement programs.

During the past decade, 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. The purpose of annual performance reports is to identify how much public benefit federal agencies produce for citizens, and at what cost. The purpose of this Scorecard is to encourage improvement in the quality of these reports.

Researchers at the Mercatus Center at George Mason University conducted our sixth annual evaluation of the performance and accountability reports produced by 23 Cabinet departments and other agencies covered under the Chief Financial Officers Act of 1990. We employed the same criteria used in previous Scorecards. Our scoring process evaluates (1) how transparently an agency reports 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.

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.

QUALITY MILESTONE REACHED: For the first time since inception of the Scorecard in 1999, the *average* (mean) report score exceeded 36 out of a possible 60 points – the score a report would obtain if it received a “satisfactory” rating on all criteria.

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

QUALITY REPORTING COVERS SMALL FRACTION OF THE BUDGET: The reports receiving an average score of 36 or better account for only 11 percent of federal spending in fiscal 2004. Fully 65 percent of federal spending is in agencies whose reports received average scores below the satisfactory level. Reports that exceed expectations on average, scoring 48 or better, cover only 3 percent of federal spending in fiscal 2004.

UNEVEN IMPROVEMENT: About half of the agencies (12) improved their scores from fiscal 2003 to fiscal 2004. Scores fell for seven agencies and remained the same for three agencies. Scores for two agencies cannot be compared because their reports were not received in time to include in the evaluation in one of the years.

ACCELERATED DEADLINE RARELY AFFECTED QUALITY: Fiscal 2004 reports were due to Congress and the President on November 15—two and one-half months earlier than the January 30 due date for the fiscal 2003 reports. More than 60 percent of the reports had data for the vast majority of their measures. Only one report

had significant problems with missing data that might be attributed to the reporting deadline rather than other factors.

BEST REPORTS: For fiscal 2004, the Departments of Labor, State, Transportation, and Veterans Affairs produced the highest rated reports. State's 2nd place finish caps a sustained surge from 20th place in fiscal 1999.

REPORTS MOST IN NEED OF IMPROVEMENT: The Department of Defense, Department of Homeland Security, and Office of Personnel Management had the lowest-ranked reports for fiscal 2004.

MOST IMPROVED REPORTS: Several agencies produced significantly better reports in fiscal 2004 than in fiscal 2003. The Department of Commerce moved from 16th to 5th in the rankings, reversing its fall from 5th place in fiscal 2002. Justice and Energy rose nine and six places, respectively, to tie with the Small Business Administration for 6th place. The National Science Foundation's report captured 10th place in fiscal 2004, up from 17th in fiscal 2003.

BIGGEST DROPS: The Department of Agriculture report fell from 4th place to 13th, Interior fell from 6th place to 13th, and HUD and GSA both fell from 10th place to 16th.

MOST CONSISTENT LOW SCORES: Several reports have ranked in the bottom half for most of the past six years, including those from Defense, the Office of Personnel Management, NASA, and Health and Human Services.

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 2004

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

	TRANSPARENCY	PUBLIC BENEFITS	LEADERSHIP	TOTAL	RANK
Labor	17	17	16	50	1
State	18	17	14	49	2
Transportation	17	16	13	46	3
Veterans	17	15	14	46	3
Commerce	14	11	15	40	5
SBA	13	13	13	39	6
Justice	14	12	13	39	6
Energy	14	10	15	39	6
USAID	11	14	12	37	9
EPA	14	12	10	36	10
NRC	13	12	11	36	10
NSF	13	12	11	36	10
Interior	11	12	12	35	13
USDA	14	10	11	35	13
Education	13	10	11	34	15
HUD	10	11	11	32	16
Treasury	10	10	12	32	16
GSA	12	9	11	32	16
NASA	10	8	14	32	16
SSA	12	8	12	32	16
OPM	9	8	13	30	21
DHS	7	9	11	27	22
Defense	7	6	8	21	23
HHS*					24
AVERAGE	12.6	11.4	12.3	36.3	
MEDIAN	13.0	11.0	12.0	36.0	

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

TABLE 2

FISCAL YEAR 2004 SCORES & RANKINGS COMPARISON TO FISCAL YEAR 2003

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

	FY 2004		FY 2003		CHANGE IN FY 2003 SCORE	CHANGE IN FY 2003 RANKING
	TOTAL SCORE	RANK	TOTAL SCORE	RANK		
Labor	50	1	48	1	2	0
State	49	2	43	4	6	2
Transportation	46	3	48	1	-2	-2
Veterans	46	3	47	3	-1	0
Commerce	40	5	30	16	10	11
SBA	39	6	36	7	3	1
Justice	39	6	31	15	8	9
Energy	39	6	32	12	7	6
USAID	37	9	24	21	13	12
EPA	36	10	36	7	0	-3
NRC	36	10	36	7	0	-3
NSF	36	10	28	17	8	7
Interior	35	13	40	6	-5	-7
USDA	35	13	43	4	-8	-9
Education	34	15	32	12	2	-3
HUD	32	16	35	10	-3	-6
Treasury	32	16	27	19	5	3
GSA	32	16	35	10	-3	-6
NASA	32	16	25	20	7	4
SSA	32	16	32	12	0	-4
OPM	30	21	28	17	2	-4
DHS	27	22	N/A*	24		2
Defense	21	23	23	22	-2	-1
HHS	N/A**	24	23	22		-2
AVERAGE	36.30		34.00		2.23	
MEDIAN	36.00		32.00		2.00	

*Report not evaluated because not released as of February 13, 2004.

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

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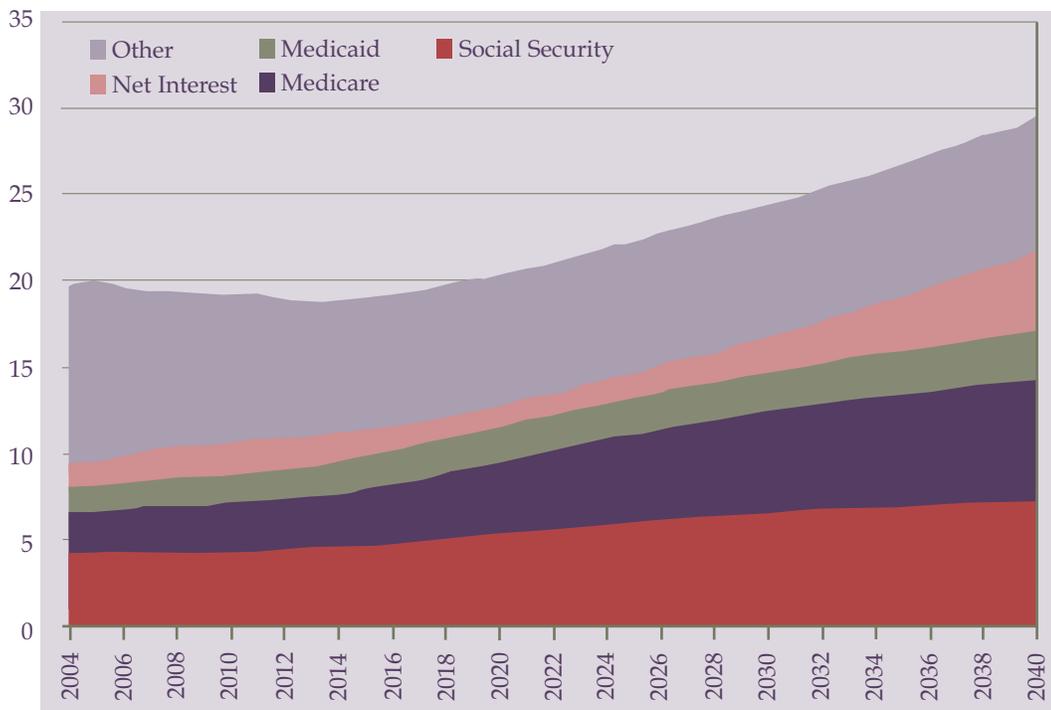
INTRODUCTION

When Congress passed the Government Performance and Results Act of 1993, performance budgeting seemed like a good management idea. Today, it is a fiscal imperative.

Federal spending on the big three entitlement programs and interest equaled about 10 percent of U.S. Gross Domestic Product (GDP) in 2004, and other spending took another 10 percent of GDP. During the next several decades, the United States will experience a surge in entitlement spending as the population ages and retires. If federal revenues fail to keep pace, annual interest payments on the national debt will also gradually rise as budget deficits expand. Increased Social Security, Medicare, Medicaid, and interest payments will create growing pressure to cut other spending and increase taxes to record peacetime levels.

The Government Accountability Office has estimated several alternative scenarios for the composition of future spending –all of which suggest dire long-term consequences without fundamental changes in both

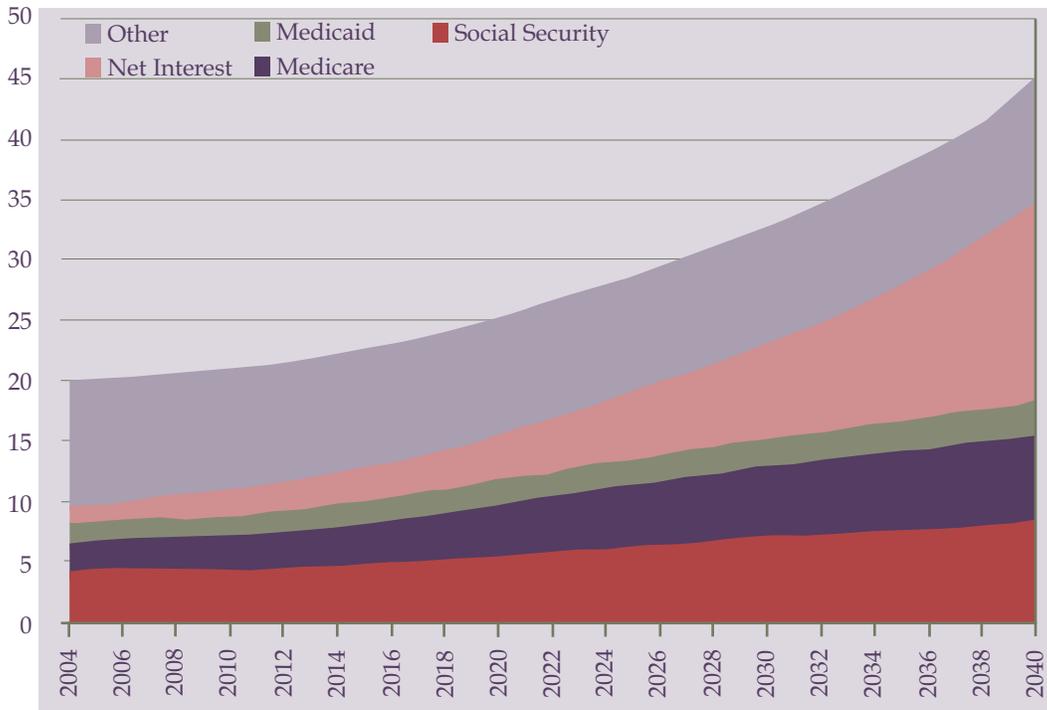
FIGURE 1: GAO BASELINE SPENDING AS % OF GDP



Assumes discretionary spending grows with inflation and tax cuts expire as scheduled

¹ United States Government Accountability Office, *21st Century Challenges: Reexamining the Base of the Federal Government*, GAO-05-325SP (Feb. 2005), pp. 5-9. Underlying data for the figures are available at <http://www.gao.gov/special.pubs/longterm/simulations.html>.

FIGURE 2: SPENDING AS % OF GDP, HIGHER SPENDING GROWTH SCENARIO



Assumes discretionary spending grows as fast as the economy and tax cuts are extended

entitlement and non-entitlement programs.¹ Federal spending as a percentage of GDP may fall in the next few years, but that reduction will mask a continual increase in the percentage of GDP devoted to entitlement programs. The Government Accountability Office projects that, if other spending merely keeps pace with inflation and expiring tax cuts are allowed to lapse, the big three entitlements plus interest could take about 14 percent of GDP by 2022, the year children born in 2004 will be old enough to vote. These categories of spending would rise steadily to nearly 17 percent of GDP in 2030 and 22 percent in 2040. Total spending would equal 24 percent of GDP by 2030 and nearly 30 percent of GDP by 2040. (See Figure 1.) A more pessimistic scenario estimates that total spending could hit 45 percent of GDP in 2040, and the big three entitlement programs plus interest would account for about 35 percent of GDP (Figure 2). Under either scenario or some blend in-between, pressure for fundamental changes in federal programs can only increase.

² The Mercatus Center has developed a seven-step process, called “Outcome-Based Scrutiny,” that provides a framework for comparing the results and costs of programs with similar objectives and assessing the likely impact of reallocating resources to the most effective programs. For a pilot study applying Outcome-Based Scrutiny to federal vocational training programs, see <http://www.mercatus.org/governmentaccountability>.

Those changes could take several forms. Options include across-the-board budget cuts, wholesale elimination of programs based on partisan politics, or budgeting based on programs' proven results. The third option has the greatest potential to promote the welfare of the American people.

Pursuing the third way, however, requires that federal agencies document the results of their expenditures in a credible and understandable form. For this reason, sound performance and accountability reporting can play a crucial role in promoting thoughtful solutions to the nation's growing fiscal crisis. Effective accountability requires that agencies present a comprehensive, concise, accurate, and reliable assessment of the benefits created for the public, as well as the costs of producing those benefits. Without such information, it is unlikely that policymakers could allocate federal resources in ways that advance government's contribution to citizens' quality of life.²

Even if performance-based budgeting were not a fiscal imperative, the annual performance and accountability reports would still have the potential to play a critical role in improving the federal government's performance. The reporting requirement gives agency managers an opportunity to take a pause from day-to-day operations, identify what the agency is trying to accomplish, assess how well the agency is succeeding, and develop plans for improvement. The insights and ideas generated by this analytical process should improve the agency's ability to serve the public. Such improvement is possible if the agency's leadership views these reports as a management tool as well as a reporting requirement. When performance is poor or non-existent, policymakers and agency management then have an incentive to either improve performance or terminate the ineffective activities.

The federal government has made steady, bipartisan progress toward performance-based budgeting. 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.³ 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. The Bush administration's Performance Assessment Rating Tool, which assesses the performance of individual federal programs, is the latest step toward linking performance information with budget decisions. Of course, there is room for reasonable people to disagree on some program assessments. Even if policymakers with different political philosophies agree that a program assessment is accurate, they may disagree about funding decisions because they have different policy priorities. But in an era of fiscal restraint, there is little political profit in funding programs that are ineffective or harmful. A focus on actual program results is much better than flying blind.

To help policymakers assess this year's reports and help agencies improve the quality of future reports, a Mercatus Center research team evaluated the reports produced by 23 major federal agencies.⁴ "Major" agencies include all Cabinet departments plus non-Cabinet agencies covered under the Chief Financial Officers' Act. This marks the sixth year that Mercatus Center researchers have evaluated agencies' reports. The goal of this annual assessment is to inform not just decision makers, but also the American people more generally. By injecting the American spirit of competition for scarce resources and accountability for using those resources into performance reporting, we hope to assist and encourage agencies in improving the quality and cost-effectiveness of the services they deliver.

³ David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector* (Addison-Wesley, 1992).

⁴ The one other major agency usually included – Health and Human Services – did not submit its report in time for this year's review.

FROM GPRA TO PART: BACKGROUND ON RECENT PERFORMANCE BUDGETING INITIATIVES

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 (Public Law 106-531) allowed agencies to issue combined performance and accountability reports 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.⁵ 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. 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.

The executive branch has also started to move toward performance-based budgeting. Among other factors, the Office of Management and Budget’s Program Assessment Rating Tool assesses the performance of programs that agencies implement. Agencies have now evaluated the performance of 60 percent of federal programs, and this information influenced the appropriations recommended in the President’s fiscal 2006 budget proposals.

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 purpose of agency performance reports is to give policymakers and the American people 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. Thus, the fiscal 2003 reports were due by January 30, 2004; the fiscal 2004 reports were due by November 15, 2004.

EVALUATION CRITERIA

The purpose of this assessment is not to evaluate or make judgments about the quality of the actual results the agencies produced. Rather, our goal is simply to ascertain *how well the agencies' reports inform the public* about 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:

Does the agency report its accomplishments in a *transparent* fashion?

Does the report focus on documenting tangible *public benefits* the agency produced?

Does the report show evidence of forward-looking *leadership* 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 stakeholders. If a report fails to make significant achievements and problems apparent, benefits to the community 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., benefits of programs and activities) 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 assume that such activities automatically provide public benefits. Such an assumption can be incorrect for a wide variety of reasons. An agency report has to 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 perceived problems and to change future plans. 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

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 2004, the Office of Management and Budget required agencies to submit their reports to the President and Congress by November 15—two and one-half months earlier than the fiscal 2003 reports were

due. In June, the Mercatus Center notified each agency's chief financial officer (and other individuals listed as agency GPRA contacts) via letter that the Mercatus research team would need to receive 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 follow-up reminder went out on November 14. All but one agency provided copies of their reports by December 1. A total of 21 agencies had their reports accessible on the web by December 15; one had a web link that did not work, and the other had a link to its fiscal 2003 report.

The June letter included an explanation of the 12 evaluation criteria and noted that the quality of each year's reports "raises the bar" for subsequent years. It also highlighted three areas the evaluation team expected to scrutinize especially carefully in the fiscal 2004 reports: use of provisional or interim data due to the accelerated reporting deadline, quality of the transmittal letter from the agency head, and linkage of costs to successful outcomes. 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.

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?

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

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

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 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. 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.

HOW VALID ARE OUR DATA?

The Mercatus research team employed the same criteria to assess the fiscal 2004 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. For example, Agriculture systematically provided rationales for its performance targets this year, Energy introduced an excellent format to describe actions to address its major management challenges, and State made very good use of color-coded graphs. 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 2004 report in order to receive the same numeric score it received for its fiscal 2003 report. If an agency receives a higher score, that 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 2004 reports as evaluated the fiscal 2003 reports. In most cases, the same team members reviewed the same agencies' reports for both years. The team cross-checked 2004 evaluations against 2003 evaluations 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 2004 and fiscal 2003 reports to ensure that any scoring differences across years were justified by differences in the actual contents of the reports. The entire team discussed instances in which proposed scores differed substantially from the previous year's scores. Final scores thus reflect a careful review to ensure that the results of the scoring process are consistent with the goal of raising standards.

