

SECTION 230—PREPARING AND SUBMITTING THE ANNUAL PERFORMANCE REPORT

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230.1 Preparing the annual performance report.**(a) *In general.***

The annual performance report required by GPRA provides information on your agency's actual performance and progress in achieving the goals in your strategic plan and performance budget. In this section, the term “annual performance report (APR)” is used to refer to the document that complies with the requirements of the Government Performance and Results Act (GPRA), regardless of whether that information is incorporated into the Performance and Accountability Report (PAR) or the Congressional Justification as discussed below.

Agencies prepare one annual performance report for a fiscal year. For most agencies, this report is the performance portion of your agency's (PAR). For those agencies participating in the PAR pilot, the APR will be combined with the Annual Performance Plan and included in the Congressional Budget Justification. Agencies participating in the pilot are also required to prepare a Highlight document, “the Highlights”.

Since agencies that participate in the PAR pilot will be changing the format of their Congressional Budget Justifications, they should reflect these planned changes in their Budget Submissions to OMB in September so that OMB and agency staff may discuss the presentation and work out any concerns prior to the submission of the Congressional Budget Justification for clearance in January. Agencies must also consult with their Congressional stakeholders regarding the content and format of the Congressional Justification. In addition, these agencies should allow more time for OMB review of the Congressional Budget Justifications as they include additional information.

The most useful performance reports clearly articulate how the work of the agency benefits the public, enables the public to understand progress or the lack thereof toward goals, and gives confidence that they agency is doing everything it can to improve and address shortfalls in performance. Exemplary FY 2006 performance reports (with internet links) include:

The Department of Transportation: www.dot.gov/perfacc2006/index.htm
The Department of Labor: www.dol.gov/sec/media/reports/annual2006/
The Department of Veterans Affairs: www.dot.gov/perfacc2006/index.htm
The Department of State: www.state.gov/s/d/rm/rls/perfrpt/2006/

(b) *Format.*

There is no prescribed format for the annual report. Agencies are encouraged to include, from their strategic plan, a summary of their mission statement and general goals and objectives. The presentation should be clear and concise and the language throughout should be such that a layperson could understand.

(c) *Combining the management and financial reports pursuant to the Reports Consolidation Act.*

Together, the Chief Financial Officers Act and the Accountability of Tax Dollars Act require all agencies to prepare an audited financial statement. OMB Circular A–136 Financial Reporting Requirements requires agencies to combine the annual program performance report with the financial statement and accountability report. Information on preparing the program performance portion of the report is included below. See <http://www.whitehouse.gov/omb/circulars/a136/a136.html> for further information on the accountability report component of the PAR.

The combined PAR that covers FY 2007 is to be transmitted to the President, Congress, and OMB not later than November 15, 2007. Agencies should provide the draft PAR to OMB for review and clearance at least 10 days before the due date. Program performance information is not subject to new or additional audit requirements as a consequence of its being combined with the accountability report or the financial statement.

The Reports Consolidation Act of 2000 gives the Executive Branch the discretion to consolidate certain statutorily-required reports into the PAR and to use other approaches to consolidation. For FY 2007, several agencies are participating in a PAR pilot and will include their annual performance report in their Congressional Budget Justification along with their annual performance plan. Agencies are encouraged to pursue consolidating other reports pursuant to the Reports Consolidation Act, when the opportunity exists to improve the quality of reported information and reduce reporting duplication.

230.2 What does the annual program performance report contain?

(a) *Required elements.*

Your annual performance report must be informative, candid, and include the following elements:

- A comparison of actual performance with the projected (target) levels of performance as set out in the performance goals in your annual performance budget (or your annual performance plan for fiscal years prior to FY 2006);
- Where a performance goal is not achieved, an explanation for why the goal was not met. When goals are achieved, agencies are also encouraged to explain what steps they took to improve performance and efficiency;
- A description of the plans and schedules to meet an unmet goal in the future, or alternatively, recommended action regarding an unmet goal where you have concluded it is impractical or infeasible to achieve that goal;
- An evaluation of your performance for the current fiscal year, taking into account the actual performance achieved;
- An assessment by the agency head of the reliability and completeness of the performance data included in the report; and
- Actual performance information for at least four fiscal years.

