



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
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PROGRAM ASSESSMENT RATING TOOL GUIDANCE NO. 2006-04

TO: OMB PROGRAM ASSOCIATE DIRECTORS
OMB PROGRAM DEPUTY ASSOCIATE DIRECTORS
AGENCY BUDGET AND PERFORMANCE INTEGRATION LEADS
AGENCY PROGRAM ASSESSMENT RATING TOOL CONTACTS

FROM: Diana Espinosa 
Deputy Assistant Director for Management

SUBJECT: Guidance to Improve the Consistency of 2006 PART Assessments

1. Scope/Purpose. This memorandum reports on the findings of a review of the 2006 PARTs for adherence to the PART guidance and identifies action steps for improving the consistency of PARTs. This guidance supplements the overall PART guidance that is available at http://www.whitehouse.gov/omb/part/fy2006/2006_guidance_final.pdf.

2. Required actions. Each RMO is responsible for reviewing all of the 2006 new assessments and reassessments completed in its program areas and working with its agencies to make the needed revisions to ensure that all PARTs adhere to the guidance. (See section 4 for more detail.)

- By July 21 – RMOs and agencies revise PARTs as needed to address consistency check results.
- By July 21 – RMOs submit revised PARTs to agencies.
- By August 4 – Agencies submit any appeals. Guidance on the appeals process will be provided shortly.

3. Background. A key component of the PART process is ensuring that the PART guidance is applied as intended. As in past years, OMB completed a consistency check of the 2006 PARTs to determine if the guidance was being applied consistently and where guidance might be clarified or enhanced to improve consistency.

The 2006 consistency check focused on the performance measures and on questions where inconsistencies had been observed in previous years. In addition, questions specific to particular PART types (e.g., research and development, competitive grants, etc.) were reviewed. The consistency check was conducted by a group of OMB staff, including members of the Performance Evaluation Team. Each PART was reviewed by multiple people. Selected questions were reviewed in a sample of PARTs. The sample included PARTs from all major agencies, different PART types, and both new assessments and reassessments. In all PARTs, the following questions were reviewed:

- 1.4: Free of design flaws
- 1.5: Resources effectively targeted
- 2.1: Long-term measures
- 2.2: Ambitious long-term targets
- 2.3: Annual measures
- 2.4: Annual measures baselines/ambitious targets
- 2.6: Independent evaluations conducted
- 2.7: Budget tied to performance goals
- 3.2: Partners held accountable
- 3.3: Funds obligated timely and for intended purpose
- 3.4: Efficient processes and measures
- 4.1: Long-term results
- 4.2: Annual results
- 4.3: Efficiency results
- 4.4: Compare favorably to similar program
- 4.5: Results of independent evaluations

All the performance measures were also reviewed, as well as most type specific questions for PARTs in the sample.

Reviewers determined if the answer, explanation, and evidence provided appeared to be consistent with the guidance. They also assessed whether the explanation and evidence supported the answer of Yes, No, or N/A. For each of the measures in every PART, teams evaluated the level of consistency with the guidance, such as whether the measures reflect the program's mission and priorities.

4. Improving Consistency. This memorandum identifies common problems in how PART explanations and evidence are drafted as well as specific issues relating to particular questions. While this information was drawn from a review of a sample of PARTs, RMOs and agencies should consider it and review all their PARTs since observations from the sample are likely relevant to all the PARTs.

In addition, questions that were not selected for review should not be assumed to be consistent. It is recommended that OMB and agencies review all their PART answers, explanations, and evidence, particularly in light of the general issues identified in 4(a).

RMOs will also receive the specific feedback on the PARTs included in the sample. This feedback will identify areas where reviewers found that the answers appeared to be inconsistent. A finding of inconsistency does not necessarily mean that an answer is incorrect. RMOs should work with their agencies to see if additional information can be included or the answer clarified to address the consistency check finding. In some cases, responding to a consistency check finding may require changing a PART answer.

(a) General Issues. Based on data from the consistency check, below are some reminders on how to draft PART explanations and evidence.

The explanation should clearly address all elements and requirements listed in the guidance for the question. Many of the PART questions have multiple elements that must be addressed to earn a Yes answer. The guidance for the question details the various sub-components that need to be addressed. For instance, question 3.4 asks if the program has procedures to measure and achieve efficiencies and cost effectiveness in program execution. The guidance states that to receive a Yes answer, the PART must clearly explain and provide evidence that the program has 1) regular procedures in place to achieve efficiencies and cost effectiveness, *and* 2) at least one efficiency measure with a baseline and targets.

The explanation should support the answer given. Many of the identified inconsistencies can be attributed to explanations and evidence that did not adequately justify an answer. Additional explanation and/or evidence may be needed for the program to earn a Yes consistent with guidance requirements. It is not sufficient for an explanation to simply repeat the question in the affirmative; instead, the explanation must clearly justify the answer. Even where a program receives a No answer, the explanation should make clear which requirements of the question the program meets and which it does not.

PART responses are unclear when they present vague or contradictory information on a program's performance. In general, explanations benefit from the inclusion of a topic sentence that clearly summarizes the principal justification for the answer.

The evidence should support the explanation. Discussion of evidence should summarize the content of the evidence and provide context for the explanation (e.g., for performance results questions, compare actual performance to the baseline and targets). The description of evidence should provide information on both the source and basis for the judgment used to determine the answer. Since PARTs are available to the public, they should be written for a wider audience than agency and OMB staff.

(b) Specific Questions. Inconsistencies were more prevalent in certain questions than others. Below are reminders of how the guidance should be interpreted for specified questions. Questions from specific PART types are listed as appropriate.