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

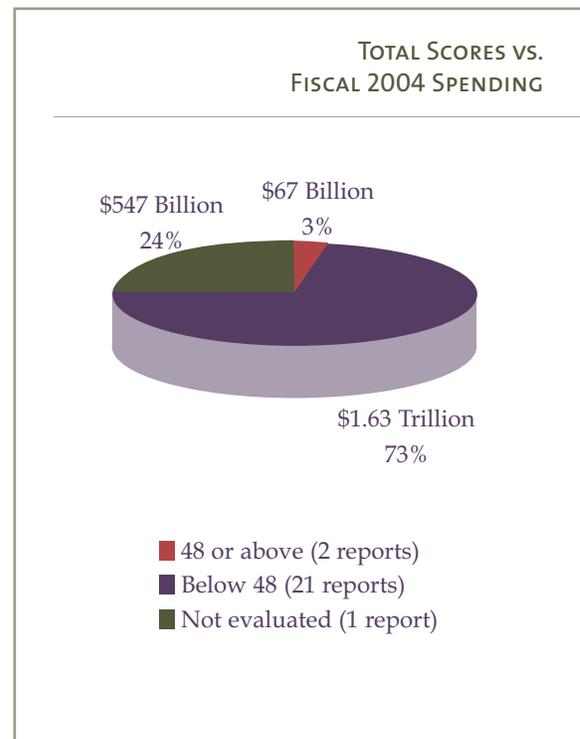
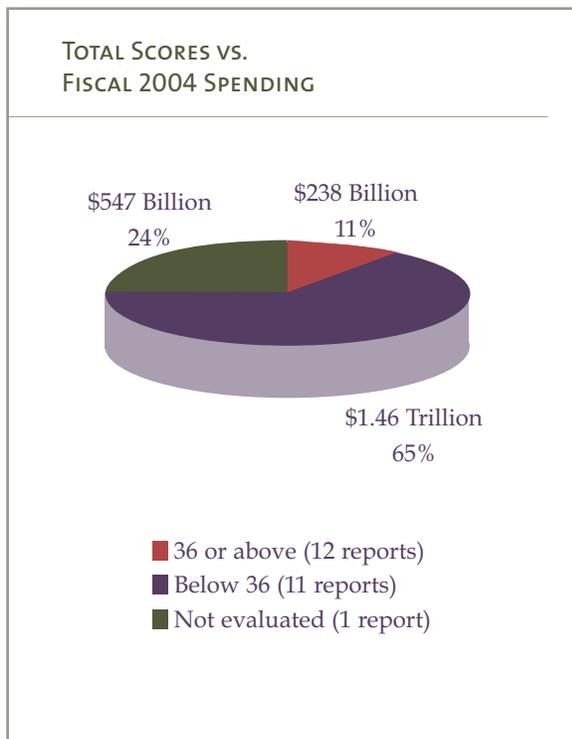
An additional word on information quality is also in order. Our researchers assessed the quality of each report's disclosure of data verification and validation procedures. However, in the interest of producing a timely study, we did not independently verify the performance information cited in each agency's report. Given the importance of accurate data for sensible decisions, we believe that verification and validation should be a high priority for agency inspectors general, Congress, the Government Accountability Office, and the Office of Management and Budget. The reports themselves should inspire confidence by indicating how data are verified and validated.

HOW MUCH OF THE BUDGET IS COVERED BY GOOD REPORTING?

Performance and accountability reports can help policymakers direct resources to agencies and programs that most effectively accomplish results. Such decisions are usually made at the level of individual programs. Presidential budgets and congressional appropriations initiate, terminate, cut, or expand programs. Nevertheless, it is likely that agencies with better performance and accountability reporting also have a better understanding of the outcomes and costs of individual programs.

Comparing the quality of agency performance and accountability reports with agency budgets provides a rough idea of how much of the budget is devoted to programs with well-documented outcomes. Such comparisons are sobering, because the agencies with high-quality performance and accountability reports represent only a small fraction of the federal budget.

The 24 Cabinet and Chief Financial Officers' Act agencies reported a total Net Cost of Operations of approximately \$2.25 trillion in their fiscal 2004 Performance and Accountability Reports.⁶ A report earning "satisfactory" scores of 3 on all 12 evaluation criteria would have a total score of 36. As the pie charts show, 12 reports had a total score of 36 or higher in fiscal 2004, but they accounted for only 11 percent of federal non-interest spending. A report that exceeded expectations on all criteria would score at least a 4 on each one, for a total of 48. Only two reports, covering just 3 percent of non-interest spending, had scores greater than or equal to 48.



⁶ This figure excludes about \$311 billion in interest on the national debt, which appears as part of Treasury's Net Cost of Operations. Interest should not be counted as a cost of producing agencies' fiscal 2004 results; rather, it is a cost of carrying the national debt that was incurred to finance programs in past years.

The accompanying table lists the agencies whose reports scored below 36. These agencies accounted for \$1.46 trillion in federal spending. Two agencies – Defense and Social Security – are responsible for more than two-thirds of this amount, or \$1.1 trillion. Defense ranked 23rd, and Social Security ranked 16th (in a five-way tie).

The four criteria under the Public Benefits category are arguably the ones most relevant to budget decisions. These criteria involve articulation of outcome-based goals and measures, together with linkage of costs to outcomes. The next two pie charts show a pattern similar to the previous tables. Twelve reports earned “satisfactory” scores averaging 3 across the four criteria (for a total of 12 points in the category), but they account for only 10 percent of non-interest spending. The three reports with scores of 16 or above in the category, suggesting they consistently exceed expectations, account for only 7 percent of non-interest spending.

These figures are heavily influenced by the absence of the report from Health and Human Services, which was not available in time to include in the Scorecard. Since this department represents approximately one-fourth of non-interest spending, a very good HHS report could substantially increase the percentage of the budget covered by good reporting. In past years, however, HHS never ranked higher than 20th and never scored higher than 25 points (in fiscal 2002). To improve the results in the pie charts, HHS would have had to have produced a very significantly improved report.

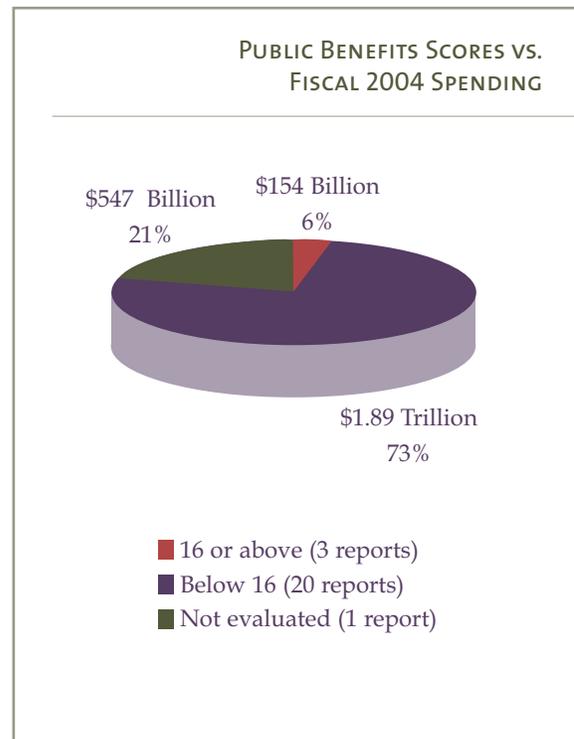
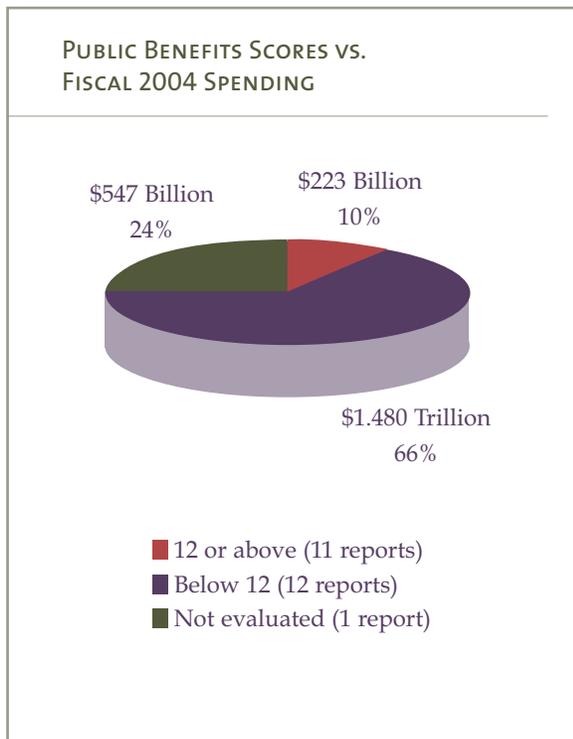
In addition to on-budget spending, the federal government also seeks to influence outcomes through various

AGENCIES SCORING BELOW 36

DEPARTMENT	COST
Defense	\$605 billion
Social Security	\$531 billion
USDA	\$74 billion
Education	\$63.6 billion
OPM	\$62 billion
HUD	\$39 billion
Homeland Security	\$33 billion
Treasury	\$24.4 billion*
NASA	\$16.4 billion
Interior	\$13 billion
GSA	(\$100 million)**
TOTAL	\$1.46 TRILLION

*Excludes interest on the national debt.

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



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.” The Office of Management and Budget and Treasury Department are currently developing data sources and methods for performance measurement of tax expenditures.⁷

The *Budget of the United States Government* contains estimates of the federal outlays that would be necessary to give taxpayers the same amount of income they receive through tax expenditures. These “outlay equivalent”

⁷ “Tax expenditures” are not explicitly mentioned in GPRA, but a report from the Senate Governmental Affairs Committee indicates that the committee expected the Office of Management & 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.

⁸ *Budget of the United States Government, Fiscal Year 2006, Analytical Perspectives, Table 19-5.*

estimates of tax expenditures totaled \$957 billion in fiscal 2004.⁸ 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.⁹ Nevertheless, the \$957 billion figure gives some sense of the magnitude of tax expenditures. Adding this sum to the “Not evaluated” figure in each pie chart would significantly reduce the percentage of federal outlays and/or tax expenditures whose outcomes are well-documented in the performance and accountability reports.

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 federal regulations cost approximately \$843 billion—a large figure even relative to the \$2.25 trillion in non-interest federal spending.¹⁰ 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. Therefore, the percentage of total government spending plus costs of regulatory mandates whose outcomes are satisfactorily documented by performance and accountability reports could be either higher or lower than the figures in the pie charts suggest.

⁹ *Budget of the United States Government, Fiscal Year 2002*, Analytical Perspectives, p. 316.

¹⁰ W. Mark Crain and Thomas D. Hopkins, “The Impact of Regulatory Costs on Small Firms,” Report Prepared for the Office of Advocacy, U.S. Small Business Administration, RFP No. SBAHQ-00-R0027, p. 1, available at <http://www.sba.gov/advo/research/rs207tot.pdf>.

SCORING SUMMARY

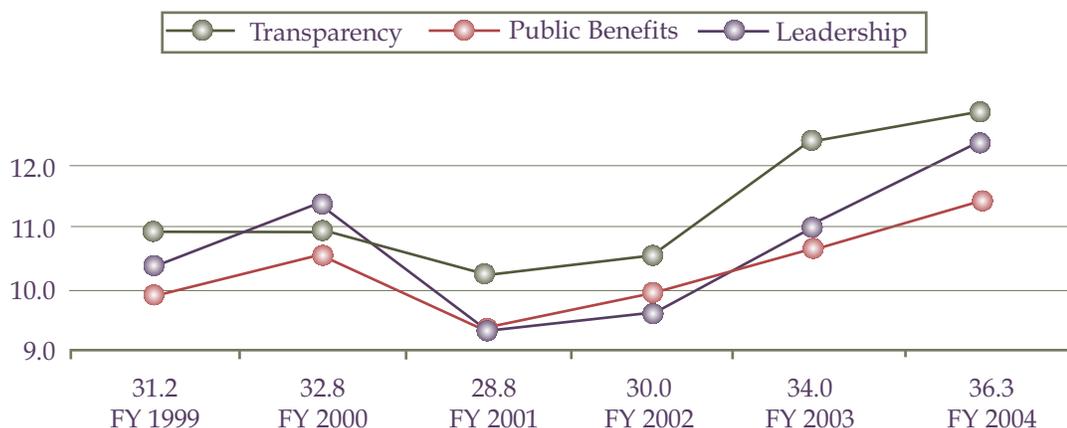
TRENDS AND OBSERVATIONS

Average scores on each of the three dimensions continued to improve in fiscal 2004, as Figure 3 shows. In fiscal 2004, the average transparency, public benefits, and leadership scores improved by 3 percent, 6 percent, and 12 percent respectively. The first two dimensions improved by a much smaller percentage than in fiscal 2003, when transparency improved by 16 percent and public benefits improved by 10 percent. Leadership improved by about the same percentage in fiscal 2004 as in fiscal 2003.

The average total score, which is the sum of the three dimensional scores, increased 7 percent to 36.3 for fiscal 2004. This is a significant milestone, because a report that received the satisfactory score of 3 on each criterion would receive a 36. This is the first time in the six-year history of the Mercatus Center's Scorecard that the average score exceeded satisfactory.

As Figure 4 shows (see p.17), nine criteria showed increased average scores. In particular, agencies made substantial improvements in showing how their activities make the country a better place to live (criterion 9), explaining failures to achieve goals (criterion 10), and describing changes to improve performance in the future (criterion 12). Average scores on these criteria jumped by more than 15 percent. A principal reason for improvements in criterion 9 is stronger transmittal letters from agency heads, which should paint a broad vision of the agency's value to taxpayers and summarize key performance highlights. Criterion 10, explaining failures, has been the lowest-scoring category since fiscal 2001, averaging only 2.3 in fiscal 2003. Therefore, there was a lot of room to improve. Improvement on this criterion, in turn, helps explain the improvement in criterion 12. Agencies that do a better job of disclosing failures also tend to do a better job of explaining how they intend to remedy them, and agencies that fail to disclose failures rarely disclose remedies either.

FIGURE 3: IMPROVEMENT CONTINUED IN FISCAL 2004



Reviewing the results, the research team was surprised to see only modest improvement in criteria 4 and 5—articulation of outcome-oriented goals and measures. More improvement was expected, since many agencies are now operating under new strategic plans. A review of the evidence revealed that most agencies adopted new strategic plans in fiscal 2003, and these new plans apparently drove scores on criteria 4 and 5 up by more than 20 percent in the fiscal 2003 Scorecard.¹¹

The average scores on criteria 1, 7, and 11 fell by 4, 5, and 6 percent respectively. These reductions suggest that at least some reports failed to improve sufficiently to keep pace with our tightening criteria:

CRITERION 1: To receive the highest score of 5 for web accessibility, agencies had to make their reports available via a direct link from the home page and offer contact information so that readers could follow up with questions, comments, or requests for a hard copy.

CRITERION 7: Although many reports offered anecdotes or logical explanations illustrating how their actions affected results, relatively few have backed this up with solid evidence from program assessments that demonstrate how the agency's actions have *caused* the measured outcomes. Without proof of causality, it is difficult to say that a report truly demonstrates an agency's contribution.

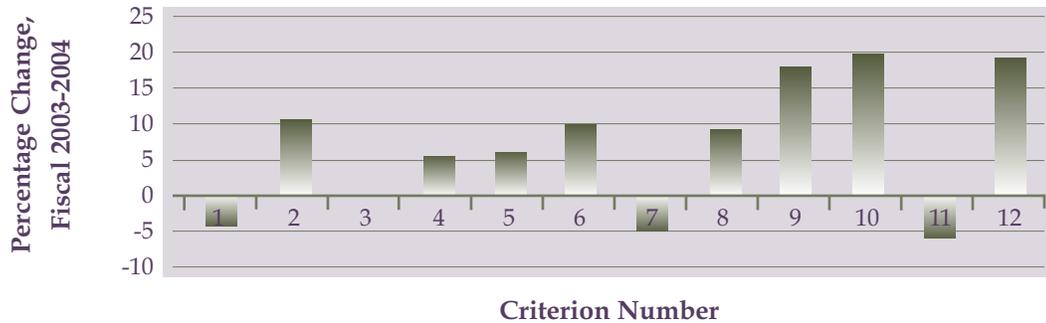
CRITERION 11: This criterion assesses whether the report adequately addresses major management challenges. This year, the research team looked for evidence beyond mere expressions of good intentions that the agency takes major management challenges seriously and is making specific, substantive progress on resolving them. Key factors include specific assessments of progress by the inspector general (rather than just assertions by the inspector general that the agency is "making progress") and responses by the agency that indicate what, in particular, it is doing to deal with each major management challenge.

MOST RECENT STRATEGIC PLAN FOUND ON AGENCY WEB SITES

AGENCY	YEAR
Agriculture	2002
Commerce	2004
Defense (Quadrennial Defense Review)	2001
Education	2002
Energy	2003
EPA	2003
GSA	2002
Homeland Security	2004
HUD	2003
Interior	2003
Justice	2003
Labor	2003
NASA	2003
NRC	2004
NSF	2003
OPM	2002
SSA	2003
State	2004
Transportation	2003
Treasury	2003
USAID	2004
Veterans' Affairs	2003

¹¹ The Government Performance and Results Act requires that strategic plans must cover a five-year period, and they should be updated every three years.