(b) *Comparing actual performance to performance goal target levels.*

The annual performance report must state the actual performance for every performance goal in your annual performance budget (or, as applicable, your performance plans for FY 2006 and 2007), even if the goal was discontinued after that fiscal year. Actual performance is reported as it occurred during the fiscal year covered by the report. For some programs, this performance may have resulted from spending prior year monies during the fiscal year.

The annual report matches actual performance to the corresponding performance criteria set the previous year. If an alternative form (i.e., a non-quantified measure) was used to define a performance goal, the description of actual performance must allow an accurate, independent determination to be made of whether such performance met the criteria specified, or how it otherwise compared to the goal as stated.

At the time the annual performance report is sent to the President and the Congress, actual performance information may be incomplete or preliminary. The annual performance report should identify those performance goals where actual performance information is missing, incomplete, preliminary, or estimated. For such goals, the annual performance report should indicate the approximate date when actual performance information, sufficient to make an accurate comparison with performance goal target levels, will be available. Once available, the actual performance information and the comparison between actual and target performance is included in the performance budget and the subsequent annual performance report. Agencies must also maintain current performance data on www.ExpectMore.gov, as well as on their own websites and include references to those sites in their annual performance reports.

(c) *Providing an explanation for non-achievement of a performance goal.*

If a performance goal was not achieved, your annual report must explain why it was not met. There are two types of explanations: specific and generic.

A specific explanation is included if goal non-achievement is significant and material. A specific explanation should show an understanding of why a performance shortfall occurred, and the consequences. The specific explanation should also support actions you are taking to eliminate or reduce future shortfalls for this goal.

Agencies may apply the following criteria when determining if a specific explanation is required. A specific explanation should always be provided if:

- The manager(s) of the program, activity, or component experiencing a performance shortfall alerts or informs senior agency officials about actual performance levels, and the implications of these levels on overall program accomplishment; or
- The manager(s) made or is making substantive action to address the shortfall in performance; or
- Performance levels for future years are being adjusted downward to reflect actual performance levels; or
- Outside parties will likely conclude that the non-achievement was significant and material.

A generic explanation is provided if the difference between the goal target level and actual performance is slight. An agency may use the following language for its generic explanation: “The performance goal was set at an approximate target level, and the deviation from that level is slight. There was no effect on overall program or activity performance.”

If actual performance data shows that a goal was not met, but the explanation for why the goal was not met or a description of steps being taken to meet the unmet goal in the future cannot be completed by the time of transmittal; then the data are included in the report and marked as preliminary. The following year's annual report will include the data and the deferred explanation and next steps.

(d) *Agency plans and schedules for improving program performance.*

All programs should work to become more effective and efficient and the annual program performance report should describe the agency's efforts to improve its performance.

The Program Assessment Rating Tool (PART) helps agencies identify their strengths and weaknesses so that they can focus their efforts on improving program performance. In response to a PART assessment, the agency commits to implement an improvement plan. The annual program performance report should describe the overall status of these actions and their impact on improving program performance. To streamline reporting, follow-up actions to PART assessments may be grouped together by subject for general discussion in lieu of providing a detailed accounting of each follow-up action, and readers can be referred to www.ExpectMore.gov for detailed information on the status of improvement plans.

Additionally, in cases where a program failed to meet a performance target, the annual program performance report should provide a specific explanation, as well as describe the actions the agency is taking to achieve the goal in the future along with associated timelines. The description of future actions should be limited to those which can be achieved with existing resources. If future actions are dependent on funding or policy changes to be proposed in the President's Budget, they should be discussed in the performance budget, not in the PAR. Agencies that participate in the PAR pilot are not subject to this limitation as their performance reports will be included in their Congressional Budget Justifications.

