FOR THE SECOND year, the OMB gave agencies the option of submitting a "traditional" performance and accountability report (PAR) or participating in the reporting pilot. The PAR format combines the agency's performance report and its financial report into a single document. The pilot format features three separate documents: a performance report, a financial report, and a citizens' report. (Last year the citizens' report was referred to as the "highlights" document.)

Mercatus researchers have followed the progress of the pilot format since its inception. The May 2007 OMB memo outlining the pilot encouraged agencies to consult previous editions of this Scorecard as well as the Association of Government Accountants' guidelines for its Certificate of Excellence in Accountability Reporting.[12] We presented a preliminary analysis of the pilot format's effectiveness in fiscal year 2007 at an open forum OMB sponsored at the National Academy of Public Administration in April 2008. Mercatus researchers also participated in an assessment of the first year of the pilot format.[13]

The Scorecard scoring process provides one way of evaluating the results of the pilot format. As was the case last year, 15 of the 24 agencies submitted PARs for fiscal year 2008, and the other 9 participated in the pilot. The breakdown of PAR versus pilot agencies was the same this year with two exceptions: OPM switched from the PAR to the pilot, and NASA made the opposite switch, submitting a PAR this year. All but 4 of the 15 PAR agencies voluntarily submitted citizens' reports to complement their PARs, based on what our reviewers found at the time of their evaluations.[14]

PILOT SCORES IMPROVED

In fiscal year 2007, many agencies adopting the pilot format saw their scores decline, while average scores for agencies producing traditional performance and accountability reports remained largely unchanged. Pilot agencies reversed most of this decline in fiscal year 2008.

The average pilot agency score increased 2.6 points (9 percent) this year. The improvement was widespread. Six of the seven agencies that participated in the pilot for both years increased their score this year. The exception was HHS, which dropped just 1 point. It is also noteworthy that five of the nine pilot agencies scored average (36 points) or better this year. Only two pilot agencies accomplished this for fiscal year 2007. Tables 7, 8, and 9 document these developments in greater detail.

Table 7 shows that, just as in fiscal year 2007, traditional performance and accountability reports achieved higher average scores than reports produced in the pilot format. The difference narrowed, however, from 24 percent in fiscal year 2007 to 18 percent in fiscal year 2008. Moreover, this scoring difference may reflect factors other than the pilot format. Agencies that used the pilot format, on average, also scored lower in fiscal year 2006, before the pilot format was adopted. These agencies may have scored lower in fiscal year 2008 for reasons unrelated to the pilot format.

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12. Memo from Clay Johnson, deputy director for management, "Fiscal Year 2007 Pilot Program for Alternative Approaches to Performance and Accountability Reporting" (May 17, 2007), http://www.whitehouse.gov/omb/assets/omb/memoranda/fy2007/par_alternative.pdf.

13. Valerie Richardson, *Increasing Transparency and Accountability in Federal Performance Reporting: Lessons from the OMB Pilot Program*. (Washington, DC: IBM Center for the Business of Government, 2009), http://www.businessofgovernment.org/publications/grant_reports/details/index.asp?gid=337.

14. Our reviewers could not locate citizens' reports for Agriculture, NASA, Transportation, or SSA.

Table 7: Traditional Format Outscores Pilot Format

Criterion	1	2	3	4	Transparency
PAR 2008 Average	4.33	3.67	3.13	3.13	14.27
Pilot 2008 Average	4.44	3.44	2.56	2.44	12.89
Difference	-0.11	0.22	0.58	0.69	1.38
% Difference	-3	6	23	28	11
Criterion	5	6	7	8	Public Benefits
PAR 2008 Average	3.27	3.13	2.80	2.47	11.67
Pilot 2008 Average	3.11	2.44	2.33	1.78	9.67
Difference	0.16	0.69	0.47	0.69	2.00
% Difference	5	28	20	39	21
Criterion	9	10	11	12	Leadership
PAR 2008 Average	3.33	2.87	3.00	3.13	12.33
Pilot 2008 Average	2.67	2.22	2.78	2.33	10.00
Difference	0.67	0.64	0.22	0.80	2.33
% Difference	25	29	8	34	23
					TOTAL SCORE
PAR 2008 Average					38.27
Pilot 2008 Average					32.56
Difference					5.71
% Difference					18

Table 8 controls for this difference by calculating the average change in scores for agencies using two different reporting formats in fiscal year 2006 and fiscal year 2008. The average total score for agencies producing traditional performance and accountability reports was virtually identical in both years. Scores on some individual criteria rose or fell, but scores for the three categories of criteria held fairly steady. Reports using the pilot format in fiscal year 2008 had scores averaging 1 point lower than those same agencies' traditional reports received in fiscal year 2006.