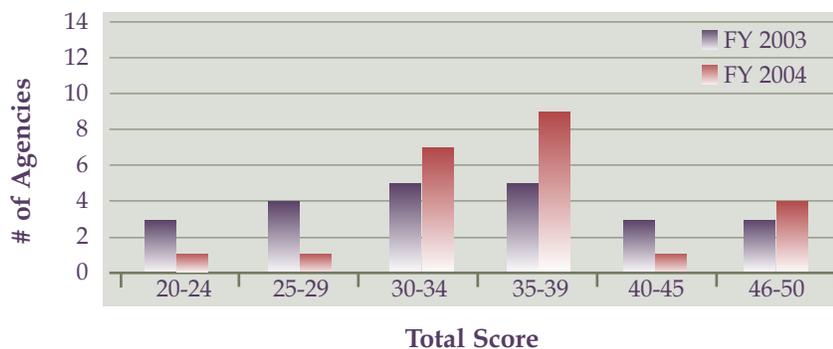
FIGURE 4: SCORES ON ALL BUT 4 CRITERIA IMPROVED IN FISCAL 2004



A YEAR OF UNEVEN IMPROVEMENT

The average score increased 7 percent, from 34 in fiscal 2003 to 36.3 in fiscal 2004. Figure 5 shows a reduction in the number of reports scoring below 30 and an increase in the number of reports scoring between 30 and 40. This increase reflects uneven improvement. About half of the agencies – 12 – increased their scores from fiscal 2003 to fiscal 2004. Scores fell for seven agencies and remained the same for three agencies. Scores for two agencies – Homeland Security and Health & Human Services – are missing in one year or the other because their reports were not available in time to meet our evaluation deadlines.

FIGURE 5: MORE REPORTS GOT BETTER SCORES IN FISCAL 2004



Each agency score is a sum of the three dimensional scores: transparency, public benefits, and leadership. Figures 6 through 8 show that changes in these scores reflect the same pattern as changes in the total scores.

FIGURE 6: MORE REPORTS GOT HIGHER TRANSPARENCY SCORES IN FISCAL 2004

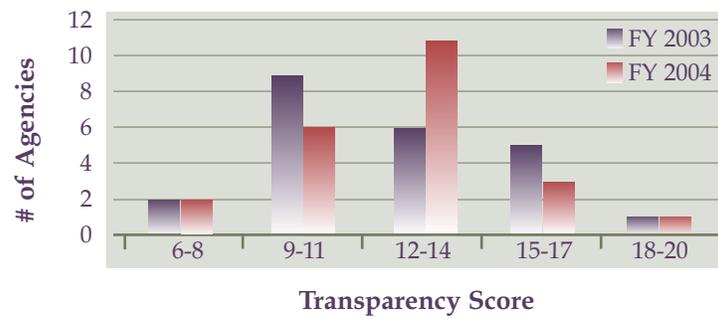


FIGURE 7: MORE REPORTS GOT HIGHER BENEFITS SCORES IN FISCAL 2004

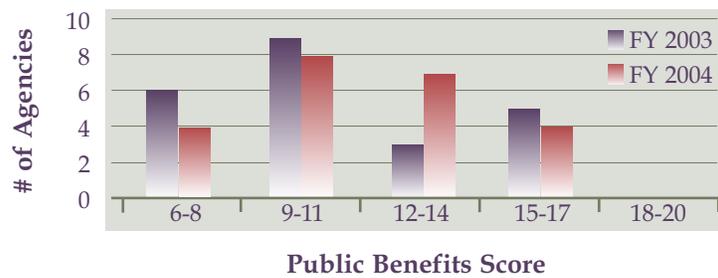
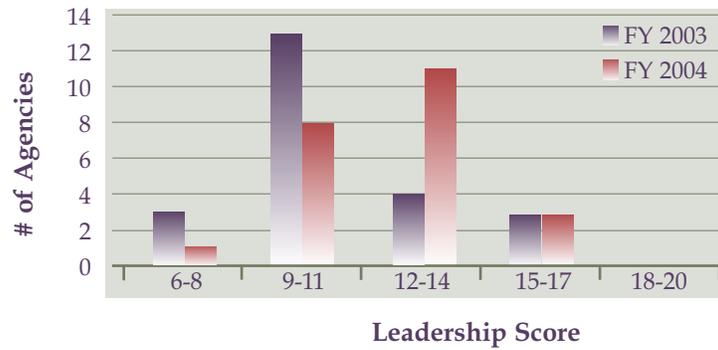
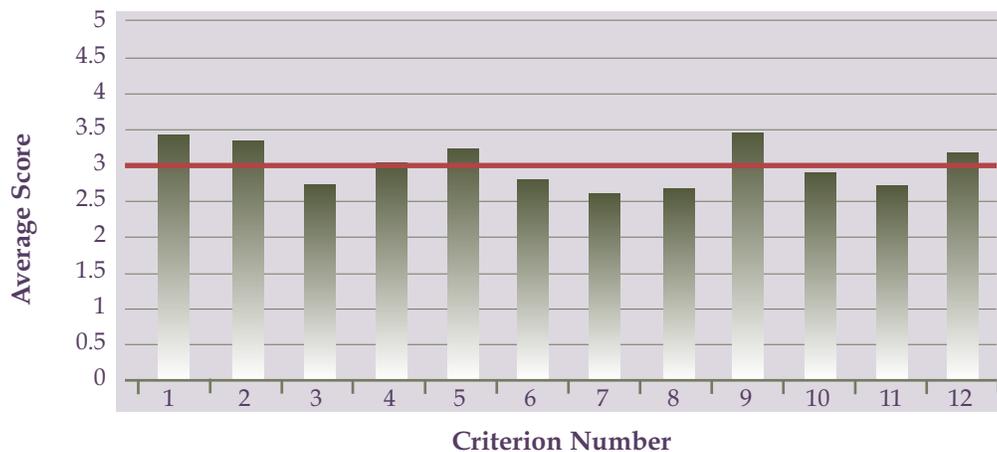


FIGURE 8: MORE REPORTS GOT HIGHER LEADERSHIP SCORES IN FISCAL 2004



Despite this year’s improvements, there is still substantial room for progress. Figure 9 reveals that average scores in six categories are below 3. The areas with scores below 3 (in order of severity of the problem) are demonstration that the agency’s efforts actually affected achievement of outcomes, linkage of results with costs, ensuring reliability and timeliness of data, discussion of major management challenges, articulation of outcome-oriented measures that accurately reflect the agency’s impact on its goals, and explanation of failures to achieve goals.

FIGURE 9: AVERAGE SCORES ON INDIVIDUAL CRITERIA FOR FISCAL 2004



TOP REPORTS

The Department of Labor's report tied for 1st place with Transportation's in fiscal 2003. This year, Labor's report captured top honors all on its own, scoring a record-high of 50 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 capture the top ranking in fiscal 2002. Labor has kept its leading position since then.

This year's 2nd place report, State, continues a remarkable improvement story. State's report ranked 20th in fiscal 1999 but has risen in the rankings every year. In addition, State's initiative to develop a joint strategic plan with USAID helped increase USAID's ranking by 12 places, from 21st place in fiscal 2003 to 9th place in fiscal 2004.

Two perennially strong reports, Transportation and Veterans, shared 3rd place. Six points separated the top four reports from the 5th place report. We encourage other agencies to learn from best practices and incorporate the approaches that have been successful at these agencies.

UPS AND DOWNS

In addition to State and USAID, four agencies made significant improvements in their reports: Commerce, Justice, Energy, and NSF. Each of these reports substantially increased its score and ranking for fiscal 2004. Commerce leapt 11 spots in the rankings to capture 5th place in fiscal 2004. This reversed its drop from 5th place in fiscal 2002 to 16th place in fiscal 2003. Justice and Energy rose nine and six places, respectively, to tie with SBA for 6th place. NSF captured 10th place in fiscal 2004, up from 17th in fiscal 2003. Another noteworthy climber is NASA, which rose from 20th in 2003 to 16th in 2004 after falling from 12th in fiscal 2002.

Four reports fell significantly in the rankings—Agriculture, Interior, HUD, and GSA. Agriculture fell from 4th place to 13th, Interior fell from 6th place to 13th, and HUD and GSA both fell from 10th place to 16th. All of these reports also had lower scores in fiscal 2004 than in fiscal 2003.

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 22nd since then.
- 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 17th in fiscal 2003 and 21st in fiscal 2004.
- 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, and rose slightly to 16th in fiscal 2004.
- The Department of Health and Human Services did not provide a copy of its fiscal 2004 report in time for our evaluation. Its report has never ranked higher than 20th.

STRONGEST AND WEAKEST SCORES

TRANSPARENCY

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 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.¹² In some sense, criterion 1 should be the easiest criterion to satisfy, because any webmaster should be able to ensure a good score.

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 <http://www.mercatus.org/governmentaccountability/article.php/1095.html>

Fifteen of the agency reports were linked directly to the home page or were readily identifiable by an intuitive search. Five were available as a home page link captioned "about the agency" or obtainable via a search under "performance report."

Strongest Scores: State, Transportation, Veterans, Energy, EPA, Education

Each of these reports received a 5 on this criterion. All of these agencies make their reports available via a direct link from the home page. All allow the reader to download the entire PDF document or separate sections. And all provide contact information in case readers have questions, comments, or further requests. A report had to be available via a direct link and include contact information in order to receive a 5. The most common reason an agency received only a 4 was that it failed to provide any contact information so readers could reach a responsible individual or office at the agency.

Several agencies provided additional features as well. State offers downloads in HTML as well as PDF. Energy's report web page offers individual employee names, phone numbers, and e-mail addresses for followup. Education offers the report in Word as well as PDF and includes information for obtaining the report

¹² 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.

in alternative forms such as Braille, large print, or computer disc. At least two agencies that failed to receive 5s nevertheless offered interesting improvements on accessibility. GSA and SBA both made their reports available in Spanish as well as English.

Weakest Scores: HUD, OPM, Homeland Security

All three agencies received a 1 on this criterion. The first two agencies were a day late and a dollar short in their web posting. HUD has a direct link to its report from its home page, but none of the research team could open the report from that link by December 16. Subsequent to the cutoff date, the report could be opened from the web site link. Similarly, researchers could not find OPM's report on line by December 16. The "About the Agency" link from the home page leads to a link for "Performance & Accountability Reports." However, the most recent report posted on that site as of the cutoff date was the fiscal 2003 version. Subsequently, the agency did post the fiscal 2004 report on its web site.

More timely and user-friendly web presentation could have benefited each of these reports substantially in the rankings. If each had scored a 5, HUD would have tied for 10th place instead of 16th, and OPM would have tied for 15th place instead of ranking 21st. Although the lower rankings are arguably an unfortunate result of the deadline chosen by the Mercatus research team, we note that agencies were informed of the deadline in June 2003, and 21 of the 23 agencies whose reports are evaluated this year managed to have working web links by December 16.

The researchers eventually found Homeland Security's report on the department's web site. However, the report is located under "budget," which is linked under "DHS organization" from the home page. This is not an intuitive search path for a lay reader. The report is downloadable in a single PDF or multiple files. No contact information is furnished.

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.

Readability was an area of widespread improvement. Nine agencies scored higher this year than last year. Two agencies (Commerce and Justice) improved from 2 to 4. Three agencies regressed (Education, EPA, and

ANACRONYM-ISMS?

ACRONYM	MEANING	SOURCE
MIDAS	Modernize and Innovate the Delivery of Agriculture System	USDA
EEEL	Electronics and Electrical Engineering Laboratory	Commerce
GWOT	Global War on Terrorism	Defense
HOUSSE	High, Objective, Uniform State Standard of Evaluation	Education
LUST	Leaking Underground Storage Tank	EPA
EWGPP	Elimination of Weapons Grade Plutonium Production	Energy
OCPO	Office of Chief People Officer	GSA
TOPOFF	Top Officials	Homeland Security
TOTAL	Technology Open to All Lenders	HUD
WAU	Whereabouts Unknown	Interior
WYC	Watch Your Car	Justice
LWDII	Lost Workday Injury and Illness	Labor
ESMF	Earth Science Model Framework	NASA
SDLCMM	System Development Life-Cycle Management Methodology	NRC
PITO	People, Ideas, Tools and Organizational Excellence	NSF
USSTR	U.S. Navy's Aircraft Carrier <i>Theodore Roosevelt</i>	OPM
JA2MS	Joint Accounting and Administrative Management System	SBA
EPOXY	Earnings Posted Overall Cross Total/Year-to-Date System	SSA
WW2BW	White Water to Blue Water	State
TE	Traffic Enforcement	Transportation
FMLOB	Financial Management Lines of Business	Treasury
GESAMP	Group of Experts on the Scientific Aspects of Marine Environmental Protection	USAID
SKIPPES	Skills, Knowledge, and Insurance Practices and Procedures Embedded in Systems	Veterans

List is intended merely to be illustrative, not exhaustive.

HUD). Only four agencies received a below-average (2) score on this criterion.

Strongest Scores: State, Labor, Veterans

All of these reports received a 5 on this criterion.

The State Department's report is certainly one of the most (if not the most) visually appealing of the performance reports. It is also well organized and highly readable. The report makes excellent use of graphics. It con-

tains many features that assist the reader in readily grasping the department's functions and performance. To cite just a few examples: colorful and succinct tables summarize the department's fiscal 2004 results and compare them to fiscal 2003 (pp. 16-20); narratives describe the most important results and continuing challenges for each strategic goal (pp. 22-25); and the following pages provide examples of significant achievements. Also of note is the 60-page highlights report available for the general reader. Both the full report and the highlights report have an accompanying CD for readers interested in greater depth. The report makes liberal use of acronyms, but this is not a significant distraction for the reader. The only challenge in terms of readability and understandability is that the department has 209 performance measures. Its already excellent presentation could be even better if it focused on significantly fewer measures.

Labor's report is well-organized, easy to read, and very informative. Among its many excellent features, the secretary's transmittal letter (pp. 6-8) highlights the department's core missions and selected accomplishments. The executive summary includes a table (pp. 14-18) that presents the department's performance results at a glance and a narrative summary thereafter (pp. 19-20) that succinctly highlights major performance trends and plans for the future. The report also makes good use of graphics, as well as vignettes that highlight the impact of its programs on individual citizens. It includes a list of Internet sites for more detailed information on subjects covered in the report (p. 341). This report clearly reflects a strong interest in communicating the department's performance to the public.

The Veterans' Affairs report is well-organized and easy to understand, both for the casual reader and one seeking greater depth. It makes excellent use of graphics, particularly in tables and graphs that present the department's performance results. The department has 127 performance goals, but the report focuses on 22 key goals selected by the department's leadership as being critical to the department's success (p. 7). The performance results for these key goals are presented in an excellent table (p. 6). The report covers all of the department's performance goals on visually appealing, color-coded tables (pp. 139 ff.) The format makes it very easy to digest the performance results at a glance. Straightforward narratives contribute to making the report a model of clarity.

Weakest Scores: EPA, Education, Homeland Security, Defense

Each received a 2. All of these reports have some good features, but each also posed some major readability challenges

EPA has descriptions of its many goals and measures scattered throughout the report and presented mainly by narrative. It is hard to identify performance results and to interpret trends. The report is overwhelming in detail and would benefit greatly from overviews and summaries of goals and specific performance results. It could also make much better use of graphics. The report uses numerous acronyms and abbreviations (e.g., CO, SO, NO, Pb, PM, NAAQS), which requires the reader to flip back and forth to determine their meanings and deflects the reader's focus from the topic being discussed. Appendix C, which describes Performance Assessment Rating Tool results, would be more helpful if there was an easy method to tie the measures used for the programs assessed with the strategic and annual performance goals/measures. One good feature of the report is a narrative "Overview of Performance Results," which succinctly captures some key results using an effective "headline" format (pp. I-2 - I-7).

Education's report is visually appealing and has good photographs and graphics. It starts with a brief preface entitled "A Journey from Access to Excellence," which is well done. However, the main content is not easy to read or understand. The report makes heavy use of acronyms. While it includes a glossary to explain them (p. 261), they are still distracting. The performance portions of the report are decentralized and somewhat disjointed. Performance results are presented in one place (e.g., p. 39) and the related information necessary to put those results in context, including baseline and trend data, is presented elsewhere (e.g., p. 194). This forces the reader to cross-reference continuously. Even when the reader cross references, the measures are sometimes incomplete and cryptic. For example, the measure for "highly qualified teachers" for objective 2.4.1 (p. 206) doesn't define the term, but simply refers the reader to a section of the Elementary and Secondary Education Act. The reader must look in still another place (p. 29) for an explanation of the methodology for reporting performance results, which is in itself complex. The report would be improved considerably by the use of summary tables to highlight performance results.

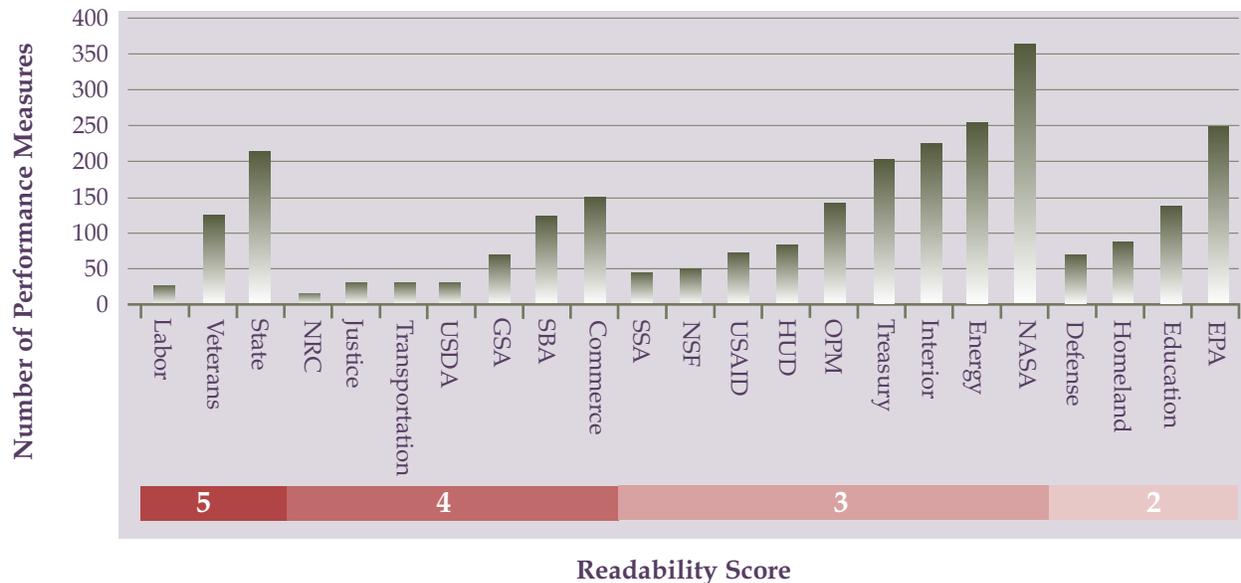
Homeland Security's report is mainly text and could benefit from more graphics—particularly in Part III, the detailed performance section, which consists entirely of text (pp. 192 ff.). A confusing numbering system and summary reports require considerable digging by the reader and cross-referencing between the un-numbered Executive Summary Performance Scorecard in Part I and the detailed numbered Performance Information in Part III. With that effort, the reader can get some sense of what the specific goal was for 2004 and whether or not it was met. However, it would enhance the understandability of the report if these strategic objectives were mentioned earlier and integrated with the description of the strategic goals themselves. Moreover, the report comes across as a series of reports on its individual components that lack overall cohesion. On the positive side, the secretary's transmittal letter does a good job of highlighting what the department does and the importance of its work to the American people. The "performance scorecard" presents the department's goals and results in tables that are easy to digest (pp. 7-17).

