

## SECTION 230—PREPARING AND SUBMITTING THE ANNUAL PERFORMANCE REPORT

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**Summary of Changes**

Allows agencies to produce either a consolidated performance and accountability report (PAR) or a separate agency financial report and annual performance report (section [230.1](#)).

Requires agencies to focus on trend data when preparing their annual performance report (section [230.2](#)).

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

The annual performance report required by GPRA provides information on the agency's actual performance and progress in achieving the goals in its 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 Budget Justification as discussed below.

**(b) *Alternative to the performance and accountability report (PAR).***

Agencies prepare one annual performance report for a fiscal year. For most agencies, this report is the performance portion of the agency's PAR. During FY 2007 and FY 2008 OMB conducted a pilot in which agencies were permitted to produce an alternative to the consolidated PAR. The pilot had 3 required components: 1) an Agency Financial Report (AFR), 2) an APR with detailed performance information that meets GPRA requirements and is transmitted with the CBJ, and 3) a Citizens' Report that summarized the AFR and APR in a brief, user friendly format.

The goals of the pilot were to allow agencies to explore different formats to enhance the presentation of financial and performance information, make this information more meaningful and transparent to the public, and allow Congress, stakeholders, and the public to make informed decisions about agencies' performance. Results from the pilot identified some advantages to separating the APR from the AFR and to producing a Citizens' Report. For example:

- Including the APR along with the annual performance plan in the CBJ allowed agencies to discuss future programmatic resources directed at improving performance more fully; and
- Creating a Citizens' Report increased the focus on the public as a stakeholder in program outcomes, providing an easy to read summarization of agencies' performance and financial information.

Although the pilot was successful, agencies can continue to submit financial and performance information in the consolidated PAR.

For FY 2009, agencies may choose either to produce a consolidated PAR or to produce a separate AFR and APR. Agencies that choose to prepare separate reports will combine the APR with the annual performance plan for inclusion in the CBJ, and include an acknowledgement that the agency is using an alternative to the PAR. In addition to the AFR and APR, all agencies (CFO Act and non-CFO Act) shall prepare a summary of performance and financial information report (See section 230.4).

Agencies preparing a separate APR will be changing the format of their CBJ 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 of the submission of their CBJ for clearance during FY 2011 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 CBJ as they include additional information.

(c) *Best practices*

The most useful performance reports clearly articulate how the work of the agency benefits the public (its 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 in performance reporting were observed in the following FY 2008 agency reports:

- o U.S Department of Labor <http://www.dol.gov/sec/media/reports/annual2008/>
- o U.S. Department of Veterans Affairs <http://www.va.gov/budget/report/2008/index.htm>
- o U.S. Department of Transportation <http://www.dot.gov/par/2008/>

(d) *Format*

There is no prescribed format for the APR. 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 throughout, and the language understood by a layperson, including context. Agencies should include direct web links to specific reference information that provides additional detail.

(e) *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," permits agencies to combine the annual performance report with the financial statement and accountability report. Information on preparing the performance portion of the report is included below. See [OMB Circular A-136](#) for further information on the accountability report component of the PAR.

The FY 2009 PAR is to be transmitted to the President, Congress, and OMB not later than November 16, 2009 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 2009, several agencies will include their annual performance report in their CBJ 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***

The APR must be informative, candid, and include the following elements:

- An assessment by the agency head of the reliability and completeness of the performance data included in the report (see details in section 230.5).
- A comparison of actual performance with the projected (target) levels of performance as set out by performance goals in the agency performance budget (or annual performance plan for fiscal years prior to FY 2009).
- For the year covered by the report, where a performance goal was not met, an explanation of why a performance goal was not met, and the plans and schedules for achieving the established performance goal.
- Identify those performance goals where actual performance information is missing, incomplete, preliminary, or estimated. For such goals, the APR should indicate the approximate date when the actual performance information, sufficient to make an accurate comparison with performance goal target levels, will be available.
- A table/chart showing historical performance trends for the strategic goals set forth in the agency's performance plan or performance budget for at least four fiscal years prior to the year covered by the report. Where performance trends are declining or have significant variation, the agency should provide analysis and discussion.
- A summary of the findings of those program evaluations completed during the fiscal year covered by the report. If no evaluations were completed, the performance report should note this.
- Government Accountability Office (GAO) High Risk List Items: A description of the agency's plans to address any issues designated by the GAO 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 GAO, 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 the agency's annual performance budget, or, as applicable, annual performance plan, 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 APR is sent to the President and the Congress, actual performance information may be missing, incomplete, or preliminary. The APR should identify those performance goals where the information is missing, incomplete, or preliminary, and 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 targeted level of performance should be included in the performance budget and the subsequent APR. Agencies must also maintain current performance data on OMB's performance portal, as well as on their agency 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, the 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 the agency is 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 taking substantive action to address a shortfall or learn more from a 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."

If actual performance data shows that a goal was not achieved, but the explanation for why the goal was not achieved or a description of steps being taken to meet the unachieved 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 APR should describe the agency's efforts to improve its performance.

Where a program failed to meet or exceeded a performance target, the APR 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 choose to prepare a separate AFR and APR are not subject to this limitation as their performance reports will be included in their CBJ.

An agency may conclude, based on actual performance, that a performance goal cannot be achieved in the future. For such goals, the APR 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 agencies prepare an annual report, the performance information collected may be used to make further adjustments to the upcoming budget. Agencies may do so if actual performance information is available near the end of the fiscal year covered by the APR. These adjustments are made at the time a CBJ incorporating the performance budget is prepared. The performance budget and following year's APR should identify every change to performance goals that were made in the performance budget that primarily stemmed from this assessment of actual performance.

(f) *Trend data and fiscal year coverage*

The APR for FY 2009 and future years should include actual performance information for the fiscal year covered by the report, and prior fiscal years. Actual performance information for at least four prior fiscal years shall be included to facilitate analysis of trends over time and provide the most comprehensive picture of a program's performance history. Performance trend data should provide the Congress, the public and other stakeholders with sufficient information on how a program is progressing compared to its past achievements and shortfalls. Examples of best practices in performance trends presentations can be found in the FY 2008 Performance and Accountability Reports of the U.S. Department of Veterans Affairs <http://www.va.gov/budget/report/2008/index.htm>; the U.S. Department of Treasury <http://treasury.gov/offices/management/dcf/oa/accountability-reports/2008-par.shtml>; the U.S. Department of Labor <http://www.dol.gov/sec/media/reports/annual2008/>; and the U.S. Department of Transportation [http://www.dot.gov/par/2008/pdf/DOT\\_PAR\\_2008\\_MDA.pdf](http://www.dot.gov/par/2008/pdf/DOT_PAR_2008_MDA.pdf).

Agencies 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 16 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 that choose to prepare a separate AFR and APR 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.* The APR 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 this.

For the purposes of this requirement, a “program” shall be designated to include an agency’s mission, functions, activities, services, projects, and processes and is defined as an organized set of activities directed toward a purpose or goal that an entity proposes to undertake to carry out its responsibilities. GPRA requires that the APR contain information on program evaluations that are relevant to the agency’s efforts to achieve goals and objectives identified in its strategic plan or to performance measures and goals reported at the agency level. The evaluations identified should have been performed with sufficient scope, quality, and independence.

*Information on use of non parties.* GPRA states that preparation of an annual report is an inherently governmental function. The 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.* Agencies that conduct classified activities may prepare a classified appendix for its annual performance budget and its APR. Agencies should not need to prepare a non-public appendix for certain law enforcement or revenue collection activities in their APR. 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. Agencies should consult with OMB to determine whether such an appendix is appropriate or necessary.

*Budget information.* The APR should include relevant budget information, consistent with the obligation amounts shown in the *Budget Appendix*, for the fiscal year covered by the report. The APR 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.

