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) (See, 31 U.S.C. § 1115), 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 summary document titled ‘Citizens’ Report: FY 2008 Summary of Performance and Financial Results.”

Agencies participating in the PAR pilot will be changing the format of their Congressional Budget Justifications to reflect these planned changes in their Budget Submissions to OMB in September. OMB and agency staff should discuss the presentation and work out any concerns well in advance prior to the submission of the Congressional Budget Justification for clearance during FY 2010 budget season. 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 (it’s outcomes), enables the public to understand progress or the lack thereof toward performance goals, and gives confidence that the agency is doing everything it can to improve and address shortfalls in performance. Best practices were observed in the following FY 2007 performance reports (with internet links):

- Department of State: http://www.state.gov/s/d/rm/rls/perfrpt/2007/pdf/
- National Science Foundation: http://www.nsf.gov/about/budget/fy2009/index.jsp

(b) Format.

There is no prescribed format for the annual performance report. From their strategic plan, agencies are encouraged to include a summary of their mission statement, description of their organizational structure, and strategic goals and objectives. The presentation should be clear and concise and the language
throughout understood by a layperson including context. Agencies should include direct web links to specific reference information that provides additional detail.

(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 FY 2008 PAR is to be transmitted to the President, Congress, and OMB not later than November 17, 2008 after early consultation with OMB regarding format. 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 (see section 230.5).

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 of performance and financial information. For FY 2008 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 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 2007).

- A Diagnostic Analyses of 2008 Program Performance Results – For PARTed programs, agencies/programs should perform a diagnostic analysis that identifies the root causes of their 2008 performance results as indicated by their PART measures as reported in PARTWeb. The analysis should address and is informed (as appropriate) by the results of relevant, credible evaluation studies, investigations, and audits. Subsequent to the diagnostic analysis, the agency/program drafts improvement actions aimed to improve or ensure future program performance.

- Performance goals are considered “met or exceeded” only when the target was reached exactly as stated or exceeded. Results which are lower than the target, but improved over prior year’s performance should be labeled as “improved over prior year, but not met.” Results that do not meet target and do not improve over prior year should be labeled as “not met target.” Finally, data that is not available at the time of publication of the report, e.g., collected later in the year or every other year, should be labeled “data not yet available.”

- Other Significant Program Performance Information Identified and Described in PARTWeb – Agencies/Programs should identify and describe the results of relevant, credible evaluation
studies, investigations, and audits that address the performance of the program. Agencies/programs provide Internet links to electronic copies of the source documents.

- An assessment by the agency head of the reliability and completeness of the performance data included in the report (see section 230.5 for more details).

- Actual performance information for at least four fiscal years.

- GAO High Risk List Items: A description of the agency’s plans to address any issues designated by the Government Accountability Office as High-Risk. With respect to any High-Risk issue affecting multiple agencies or designated as High-Risk on a government-wide basis by the Government Accountability Office, the Director of OMB shall identify one or more agencies, which may include OMB, as responsible for purposes of developing the performance plans. All such plans will include: a) a description of the high-risk issue the plan is addressing; b) measurable goals that demonstrate whether the plan is successful; and c) specific milestones the agency will accomplish to achieve the goal described in (b), including the agency official responsible for the milestone and the date by which it will be achieved.

(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 2007 and 2008), 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. Performance goals are considered “met or exceeded” only when the target was reached exactly as stated or exceeded. Results which are lower than the target, but improved over prior year’s performance should be labeled as “improved over prior, but not met.” Results that do not meet target and do not improve over prior year, should be labeled as “not met target.” Finally, data that is not available at the time of publication of the report, e.g., collected later in the year or every other year, should be labeled “data not yet available.” 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 OMB’s performance portal, currently [www.ExpectMore.gov](http://www.ExpectMore.gov) or it’s replacement, as well as on their agency’s websites and include references to those sites in their annual performance reports.

(c) **Providing an explanation for significant variations between performance targets and actuals.**

If a performance goal was not achieved or exceeded the targeted level of performance, your annual report must explain the variance. There are two types of explanations: specific and generic.