The Defense Department report is a hard read for one interested in understanding the department's performance beyond the most obvious aspects. One reason for this is that the department evidently still has not fully adapted to the Government Performance and Results Act as the primary framework for its performance accountability and reporting. The report says that the Quadrennial Defense Review Report serves as the department's strategic plan (p. 6). Thus, its report is a confusing mix of risk-management strategic objectives, "policy goals," and "performance metrics." Moreover, the portions of the report detailing the department's program performance do not deal comprehensively with its missions and activities (pp. 48-112). Finally, it takes a close reading to ascertain how well the department performed against the limited measures that it had for fiscal 2004.

The most common shortcoming for agencies that did not score well on this criterion is too many performance goals and measures. As Figure 10 shows, more measures do not mean that a report is more informative. The graph ranks reports from left to right based on readability scores, with the highest-scoring reports on the left. Few reports with large numbers of performance measures received better than a satisfactory (3) score.

The most extreme example is NASA, which has 365 measures. Other examples of agencies with a host of measures are Energy (255), Interior (226), EPA (200-300), and Treasury (203). Commerce has 153 measures but notes that it plans to reduce the number in the future. By contrast, Transportation has only 31 measures.

FIGURE 10: DATA IS NOT INFORMATION



The two high-scoring reports with large numbers of measures—Veterans and State—focus the reader on a more manageable number of “key” goals and measures. It also helps to summarize performance results in an easily comprehensible table, as Labor does.

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 data in the report and disclose any material weaknesses. 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.

It appears that agencies were more conversant with the data assessment requirements of the Reports Consolidation Act this year. Last year, seven agencies offered no assessment of data quality; this year, only one failed to do so (Defense). However, the transmittal letters for several agencies (Commerce, Energy, and Interior) were somewhat vague in their assessments. A more serious problem is that some agency heads (HUD, SSA) provided data assessments that appeared to ignore or understate data problems identified in other portions of the report, such as the internal auditor’s report or the inspector general’s presentation of major management problems.

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.

For fiscal 2004, the Mercatus research team paid special attention to opinions offered by agency inspectors general, the Government Accountability Office, and other third party auditors to assess the credibility of information the agencies offered in their reports. For example, an agency head's certification that data in the report are "complete and reliable" carried less weight if the inspector general or other auditor presented findings undermining that claim.

One interesting result for fiscal 2004 is that the accelerated reporting deadline of November 15 does not appear to have diminished the availability or completeness of data in the reports. Fourteen of the 23 agencies reported actual, preliminary, or estimated results for almost all of their measures. Four reports had significant problems with missing data, but for three of the four, the problems clearly result from factors other than the earlier reporting deadline. Education, for example, has always had problems with lagging data because much of its performance data comes from the states, and OPM lacked data on a large number of measures because it did not implement the customer service surveys that were supposed to generate the data. Only one report, EPA, had significant amounts of missing data not explained by other factors.

Strongest Scores: Agriculture, NSF, State, Labor, Transportation

No agency received a 5 on this criterion, but five agencies received 4s.

Although Agriculture's report ranked 13th overall, it offers a potential best practice in this category. The secretary's transmittal letter (p. ii) certifies that the report's data are valid, reliable, and accurate except where specific limitations are discussed in the body of the report. The report provides extensive detail concerning the data for each individual performance measure (pp. 116-37). This includes a discussion of data sources and their completeness, reliability, and quality. The only shortcoming is that the department deferred reporting even preliminary or estimated results for three of its 31 performance goals (about ten percent) due to unavailable data (p. 8).

Similar to Agriculture, NSF ranked around the middle of the pack overall. Nevertheless, NSF has another idea that could be a best practice. The agency head's transmittal letter (pp. I-1 and I-2) asserts that the report's financial and performance data are complete and reliable and notes that this assertion is based on an independent external verification and validation review of the agency's performance results (pp. I-1 - I-2). The report elaborates on this review (pp. I-21 and I-22). The only negative here is the inspector general's comment, as part of her description of major management challenges, that the agency's current information systems do not readily provide the cost accounting information needed to link costs to program performance (p. IV-9).

The Secretary of State's transmittal letter certifies that the report's financial and performance data are complete and reliable in keeping with Office of Management and Budget guidance (p. IV). Unlike most reports,

it also describes this guidance so the reader can actually understand what the certification means (p. 12). Other portions of the report provide further information about steps the department takes to assess data veracity and validity (p. 13). Also, the narratives for each performance measure provide a data source (at least in general terms), as well as a statement as to the verification confidence level and a validation indicator. (See, e.g., p. 89) Since some of the department's measures are of necessity subjective, an arrangement for third-party assessments on confidence level (rather than exclusive reliance on department officials) would enhance reader confidence in the data. The department reports fiscal 2004 results for all 209 of its measures (pp. 17-20).

Labor's report provides interesting examples of ways to deal with common data problems. The secretary's transmittal letter states that the department's performance data are complete and reliable, under the Office of Management and Budget criteria, with one exception (p. 7). The transmittal letter briefly describes the exception, which affects youth employment and retention rates, and refers to a more detailed discussion later in the report. The body of the report provides more information and indicates that the department is taking steps to address the problem (pp. 69-70). The department reports results for all of its goals and measures that are subject to fiscal year reporting. Some goals and measures are reported on a program year basis (July 1 to June 30). For these, program year 2003 results are included in this report and program year 2004 results will be reported next year (pp. 14, 16-17). Appendix 1 includes data sources for all performance measures (pp. 292-314). It points out that some results are reported on the basis of estimates and are so identified (p. 292).

Transportation's report contains much useful information on performance data. The report discusses performance data completeness and reliability in general terms (pp. 83-84). However, Appendix C provides greater detail on each performance measure that includes entries on data sources, completeness and reliability and also references a web site that provides additional helpful source and accuracy statements concerning the department's performance data (p. 265). The department had enough data to report fiscal 2004 results for all of its performance measures. About 60 percent of the results (19 of 31) are based on projections or estimates. The report is clear when less than complete data are used. There is nothing in the report (including the inspector general's input) that calls into question the credibility of the department's performance data. In accordance with the Reports Consolidation Act, the transmittal letter states that the performance and financial data "are substantially complete and reliable," and refers to a section of the Executive Summary for a detailed assessment of limits to the performance data and remedies for them (p. vi).

Weakest Score: Defense

While there are many tables throughout the report providing numbers, the relationship of these to performance objectives is often tenuous, and the department admits that correction efforts for reported weaknesses in accurate, reliable, and timely financial and performance information are not yet in place (p. 19). Furthermore, the report does not even arguably comply with the Reports Consolidation Act requirement that the secretary's transmittal include an assessment of the completeness and reliability of the financial and performance data used in the report and what is being done to address material inadequacies. (In fact, the secretary did not transmit the report, leaving this task to the deputy secretary.) In any event, other portions of the report make clear that the department faces severe data problems. The report states: "The Department of Defense financial and business management systems and processes are costly to maintain and operate, not fully integrated, and do not provide information that is reliable, timely, and accurate." (p. 24) Later, the report admits: "The DoD

systemic deficiencies in financial management systems and business processes result in the inability to collect and report financial and performance information that is accurate, reliable, and timely.” (p. 43) The Defense Department’s report received a 1 on this criterion.

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: Numerous

Seven reports received a 4 on this criterion. Two of the best reports in this category are Agriculture and Veterans. The Agriculture report provides detailed backup for its performance measures that includes rationales for each performance target. This is very helpful for putting the measures in context. Unfortunately, Agriculture is the only agency to provide such information systematically. The Veterans report includes strategic (i.e., long-term) performance targets, which show the reader where the department is trying to go as an important aid to assessing performance and progress.

Most agencies could improve in this category by (1) presenting both prior year targets and performance results; (2) presenting long-term targets for each measure; and (3) providing rationales for annual performance targets. A rationale is particularly important where there is a significant disparity between the target and result. Even when actual performance significantly exceeded the target, some explanation may be necessary, because the target may not have been very challenging.

Weakest Score: NASA

For several reasons, the report provides virtually no baseline or trend data that help the reader put its measures in context. First, a large proportion of the measures are not expressed in quantifiable terms. Second, the agency’s performance measures tend to change considerably from year to year; there are many new measures for fiscal 2004. Third, NASA’s method of reporting prior year results where there is continuity of measures indicates only whether or not the prior year target was met; it does not identify prior year targets or prior year results even in the case of quantifiable measures. (See, e.g., pp. 68-69) To NASA’s credit, the report recognizes the limitations of its approach in terms of identifying trends and notes that “performance outcomes” have been added to its performance metrics this year in an effort to help track trends over time (p. 18). This should provide for better baseline and trend data in the future.

B PUBLIC BENEFITS

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 enunciate 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 enunciated outcome-oriented goals and measures; it is very difficult to do well on these three criteria without having outcome-oriented goals and measures.

Some agencies did a better job of articulating outcomes in the transmittal letter from the agency head or in overview sections than in the detailed performance review. Agencies seeking to develop more outcome-oriented goals would do well to examine those prefatory parts of their report for inspiration.

Strongest Scores: State, USAID, Transportation, Labor

All of the State Department’s 11 programmatic strategic goals (see p. 11) are outcome-oriented, as are the great majority of the 38 annual performance goals (pp. 11, 17-20). Of necessity, many are stated at a high level of generality, such as “advance the growth of democracy” and “strengthen world economic growth.” The department has done a very commendable job in meeting the substantial challenge of describing its functions through such outcome-oriented goals.

USAID and the State Department have developed a new joint strategic plan. Thus, USAID’s eight strategic goals (p. 31) are the same as the State Department’s, although the State Department has some additional strategic goals. Likewise, USAID’s annual performance goals track State Department performance goals. The agency’s development of joint goals with State has resulted in a major improvement over last year in this category. Like State’s goals, USAID’s strategic and performance goals now are very outcome-oriented, although many are necessarily stated at a high level of generality.

JOINT STATE DEPARTMENT/USAID STRATEGIC GOALS

REGIONAL STABILITY: Avert and resolve local and regional conflicts to preserve peace and minimize harm to the national interests of the United States

COUNTERTERRORISM: Prevent attacks against the United States, our allies, and our friends, and strengthen alliances and international arrangements to defeat global terrorism

INTERNATIONAL CRIME AND DRUGS: Minimize the impact of international crime and illegal drugs on the United States and its citizens

DEMOCRACY AND HUMAN RIGHTS: Advance the growth of democracy and good governance, including civil society, the rule of law, respect for human rights, and religious freedom

ECONOMIC PROSPERITY AND SECURITY: Strengthen world economic growth, development, and stability, while expanding opportunities for U.S. businesses and ensuring economic security for the nation

SOCIAL AND ENVIRONMENTAL ISSUES: Improve health, education, environment, and other conditions for the global population

HUMANITARIAN RESPONSE: Minimize the human costs of displacement, conflicts, and natural disasters

MANAGEMENT AND ORGANIZATIONAL EXCELLENCE: Ensure a high quality workforce supported by modern and secure infrastructure and operational capacities

ADDITIONAL STATE DEPARTMENT STRATEGIC GOALS

HOMELAND SECURITY: Secure the homeland by strengthening arrangements that govern the flows of people, goods, and services between the United States and the rest of the world

WEAPONS OF MASS DESTRUCTION: Reduce the threat of weapons of mass destruction to the United States, our allies, and our friends

AMERICAN CITIZENS: Assist American citizens to travel, conduct business, and live abroad securely

PUBLIC DIPLOMACY AND PUBLIC AFFAIRS: Increase understanding for American values, policies, and initiatives to create a receptive international environment

All of Transportation’s strategic goals are results-oriented, particularly when read in conjunction with their accompanying strategic objectives, termed “strategic outcomes.” The strategic goals for mobility and economic growth (p. 48) use somewhat vague, non-results verbs—“shape” and “support”—but clearly address measurable results in the accompanying text and strategic outcomes. All of the 31 performance measures are stated as outcomes. The national security strategic goal (p. 65) is stated in a more results-oriented way than last year, although its strategic outcomes remain the same.

Labor’s report has four programmatic strategic goals (pp. 19-20). Each strategic goal has several accompanying “outcome goals.” (See pp. 35-36, 75, 97-98, and 129.) For example, Strategic Goal 1, “A Prepared Workforce,” has the following three outcome goals: “Increase Employment, Earnings, and Assistance”; “Increase the Number of Youth Making a Successful Transition to Work”; and “Improve the Effectiveness of Information and Analysis on the U.S. Economy.” All of the strategic goals are stated as outcomes, as are all the outcome goals for the first three strategic goals. The two outcome goals under the fourth strategic goal are less clearly stated as outcomes (p. 129). There are 30 annual performance goals under the four strategic goals, almost all of which are clearly outcome-oriented (pp. 14-16). There are 12 additional annual performance goals under departmental management (pp. 16, 137-138). The first eight of these are also expressed as outcomes.

Weakest Scores: Numerous.

Among the more problematic agencies are Agriculture, OPM, and Treasury. While Agriculture restructured and redefined its goals for this year, the net effect of these changes seems to have been to make the goals even *less* outcome-oriented than they were before. OPM defines its goals primarily in terms of the assistance it provides other agencies to enhance their workforces, not whether the other agencies actually have enhanced their workforces. Treasury’s goals seem fundamentally out of balance in relation to its missions. The goals place much greater emphasis on macroeconomic policy than on effective administration of the tax laws, although the Internal Revenue Service accounts for about 70 percent of the department’s budget and almost 90 percent of its staff resources. This is particularly ironic since the department’s span of influence over economic policy is much less clear than its ability to affect the performance of the Internal Revenue Service.

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

Labor’s report offers several performance measures (“indicators”) for most annual goals. (e.g., pp. 58, 64, 67). Most of these measures are expressed in the form of target outcomes that clearly relate to their accompanying goals. The narratives reinforce the relationship between the measures and the goals.

In contrast to State's broadly stated strategic and performance goals, many of its 209 individual performance measures are highly specific and tailored to address particular current needs or circumstances (e.g., pp. 89-93, 98, 107). Many also are expressed in narrative rather than quantitative form, thus leaving room for subjective judgment. However, they usually bear an obvious relationship to the goal. The report includes a brief description of the results and their impact for each measure, which further drives home the connection between the measure and its goal.

For the most part, Transportation's performance measures bear a clear relationship to its goals. This is due in large part to the highly outcome-oriented nature of both the goals and the measures. The relationships are most compelling under the safety goal and least clear under the national security goal. As was the case last year, there still are no performance measures that relate to the very important second strategic outcome under the security goal: "Reduce the vulnerability of the transportation system and its users to crime and terrorism" (p. 65). While the Department of Homeland Security has primary responsibility in this area, Transportation presumably still retains an important role in view of the stated strategic objective.

In the Department of Veterans' Affairs report, the key measures are clearly related to their outcome goals. The narrative portions of the report elaborate upon and reinforce these relationships. Most of the remaining measures appear related to their strategic goals and objectives, although there is little narrative on these measures.

Weakest Scores: Numerous

Eight different reports received a score of 2 on this criterion, including several that ranked relatively high on the strength of their overall scores: Commerce (ranked 5th) and SBA and Energy (tied for 6th with Justice). The *average* score on this criterion improved in fiscal 2004 only because 12 agencies received a 2 or a 1 in fiscal 2003.

This criterion examines whether reports show that the agency's actions actually caused the outcomes that it reports. The most common factor leading to low scores on this criterion is failure to measure outcomes in the first place. For example, one of Commerce's performance goals is to ensure competition in international trade (p. 293). However, the measures under this goal deal only with numbers of cases completed on time, initiated, or concluded. Most of NASA's goals simply describe actions to be taken, often in highly technical terms. The Social Security Administration uses a total of 45 performance measures, of which 17 are designated "key" measures (pp. 83-89). At most, six of the 17 key measures are stated as outcomes. A higher proportion of the remaining measures (about 16) could be described as outcomes. Many of the agency's measures simply track the volume of various activities.

In some cases, the measures focus on activities because the goals focus on activities:

- The Energy Department's 255 annual performance targets are primarily activity measures. In general, it is difficult to see how they relate to outcomes since in most cases neither the measures nor the goals to which they apply are stated as outcomes.
- Like OPM's goals, its performance measures are predominately activity or output-oriented in most areas, including those relating to OPM's core human capital missions.

- Similarly, some of Defense’s existing measures relate to outcome goals; many others are activity measures. However, the main problem is that the department’s existing measures do not come close to capturing the full range of the department’s operations. To its credit, this year’s report indicates that the department is in the process of developing many new performance measures.

In some cases, reports state measures as outcomes, but they need to explain why these measures actually benefit the public. SBA, for example, includes two outcome measures which seek to reduce federal regulatory enforcement actions and penalties against small businesses (p. 85). It is not clear from the text, however, why this would benefit the general public.

