EVALUATING THE PILOT FORMAT

INTRODUCTION OF THE alternative reporting format in FY 2007 is by far the biggest change in the structure of GPRA reports since the Reports Consolidation Act permitted agencies to merge their performance and accountability reports for FY 2002. Since all agencies produced performance and accountability reports for FY 2006, and only some did so for FY 2007, the results of our Scorecard evaluations can be used to assess the effects of the pilot reporting format on the quality of performance reporting.

WHAT WERE THE OUTCOMES THAT THE PILOT PROGRAM SHOULD HAVE ACCOMPLISHED?

OMB CIRCULAR A-136 states two related goals for the pilot program:

> The goals of the pilot are to allow agencies to explore different formats to enhance the presentation of financial and performance information and make this information more meaningful and transparent to the public.[13]

> The pilot will give the Federal Government an opportunity to find the best way to present complete and candid financial and performance information that is useful to its many stakeholders.[14]

The first statement implies that the pilot's primary purpose is to improve the usefulness of financial and performance information to the general public. The second implies that the goal is to make the information more useful to all stakeholders, which might be taken to mean that diverse formats are appropriate for different kinds of stakeholders. Our Scorecard evaluation is most relevant to assessing progress toward the first goal.

DID THE PILOT FORMAT IMPROVE INFORMATION FOR THE PUBLIC?

ONE WAY TO assess the effects of the pilot format is to compare the FY 2007 scores of reports using that format with the scores of traditional performance and accountability reports. Table 5 shows that the quality of the 15 traditional performance and accountability reports exceeded the quality of the nine pilot reports by a wide margin. The average score for traditional performance and accountability reports was 24 percent higher than the average score for pilot reports. Traditional reports did much better on all three categories (Transparency, Public Benefits, and Leadership). In fact, the only criteria with little scoring difference were criterion 1 (accessibility) and criterion 5 (outcome-oriented goals). One might expect little difference in these scores related to reporting format since criterion 1 largely depends on how the agency presents its report on the Web and criterion 5 depends on the quality of the goals established in the agency's strategic plan.

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13.   OMB Circular A-136, p. 13.
14.   OMB Circular A-136, p. 13.

Table 5: Traditional Format Outscored Pilot Format

CRITERION	1	2	3	4	TRANSPARENCY	5	6	7	8	PUBLIC BENEFITS	9	10	11	12	LEADERSHIP	TOTAL SCORE
PAR 2007 Average	4.13	3.80	2.93	3.20	14.07	3.13	2.87	2.87	2.40	11.27	3.20	2.87	3.00	2.93	12.00	37.33
Pilot 2007 Average	4.00	3.33	1.67	1.78	10.78	3.11	2.33	2.33	1.67	9.44	2.67	2.33	2.56	2.22	9.78	30.00
Difference	0.13	0.47	1.26	1.42	3.29	0.02	0.54	0.54	0.73	1.83	0.54	0.54	0.44	0.71	2.22	7.33
% Difference	3	14	76	80	31	1	23	23	44	19	20	23	17	32	23	24

Comparing scores of the traditional and pilot formats might not provide an unambiguous evaluation of the pilot program if there are systemic differences between the agencies that chose each reporting format. We noticed one obvious difference: reports from most of the agencies choosing the pilot format did not rank highly on our FY 2006 Scorecard. To the extent that scores and rank show some inertia from year to year, average scores for agencies choosing the pilot format might have been lower even if they had produced their reports in the traditional format.

Table 6 controls for this difference by calculating the average change in scores for the two reporting formats in FY 2006 and FY 2007. 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.

Scores for reports using the pilot format in 2007, however, fell noticeably. The average total score fell by more than four points, or 12 percent. Scores fell in all three categories and on most individual criteria. Especially noteworthy are the drops of 25 percent or more for criteria 3 (verification and validation of data), 4 (baseline and trend data), 8 (linkage of results to costs), and 12 (plans to remedy performance deficiencies). These scores fell mainly because this information was significantly abbreviated—or disappeared from public view altogether—in the pilot format.

Table 6: Scores for Pilot Format Nosedive

CRITERION	1	2	3	4	TRANSPARENCY	5	6	7	8	PUBLIC BENEFITS	9	10	11	12	LEADERSHIP	TOTAL SCORE
PAR 2006–07 Change	-0.40	0.20	0.20	-0.07	-0.07	0.00	0.00	0.00	0.07	0.07	-0.20	0.00	0.07	-0.27	-0.40	-0.40
% Change	-9	6	7	-2	0	0	0	0	3	1	-6	0	2	-8	-3	-1
Pilot 2006–07 Change	-0.11	-0.11	-0.89	-0.89	-2.00	0.11	0.00	-0.22	-0.56	-0.67	-0.33	-0.33	0.00	-0.78	-1.44	-4.11
% Change	-3	-3	-35	-33	-16	4	0	-9	-25	-7	-11	-13	0	-26	-13	-12

Scores for four agencies using the pilot format dropped precipitously between FY 2006 and 2007. These were USAID (-10), State (-19), SBA (-9), and Defense (-15). Three pilot agencies saw little change: NASA (0), NSF (0), and Energy (-3). Two improved greatly: Health and Human Services (+12) and Homeland Security (+7).