A specific explanation is included if goal non-achievement or over-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/gain 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 or learn more from gain (e.g., evaluation impact) in performance; or

- Performance levels for future years are being adjusted downward/upward to reflect actual performance levels; or

- Outside parties will likely conclude that the non-achievement was significant and material or there are potential areas to replicate success.

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.”

(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 or exceeded 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) **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.

(f) **Fiscal year coverage.**

Your annual performance reports for fiscal year 2008 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.

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

The November 17 transmittal date for the PAR precedes the transmittal of the President's Budget. 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.

(h) **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/fy2008/2008_guidance_final.pdf](http://www.whitehouse.gov/omb/part/fy2008/2008_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](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.
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 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 2008 PAR is November 17, 2008.

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 summary (“Citizens’ Report”) version of the annual PAR, which presents key findings and relevant financial and performance data, including summary PART results. Agencies should prepare the Citizens’ Report document in a manner and writing style appropriate for the general public. Agencies may find it useful to prepare a PAR Citizens’ Report 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 Citizens’ Report include?

- Agencies shall select key information outlined in their PAR (or AFR and APR) and present this information in a Citizens’ Report. The Citizens’ Report (formerly called the Highlights) should include the most important performance and financial information contained in the full PAR (or AFR and APR) in a brief, user-friendly format that is easily understood by a reader with little technical background in these areas. Performance goals are considered “met or exceeded” only when the target was reached exactly as stated or exceeded. Results which are lower than the target, but improved over prior year’s performance should be labeled as “improved over prior year, but not met.” Results that do not meet target and do not improve over prior year should be labeled as “not met target.” Finally, data that is not available at the time of publication of the report, e.g., collected later in the year or every other year, should be labeled “data not yet available.”

The goal of the Citizens’ Report is to increase accountability of agency heads and program managers by making financial and performance information more transparent and accessible to Congress, the public, and other key constituencies. The Citizens’ Report must be published no later than January 15, 2009.

Agencies participating in the PAR pilot must produce the Citizens’ Report. Agencies not participating in the pilot are strongly encouraged to prepare the Citizens’ Report. Several agencies have prepared summary-styled documents in the past and find them a useful way to increase accessibility and transparency of their financial and performance information. All agencies should ensure that their reporting is cogent and transparent.
The Citizens’ Report shall present key performance and financial information published in the PAR (or AFR and APR) and should not include adjusted, revised or new data. Agencies may include other relevant information contained in the CBJ. The information in the Citizens’ Report can be replicated from the full PAR (or AFR and APR), or further condensed to the extent practical. The degree of brevity is at the reporting entity’s discretion as long as the data within the Citizens’ Report remains consistent with the PAR (or AFR and APR) and does not exceed 25-page. To ensure the shortened format provides full transparency, agencies should make extensive use of specific hyper-links that take the reader directly to the detailed information supporting the Citizens’ Report. The Citizens’ Report should also appeal to multiple audiences by using vignettes, links to multimedia, and charts/graphs (e.g., pie chart of assets and liabilities instead of the balance sheet, a podcast with a message from the Secretary, etc.).

It is up to the agency’s discretion whether or not to print hard copies of the Citizens’ Report. Agencies should consider intended audience, outreach, and distribution efforts for the document.

Condensed sections of the following PAR MD&A elements can be used: mission and organizational structure (see Circular No. A-136 II.2.5); performance goals, objectives and results (see Circular No. A-136 II.1.3, or II.2.6); analysis of financial data (see Circular No. A-136 II.2.7); and forward looking information (see Circular No. A-136 II.2.10).