An agency may conclude, based on actual performance, that a performance goal cannot be achieved in the future. For such goals, the annual performance report should explain the basis for this conclusion and identify what course of action the agency will take. For instance, an agency may adjust its performance targets consistent with recent actual performance or delete a goal that is no longer appropriate or relevant.

Agencies that meet their performance goals are encouraged to explain what steps they took to increase effectiveness and effectiveness.

(e) *Assessing the completeness and reliability of performance data.*

The Reports Consolidation Act of 2000 specifies that the transmittal letter for annual performance reports contain an assessment by the agency head of the completeness and reliability of the performance data included in it.

The agency head may assert that the performance data in a annual performance report is considered complete if:

- Actual performance is reported for every performance goal and indicator in the performance budget (performance plan), including preliminary data if that is the only data available when the annual performance report is sent to the President and the Congress; and
- The agency identifies in the annual performance report any performance goals and indicators for which actual performance data are not available or only preliminary data or estimates are available at the time the report is transmitted, and notes that the performance data will be reported on a publicly accessible website when it is available and included in the subsequent annual performance report. (Agencies are encouraged to pre-announce expected lags in the reporting of performance data in their performance budgets.)

Performance data need not be perfect to be reliable, particularly if the cost and effort to secure the best performance data possible will exceed the value of any data so obtained. Agencies must discuss in their assessments of the completeness and reliability of the performance data any limitations on the reliability of the data. Additionally, agencies should discuss in their annual performance reports efforts underway to improve the completeness and reliability of future performance information as well as any audits, studies, or evaluations that attest to the quality of current data or data collection efforts.

Inadequacies in the completeness and reliability of performance information can impede the use of program performance data by agency managers and government decision-makers and they should be clearly identified in the annual performance report.

The Reports Consolidation Act also requires that the PAR include a summary of the agency's most serious management and performance challenges, as identified by the Inspector General's (IG) office, and the agency's progress in addressing those challenges. Agencies participating in the PAR pilot may also include this information in their annual performance report.

(f) *Evaluating performance goal levels in the performance budget relative to actual performance.*

As you prepare your annual report, the performance information you collect may be used to make further adjustments to the upcoming budget. You may do so if actual performance information is available near the end of the fiscal year covered by the annual performance report. These adjustments are made at the time a Congressional Budget Justification incorporating the performance budget is prepared. The performance budget and following year's annual performance report should identify every change to performance goals that were made in the performance budget that primarily stemmed from this assessment of actual performance.

(g) *Fiscal year coverage.*

Your annual performance reports for fiscal year 2007 and future years should include actual performance information for the fiscal year covered by the report, and as well as prior fiscal years. Actual performance information for more than three prior fiscal years may be included if it will be useful in reviewing performance trends. You may cease reporting actual performance information for prior years for any goal that is discontinued prior to the fiscal year covered by the report.

Comparisons between actual performance and performance goal target levels are not included for prior fiscal years, unless the comparison was deferred because the performance data in a prior year's annual report was unavailable or the analysis was incomplete.

(h) *Including performance information from the PAR in the performance budget.*

The November 15 transmittal date for the PAR precedes the transmittal of the President's Budget. Potentially, this may require the agency to omit certain information from the PAR, as it would be considered to be privileged and cannot be publicly released prior to transmittal of the President's Budget. Agencies participating in the PAR pilot will not be subject to this constraint..

(i) *Other elements and features of an annual performance report.*

These elements and features may selectively apply to your agency. Omit any that do not apply from your annual performance report.

Program evaluations. Your report includes a summary of the findings and recommendations of the program evaluations completed during the fiscal year. Most relevant are rigorous evaluations that make positive or negative conclusions about the impact attributable to the program. If no evaluations were completed, the report should note such. For more information on program evaluations, see question 2.6

and 4.5, and Appendix B, of the PART guidance at http://www.whitehouse.gov/omb/part/fy2007/2007_guidance_final.pdf, as well as “What Constitutes Strong Evidence of a Program’s Effectiveness?” at http://www.whitehouse.gov/omb/part/2004_program_eval.pdf.

