

# EXECUTIVE SUMMARY

THE GOVERNMENT PERFORMANCE and Results Act of 1993 requires agencies to produce strategic plans, annual performance plans, and annual performance reports. Fiscal year 2008 marks the tenth year agencies have produced annual performance reports. For fiscal year 2008, nine agencies again opted for a “pilot” format that allowed them to publish performance information separately from financial information and produce a shorter “citizens’ report” summarizing the two.

Researchers at the Mercatus Center at George Mason University initiated the Scorecard series in fiscal year 1999 to foster continuous improvement in the quality of disclosure in agencies’ annual performance reports. This study is thus our tenth annual evaluation of the performance and accountability reports produced by the 24 agencies covered under the Chief Financial Officers Act. We employed the same criteria used in previous Scorecards. Our scoring process evaluates (1) how transparently an agency discloses its successes and failures, (2) how well an agency documents the tangible public benefits it claims to have produced, and (3) whether an agency demonstrates forward-looking leadership that uses annual performance information to devise strategies for improvement. An expert team evaluated each report on 12 criteria—4 each for transparency, public benefits, and leadership.

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

**Best practices have improved substantially in ten years.** A re-evaluation of the best four reports from fiscal year 1999 finds that these reports would rank well below average when judged on the same 12 criteria by fiscal year 2008’s higher standards. Qualitative analysis of best practices reveals substantial improvements since fiscal year 1999. Table 1 summarizes the current best practices and improvement in best practices over time. Quantitative analysis suggests that the average quality of performance reports may have improved by about 75 percent since fiscal year 1999.

**Congress and OMB may affect the rate of progress.** Between fiscal year 1999 and fiscal year 2008, report scores tended to improve more at agencies where lower percentages of managers surveyed by the Government Accountability Office (GAO) identify “lack of ongoing congressional commitment and support for using performance information” as a hindrance to performance management. Similarly, report scores tended to improve more at agencies where lower percentages of managers surveyed by GAO identify “concern that [the Office of Management and Budget] will micromanage programs” as a hindrance to performance management.

# TABLE 1

## Evolution of Best Practices, Fiscal Year 1999 – Fiscal Year 2008

FY 1999	FY 2008
<p><b>Criterion 1: Accessibility</b></p> <ul style="list-style-type: none"> <li>• Report online</li> <li>• An obvious link from agency home page to the report</li> </ul>	<p><b>Those features, plus</b></p> <ul style="list-style-type: none"> <li>• Report posted in a timely fashion after due date</li> <li>• Direct (single click) link from home page</li> <li>• Downloadable as single or multiple files</li> <li>• Contact information provided for questions/comments</li> </ul>
<p><b>Criterion 2: Readability</b></p> <ul style="list-style-type: none"> <li>• Relative lack of jargon</li> <li>• Lengthy reports easy to scan due to headings, sidebars, tables, and charts</li> </ul>	<p><b>Those features, plus</b></p> <ul style="list-style-type: none"> <li>• Performance section focuses on key measures</li> <li>• Goals, measures, and results in tables</li> <li>• Secretary's letter describes fiscal year 2008 results for each goal as well as achievements over time</li> <li>• Citizens' reports include concise summaries of results and reader-friendly links to more information</li> </ul>
<p><b>Criterion 3: Verification and validation</b></p> <ul style="list-style-type: none"> <li>• Discussion of validation procedures</li> <li>• Acknowledgement of data deficiencies</li> <li>• Outline of plans to develop more or better data</li> </ul>	<p><b>Those features, plus</b></p> <ul style="list-style-type: none"> <li>• Assessment of data quality for each goal</li> <li>• Data source provided for each measure</li> <li>• Data definitions, verification and validation information, and limitations discussed for each measure</li> </ul>
<p><b>Criterion 4: Baseline and trend data</b></p> <ul style="list-style-type: none"> <li>• 5 to 10 years of trend data</li> <li>• Several years of actual data combined with goals for next several years</li> </ul>	<p><b>New standard</b></p> <ul style="list-style-type: none"> <li>• Multiple years of data include targets, actual results, and costs</li> <li>• Long-range targets or forecasts provided for each measure</li> </ul>
<p><b>Criterion 5: Outcome-oriented goals</b></p> <ul style="list-style-type: none"> <li>• Most or all strategic goals are outcome oriented</li> </ul>	<p><b>New standard</b></p> <ul style="list-style-type: none"> <li>• Most goals are clear, measurable outcomes</li> <li>• Outcomes are intuitively meaningful to the public</li> </ul>
<p><b>Criterion 6: Outcome measures</b></p> <ul style="list-style-type: none"> <li>• Most measures are outcomes or related to outcomes</li> </ul>	<p><b>New standard</b></p> <ul style="list-style-type: none"> <li>• Most measures are final or intermediate outcomes</li> </ul>