The Citizens’ Report will provide an understanding of an agency’s performance and financial results by including at a minimum:

- Brief statement upfront of what the reader will gain from the report;
- Agency mission and strategic goals and objectives;
- Progress on key performance goals linking to the strategic goals. Discussion should include a candid assessment of whether the agency, met, partially met or did not meet its goals. This information can be grouped by program or strategic goal, and presented in a summary fashion like a scorecard;
- Budget information and cost efficiencies, including associations with strategic goals and performance results;
- Summary of key management issues, including shortcomings that the agency is addressing (e.g., IG and GAO reports, where appropriate);
- References and internet links. Specific links will take the reader to the evidence supporting information about the agency’s program and financial performance (e.g., ExpectMore.gov, relevant sections of the agency’s PAR, CBJ, AFR and APR. The links will provide the reader the exact location of the information in a document and not a general link to the document itself;
- Summarized financial statement data. This information is based on the same underlying data as the financial statements presented in the PAR and AFR.
- A table of summary financial statement audit information similar to the table in OAI (Section II.5.6); and
• A two-page Budget, Performance, and Financial Snapshot.

• Best Practices. In addition, agencies should employ the list of best practices generated from the FY 2007 PAR Pilot to the extent possible. The full list of best practices covering readability, transparency, and outcome-orientation is located at https://max.omb.gov/community/x/M4DX and includes suggestions such as:
  
  o Include only a limited number (15-20) of key, representative performance measures;
  
  o Summarize key management challenges and actions taken and planned;
  
  o Maximize the presentation of budget and cost information with performance measures;
  
  o Include examples of specific achievements or results to illustrate performance;
  
  o Optimize the use of web links to APR, AFR, CBJ; and
  
  o Provide easy to follow structure where program outcomes are closely tied to agency strategic goals.

If an agency chooses to include a condensed audit report and/or financial statements, information presented will require discussions between the entity, OIG, and the external auditors. For additional information, consult the audit guidance located in OMB Bulletin 07-04 Audit Requirements for Federal Financial Statements (http://www.whitehouse.gov/omb/bulletins/fy2007/b07-04.pdf) or subsequent revisions.

**Every agency** will be required to submit a two-page Budget, Performance, and Financial Snapshot to OMB by December 15, 2008. Those agencies participating in the PAR Pilot will be required to include the template in their Citizens’ Report. The snapshot will provide key take away points on the agency’s mission and organization; budget overview; cost of operations; and how the agency performed on high priority outcomes, future challenges, and financial results. A clear, concise, and outcome-oriented explanation of the core public benefits the agency seeks to achieve and its progress or lack of progress toward achieving them. The snapshot will predominately consist of performance information; however, the following financial information will be required.

• The opinion received on the financial statements;
• Statement of whether financial reports were submitted on time;
• Number of auditor identified Material Weaknesses; and
• Statement of whether improper payment targets were met (if applicable).

OMB will provide agencies with a template of the Citizens’ Report in time to submit their information to OMB by December 15, 2008.

**230.5 Assessing the completeness and reliability of performance data**

The Government Performance and Results Act (GPRA) (See, 31 U.S.C. § 1115) requires each agency to prepare an annual performance plan covering each program activity set forth in the agency’s budget and that the plan describes the means to be used to verify and validate measured values. In addition, the Reports Consolidation Act of 2000 (Pub. L. No. 106-531) specifies that the transmittal letter included in annual performance reports contain an assessment by the agency head of the completeness and reliability of the performance data included in it.
Agencies should have in place or begin to develop verification and validation techniques that will ensure the completeness and reliability of all performance measurement data contained in their annual performance plans and annual performance reports.

The guidance that follows provides agencies with a list of reasonable verification and validation criteria that when applied should increase the level of confidence Congress and the public have in the performance information presented in GPRA and other performance related documents. Some agencies already have verification and validation processes and procedures in place that they believe are rigorous and insightful. Other agencies’ verification and validation processes are evolving and at different stages of maturity. All Agencies shall apply this guidance consistent with their level of maturity in data verification and validation techniques. Agencies with existing verification and validation processes should use this guidance to continually improve there existing systems. Agencies whose verification and validation processes are evolving may choose to phase-in the new factors. Agencies should discuss their verification and validation techniques with their respective OMB Resource Management Office (RMO).