Of greatest concern is the 20 percent drop in scores on criterion 8 (linkage of results to costs). This likely happened due to the tightening of the research team's standards on this question between fiscal year 2006 and fiscal year 2008, and not for any reason unique to the pilot format.

Scores on criterion 12 (discussion of plans for improvement) also dropped by 16 percent between fiscal year 2006 and fiscal year 2008. However, just three reports account for this drop: State and Defense each fell 1 point, and SBA lost 2 points because no useful content could be found for fiscal year 2008. All the other pilot agencies achieved the same score on this criterion in both years.

Table 8: Pilot Format Closing the Gap

Criterion	1	2	3	4	Transparency
PAR 2006–08 change	-0.20	0.07	0.47	-0.13	0.20
% change	-4	2	18	-4	1
Pilot 2006–08 change	0.33	0.00	-0.11	-0.22	0.00
% change	8	0	-4	-8	0
Criterion	5	6	7	8	Public Benefits
PAR 2006–08 change	0.13	0.27	-0.07	0.13	0.47
% change	4	9	-2	6	4
Pilot 2006–08 change	0.11	0.11	-0.22	-0.44	-0.44
% change	4	5	-9	-20	-4
Criterion	9	10	11	12	Leadership
PAR 2006–08 change	-0.13	-0.13	0.07	-0.20	-0.40
% change	-4	-4	2	-6	-3
Pilot 2006–08 change	-0.22	-0.22	0.22	-0.44	-0.67
% change	-8	-9	9	-16	-6
					TOTAL SCORE
PAR 2006–08 change					0.27
% change					1
Pilot 2006–08 change					-1.11
% change					-3

Despite these small shortcomings, pilot agencies in fiscal year 2008 regained most of the ground they lost in fiscal year 2007. Fiscal year 2007 pilot agency scores averaged 4.11 points lower than the same agencies' scores in fiscal year 2006; fiscal year 2008 pilot scores averaged about 1 point lower. Table 9 documents the fiscal year 2008 turnaround.

Scores improved on 11 out of 12 criteria. Huge increases occurred on two criteria that saw huge drops in fiscal year 2007: criterion 3 (verification and validation of data) and criterion 4 (baseline and trend data). The much improved pilot scores for criteria 3 and 4 resulted mainly from the research team's ability to access and use more source documents this year—particularly the free-standing performance reports, which usually contain the details on data quality and prior-year results.

Table 9: Pilot Reports Improve Substantially in Fiscal Year 2008

Criterion	1	2	3	4	Transparency
PAR 2007–08 change	0.20	-0.13	0.20	-0.07	0.20
% change	5	-4	7	-2	1
Pilot 2007–08 change	0.44	0.11	0.89	0.67	2.11
% change	11	3	53	38	20
Criterion	5	6	7	8	Public Benefits
PAR 2007–08 change	0.13	0.27	-0.07	0.07	0.40
% change	4	9	-2	3	4
Pilot 2007–08 change	0.00	0.11	0.00	0.11	0.22
% change	0	5	0	7	2
Criterion	9	10	11	12	Leadership
PAR 2007–08 change	0.13	0.00	0.00	0.20	0.33
% change	4	0	0	7	3
Pilot 2007–08 change	0.00	-0.11	0.22	0.11	0.22
% change	0	-5	9	5	2
					TOTAL SCORE
PAR 2007–08 change					0.93
% change					2.00
Pilot 2007–08 change					2.56
% change					9

Last year's Scorecard concluded, "At least for FY 2007, the pilot approach to performance reporting seriously impaired the accessibility and transparency of performance information for the general public and detracted from its value to the public."[15] Given another year of results, it appears that most of the fiscal year 2007 drop in pilot agencies' scores reflects the inevitable difficulties of adjusting to a new reporting format rather than a problem inherent in the pilot format.

REASONS FOR PILOT SCORES' IMPROVEMENT

1) Information was much more accessible

THE MAIN REASON for the improvement in pilot scores this year is that our reviewers found it much easier to identify, access, and use the three source documents—the citizens' report, the fiscal year 2008 performance report, and the fiscal year 2008 financial report. Last year, we were able to find and access all three source documents for only two of the nine pilot agencies. This year, we found and accessed all three documents for seven of the nine pilots.

Although SBA was late in posting its report, we found all nine citizens' reports online. Furthermore, unlike last year, most of the pilot agency citizens' reports clearly explained that the financial and performance reports

15. Maurice McTigue, Henry Wray, and Jerry Ellig, *9th Annual Performance Report Scorecard: Which Federal Agencies Best Inform the Public?* (Arlington, VA: Mercatus Center at George Mason University, May 2008), 26, http://www.mercatus.org/PublicationDetails.aspx?id=16102.

were part of their performance reporting and provided links to those documents. The foreword page of the Energy report offers a good example of clearly explaining the different pilot documents and leading the reader to them. Unlike last year, none of the agencies buried their performance reports in their congressional budget justifications—a practice that made the reports virtually useless to the general public. Instead, all but one pilot agency issued a separate, free-standing performance report this year. The exception was HHS. While we found separate performance reports for HHS component organizations, we could not locate a department-wide fiscal year 2008 performance report.