As noted previously, Health and Human Services and Homeland Security owe the lion's share of their improvements not to the pilot format, but to new strategic plans with better goals and measures. Similarly, State and USAID owe a lot of their declines to a new strategic plan whose goals and measures are less outcome-oriented. For these reasons, we cannot blame the pilot format entirely for their falls from the 4th and 5th places respectively in 2006.

The two main consequences of the pilot for the general public are delayed access to performance information for more than two months (from November to February) and forcing people to consult three different sources instead of one to find the information. The delay in reporting did not enhance the extent or quality of information available to the public, and may have diminished it. As Table 7 shows, there was no overall trend in the percentage of performance results that the pilot agencies reported this year versus last year.[15] The changes for individual agencies (both ways) were modest.

Table 7: Percentage of All Measures with Reported Results

PILOT AGENCY	FISCAL YEAR 2006	FISCAL YEAR 2007
Defense	86%	92%
Energy	100%	100%
HHS	47%	55%
Homeland	100%	100%
NASA	100%	90%
NSF	100%	100%
SBA	94%	87%
State	100%	100%
USAID	100%	96%

Furthermore, it appeared that most information contained in the pilot agency documents we reviewed could have been provided last November (with a possible exception of out-year targets from performance plans). Perhaps the pilot agency budget justifications contained enhanced information or presented it in enhanced format. However, any benefit here is lost for most members of the general public since most cannot reasonably be expected to access, navigate, or decipher budget justifications.

The use of three different documents also was a major drawback. Most pilot agency highlights documents had little value as self-contained sources of information; several were virtually useless. The pilot agencies could do a much better job of providing user-friendly links to other source documents. Even where other source documents can be easily accessed, they may not help the general public. Some pilot agencies presented their

15.   This table does not distinguish between results reported on the basis of final data versus estimates because the reports often do not make this distinction clear. Also, it is not always clear whether missing results were due to lagging data or something else. The table does not include missing results where a report made clear that they stemmed from factors other than lagging data.

detailed performance information in free-standing annual performance reports that a lay reader could try to use. Others, however, embedded detailed performance data in their budget justifications and thus effectively placed the information beyond the reach of the general public.

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.

DID THE PILOT FORMAT IMPROVE INFORMATION FOR OTHER STAKEHOLDERS?

WE CANNOT ANSWER this question directly since our evaluation focuses on the usefulness of performance reports to the general public. But we can speculate on what factors might indicate an improvement in the usefulness of information to other stakeholders. There are two ways the pilot might improve usefulness of the reports to stakeholders other than the general public.

First, the pilot format allowed agencies to publish performance information with the congressional budget justification. Combining performance and financial information could facilitate performance-based budgeting, if the performance and financial information are both furnished at an appropriate level of detail and matched up. The ultimate test of whether this occurred would be if Congress makes more extensive use of the performance information in this year's budget deliberations.

Second, the pilot format separated performance reports from financial reports. By allowing agency financial staff to concentrate on financial reporting, separation of the performance information from the agency financial report might arguably improve the quality of the financial report in some way that users of this report find helpful. The Association of Government Accountants annually evaluates the quality of federal agencies' reports; their criteria focus more on accounting issues in the financial report than ours.[16] If the pilot format improves the financial reports, their evaluation would be more likely to identify that.

16.   AGA's guidelines for its Certificate of Excellence in Accountability Reporting program is available at http://www.agacgfm.org/performance/cear/downloads/Guidelines.pdf.

HIGHLIGHTS DOCUMENT IS THE HIGHLIGHT

THE MAIN ADVANTAGE of the pilot program was the highlights document itself. Our reviews this year confirm that a well-done highlights document can greatly enhance the presentation and value of performance information for lay readers.

A good highlights document is essential if the pilot approach to performance reporting is to have any value to the general public. Unfortunately, our scores for many of the pilot agencies reflect their failure to produce good highlights documents this year. Some of the deficiencies we found in the pilot agency reports could easily be fixed. In particular, agencies should:

- Make the highlights document a useful document for the general public by making it the self-contained overview of agency performance envisioned by OMB guidance and our May 22, 2007 memo.

- Include in the highlights document clear, user-friendly links directly to relevant content in other source documents (e.g., the full inspector general assessment of management challenges and agency response; backup on performance data verification and validation).

- Ensure that all relevant GPRA performance report information is located in a source document that is easily accessible and usable by the general public (i.e., not placed only in budget justifications).

We also found that a good highlights document can make a traditional performance and accountability report better. Indeed, the highlights that a number of non-pilot agencies voluntarily produced were generally much better than those of the pilot agencies. For example:

- The Education performance highlights does a good job of describing the department's strategic goals and uses the same user-friendly format as its full report to summarize performance results against the department's key measures.[17] It includes narratives, beginning on page 14, that describe specific achievements. Page 20 addresses data quality.