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 for in order to identify the agency’s contribution — not excuses for a failure to demonstrate performance.

Strongest Scores: Labor, State, Transportation

No report received a 5 on this criterion; three received a 4. These agencies adopted outcome measures whose links to their goals were either intuitively clear or could be logically explained.

Such links were clear even when agencies faced substantial external factors that affected their ability to achieve their goals. In Labor’s case, for example, economic conditions obviously have a major impact. Nevertheless, the highly outcome-oriented nature of the department’s goals and measures and the narratives combine to do a good job of demonstrating the department’s contributions toward achieving its goals. In particular, the narratives usually provide brief explanations of the relevant departmental programs and activities and how they contribute.

In the future, agencies will likely have to offer credible program evaluations or other solid evidence of causality to receive a 5 on this criterion.

Weakest Scores: Defense

This report provides a good example of how weakness in articulating outcome-oriented measures can lead to

a low score on this criterion as well. The limited performance goals and measures that the department now uses do not provide an adequate basis for demonstrating its contributions. The new goals and measures under development offer some hope for the future.

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

Knowledge of resource allocation and linkage to strategic goals, objectives, and performance goals is useful because it clarifies priorities. Managing for results requires more, however. *Strategic* reallocation of resources becomes possible only when financial information allows one to calculate the cost per unit of success and to compare alternative methods of achieving the same goal. An agency cannot obtain the highest score on this criterion unless it breaks cost information down sufficiently to make such calculation possible.

Strongest Score: Numerous

Seven reports received a 4 on this criterion, though none was outstanding enough to earn a 5.

All of these reports broke down costs by more than just strategic goals and objectives. Some, such as Commerce, USAID, and Energy, even allocated costs among lower-level performance or program goals. The key missing ingredient is allocation of costs to individual performance measures. This information would make it possible to understand what citizens pay for various types of successes.

Weakest Scores: GSA, NASA, Homeland Security, Defense

Each of these reports earned a 1 on this criterion. Reports from GSA, NASA, and Defense have no content on this subject. NASA's omission is surprising, since its report states that it is a leader in implementing full-cost budgeting (p. 5). For Homeland Security, the only linkage between costs, goals, and results is a pie chart that shows net cost by strategic goal, but only by percentage—not actual budget numbers (p. 35). Later portions of the report seem to provide inconsistent figures for the department's fiscal 2004 resources (e.g., p. 65 vs. pp. 308-09).

L FORWARD-LOOKING LEADERSHIP

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. Indeed, the most common comment under this criterion from the research team was that many reports with good anecdotes or strong letters from the agency head never-

theless lacked the credible performance information necessary to show that the stories told in the report typify the results achieved.

Strongest Scores: Numerous

No report earned a 5, but 12 reports earned a 4.

Most of the reports receiving this score possessed three ingredients: (1) outcome-oriented measures that made the agency's contributions clear, (2) vignettes and stories that showed how these results mattered to real people, and (3) a strong letter from the agency head that highlights key results and themes.

Weakest Score: Defense

A "Year in Review" section recounts the department's most obvious accomplishments, but very little else in the report makes a case that benefits have been achieved for the American public.

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: Numerous.

Six agencies received a 4 on this criterion.

The best agencies in this category are Energy and NASA. The Energy report uses color-coded tables that clearly disclose whether it met or failed to meet its goals. Performance shortfalls are further categorized by the extent to which a goal was missed. Where a target was missed, the report consistently provides a brief explanation as well as a corrective plan of action. The NASA report includes a section captioned "NASA's Performance Improvement Plan" that lists all performance shortfalls, briefly explains the reasons for the shortfall, and describes what will be done to achieve the goal in the future. Transportation's report is particularly strong in explaining performance shortfalls in safety areas and what will be done to redress them.

Weakest Score: Numerous.

Nine agencies received a 2 on this criterion. Two types of factors generally contribute to low scores.

First, if a report fails to clearly and adequately document an agency's performance, then it is unlikely to disclose failures. SBA, USAID, EPA, and Defense all have this kind of difficulty.

Second, a report may do a good job of documenting results but fail to identify performance shortfalls. NRC, for example, identified only one shortfall perhaps because of the "pass/fail" nature of many of its measures (e.g., zero nuclear accidents). NSF subjects its performance to external review, but it appears that the reviewers only assess research projects that NSF staff has already judged successful. Obscure measurement of shortfalls, such as counting a target as "met" even when performance falls somewhat short of the target, can also inhibit disclosure; Education, HUD, and Interior all counted targets as "met" even when results fell short of the target.

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

Strongest Scores: SBA, Labor, Energy, OPM

All of these reports received a 4 on this criterion. The reports from SBA and Energy in particular illustrate a number of practices that other agencies may want to emulate.

SBA's report is rich in its treatment of major management challenges. Again this year, the inspector general provides an excellent description of the most serious management challenges, breaking down each challenge into specific actions needed and evaluating the agency's progress on each action using color codes (Appendix 5, pp. 423 ff.). The other portions of the report also devote considerable attention to management challenges. Appendix 5 starts with a crosswalk between the inspector general's management challenges and the strategic objectives to which they apply. Appendices 3 and 4 also describe inspector general and Government Accountability Office reports and recommendations. Page 74 provides a crosswalk between inspector general reports and strategic objectives, and these reports (as well as relevant Government Accountability Office reports) are briefly discussed in the narratives accompanying the applicable strategic objectives. While the report deserves high marks for disclosure in this area, it also shows that the agency continues to have serious management problems. According to the inspector general's assessments, the agency is making good progress in some areas but not in others.

The Department of Energy's discussion of major management challenges uses a format that constitutes a best practice and a model for other agencies (pp. 15-23). The department lists management challenges identified by the inspector general and Government Accountability Office; parses them into significant issues; describes actions being taken to address them as well as actions remaining; and provides an expected time frame for

completion. While the format is outstanding, the content could be improved in some areas. For example, the actions listed to address information technology (p. 19) and human capital (p. 21) challenges are largely process-oriented. The actions listed to improve contract administration (p. 16) seem to be basic steps that any federal procurement operation would take routinely, such as clearly defining needs and expectations for contractors. The inspector general's presentation of major management challenges is concise and includes an assessment of the department's progress in addressing each challenge (pp. 385-87). In all but one case, the inspector general's assessments provide confidence that the department is taking positive specific steps to deal with the challenge.

Weakest Scores: Numerous.

Ten reports received a score of 2 on this criterion.

It would help if the agency inspector general presentations of major management challenges were more pointed in their assessment of agency progress. Too many of the inspector general presentations give the agency credit for "making progress" and list steps the agency is taking, but do not really assess the extent of progress or the significance of the agency remedial actions. The most egregious example is the Defense inspector general's presentation, which states that Defense "has made progress" on most listed challenges but provides few specifics to support the statements of progress. By contrast, the Government Accountability Office's recently-updated high-risk report demonstrates that Defense suffers from monumental management problems, many of which have persisted for decades. This report lists a new record of eight individual high-risk problems at Defense as well as six government-wide problems that affect the department. It also lists significant problems at several other agencies. As the table shows, most of these agencies' reports have scored poorly on this Scorecard's "major management challenges" criterion.

Many agency reports fail to respond directly to the inspector general's presentation. Those that do frequently are similar to the inspector general's presentations, reciting a number of remedial actions but not providing much insight into their significance.

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 Score: Numerous.

Seven reports earned a score of 4 on this criterion. There is a correlation between scores on this item and item 10. Agencies that do a good job of disclosing and explaining their performance shortfalls tend to do well in this category—and vice versa.

**AGENCY-SPECIFIC HIGH-RISK AREAS IDENTIFIED
BY THE GOVERNMENT ACCOUNTABILITY OFFICE**

AGENCY	HIGH-RISK AREA (YEAR FIRST LISTED)	SCORE ON THIS SCORECARD'S "MAJOR MANAGEMENT CHALLENGES" CRITERION (1=LOWEST, 5=HIGHEST)
DEFENSE	Supply Chain Management (1990) Weapons System Acquisition (1990) Contract Management (1992) Financial Management (1995) Business Systems Modernization (1995) Support Infrastructure Management (1997) Approach to Business Transformation (2005) Personnel Security Clearance Program (2005)	2
HOMELAND SECURITY	Implementing and Transforming the Department of Homeland Security (2003)	2
HUD	Single Family Mortgage Insurance and Rental Housing Assistance Programs (1994)	2
LABOR	Pension Benefit Guarantee Corporation Single-Employer Insurance Program (2003)	4
TRANSPORTATION	FAA Air Traffic Control Modernization (1995)	2
TREASURY	Enforcement of Tax Laws (1990) IRS Business Systems Modernization (1995)	3
NASA	Contract Management (1990)	2
HHS	Medicare (1990) Medicaid (2003)	Not reviewed

Source: Government Accountability Office, *High-Risk Series: An Update*, GAO-05-207 (January 2005).

Reports scoring highly on this criterion usually offered a discussion of initiatives to improve performance for every performance measure or key performance measure (DOT, Labor, Veterans), or at least for every performance shortfall (Commerce, NASA).

The report from only one agency, Interior, scored well on this criterion while scoring poorly on disclosing failures to achieve goals. The principal reason was Interior's extensive discussion of significant problems that transcend individual performance measures. The secretary's very well written three page transmittal letter acknowledges the many longstanding and difficult issues facing the department, particularly in the financial management areas. The progress in removing 70 percent of the previous year's material weaknesses in the financial report adds credibility to the seriousness of top management's commitment to continuing efforts to resolve financial management problems. Additionally, development of a new departmental strategic plan that embodies meaningful department-wide cohesion for the first time further indicates a commitment to continuing emphasis on improving performance and reporting. The report also includes a discussion of major programmatic challenges the department faces and, to some extent, how the department plans to meet them (pp. 49-53). None of these items directly addresses the types of specific performance shortfalls that would be disclosed under criterion 10, but they are all surely significant issues that deserve discussion.

Weakest Scores: NRC, Defense

The NRC report's score on this criterion exemplifies what can happen when performance measures are constructed in a way that makes shortfalls of a lesser magnitude than, almost literally, a nuclear disaster, virtually impossible. With the possible exception of one missed deadline for an internal decision, the agency reports no failures for any measures. More fundamentally, unless the agency has achieved virtual perfection, its current performance metrics do not effectively serve one of the basic purposes of the Government Performance and Results Act—enabling the agency, its stakeholders, and the public to assess its progress and identify areas for improvement. Overall, the report does not provide confidence that the agency feels a need to scrutinize more specifically or to improve its performance.

The Defense report raised serious questions about how much improvement can be expected in the areas where opportunities for improvement were discussed. In describing specific objectives, there are several instances where action is underway with specific due dates in 2005. However, the message from the deputy secretary is not reassuring.¹³ He states, "During fiscal year 2004, we corrected 11 management control weaknesses, and except for the unresolved weaknesses noted in the Management Discussion and Analysis section of this report, the Department has reasonable assurance that its management controls are effective." Since that section then lists 46 unresolved weaknesses (which is an increase over the number of unresolved weaknesses from the previous year), and the report does not appear to describe the 11 that were corrected, assurances regarding continuing efforts to resolve the remaining issues seem overstated.

¹³ Of all the departments and agencies we reviewed, Defense is the only one that delegated the opening message to the deputy secretary.

AGENCY-BY-AGENCY SCORING SUMMARIES

IN FISCAL 2004 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 2004. The graph at the bottom shows the rankings each agency has earned on the Scorecard for fiscal 1999 thru fiscal 2004.

For example, the Department of Labor this year earned scores of 17, 17, and 16 on the Transparency, Public Benefits, and Leadership criteria respectively. The total of these scores, 50, gave Labor the top ranking for fiscal 2004. This score represents a two-point improvement for Labor, which tied for first with the Department of Transportation in fiscal 2003 with 48 points.

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.

DEPARTMENT OF LABOR (LABOR)



T TRANSPARENCY

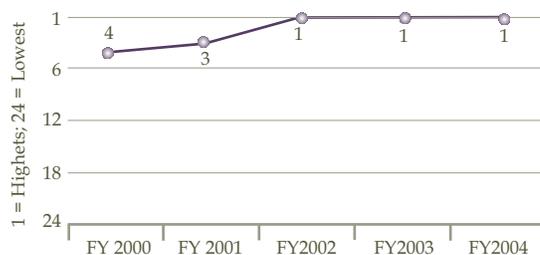
- Home page has direct link to the report, which is downloadable as a single PDF file or multiple files.
- Report consistently presents content in a substantive and understandable way.
- Performance data are complete and reliable, with one exception that is carefully explained. Sources are given for all performance data.
- Baseline and trend data usually go back to fiscal 2000 or earlier.

B PUBLIC BENEFITS

- Four of five strategic goals, and all but two of the associated “outcome goals,” are outcomes.
- Almost all of the 30 annual performance goals and measures are outcomes.
- Highly outcome-oriented nature of the department’s goals and measures and the narratives combine to do a good job of demonstrating the department’s contributions toward achieving its goals.
- Virtually all of the department’s budget is linked to strategic and outcome goals. Costs are not linked to annual performance goals or measures, but the report mentions a new cost accounting system will eventually make this possible.

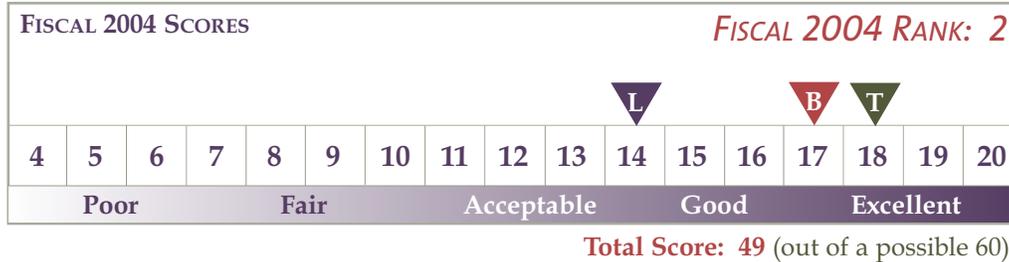
L LEADERSHIP

- Secretary’s excellent cover letter sets the tone for conveying the department’s value to the public, and the personal vignettes spread throughout the report reinforce this.
- Report clearly discloses performance shortfalls and generally provides explanations.
- Inspector general’s presentation and the department’s response are fairly succinct and indicate that the department is taking a number of specific actions to address its major management challenges.
- The report’s descriptions of performance results consistently and thoughtfully assess those results and usually discuss how performance can be improved even where targets were met.



RANKING HISTORY

DEPARTMENT OF STATE (STATE)



T TRANSPARENCY

- Downloadable in PDF or HTML in a single file or multiple files via a direct link on the home page.
- Well-organized, highly readable. One of the most visually appealing reports. A CD is available that furnishes information in greater depth. Graphics are excellent.
- Data are complete, and data sources are provided.
- Secretary's letter certifies that the data are complete and reliable, and the report actually describes OMB's guidance so the reader knows what this certification means.
- Prior year results usually presented back to fiscal 2001. However, many goals/targets change from year to year.

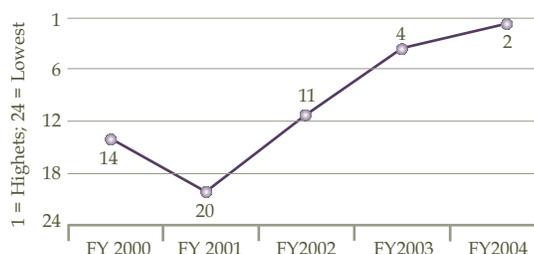
B PUBLIC BENEFITS

- All 11 programmatic strategic goals and most of 38 annual performance goals are outcomes, though many are quite general (e.g., strengthen world economic growth).
- Many of the 209 performance measures are highly specific, and text explains how they affect the goals.
- With 79 percent achievement of goals, and indications of planned actions to deal with the 21 percent where performance fell short, the department seems to be setting challenging goals, achieving them for the most part, and making necessary adjustments to achieve those missed.
- Costs linked to strategic goals and performance goals, but not to performance measures.

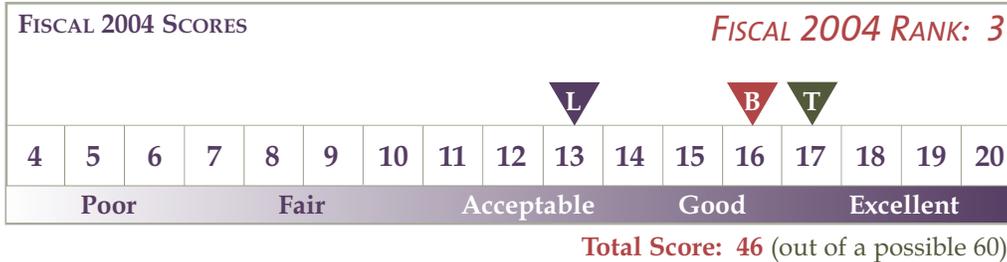
L LEADERSHIP

- The letter from the secretary, the various highlight vignettes, and the interesting historical stories all combine to show the department's impact.
- Performance shortfalls usually explained.
- Inspector general's statement of major management challenges and assessment of progress is succinct and informative. Department's management-related performance goals cover areas in the inspector general's list.
- Especially noteworthy is the initiative for a joint 2006 performance plan with USAID.

RANKING HISTORY



DEPARTMENT OF TRANSPORTATION (TRANSPORTATION)



T TRANSPARENCY

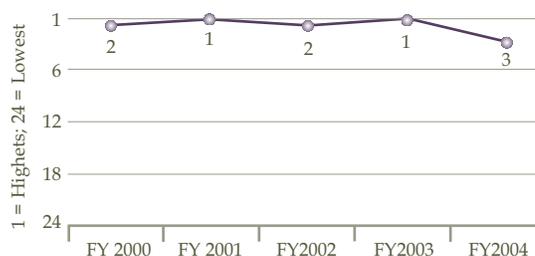
- Downloadable as a single PDF or multiple files via a link on the home page.
- Background sections, summary tables, and manageable number of goals make this report an easy read.
- An appendix discusses sources, completeness, and reliability of all performance data.
- Baselines and trends consistently shown, often back to fiscal 1998.