There were still some glitches, however. While Defense and SBA apparently produced fiscal year 2008 performance reports, these reports were not posted online at the time of our reviews so we could not consider them. Also, even when all three documents could be found, the usefulness of the links between them and the ease with which they could be opened and navigated varied considerably among the pilot agencies.

2) "Snapshots" improved readability

ANOTHER FEATURE THAT generally improved the pilot reports this year was inclusion of the two-page snapshots in their citizens' reports. Each snapshot follows a consistent format. The first page of each snapshot presents background information on its organization, functions, and budget as well as a brief summary of its performance accomplishments, management challenges, and the results of its financial statement audit. The second page lists the agency's strategic goals. For each goal, it shows the budget resources for the goal, aggregate results for all of its performance measures, and one or more representative performance measures. The snapshots had the benefit of providing certain basic background, financial, and performance information in a concise and consistent format. However, the quality of the performance-related snapshot content varied greatly. Not surprisingly, the content was far better for those agencies that had stronger performance metrics and produced better overall reports.

We of course considered the snapshots as part of the content of the citizens' reports that contained them. The snapshots per se were not usually a significant factor in our scoring since their quality varied in relation to the quality of the underlying reports. In the case of the Defense and SBA reports, however, the snapshots provided virtually the only content relevant to some of our criteria and did affect our scores to some extent. For example, the SBA snapshot had the only content on major management challenges that a lay reader could reasonably find, limited though it was. (The full inspector general presentation on SBA management challenges was contained in the agency's fiscal year 2008 financial report, but the citizens' report made no reference to it.)

ENHANCEMENTS TO CITIZENS' REPORTS NEEDED

WHILE MOST PILOT agency reports are better this year, there still is much room for improvement to make the reports more user-friendly. The pilot format forces the reader to cross-reference and navigate among three separate documents. This can be challenging and distracting. The financial and performance reports tend to be long, and many can be opened online only as large, single files. Thus, it is important that the citizens' report be more than a "bare bones" document that serves mainly as a reference point to other sources for substantive information. Rather, the citizens' report should have value as a self-contained document that provides a substantive and comprehensive overview of the agency's performance. When the citizens' report does refer to other sources, it should provide specific, user-friendly links to the relevant information in those documents. The quality of the links in the citizens' reports to other source documents is uneven.

Access to inspector general presentations on major management challenges—an important piece in performance and accountability reporting—illustrates this point. All of the pilot agencies included full inspector general presentations as part of their fiscal year 2008 financial reports. The ease with which a reader could identify and locate this presentation from the citizens' report varied considerably. Some citizens' reports (State, Homeland Security, OPM, and USAID) highlighted the availability of the inspector general presentation in the financial report and cited the specific page where it was located. The HHS citizens' report provided a link to the financial report for the inspector general presentation, but the link did not lead directly to the presentation or clearly indicate where to find it in the financial report. The worst example was SBA. Its snapshot lists some challenges the agency faces, but the citizens' report made no mention of the inspector general presentation on major management challenges in the financial report.

The citizens' report is mandatory for pilot agencies but optional for PAR agencies. This year, 11 of the 15 PAR agencies voluntarily issued citizens' reports to complement their full reports. That is an increase over last year, when 8 of the PAR agencies did so. Once again this year, the best citizens' reports came from the PAR agencies. We raised our "readability" (criterion 2) scores for 7 of the PAR agencies based on their voluntarily produced citizens' reports. Two PAR agency citizens' reports stood out as models for other agencies: Labor and Justice. (They are described in the "Strongest and Weakest Scores" section under criterion 2.)

PARS VS. PILOTS: CONCLUSIONS

Two years of experience with the pilot reveals that it is a workable format that can produce good reports. While there remains much room for improvement, this year's round of pilot reports addressed many of the shortcomings we identified last year. This still leaves the issue of which format is better: the PAR or the pilot? Or are there better alternatives to either of these formats?

In terms of our scores, the PAR reports still fare better. The average score once more this year is significantly higher for PARs than pilot reports. Seven of the nine reports scoring above satisfactory (36 points) are PARs. The highest scoring format is a PAR accompanied by a citizens' report. The top two reports as well as six of the nine reports scoring above average used this format. However, the pilot reports narrowed the gap this year. Since most agencies participating in the pilot tended to score lower over the years than the non-pilot agencies, the differences in PAR and pilot agency scores can be attributed at least in part to factors other than the reporting format.