Information on use of non parties. GPRA states that preparation of an annual report is an inherently governmental function. Your report should include an acknowledgment of the role and a brief description of any significant contribution made by a non-Federal entity in preparing the report.

Classified appendices not available to the public. An agency with a classified appendix for its annual performance budget may also prepare a similar classified appendix for its annual performance report. Agencies should not need to prepare a non-public appendix for certain law enforcement or revenue collection activities in their annual performance report. Retrospective reporting of actual performance for these activities should not interfere with achieving current or future goals for the same activities. However, if an agency believes that reporting of actual performance will impede current or future goal achievement, a non-public appendix may be prepared. The agency should contact its OMB representative for approval prior to preparing such an appendix.

Budget information. In your annual performance report, you should include relevant budget information, consistent with the obligation amounts shown in the *Budget Appendix*, for the fiscal year covered by the report. The annual performance report does not present comparisons between the amounts originally requested for a fiscal year and the amounts actually obligated.

230.3 Sending the annual program performance report to the President and Congress.

Performance and accountability reports are sent to the President and Congress and the Director of OMB. The report must be transmitted by the head of the agency. An agency may add other signatories, such as the Chief Financial Officer, to the transmittal of a PAR, thus recognizing a shared responsibility within the agency for the performance reported and any future performance commitments. The due date for the FY 2007 PAR is November 15, 2007.

Transmittal letters to Congress are addressed to the Speaker of the House of Representatives and the President and President pro tempore of the Senate. Copies of the congressional transmittal are sent to the chair and ranking minority members of the budget committees, relevant authorization and oversight committees, appropriation subcommittees, and the chair and ranking minority member of the Senate Committee on Homeland Security and Governmental Affairs and the House Government Reform Committee. Agencies should print only limited copies of the full PAR for official distribution. Agencies are encouraged to develop a brief highlights version of the annual PAR, which presents key findings and relevant financial and performance data, including summary PART results. Agencies should prepare the highlights document in a manner and writing style appropriate for the general public. Agencies may find it useful to prepare a PAR highlights with a CD of the entire PAR document included as an alternative to distributing numerous printed copies of the entire PAR document.

The information included in the PAR should be retrospective only; prospective discussions including information about the President's decisions for the upcoming budget should only be included in the performance budget, not the PAR. Since only retrospective components are included in the PAR, the PAR may be made available to the public upon transmittal to the President and the Congress, in accordance with section [22](#).

230.4 What does the Highlights include?

Highlights. The Highlights document should summarize key performance and financial information in a brief, user-friendly format that can be easily understood by a novice reader with little technical background in these areas. The goal of this document is to increase agency and program accountability

for performance by making financial and performance information more transparent and accessible. To allow for greater attention to past performance, agencies participating in the PAR pilot will release the Highlights on the Friday before the release of the FY 2009 President's budget (i.e., on February 1).

At a minimum, the Highlights must include:

- A clear, concise, and outcome-oriented explanation of what the core public benefits the agency seeks to achieve and its progress or lack of progress toward achieving them
- Data and discussion of key performance measures, including trend data
- A candid assessment of whether the agency, met, partially met or did not meet its performance goals. This information can be grouped by program or strategic goal, and presented in a summary fashion like a scorecard.
- A summary of key management issues that the agency is addressing (e.g., Inspector General and Government Accountability Office reports, where appropriate).
- An objective presentation on the extent to which ongoing management challenges have been addressed
- References and internet links to where the reader can find more comprehensive, publicly available information about the agency's program and financial performance, including ExpectMore.gov .
- A table of summary financial statement audit information similar to the table in the OAI (Section II.5.6.)

Several agencies already prepare Highlights and find them a useful way of increasing access and transparency to their financial and performance information. All agencies should ensure that their reporting is cogent and transparent to the public. **All agencies, including those that are not participating in the pilot, are strongly encouraged to prepare the "Highlights."**