B PUBLIC BENEFITS

- All the strategic goals are outcomes, as are most performance goals and measures.
- Relationships between performance measures and outcomes are usually clear.
- Goal of reducing transportation system's vulnerability to crime and terrorism lacks performance measures.
- Appendix breaks costs down by strategic goal and by subcategories that often do not correspond to the performance goals.

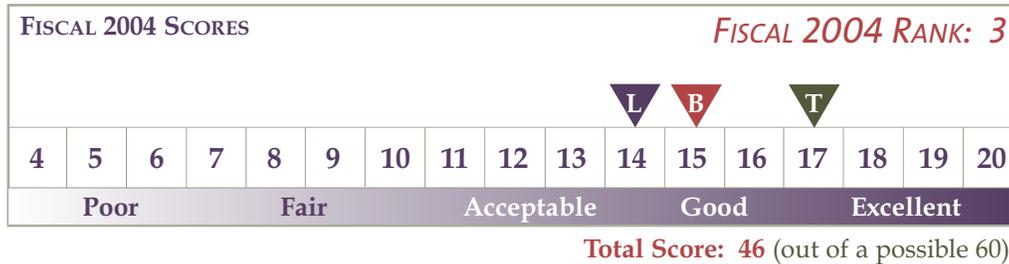
L LEADERSHIP

- Results for safety goal make a compelling case that the department's activities benefit citizens, but link is less clear for other goals.
- Document clearly and forthrightly discloses performance shortfalls and generally provides thoughtful explanations for them.
- Report devotes considerable attention to management challenges, but it is hard to discern specific actions that are being taken and progress in resolving the problems.
- Overall, the report conveys the impression that the department sets challenging goals and continuously works to improve its performance.



RANKING HISTORY

DEPARTMENT OF VETERANS AFFAIRS (VETERANS)



T TRANSPARENCY

- Downloadable as a single PDF or separate files via a direct link from home page.
- Well organized and easy to understand, both for the casual reader and one seeking greater depth.
- Background on sources, verification, and validation given for 22 “key” measures. Fifteen of 105 other measures lack results due to data limitations.
- Baseline and trend data generally go back to fiscal 2000.

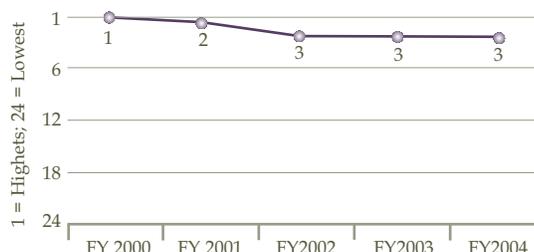
B PUBLIC BENEFITS

- Three of four programmatic strategic goals and their objectives are outcomes. One goal is not outcome-oriented, but its accompanying strategic objectives are.
- Key measures are clearly related to outcome goals.
- Nine of 22 key performance goals were missed, though some just barely.
- Resources are linked to strategic goals and objectives, but not performance goals or measures.

L LEADERSHIP

- A number of examples highlight the department’s benefits for veterans and for the general public.
- Report clearly discloses performance shortfalls and explains reasons for shortfalls regarding key goals.
- Report discusses management challenges identified by the inspector general and Government Accountability Office, and provides department’s response. However, it is hard to identify specific corrective actions for many longstanding problems.
- Narratives for key goals generally do a good job of analyzing past performance and how it can be improved.

RANKING HISTORY



SMALL BUSINESS ADMINISTRATION (SBA)

FISCAL 2004 SCORES													FISCAL 2004 RANK: 6				
4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
Poor			Fair			Acceptable			Good			Excellent					

Total Score: 39 (out of a possible 60)

T TRANSPARENCY

- Home page includes a link to the report, but it is in small print and easy to miss. Report can be downloaded as a single PDF, separate PDFs, or zipped PDFs. Also available in Spanish.
- Report is well-organized and easy to navigate.
- SBA acknowledges significant and persistent shortcomings in performance data.
- Formatted to include baselines back to fiscal 2000 and targets out to fiscal 2004 but many data are missing.

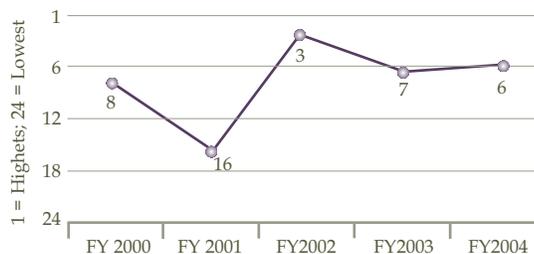
B PUBLIC BENEFITS

- Three of four strategic goals and all but two of 11 strategic objectives are outcomes.
- Performance measures are a mix of outcomes, outputs, and activities.
- Costs are linked to the strategic goals and to each strategic objective, and they are allocated in several other useful ways as well. The only missing feature is an allocation of costs to individual performance measures.

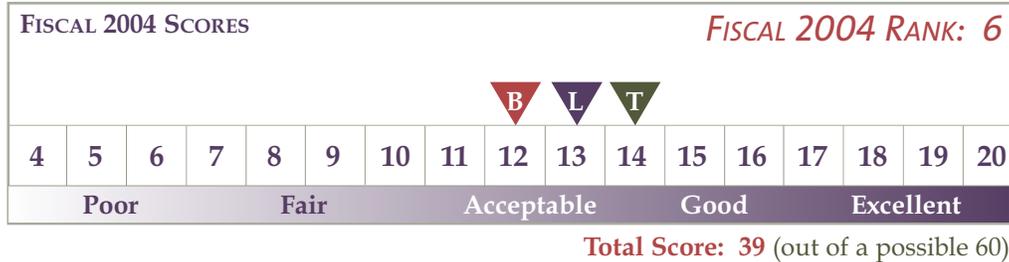
L LEADERSHIP

- The administrator's transmittal letter and the following section, "Results at a Glance," highlight a number of accomplishments.
- Descriptions of performance results, which take more than 200 pages, feature detailed tables (often too detailed) but limited and rather disjointed narratives. Explanations for performance shortfalls generally provide little useful information.
- Report (particularly the inspector general's presentation) deserves high marks for analysis of management challenges—but it also shows that the agency continues to have serious management problems.
- Would benefit from more discussion of how the agency plans to improve program performance in the future.

RANKING HISTORY



DEPARTMENT OF JUSTICE (DOJ)



T TRANSPARENCY

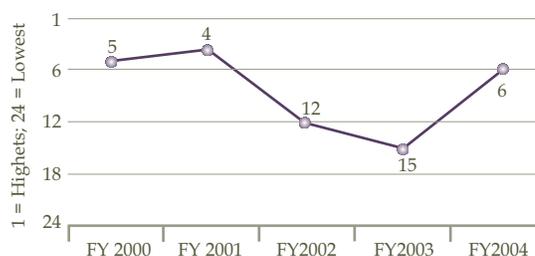
- Report is downloadable as a single PDF file or as separate files. It was not posted under the most intuitive home page link until after our cutoff date for evaluation.
- Relatively easy to read, with good graphics, concise narratives, and easy-to-understand tables.
- Narratives discuss data definitions, sources, verification/validation, and limitations.
- Baselines and trends, presented in reader-friendly bar graphs, usually go back to fiscal 2000.

B PUBLIC BENEFITS

- Two of four strategic goals, and about 23 of 31 “long-term goals,” are outcomes.
- Outcome goals tend to have outcome measures; activity goals tend to have activity measures.
- Goals could be improved by converting some raw number measures to percentages or rates to provide context.
- Costs linked only to strategic goals.

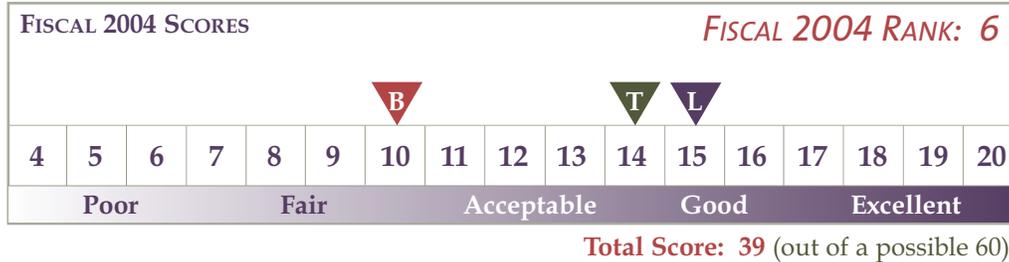
L LEADERSHIP

- Strategic goals, attorney general’s transmittal letter, and narratives provide a clear picture of the value of the department to the nation.
- Report clearly discusses performance shortfalls, but frequently seems to use lack of timely funding as an excuse.
- Inspector general lists major management challenges in a lengthy presentation. Department’s response breaks them down into issues and actions, and outlines steps taken to address them.
- Little description of changes to address performance shortfalls perhaps because the department rarely missed its targets by much.



RANKING HISTORY

DEPARTMENT OF ENERGY (DOE)



T TRANSPARENCY

- Downloadable in a single PDF file or in separate files via a direct link. The initial web page for the report provides names, e-mail addresses, and phone numbers for individual department employee contacts.
- Management’s Discussion and Analysis is easy to navigate and understand, but performance portion of the report covers 255 measures in 200 (mostly text) pages.
- Contains almost 300 acronyms.
- No indication of any problems with performance data, and sources for individual performance measures are provided.
- Measured activities often vary from year to year, making trends difficult to see.

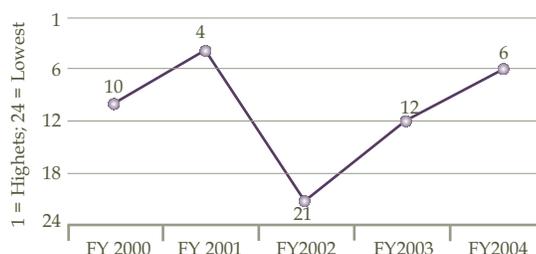
B PUBLIC BENEFITS

- Few goals are stated as outcomes.
- The 255 annual performance targets are primarily activities unlinked to outcomes.
- Costs are broken down by four strategic goals, seven “general goals,” and 59 “program goals” that do not seem to correspond to annual performance goals. This would be a potential best practice if the meanings of different types of goals were clearer and focused on outcomes.

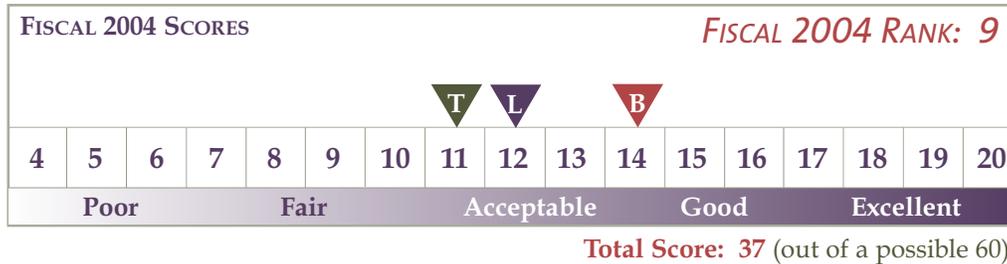
L LEADERSHIP

- Stories and vignettes illustrate the value of the department’s efforts, but performance metrics fail to demonstrate what these anecdotes suggest.
- Report explains failures to achieve fiscal 2004 goals, outlines plans to address shortfalls, and explains steps taken to address fiscal 2003 shortfalls.
- The department lists management challenges identified by the inspector general and GAO, parses them into significant issues, describes actions being taken to address them as well as actions remaining, and provides an expected time frame for completion.

RANKING HISTORY



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT (USAID)



T TRANSPARENCY

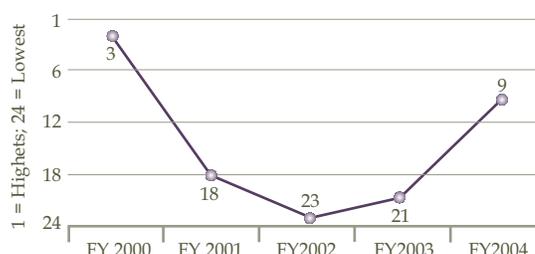
- Agency's home page has a direct link to the report, which is downloadable in a single PDF file or separate files.
- It is hard to discern from the report how the agency performed against its fiscal 2004 goals and measures in part because the current performance reporting system is not on the same timetable as the report, and the agency is making major changes to its goals and measures.
- Inspector general finds major problems with performance data, which agency does not dispute.
- Little baseline and trend data because many measures were new in 2003 or 2004. Some fiscal 2004 targets are reported as being whatever level was achieved in fiscal 2004.

B PUBLIC BENEFITS

- Strategic and performance goals are very outcome-oriented. Development of joint goals with the State Department has greatly improved USAID's outcome orientation.
- Performance goals and targets are often defined as particular actions to be taken in response to particular events.
- Costs are linked to strategic goals and individual performance goals.

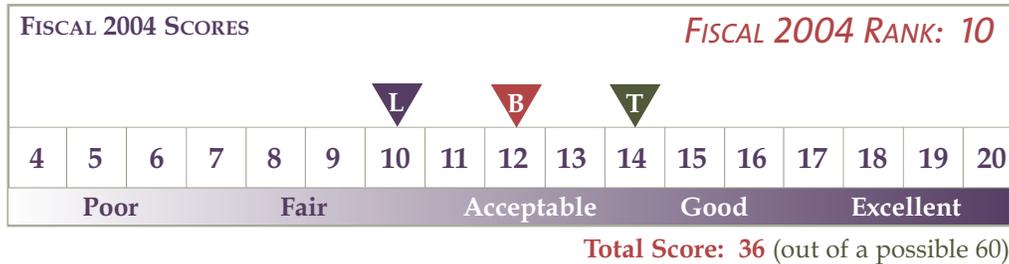
L LEADERSHIP

- Narrative portions of the report are much stronger than the performance metrics in demonstrating public benefits.
- Little discussion of fiscal 2004 performance shortfalls, but the report does discuss steps taken to improve on fiscal 2003 performance shortfalls.
- Inspector general lists major management challenges and indicates remedial actions the agency is taking. Agency's response fails to fully acknowledge performance measurement weaknesses.
- Report explains that USAID is fundamentally reworking its performance accountability reporting.



RANKING HISTORY

ENVIRONMENTAL PROTECTION AGENCY (EPA)



T TRANSPARENCY

- Home page has direct link to report, which is downloadable as a single PDF or separate files. Web page includes contact information for chief financial officer's office.
- Aside from an excellent overview of performance results, the report is a difficult read.
- Data are unavailable for about 30 percent of measures. Inspector general lists improving data quality as a top management challenge.
- Report includes baselines, trends, and historical information on environmental results.

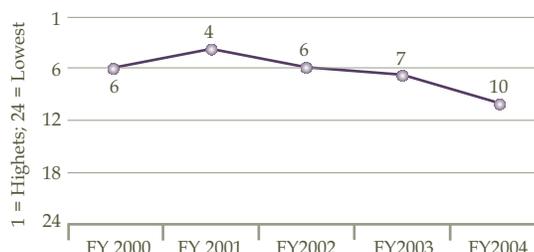
B PUBLIC BENEFITS

- Five of six strategic goals are outcome-oriented. Strategic objectives and performance goals are a mix of outcomes and outputs, with slightly more than half being outcomes.
- Measures are a mix of outcomes and outputs.
- Narratives explain agency's progress toward each strategic objective.
- Costs linked to strategic goals and strategic objectives, but not to measures.

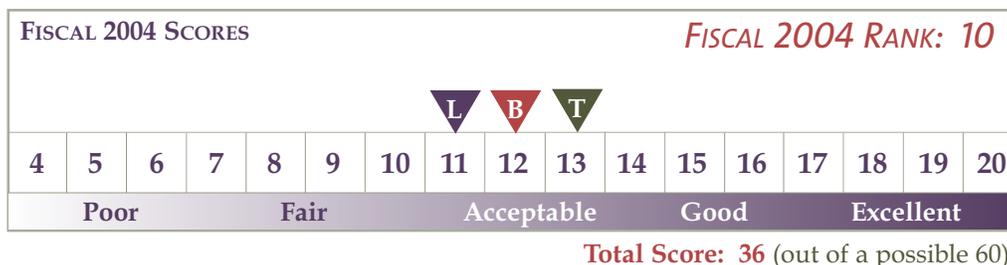
L LEADERSHIP

- Principal demonstration of public benefits occurs in six-page performance highlights section.
- Difficult to determine performance shortfalls due to incomplete data and multiple "indicators" associated with each performance goal.
- Inspector general's discussion of major management challenges is a one-page list. Two subsequent pages describe agency actions addressing the challenges, but it is not clear if this is the inspector general's evaluation or the agency's response.
- Every goal includes at least a general discussion of plans for improvement.

RANKING HISTORY



NUCLEAR REGULATORY COMMISSION (NRC)



T TRANSPARENCY

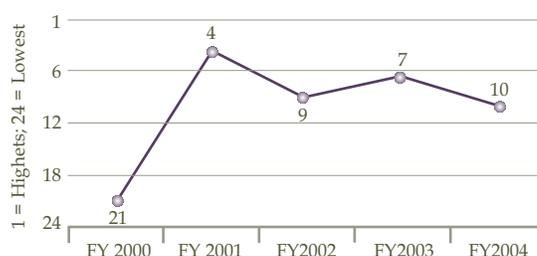
- There is a direct link to the report from the home page. The report is downloadable in a single PDF file or in separate files.
- The performance sections of the report describe the agency’s goals, measures and results clearly and concisely.
- Data seem to be complete and timely, with some information furnished on sources and verification.
- Activity-oriented performance goals show useful trends. All outcomes are “zero tolerance” goals, so there are no meaningful trends for these.

B PUBLIC BENEFITS

- Three of four programmatic strategic goals and performance goals are outcomes.
- Most “strategic goal result” measures are pass/fail outcomes— e.g., no nuclear accidents.
- Pass/fail goals provide no basis for determining how the agency’s actions led to success or whether its performance is improving.
- Part of budget is linked to strategic goals, but management/support costs are not. No cost linkage to performance goals or measures.