The intrinsic advantage of the PAR format is that it combines all performance, management, and financial information into a single document. The intrinsic disadvantage is the length of the resulting document. The length of the 15 PAR reports we reviewed this year ranged from an oppressive 567 pages (EPA) to a low of 172 pages (NRC). The average length for all PARs was 318 pages. Of course, coupling the PAR with a (well done) citizens' report can compensate for its length. Also, there are ways to reduce the size of the PARs substantially. (We offer some specific suggestions in the "Strongest and Weakest Scores" section under criterion 2.) One more fundamental alternative would be to discontinue the PAR format and revert to the pre-PAR practice of separate performance and financial reporting for all agencies, not just the pilots. Dropping the detailed financial data from the performance document, for example, would eliminate about 100 pages (on average) of content that holds little interest for the general public. Transparency would not suffer as long as the report contains direct links to the complete financial data for readers who want more detail.

The main potential advantages of the pilot format are brevity for a lay audience and flexibility for all audiences.

The premise is that the mandatory citizens' report provides the general public with a concise overview of an agency's performance, which is probably all most members of the general public need or want. In theory, the pilot format also affords flexibility so that readers with more in-depth or specialized interests can access other source documents for the additional information they need. Of course, these potential advantages depend on the citizens' report being a substantive stand-alone document that has user-friendly links to other source information.

In the final analysis, however, any report's value to the public depends much more on the quality of its content (understandable, results-oriented performance metrics; good organization; concise and insightful narratives; and so forth) than on its format. Our reviews have identified both high- and low-quality reports in both PAR and pilot formats. We have also highlighted a number of ways in which the presentational features and substantive content of both types of reports can be enhanced to better serve the general public.

IN A NEW feature this year, the OMB required all agencies to prepare a two-page "snapshot" document, which provided a high-level overview of each agency's mission as well as its performance and financial results. In early January 2009, the OMB issued *The FY 2008 Performance Report of the Federal Government*, which compiled the snapshots for the 24 agencies covered by the Chief Financial Officers Act. Also, most agencies that produced citizens' reports incorporated the snapshots, in whole or in part, into their citizens' reports. We evaluated an agency's snapshot if it was included in the citizens' report.

Agency snapshots—which use a consistent format—are very helpful. The background information presented on the first page of each agency snapshot is concise and informative. A particularly useful feature is a listing of the top five agency programs or activities by budget cost. Another interesting feature many agencies included is a dollar figure showing the cost of the agency's annual budget for each person in the United States.

The snapshots also contain descriptions of major management challenges, which vary from agency to agency. Some are specific and informative. While all are necessarily brief, some provide links to other sources for more detailed information. Several focus on one particularly significant challenge. Most, however, simply list a number of challenges in a way that is too general to convey much useful insight. The descriptions of management challenges should all link to more detailed sources of information. It would also be useful to include an independent assessment by the inspector general of the agency's progress in addressing major management challenges. Another approach might be to include, where applicable, agency-specific "high-risk" problems listed by the GAO and how long each problem has been on the high-risk list.

The usefulness of the performance information on the second page of each snapshot varies greatly. This is largely a function of whether and to what extent each individual agency's underlying performance metrics are clearly stated and outcome oriented. Some performance pages have a "cut-and-paste" quality as a result of simply lifting information from the agency performance report. For example, the Commerce performance page is laden with undefined acronyms. A more widespread problem is that the representative performance measures for some agencies are too technical or arcane to be understood by the general public. In addition, some agency measures set performance targets significantly below actual performance levels for the past three years.

Finally, the inclusion of aggregate performance results, such as percentage of measures met or missed for each goal, is not very meaningful given the wide variation in the quality of agency performance metrics. At worst, it can be misleading. An agency that meets a high proportion of weak or non-challenging measures may appear to have better results than an agency with a lower success rate that uses more challenging outcome-oriented measures. It might be more informative to omit aggregate results and include more individual representative measures. In this regard, the snapshots might include at least one representative measure for each of the agencies' five costliest programs. Since the snapshot is aimed at the general public, care should be taken to ensure that the representative measures it describes are ones that a lay audience can understand.

For those agencies that produced citizens' reports this year, the snapshot usually appears at the outset of the citizens' report.[16] Incorporating the snapshot into the citizens' report ameliorates some of the issues mentioned above that result from viewing each snapshot in isolation.

More detailed comments on each agency's snapshot are available on the Mercatus Center Web site at http://www.mercatus.org/ResearchAreaLanding.aspx?Category=74.

16. All agencies participating in the performance reporting pilot this year included the full snapshot in their mandatory citizens' reports. Non-pilot agencies that voluntarily published citizens' reports usually included at least some content from their snapshot. Some incorporated the full snapshot.