<p><b>Criterion 7: Agency-affected outcomes</b></p> <ul style="list-style-type: none"> <li>• Report explains how activities contribute to results in specific cases</li> <li>• Report acknowledges other factors that might affect results</li> </ul>	<p><b>Those features, plus</b></p> <ul style="list-style-type: none"> <li>• Report consistently describes how activities led to observed results</li> <li>• Performance metrics are highly outcome oriented</li> </ul>
<p><b>Criterion 8: Results linked to costs</b></p> <ul style="list-style-type: none"> <li>• Charts show costs, personnel counts, and performance measures for program areas</li> </ul>	<p><b>New standard</b></p> <ul style="list-style-type: none"> <li>• Costs broken down by strategic goal and most individual performance measures</li> <li>• This information is provided for several years</li> </ul>
<p><b>Criterion 9: Vision</b></p> <ul style="list-style-type: none"> <li>• Each strategic goal identifies a result of interest to citizens and states how the department intends to accomplish it</li> </ul>	<p><b>Those features, plus</b></p> <ul style="list-style-type: none"> <li>• Narratives cite major accomplishments that affect citizens' quality of life</li> <li>• Narratives linked to outcome-oriented performance measures demonstrating that the narratives describe typical results</li> </ul>
<p><b>Criterion 10: Explanation of failures</b></p> <ul style="list-style-type: none"> <li>• Failures to meet targets explained</li> <li>• Plans to remedy failures explained</li> </ul>	<p><b>New standard</b></p> <ul style="list-style-type: none"> <li>• All performance shortfalls identified, along with plans and a timeline to remedy them</li> <li>• Improvement plans offered even when targets were met</li> </ul>
<p><b>Criterion 11: Management challenges</b></p> <ul style="list-style-type: none"> <li>• Thorough discussions of major management challenges identified by the agency inspector general and GAO</li> </ul>	<p><b>Those features, plus</b></p> <ul style="list-style-type: none"> <li>• Inspector general's report lists major management challenges and assesses agency's progress on them</li> <li>• Agency provides self-assessment of progress and timeline for resolving each challenge</li> <li>• Report explains how each challenge affects strategic goals</li> </ul>
<p><b>Criterion 12: Improvement plans</b></p> <ul style="list-style-type: none"> <li>• Discussion of each measure includes fiscal year 1999 results, projected fiscal year 2000 performance, and actions planned for fiscal year 2001</li> </ul>	<p><b>New standard</b></p> <ul style="list-style-type: none"> <li>• Improvement strategies presented for all shortfalls and major management challenges</li> <li>• Report describes broader challenges the agency faces and plans for addressing them</li> </ul>

*Note: "Best practices" are simply the best observed in that fiscal year, not necessarily the best that could imaginably be achieved. These best practices are usually found only in a minority of the reports for each fiscal year.*

Other key findings in this year's Scorecard include the following:

**Top three trade places:** The top three reports—Labor, Veterans Affairs, and Transportation—finished in that order, within three points of each other. Labor's report received a 56 out of 60 possible points, the highest score ever awarded. Reports from Homeland Security and the Nuclear Regulatory Commission tied for fourth place, each earning 40 points.

**Meaningful improvements:** Five agencies made meaningful improvements in the content of their reports that led to higher scores in fiscal year 2008 than in fiscal year 2007. These were State (+6 points), Energy (+5 points), Interior (+5 points), Education (+4 points), and USAID (+4 points). The first four leapt by 8 to 12 places in the rankings, and USAID rose 4 places.

**Average score rises:** The average score increased by 1.5 points, from 34.6 in fiscal year 2007 to 36.1 in fiscal year 2008.

**More satisfactory reports:** Thirteen reports achieved a "satisfactory" score of 36 or better in fiscal year 2008, up from seven reports in fiscal year 2007.