Agencies preparing a separate APR 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 2011 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.

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.

#### **230.4 What does the summary of performance and financial information include?**

Agencies shall select key information outlined in their PAR or AFR and APR and present a summary of performance and financial information. This summary should include the most important performance and financial information in a brief, user-friendly format that is easily understood by a reader with little technical background in these areas. The goal of this summary is to increase accountability of agency heads and program managers by making the financial and performance information more transparent and accessible to Congress, the public, and other key constituencies.

Although there is no prescribed format for this summary report, agencies may choose to present the information in:

- A 3-8 page high-level summary,
- A 25-30 page more detailed summary , or
- A Management Discussion & Analysis (MD&A) section that can easily be extracted from the PAR or AFR and issued as an independent report.

In addition, agencies are allowed flexibility as to the content of the summary report. Since the goal of the summary is to present the information in a manner that is easy for a novice reader to understand, it should include, at a minimum:

- Agency mission and strategic goals and objectives;
- Historical performance trend data for the entity's strategic goals and the selected key performance measures associated with those goals;
- A candid assessment of whether the agency, met or did not meet its goals;
- Summary of key management challenges, including shortcomings that the agency is addressing (e.g., IG and GAO reports, where appropriate);
- Summarized financial statement data. This information is based on the same underlying data as the financial statements presented in the PAR and AFR; and
- Specific references and internet links that will take the reader to the evidence which supports the information on the agency's program and financial performance (e.g., relevant sections of the agency's PAR, AFR, APR, and CBJ). The links will provide the reader the exact location of the information in a document and not a general link to the document itself.

Agencies are encouraged to employ the following list of best practices generated from the results of the FY 2008 and FY 2007 PAR Pilot:

- Include only a limited number of key, representative performance measures;
- Maximize the presentation of budget and cost information with performance measures;
- Include examples of specific achievements or results to illustrate performance;

- Optimize the use of Web links to APR, AFR, and CBJ;
- Maximize the use of space by:
  - o Using inside of front cover and back cover,
  - o Using sidebars with pictures, and
  - o Using graphs with appropriate scale, (i.e. they do not have to take up an entire page);
- Include an “Introduction” statement that makes clear the purpose of the report;
- Explain clearly the public benefit of the performance results;
- Present results of Management’s Assurances;
- Summarize key financial data by:
  - o Displaying as much graphically as possible
  - o Using both amounts and percentages when presenting financial data, and
  - o Presenting historical data with percentage changes from year to year (in tabular format); and
- Separate narrative sections by using columns and the inclusion of tables, charts, or other graphics.

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

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/assets/omb/bulletins/fy2007/b07-04.pdf>) or subsequent revisions.

**Report Due Date:** This summary must be available no later than February 15, 2010.

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

GPRA 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 specifies that the transmittal letter included in APRs 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 (V&V) techniques that will ensure the completeness and reliability of all performance measurement data contained in their annual performance plans and reports.

The guidance that follows provides agencies with a list of reasonable V&V 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 V&V processes and procedures in place that they believe are rigorous and insightful. Other agencies’ V&V processes are evolving and at different stages of maturity. All agencies shall apply this guidance consistent with their level of maturity in data V&V techniques. Agencies with existing V&V processes should use this guidance to continually improve their existing systems. Agencies whose V&V processes are evolving may choose to phase-in the new factors. Agencies should discuss their V&V techniques with their respective OMB Resource Management Office.

*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 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 provide 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 staffs 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. 3<sup>rd</sup> 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 APR a brief statement on the 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. GAO/GCD-10.1.20 *The Results Act. An Evaluator's Guide to Assessing Agency Annual Performance Plans* located at <http://www.gao.gov/special.pubs/gg10120.pdf>  
Department of Interior Data Validation and Verification Standards located at <http://www.doi.gov/ppp/DOI%20Data%20V&V%20Standards%20Matrix.doc>