Performance measures (Questions 2.1-2.4, 3.4, 4.1-4.3, and performance data)

Ensure that the measures reflect the program's mission and goals. To receive credit, the set of long-term and annual measures in the PART should reflect the key aspects of the program's purpose. For instance, if the program purpose addresses three key issues, the measures should relate to all three of them.

Provide a justification if output measures are used. To provide credit for output measures, the explanations must address why they are appropriate and why outcome measures are not feasible.

Question 2.2 – Ambitious long-term targets. The explanation should address whether the targets are ambitious by describing the factors considered such as past performance, resources, changes in law, etc.

Question 2.3 – Annual measures. Ensure that the explanation addresses all elements of the guidance. In particular, the explanation should clearly state how the annual measures help

achieve the long-term goals. This is particularly important in cases where the annual measures are outputs and the long-term measures are outcomes. Additionally, each annual measure should have targets through the budget year at least (i.e., FY 2008).

Ensure that the measures are identified appropriately. Measures should be identified as outcome, output, or efficiency. The PART guidance includes a description of each type of performance measure. (See pages 7-10 of http://www.whitehouse.gov/omb/part/fy2006/2006_guidance_final.pdf.)

Present measures clearly. Performance measures should be described in clear, direct language that makes clear the unit being measured. For measures with technical or scientific terms, it may be beneficial to include an explanation of why the measure is important. In particular, inconsistencies were found with respect to the way that efficiency measures are expressed. Efficiency measures should be computed as desired outcome (or output) divided by input.

Ensure that all measures are included in measures section. Measures, baseline, and targets must be listed in the measures section to receive credit.

Question 2.7 - Budget and performance integration

To receive a Yes answer a program must have a program budgeting process and presentation that makes clear the relationship between performance and resources. It must also report the full costs (direct and overhead) of meeting performance targets. Most inconsistencies resulted when the explanation and evidence did not address the full cost component of the question.

Regulatory

Question 2.RG1 – Regulations necessary. To be eligible for a Yes, explanations and evidence must address each of the following:

- Only those regulations that are absolutely necessary to accomplish the program mission and goals are promulgated or are in the process of being promulgated.
- The regulatory structure is such that the public would be able to understand how the regulations fit into the overall achievement of the program goals.

Question 3.RG2 – Prepare impact analyses. Three elements must be addressed in this question to receive a Yes answer. Most inconsistencies resulted when programs did not provide sufficient explanation and evidence for the following:

- A statement of need of the proposed action (including any market failure).
- An examination of alternative regulatory and non-regulatory approaches based on an appropriate baseline.

Question 3.RG4 – Regulations designed to maximize net benefits. To be eligible for a Yes, explanations and evidence must address each of the following:

- The program seeks to maximize overall net benefits to the greatest extent practicable.
- The program should be able to demonstrate how the selected alternative promulgated through its rulemaking results in the highest overall net benefits as compared to other feasible alternatives the agency has evaluated.

Question 4.RG1 – Regulations maximize net benefits. To be eligible for a Yes, explanations and evidence must address each of the following:

- The program conducts an analysis on a periodic basis (e.g., every five years) of the actual effects of all significant regulations or a subset thereof (e.g., economically significant regulatory actions) and that the findings meet or exceed the program’s original estimates of the net benefits.

Inconsistencies were found when programs reported effects of regulations that were under development, rather than regulations already in place.

Credit

Question 3.CR1 – Manage to assure credit quality. To be eligible for a Yes, explanations and evidence must address each the following elements:

- The program effectively screens the risk of new borrowers, monitors borrowers and guaranteed loan lenders, prevents default, *and* resolves defaulted loans in a timely manner.
- It should also include collection and analysis of borrower repayments, and use of best practices in reducing default rates and maximizing collections and recoveries.

Question 3.CR2 – Credit models accurate and transparent. To be eligible for a Yes, explanations and evidence must address each of the following elements:

- The agency employs a rigorous cost-estimation model that adequately accounts for the government’s risk and generates dependable cost estimates for each cohort.
- The agency should utilize state-of-the-art methods used in the private sector for the estimation of similar risks.

Research and Development

Question 2.RD2 – Prioritization Process. Three elements must be addressed in this question to receive a Yes answer. Most inconsistencies resulted when programs did not provide sufficient explanation and evidence for the following:

- The program has evidence that it uses the resulting priorities in decision-making.

Question 3.RD1 – Allocation of Funds. Four elements must be addressed in this question to receive a Yes answer. Most inconsistencies resulted when programs did not provide sufficient explanation and evidence for the following:

- All program funds allocated through means other than unlimited competition must describe and document the processes they use to distribute funds to each type of R&D performer (e.g., Federal laboratories, Federally-funded R&D centers, universities, etc.)
- Programs must justify the unique capabilities of each project performer (Federal laboratories, Federally-funded R&D centers, or other) that was allocated or awarded funds through a non-competitive process.

5. General Readability. Since the individual program assessments are available to the public and other interested parties on www.ExpectMore.gov, PARTs should be written clearly. The most exemplary PART responses have these characteristics:

- Explanations begin with a topic sentence and are kept as concise as possible while also providing sufficient information to justify the answer.
- Acronyms and jargon are avoided or are spelled out frequently.

- Evidence goes beyond simply citing reports or legislation, but also clearly describes the judgment used in determining the answer.
- Specific programmatic details and examples, rather than generalities, are used to clarify responses given.
- Personal pronouns (“we,” “us,” “they,” etc.) are not used.
- The units for the measures and targets are clear.

6. Inquiries. OMB RMOs with questions about this guidance should contact their Performance Evaluation Team (PET) representative. Agency staff should contact their OMB counterpart.