Data limitations. In order to assess the progress towards achievement of performance goals, the performance data must be accurate and reliable. Significant or known data limitations should be identified in the performance plan to include a description of the limitations, the impact it has on goal achievement, and the actions that will be employed to correct the limitations. Performance data need not be perfect to be reliable, however, significant data limitations can lead to inaccurate assessments and distort performance results. Agencies should not use data that contain known errors. The Government Accountability Office (GAO) defines significant or known data limitations as those identified by the GAO in its work or in available documents such as program evaluations, independent audits, inspector general investigations, and information systems analyses. Examples of data limitations include imprecise measurement and recordings, incomplete data, and inconsistencies in data collection procedures.

Verification and validation. Verification and validation of performance data support the general accuracy and reliability of performance information, reduce the risk of inaccurate performance data, and provides a sufficient level of confidence to the Congress and the public that the information presented is credible. The GAO defines verification as a process of checking or testing performance information to assess other types of errors, such as errors in keying data. The GAO defines validation as an effort to ensure that data are free of systematic error or bias and that what is intended to be measured is actually measured. The GAO information can be found in the GAO publication GAO/GCD-10.1.20 The Results Act. An Evaluator’s Guide to Assessing Agency Annual Performance Plans.

Agency internal assessments. Consistent with their level of maturity, agencies are encouraged to consider the verification and validation factors outlined below.

1. Standards and procedures
   a. Source data are well defined, documented; definitions are available and used.
   b. Collection standards are documented/available/used.
   c. Data reporting schedules are documented/distributed/followed.
   d. Supporting documentation is maintained and readily available.
   e. Collection staff are skilled/trained in proper procedures.

2. Data entry and transfer
   a. Data entry methodology is documented and followed.
   b. Data are verified.
   c. Procedures for making changes to previously entered data are documented and followed.
   d. Data are available when needed for GPRA reporting and other critical decision making cycles.
   e. Data entry staff are skilled and trained in proper procedures.
3. Data integrity
   a. Equipment and program reliability cannot compromise data accuracy.
   b. Accountability for data integrity clearly rests with the person entering the data, and the responsible program specialist and manager.

4. Data quality and limitations
   a. Accuracy limits of all data are defined.
   b. Any other data limitations are explained and documented.
   c. Method for handling anomalous data is established and used.
   d. 3rd party evaluations are conducted.
   e. Use of externally controlled data is documented.

5. Oversight and certifications
   a. Accountability for data accuracy exists in responsible employee performance standards.
   b. Responsible officials certify that procedures were followed each reporting period.
   c. Responsible officials certify that data accuracy has been checked each reporting period.

External Assessments. External assessments such as evaluations, peer reviews, and performance audits can mitigate the risk of bias in performance reporting. It is important to note GPRA does not require the use of audits for performance data contained in GPRA reports. However, agencies may use audits or any other procedure that would support the credibility of the performance information at their discretion. Agencies should consider the most cost-effective means for achieving the desired level of credibility of the verification and validation of performance data.

Scope. Because most agencies process a large amount of performance measurement data, it is unreasonable to think that agencies can verify and validate every single performance measure included in their performance management system. Agencies should apply good judgment when deciding which performance measures will be verified and validated. Agencies should consider priorities, spending, GAO high risk lists, IG reports and management challenges.

Frequency. Performance plans and reports are submitted to Congress annually. How often agencies should verify and validate the performance data to be included in these documents is at the discretion of the agency, however agencies are encouraged to verify and validate performance data every two years at a minimum.

Agency Head Responsibility. Agency heads are officially accountable for the accuracy and reliability of performance data. The agency head shall include in the transmittal letter of the agency’s annual performance plan and annual performance report a brief statement on completeness and reliability of the performance data, and on data limitations, if they exist.

Best practices. The information provided below are links to sample best practices and references to other source documentation used by various agencies to improve their performance measurement processes:


- Department of Interior Data Validation and Verification Standards located at http://www.doi.gov/ppp/DOJ%20Data%20V%20V%20Standards%20Matrix.doc