- The EPA highlights document links to performance-related documents in addition to the full report, such as the agency's strategic plan and performance plan (page 7) and sources for more detail on other subjects such as President's Management Agenda and Performance Assessment Rating Tool (PART) scores (pages 33–34).[18] Most of the report (pages 11–30) consists of narratives for each strategic goal that (1) provide an overview of the nature and purpose of the goal as well as the agency's role; (2) describe significant accomplishments; and (3) briefly discuss future challenges. These narratives are clear and cogent. They cite many accomplishments that transcend FY 2007 and describe results spanning a number of years.

- The HUD highlights document begins with a transmittal message from the secretary that briefly describes a number of management and program accomplishments.[19] Pages 4–23 list

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17. Department of Education Highlights, pages 7-19, available at http://www.ed.gov/about/reports/annual/2007report/report-highlights.pdf.

18.   Environmental Protection Agency Highlights, pages 7-34, available at http://www.epa.gov/ocfo/par/2007par/par07_highlights_document.pdf.

19.   Department of Housing and Urban Development Highlights, available at http://www.hud.gov/offices/cfo/reports/2007pahr.pdf.

the department's strategic goals and objectives and discuss performance results for selected key measures. Accompanying tables provide baseline and trend data for the key measures. The performance section includes useful narratives that cover major accomplishments and future challenges. There are also some illustrative vignettes. For example, page 21 of the highlights describes an award-winning, eco-friendly affordable housing project in Rogers, Arkansas.

- The Interior highlights document provides a good overview of the department's mission areas.[20] It focuses on representative measures for each strategic goal, presenting FY 2007 and prior year results as well as FY 2008 targets. It also includes the department's innovative and useful cost data per measure. The narratives are generally concise and informative.

- The Veterans Affairs highlights document begins with a substantive transmittal message that lists many specific performance accomplishments.[21] It incorporates a number of features from the department's full report, which make the latter such a user-friendly and informative document. These include the "performance scorecard" for key measures, statements of public benefit for each strategic goal, and most important achievements and current challenges for each strategic goal. Page 29 has a table on the inspector general's major management and performance challenges and gives page references to the full report for more details.[22]

- Labor's 24-page highlights document, the best of all in our view, provides direct links to the relevant portions of the full report for subjects that it summarizes.[23] (See, e.g., pages 5, 6, and 10.) It is clearly written and exceptionally concise given the amount of substantive content it conveys. The excellent graphics further add to the report's clarity and readability. The secretary's transmittal message sets forth the department's highly outcome-oriented strategic goals. The highlights focus on 13 key performance goals that represent the department's performance areas. Pages 6 through 17 lay out the performance results for the key goals. The presentations include brief narratives for each key goal, targets and results for the current year and several prior years, cost allocations, and vignettes illustrating the impact on real people. Page 24 discusses inspector general-identified major management and performance challenges. It highlights and summarizes improvement actions for three of the ten challenges and provides a direct link to the full report for more detail on all ten of them.

Irrespective of the fate of the pilot program, the practice of preparing a highlights document should continue and expand. At the same time, agencies need to enhance the quality and usefulness of the highlights. To assist in that effort, we offer a top 10 list of specific suggestions to improve the highlights documents. Many of the features we suggest can be found in the examples cited above. We particularly recommend the Labor highlights document as a model for other agencies.

20. Department of the Interior Highlights, available at http://www.doi.gov/pfm/par/par2007/par07_highlights.pdf.

21. Secretary at the Department of Veteran Affairs transmittal letter available at http://www.va.gov/budget/report/2007/Highlights/Sec_Letter.pdf.

22. Table available at http://www.va.gov/budget/report/2007/Highlights/Part_III.pdf.

23. Department of Labor Highlights, available at http://www.dol.gov/_sec/media/reports/annual2007/2007highlights.pdf.

TOP 10 WAYS TO IMPROVE HIGHLIGHTS DOCUMENTS

1. Make the highlights useful as a stand-alone document, providing an overview of the agency's performance, with at least the minimum content prescribed by OMB Circular A-136.

2. Clearly describe and specifically reference in the highlights document all other sources of relevant performance report information and what they contain.

3. Provide user-friendly links directly to all such information sources (e.g., a link to the portion of the agency's financial report containing the inspector general's assessment of major management challenges, not just a general link to the financial report).

4. Ensure that all referenced information appears in a format that the general public can navigate and comprehend (i.e., not just in budget justifications, which are incomprehensible to most people).

5. Describe specific key performance measures and results. Simply stating the overall percentage of measures an agency met, without further detail, tells the reader nothing useful.

6. Include an agency head transmittal message that conveys substantive information about the agency's performance (e.g., its most important accomplishments and future challenges).

7. Use graphics and other user-friendly presentational formats, such as a "performance scorecard" table, to summarize key information.

8. Include brief narratives in plain English to put the agency's performance measures, targets, and results in context (e.g., why is a measure important, how was the target selected, and what does the result signify?).

9. Don't hesitate to highlight important results that occur over multiple years. This is particularly useful for agencies whose outcomes do not occur in the annual increments covered by individual performance reports.

10. Improve the agency's underlying performance information. Since the highlights document flows from the agency's performance metrics and related data, it can only be as good in substance as they are. An agency with poor goals and measures or faulty data cannot produce a first-rate highlights document.