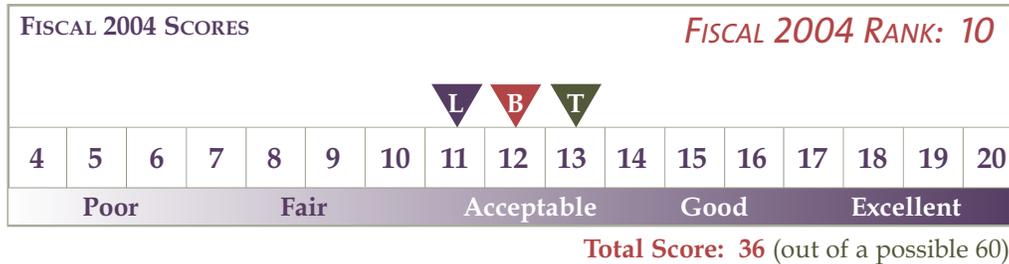
L LEADERSHIP

- The results that the agency reports certainly point to success in the areas that are subject to its jurisdiction and regulation.
- With the possible exception of one missed deadline for an internal decision, the agency does not report any failures for any measures.
- While the information on major management challenges could be presented much more concisely, it does indicate that the agency is making adequate progress on most challenges.
- Report does not provide confidence that the agency feels a need to scrutinize more specifically, or to improve, its performance.



RANKING HISTORY

NATIONAL SCIENCE FOUNDATION (NSF)



▼ T TRANSPARENCY

- Report can be found under “Accountability Report” via the “About NSF” link from the home page. Downloadable in PDF or HTML format in a single file or in separate files.
- Improved over the fiscal 2003 report, but it is still text and acronym heavy.
- Agency head’s transmittal letter says performance results underwent independent external review. Inspector general notes that cost accounting system does not permit link of costs to program performance.
- Report provides baseline and trend data for those few goals that are quantifiable.

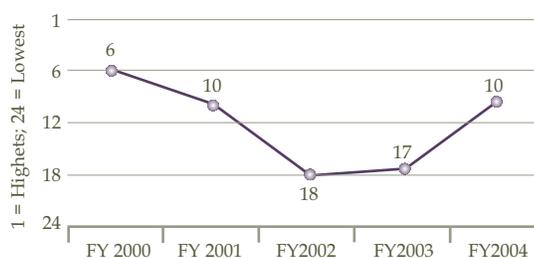
▼ B PUBLIC BENEFITS

- The agency has three very broad strategic goals that suggest outcomes but would benefit from more specific, outcome-oriented strategic objectives.
- Performance goals are a mix of outcomes and outputs. Five or six of 26 “other” measures are outcomes.
- Report provides a reasonable explanation for qualitative assessment of outcome goals, and narratives provide informative examples.
- Costs are linked to strategic goals and “investment categories,” though it is not clear how the latter relate to strategic goals or performance indicators.

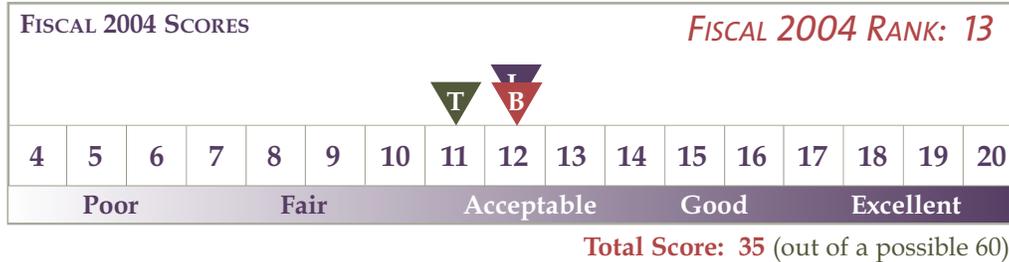
▼ L LEADERSHIP

- The report does a reasonably adequate job of demonstrating public benefits given the inherent limitations of the qualitative measurement system.
- Agency reports no performance failures with respect to its “outcome” goals and measures.
- Inspector general notes that NSF faces the same major management challenges as last year. Agency explains where it disagrees.
- Report discusses general initiatives to improve performance, but does not relate these initiatives to specific performance measures.

RANKING HISTORY



DEPARTMENT OF THE INTERIOR (INTERIOR)



T TRANSPARENCY

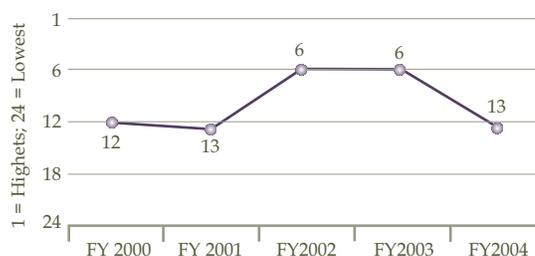
- Available via the index on the home page; downloadable as a single PDF or separate files.
- Presents results for 226 performance measures in a table more than 30 pages long at the end of the performances section.
- Inspector general cites data weaknesses, and about 15 percent of performance data are missing.
- Includes baseline and trend data where applicable, but many measures lack baselines since the department is operating under a new strategic plan.

B PUBLIC BENEFITS

- Four “mission areas” and their associated “end outcome goals” are stated as outcomes, but at a high level of generality.
- Performance measures are a mix of outcomes, outputs, and activities.
- Narratives help connect department’s actions to its goals.
- Costs allocated to “end outcome goals” but not to performance measures.

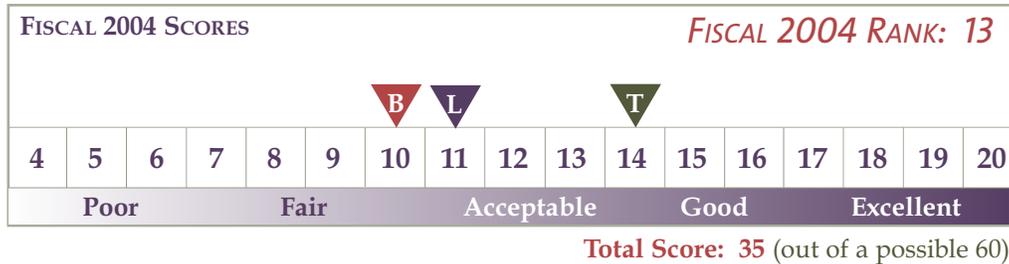
L LEADERSHIP

- Transmittal letter, narratives, and vignettes help establish how the department benefits the public.
- Report clearly discloses performance shortfalls but rarely explains why they occurred.
- Inspector general lists management challenges but offers little analysis of the department’s progress. Department lists actions it is taking to address them.
- Very well written three-page transmittal letter by the secretary acknowledges many difficult issues facing the department, particularly in financial management. The progress in removing 70 percent of the previous year’s material weaknesses adds credibility to top management’s continuing efforts to resolve financial management problems.



RANKING HISTORY

DEPARTMENT OF AGRICULTURE (USDA)



T TRANSPARENCY

- No direct link on the home page, but reachable under “About USDA.” Downloadable as a single PDF file or in pieces.
- Well-organized, succinct, and easy to read.
- Includes extensive discussion of completeness, reliability, quality, and sources of data.
- Usually includes baselines and trends back to fiscal 2000.

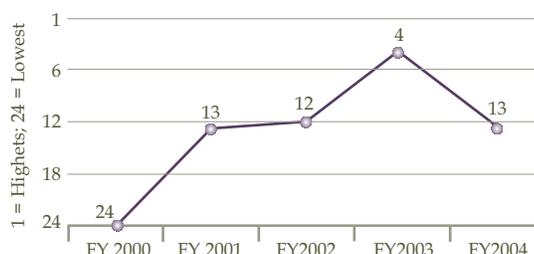
B PUBLIC BENEFITS

- Five strategic goals, six of 13 strategic objectives, and fewer than half of 31 annual performance goals are outcomes.
- Goals seem less outcome-oriented than last year.
- Costs and staff are broken down by strategic goals and objectives.

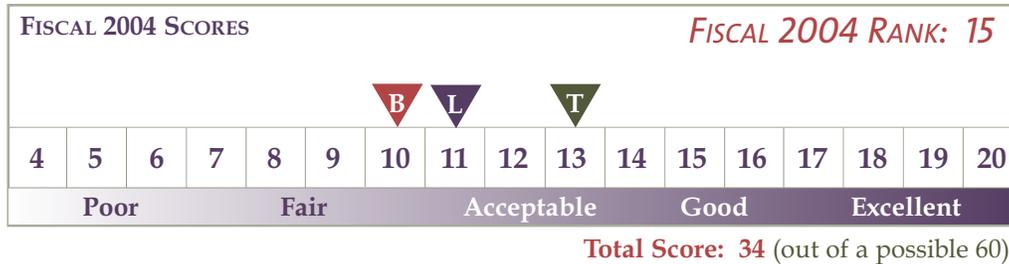
L LEADERSHIP

- Narratives and secretary’s transmittal letter outline many important public benefits.
- Failures to meet targets are explained.
- Inspector general’s description of management challenges could be much more concise.
- Report describes inspector general, Government Accountability Office, and Program Assessment Rating Tool reviews, but says little about how the department is addressing shortcomings.

RANKING HISTORY



DEPARTMENT OF EDUCATION (EDUCATION)



T TRANSPARENCY

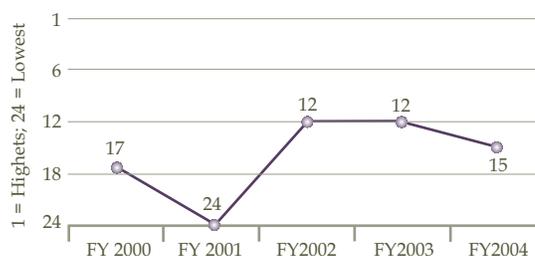
- Downloadable in PDF or Word in a single file or in sections via an explicit link on the home page. Front of report includes information on contacts for obtaining paper, Braille, large print, or computer disk copies.
- Preface provides a readable and informative summary, but main report is hard to read and heavy on acronyms.
- Performance results are presented separately from the baselines, trends, and other information needed to provide context.
- Lagging data remains a major issue for the department and probably always will be, given the long-term nature of many of its goals and measures as well as its need to rely on diverse external sources for data.

B PUBLIC BENEFITS

- Four of six strategic goals and associated objectives are stated as outcomes.
- Measures for two of the six goals focus on outcomes.
- Some measures set targets below the level achieved the previous year.
- Costs are allocated among four strategic goals, but not broken down further.

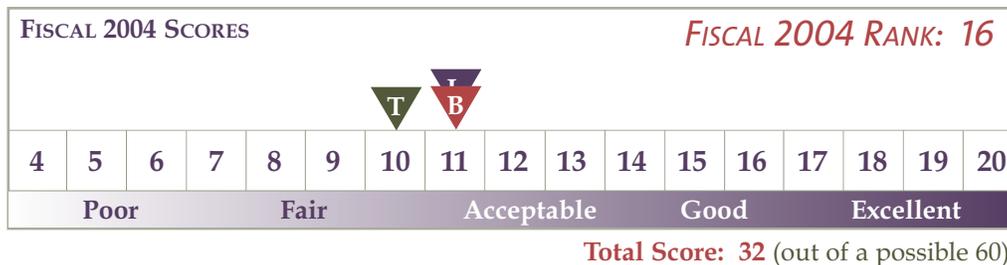
L LEADERSHIP

- Narratives demonstrate how department's actions have helped achieve its goals, but the performance measures are at best adequate in this regard.
- The report uses a complicated approach to calculating and describing performance results that can significantly overstate or understate performance.
- The report does not consistently provide explanations where targets were not met.
- Inspector general describes management challenges and department's progress clearly and concisely.
- Some improvement initiatives are discussed, but report could use more complete discussion of how the department will address performance shortfalls.



RANKING HISTORY

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT (HUD)



T TRANSPARENCY

- Department’s home page has a direct link to the report, but none of the researchers could open it from that link by our cut-off date.
- Secretary’s transmittal letter and performance highlights effectively outline results and trends.
- Main body of performance information is heavy on text, hard to follow, and uses a confusing numbering system (e.g., the first strategic goal is “Goal H”).
- Report identifies numerous data challenges which belie claims that the data are generally reliable.
- Baseline and trend data usually go back to fiscal 2001.

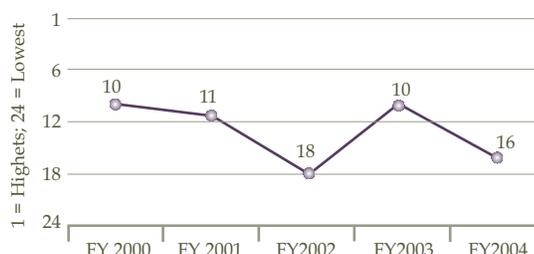
B PUBLIC BENEFITS

- Four of six strategic goals and their objectives address outcomes, though some could be stated in a more outcome-oriented way.
- Performance measures are a mix of outcomes and activities.
- Some measures demonstrate department’s effect on its goals; others fail to do so because of arcane definitions, missing data, or missing targets.
- Costs are linked only to strategic goals.

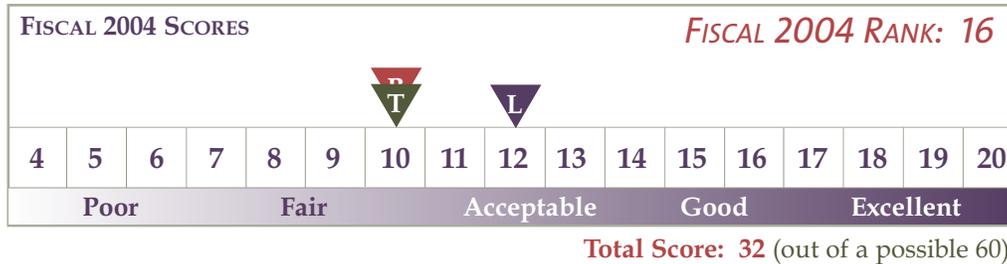
L LEADERSHIP

- While the narrative portions of the report do a very good job of telling the department’s story, the presentation could be made more compelling by better performance metrics.
- Targets are classified as “substantially met” if they were 95 percent achieved, which means the reader must closely examine and compare the results to the targets to determine whether the target was met.
- Where targets were missed, the report usually describes actions for planned improvement.
- Report lists major management challenges identified by the inspector general, but fails to explain how the department is addressing them.

RANKING HISTORY



DEPARTMENT OF THE TREASURY (TREASURY)



T TRANSPARENCY

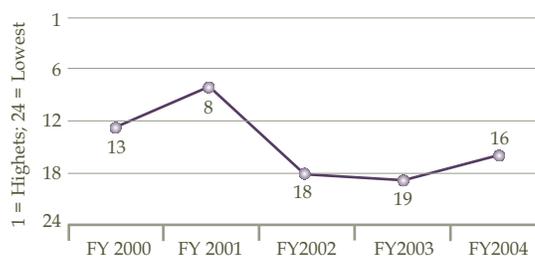
- No direct link from the home page, but report can be found via an unintuitive link on the deputy chief financial officer’s web page. Downloadable in a single PDF or separate files.
- Executive summary, performance scorecard, and list of performance measures greatly facilitate readability. Performance text is more than 200 pages, with 203 detailed performance measures.
- Independent auditor notes Internal Revenue Service financial and performance information as a material weakness, and the department concurs.
- Trends are hard to identify because measures frequently change from year to year.

B PUBLIC BENEFITS

- Strategic goals are not outcomes. Strategic objectives sometimes refer to very broad outcomes.
- “Key” measures are mostly outcomes, but many are so high-level (e.g., unemployment rate, gross domestic product growth) that the department’s influence is hard to verify.
- Performance metrics for IRS, which accounts for 87 percent of department’s staff, receive little attention.
- Costs and personnel are linked to “focus” areas, strategic goals, and strategic objectives, but not to performance measures.

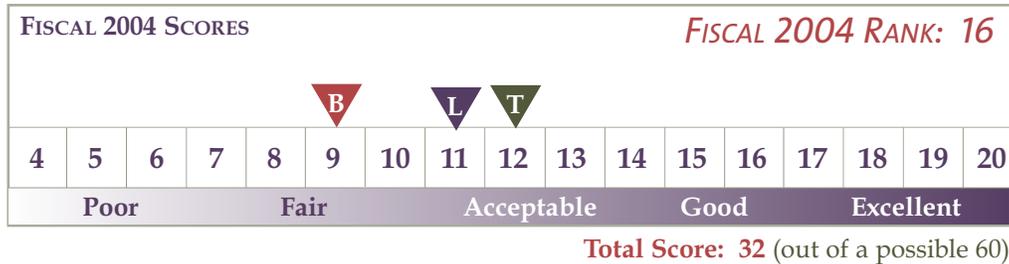
L LEADERSHIP

- Secretary’s transmittal letter and narratives in text highlight some important accomplishments. Nexus between department’s efforts and reported public benefits is not always clear.
- Report clearly discusses performance results and explains performance shortfalls. Some explanations are informative, some not, some unclear.
- The department’s inspector general and the inspector general for tax administration both present concise and informative descriptions of major management challenges, which they note are mostly the same ones identified last year. The department includes detailed responses that list current actions and future plans.



RANKING HISTORY

GENERAL SERVICES ADMINISTRATION (GSA)



T TRANSPARENCY

- Report is under “Annual Reports” link on home page. Downloadable only as a single PDF.
- Highly readable, with good summary tables, narratives, and vignettes.
- Report covers only 21 “key” measures, with results on 49 other measures to be published later, for unclear reasons.
- Administrator’s transmittal letter says data are complete and reliable, but inspector general says audits revealed poor quality operational data.
- Report describes general steps taken to validate and verify data.
- Baseline and trend data usually goes back to fiscal 2001. Agency seems to be setting many challenging performance targets.