**Reports not satisfactory for a majority of spending:** Sixty percent of federal spending was covered by reports scoring below satisfactory in fiscal year 2008—a slight drop from 65 percent in fiscal year 2007.

**Concerns about Recovery Act accountability:** Only 16 percent of appropriations in the American Recovery and Reinvestment Act, signed in February 2009, go to agencies whose reports scored "very good" (48 or above) in fiscal year 2008.

**Pilot format reverses losses:** Average scores for agencies using the pilot reporting format increased by 9 percent in fiscal year 2008, almost completely reversing their drop in fiscal year 2007. This suggests that the pilot format is a workable approach that has overcome many of the difficulties experienced in its first year.

**Few agencies have inherent advantages:** Larger agencies tend to score slightly higher on our Scorecard, but any size advantage disappears for the three largest: Defense, Social Security, and Health and Human Services. Agencies that provide more direct federal services seem to have no advantage, and grant-giving agencies seem to suffer no disadvantage. Agencies whose policy views were evaluated as more liberal, according to a recent expert survey, seem to score slightly better, but this difference is very small.

This Scorecard evaluates only the quality of agency reports, not the quality of the results the agencies 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 SCORECARD

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 Affairs	VA

# TABLE 2

## Scorecard Summary & Ranking for Fiscal Year 2008

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

	TRANSPARENCY	PUBLIC BENEFITS	LEADERSHIP	TOTAL	RANK
Labor	20	19	17	56	1
Veterans Affairs	19	16	19	54	2
Transportation	16	20	17	53	3
Homeland Security	15	13	12	40	4
NRC	15	13	12	40	4
Education	14	12	11	37	6
Interior	16	10	11	37	6
State	15	10	12	37	6
Treasury	14	10	13	37	6
Energy	13	11	12	36	10
EPA	13	11	12	36	10
Health & Human Services	13	13	10	36	10
USAID	15	10	11	36	10
Commerce	15	10	10	35	14
Justice	15	8	11	34	15
Agriculture	12	10	11	33	16
GSA	11	12	9	32	17
NSF	15	7	10	32	17
Social Security	12	8	12	32	17
NASA	11	8	12	31	20
OPM	11	8	9	28	21
HUD	11	8	8	27	22
Defense	11	7	8	26	23
SBA	8	8	6	22	24
<b>Average</b>	<b>13.8</b>	<b>10.9</b>	<b>11.5</b>	<b>36.1</b>	
<b>Median</b>	<b>14.0</b>	<b>10.0</b>	<b>11.0</b>	<b>36.0</b>	

 Pilot Agencies

# TABLE 3

Fiscal Year 2008 Scores & Rankings: Comparison to Fiscal Year 2007						
Highest Rank = 1; Lowest = 24. Maximum Possible Score = 60; Minimum = 12.						
	Fiscal Year 2008		Fiscal Year 2007		CHANGE IN SCORE	CHANGE IN RANKING
	TOTAL SCORE	RANK	TOTAL SCORE	RANK		
Labor	56	1	53	2	+3	+1
Veterans Affairs	54	2	51	3	+3	+1
Transportation	53	3	55	1	-2	-2
Homeland Security	40	4	37	5	+3	+1
NRC	40	4	39	4	+1	0
Education	37	6	32	14	+5	+8
Interior	37	6	32	14	+5	+8
State	37	6	31	18	+6	+12
Treasury	37	6	35	8	+2	+2
Energy	36	10	31	18	+5	+8
EPA	36	10	33	11	+3	+1
Health & Human Services	36	10	37	5	-1	-5
USAID	36	10	32	14	+4	+4
Commerce	35	14	37	5	-2	-9
Justice	34	15	35	8	-1	-7
Agriculture	33	16	33	11	0	-5
GSA	32	17	34	10	-2	-7
NSF	32	17	31	18	+1	+1
Social Security	32	17	33	11	-1	-6
NASA	31	20	31	14	0	-6
OPM	28	21	27	22	+1	+1
HUD	27	22	31	18	-4	-4
Defense	26	23	17	24	+9	+1
SBA	22	24	22	23	0	-1
<b>Average</b>	<b>36.13</b>		<b>34.54</b>		<b>1.58</b>	
<b>Median</b>	<b>36.00</b>		<b>33.00</b>		<b>3.00</b>	

 Pilot Agencies

Note: NASA used the pilot format in 2007 but not in 2008. OPM used the pilot format in 2008 but not in 2007.