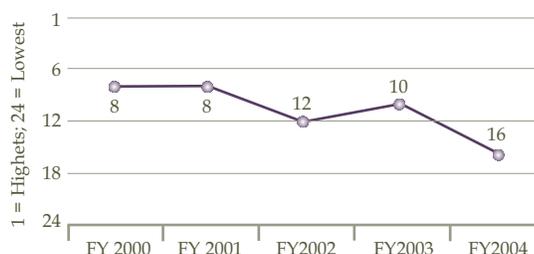
B PUBLIC BENEFITS

- Four of five strategic goals are outcomes, but not very well defined. Key performance goals and measures make these more specific. Non-key goals and measures are a mix of outputs and outcomes.
- Most key performance measures are clearly related to goals.
- No information linking goals and results to costs.

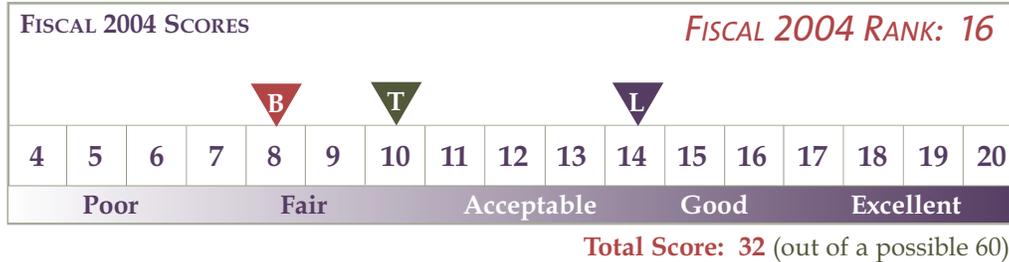
L LEADERSHIP

- GSA deals less directly with the public than many agencies, but it manages to demonstrate how it seeks the best value for the taxpayer.
- Report clearly discusses performance shortfalls for key measures.
- Baseline and trend data show that the agency often improved performance over the previous year even when it missed targets.
- Inspector general and agency list management challenges but do not assess success in dealing with them.
- Report generally describes initiatives for improvement.

RANKING HISTORY



NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)



▼ T TRANSPARENCY

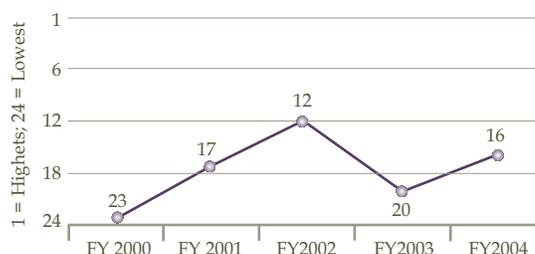
- There is a direct link to the report at the bottom of the agency's home page, and it is downloadable in a single PDF file or in separate files.
- Administrator's letter provides a helpful summary that candidly describes challenges as well as accomplishments.
- Report includes many excellent graphics, photos, and vignettes.
- Main body of report is tougher reading, with 150 pages describing 10 strategic goals, 42 strategic objectives, 132 performance outcomes, and 233 short-term annual performance goals.
- Agency's fiscal 2004 financial statements received a disclaimer from auditor; administrator's letter claims performance data (as opposed to financial data) are complete and reliable.
- Virtually no baseline or trend data supplied – often due to changing or non-quantified measures.

▼ B PUBLIC BENEFITS

- Two of ten strategic goals are outcomes.
- Performance measures usually describe actions to be taken rather than outcomes.
- No information linking costs to results.

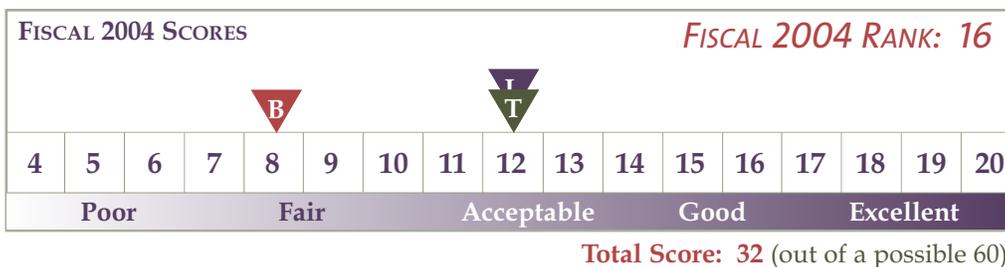
▼ L LEADERSHIP

- Narratives and vignettes are more effective than the performance measures in showing NASA's public benefits.
- Report contains a good section describing reasons for performance shortfalls and remedial actions.
- Inspector general's discussion suggests that major management challenges are far from being resolved.
- Report notes that NASA will publish a new strategic plan in fiscal 2005, which may provide greater focus on outcomes.



RANKING HISTORY

SOCIAL SECURITY ADMINISTRATION (SSA)



T TRANSPARENCY

- Home page has a direct link to the report, which is downloadable in a single PDF file or separate files.
- Useful and readable presentation of Social Security programs and their impact on the public.
- Includes data definitions and data sources for each performance measure.
- Inspector general’s audit found data to be reliable for only eight of the 16 performance measures selected for audit.
- Report includes baseline and trend data for each measure that generally go back to fiscal 1999.

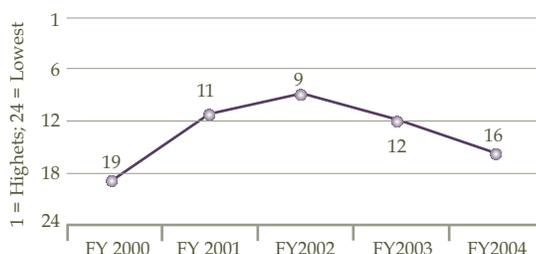
B PUBLIC BENEFITS

- Strategic goals allude to outcomes but are very general. Seven of nine strategic objectives are more specific.
- At best, six of 17 “key” measures are outcomes; most of the rest are activities.
- Performance metrics are not sufficiently outcome-oriented to demonstrate how the agency’s actions have accomplished its goals.
- Only information linking goals and results to costs is a pie chart dividing the agency’s operating budget among the strategic goals.

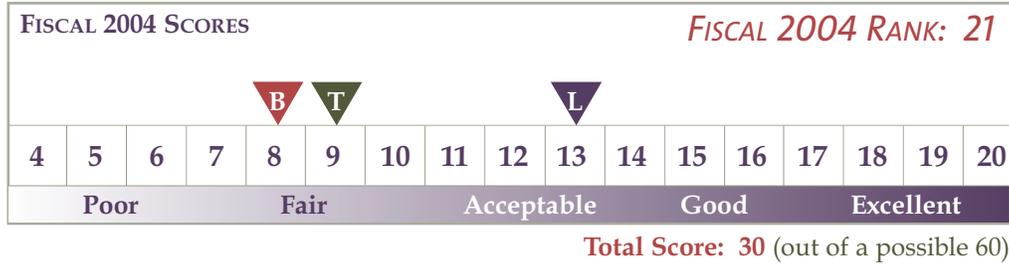
L LEADERSHIP

- Introduction and narratives explain how Social Security programs affect the American people, but performance metrics fail to back this up.
- Narratives for individual measures provide succinct and substantive descriptions that elaborate on the causes of performance shortfalls and how they will be overcome.
- Inspector general identifies major management challenges and gives agency credit for making progress.
- Report describes both programmatic and management changes to improve future performance.

RANKING HISTORY



OFFICE OF PERSONNEL MANAGEMENT (OPM)



T TRANSPARENCY

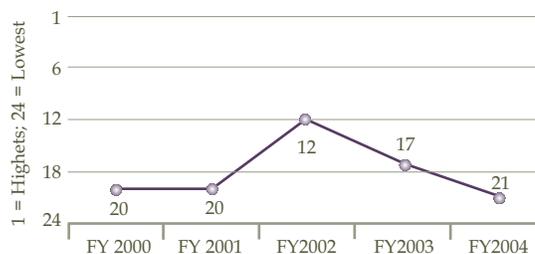
- The researchers did not find the report on line by the December 16 cutoff date for evaluation, but the report was posted subsequently.
- Director’s letter, highlights section, tables, and graphics convey useful information. Annual goals are spread out in narrative and only appear together in an appendix.
- OPM has 145 performance measures; seems excessive for a small agency with a focused mission.
- Auditor notes managerial cost accounting as a reportable condition. Inspector general indicates agency needs stronger controls over accuracy, reliability, and completeness of performance data.
- Baseline and trend data since fiscal 2000 are furnished for many performance measures, but not for 36 measures that lack fiscal 2004 data.

B PUBLIC BENEFITS

- Most goals and objectives focus on services rather than outcomes.
- Measures are primarily outputs or activities.
- Costs are linked only to strategic goals.

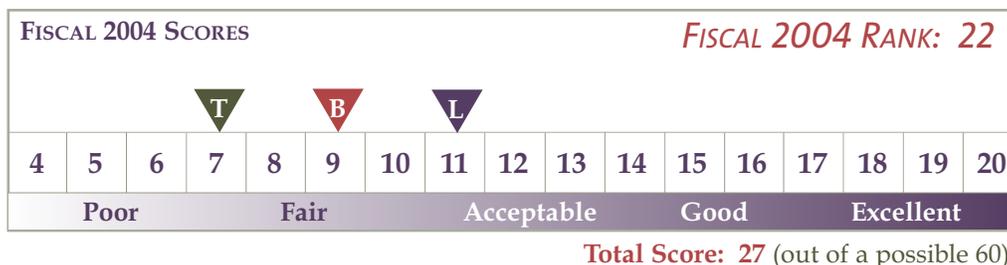
L LEADERSHIP

- Director’s transmittal letter and the narratives in the report do a decent job of relating the agency’s results to public benefits in terms of combating terrorism and enhancing homeland security. Performance measures do not.
- Some performance shortfalls are explained well, some partially, and some not at all.
- Inspector general outlines actions agency is taking to meet major management challenges, and the agency responds with more details.



RANKING HISTORY

DEPARTMENT OF HOMELAND SECURITY (DHS)



T TRANSPARENCY

- Report is on the web site, but it takes some unintuitive searching to find it under “DHS Organization.” Downloadable in a single PDF file or separate files.
- Confusing numbering system and summary reports require considerable digging and cross-referencing.
- A performance scorecard shows goals and results in easy-to-digest tables.
- Separate section discusses the large number of results for which the data are estimated.
- Trend data lacking for any performance results that pre-date existence of the department.

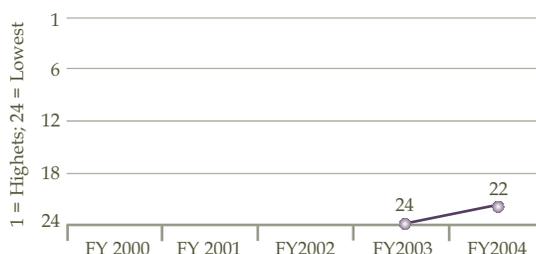
B PUBLIC BENEFITS

- Three of seven strategic goals, 14 of 19 strategic objectives, and about 53 of 70 performance goals are outcomes.
- Performance measures are generally less outcome-oriented than the goals.
- Fails to explain why many targets listed as “met” in fiscal 2004 were set lower than actual results in fiscal 2003.
- Only link between costs and goals is a pie chart showing percentage of budget devoted to various strategic goals.

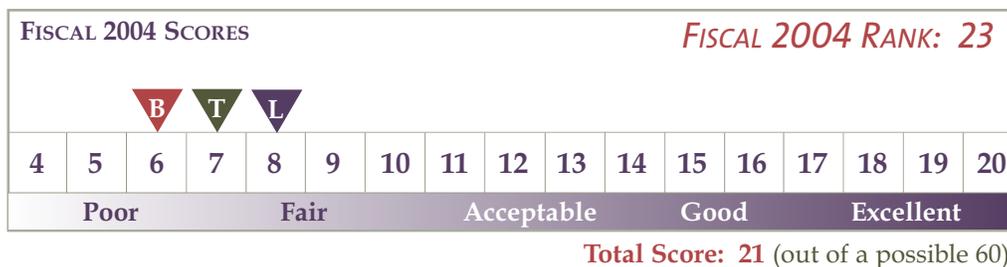
L LEADERSHIP

- Examples and vignettes demonstrate department’s impact, but would be enhanced by more results-oriented measures.
- Performance results clearly disclosed and shortfalls are consistently explained.
- Report discusses department’s response to many, but not all, management challenges identified by its inspector general.
- Department has a long way to go to meet the challenge of consolidating its components and developing a seamless strategic plan with outcome orientation and measures, but the secretary’s letter and many narratives indicate efforts and commitment toward that end.

RANKING HISTORY



DEPARTMENT OF DEFENSE (DEFENSE)



T TRANSPARENCY

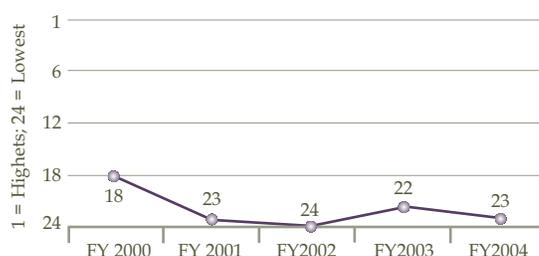
- Available via an unintuitive link under “DOD Websites.” Downloadable as a single PDF document or separate files.
- Confusing mix of risk-management strategic objectives, “policy goals,” and “performance metrics.”
- Report omits legally required assessment by agency head of data shortcomings and efforts to address them, although portions of the report make clear that the department faces severe data problems.
- Baseline and trend data back to fiscal 2001 are furnished for performance measures that go back that far, but better explanation is needed.

B PUBLIC BENEFITS

- Four strategic objectives are outcome-oriented. Goals and measures are a mix of outcomes and activities.
- Department states that the Quadrennial Defense Review Report serves as its strategic plan.
- Existing measures do not come close to capturing the full range of the department’s operations.
- The department is in the process of developing many new performance measures.
- No information links goals and results to costs.

L LEADERSHIP

- Report says little about the department’s most obvious accomplishments.
- When performance shortfalls are acknowledged, accompanying explanations are often perfunctory.
- Inspector general says the department has made progress on major management challenges but provides few specifics.
- Some initiatives to improve on specific objectives are described.
- Deputy secretary’s letter says 11 management control weaknesses were corrected, but 46 remain.



RANKING HISTORY

DEPARTMENT OF HEALTH AND HUMAN SERVICES (HHS)

No report was available by December 1, our deadline for including reports in this Scorecard.

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. An 11-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

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Dr. Jerry Ellig, Senior Research Fellow
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Ms. Jen Wekelo, Executive Director
Government Accountability Project

Mr. Henry Wray, Visiting Fellow
Mercatus Center at George Mason University

ADVISORY PANEL

Jonathan D. Breul
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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 (OMB), 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 (CFO) 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

Private Consultant

Falls Church, Virginia

Veronica Campbell recently completed 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 the department's Year 2000 Project Management Team, where she served from 1998 to 2000, accomplishing its mission of readying critical systems to perform successfully following the century change date.

Prior to her administrative experience, Ms. Campbell managed and performed program evaluations and audits for 25 years in the inspectors general offices 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 twenty 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'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 exec-

utive 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 serves 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 received a Masters in Public Affairs from the Lyndon B. Johnson School of Public Affairs from the University of Texas.

Patricia Kelley

*Denali Associates
Severna Park, Maryland*

Patricia Kelley is a partner and the director of consulting services at Denali Associates, a firm specializing 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 Computing 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 currently completing her Ph.D. in Public Administration from the University of Baltimore.

Thomas Kessler, Ph.D.

*Denali Associates
Severna Park, Maryland*

Dr. Thomas Kessler is currently a partner with Denali Associates, and teaches full time at Central Michigan University. From 1983 through 1996, Dr. Kessler was a senior 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 Veterans Affairs, Labor, Agriculture, the Federal Aviation Administration, Central Intelligence Agency, and the Federal Trade Commission. He has provided extensive support to the Federal Bureau of Investigation's Criminal Justice Information Services Division as they transition from using semi-automated processes to providing state-of-the-art imaging and processing technology support for biometric identification. In addition, he publishes frequently, co-authoring *The Business of Government: Strategy, Implementation, and Results* with Patricia Kelley. He is a frequent speaker at professional conferences throughout the United States.

Dr. Kessler received his Ph.D. in Business Administration from Nova Southeastern University, and 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
George Mason University
Fairfax, Virginia*

John Sacco is currently an associate professor at George Mason University's Department of Public and International Affairs. Prior to joining GMU he was a program analyst for the U.S. Department of Housing and Urban Development.

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.

John Sacco holds a Ph.D. in Political Science, a Masters of Science in Accounting, and a Bachelor of Science in Data Processing.

RESEARCH TEAM

Valerie J. Richardson

*TreWyn, Inc
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Valerie Richardson is president and chief executive officer of TreWyn, a financial and strategic management practice based in Germantown, Maryland.

Formerly she was associate director of the Center for Improving Government Performance at the National Academy of Public Administration. Ms. Richardson has been a practitioner of public sector performance management for well over a decade; she managed the Results Act of 1993 pilot and implementation efforts at the Patent and Trademark Office.

Ms. Richardson is widely published in public administration and accounting journals and proceedings, and, is the author of the book *Annual Performance Planning – A Manual For Public Agencies*. She was awarded the Best Paper Award – Highest Quality Rating at the Co-operation & Competition Conference in Vaxjö, Sweden in

2002 and is a contributing chapter author to the book *Co-Operation & Competition “Co-opetition” – The Organization of the Future*.

She is a graduate of the John F. Kennedy School of Government, Harvard University’s Senior Executive Fellows Program. Ms. Richardson holds a Master of Art in Financial Management from the University of Maryland and undergraduate degrees from Trenton State College in Public Administration and Political Science. She is currently pursuing her Doctorate in Public Administration from the University of Baltimore.

Michael D. Serlin

*Independent Consultant
Alexandria, Virginia*

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.

Mr. Serlin received his Bachelor of Arts in Political Science from Stanford University.

Additional copies of this report are available on the web at:

<http://www.mercatus.org/governmentaccountability/subcategory.php/215.html>