



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEPUTY DIRECTOR
FOR MANAGEMENT

May 17, 2007

MEMORANDUM TO THE HEADS OF EXECUTIVE DEPARTMENTS, AGENCIES,
AND OTHER ENTITIES SUBJECT TO THE CHIEF FINANCIAL
OFFICERS ACT, THE ACCOUNTABILITY OF TAX DOLLARS
ACT, AND GOVERNMENT ENTITIES SUBJECT TO THE
GOVERNMENT CORPORATIONS CONTROL ACT

FROM: Clay Johnson 
Deputy Director for Management

SUBJECT: FY 2007 Pilot Program for Alternative Approaches to Performance and
Accountability Reporting

The Office of Management and Budget (OMB) is establishing a *pilot* in FY 2007 in which agencies may choose to produce an alternative to the consolidated Performance and Accountability Report (PAR). The goal of the pilot is to allow agencies to explore different formats to enhance the presentation of financial and performance information and make this information more meaningful and transparent to the public. The pilot will allow agencies the flexibility to tailor financial and performance reporting to their constituencies, while complying with all statutory requirements. Agencies that participate in the pilot will also prepare a "Highlights" document to summarize key financial and performance issues. The "Highlights" document will more easily identify critical indicators of government's effectiveness and efficiency in achieving its financial and performance goals.

The FY 2007 pilot includes three components:

- (i) **Agency Financial Report (AFR).** The AFR, published on the agency's website by November 15th, will consist of the Agency Head Message, the Management's Discussion and Analysis (MD&A), the financial statements, notes, audit report, major management challenges, and other required information. Within the MD&A, the agency is required to include, at a minimum, a high-level discussion of performance information. The AFR will clearly delineate the details on when and where the Annual Performance Report and Highlights document will be available to the public. Agencies will also include any additional financial information required under statute in this report, including those required by 31 U.S.C. § 3516 (d) and (e).
- (ii) **Annual Performance Report (APR).** The APR will contain detailed performance information as required by the Government Performance and Results Act (GPRA) (31 U.S.C. §1116). It will be transmitted with the Congressional Budget Justifications (CBJ) and posted on the agency's website when transmitted to the Congress. Because it's published at the same time as the CBJ, the APR will discuss performance improvements that are expected to result from the resources requested.

- (iii) **Highlights.** A “Highlights” document, published on the agency’s website on or before the Friday prior to the release of the President’s Budget (i.e., February 1), will contain budget, 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 Highlights will not release information on the President’s budget. Rather, the Highlights document will summarize key results from the AFR and APR, providing an objective presentation on the extent to which ongoing management challenges have been addressed and prior year performance goals (by program and/or strategic goal) were met. It must also include reference or links to more comprehensive, publicly available information about the agency’s program and financial performance, including ExpectMore.gov.

While agencies that participate in the pilot are required to prepare a Highlights document, **all agencies are strongly encouraged to prepare a “Highlights.”** 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.

The Reports Consolidation Act of 2000 (Pub. L. No. 106-531) gives the Executive Branch discretion to consolidate certain statutorily required reports into a PAR. At the same time, the Act gives further discretion for the Executive Branch to use other approaches to consolidation, such as the alternative approach in this FY 2007 pilot. The alternative approach incorporates all government-wide statutorily required reports that have been consolidated into a PAR.

When preparing their financial and performance reports, agencies should make them transparent and meaningful to the public. In pursuing these goals, agencies may wish to refer to the evaluation materials that have been prepared by two non-Federal organizations. See, *8th Annual Performance Report Scorecard*, George Mason University Mercatus Center, (www.mercatus.org/programs/pageID.350,programID.4/default.asp); *Certificate of Excellence in Accountability Reporting (CEAR) Program: Guidelines for Fiscal Year 2006 Performance and Accountability Reports*, Association of Government Accountants (www.agacgfm.org/performance/cear/).

This pilot will give the Federal Government an opportunity to find the best way to present complete and candid financial and performance information that is useful to its many stakeholders. OMB is evaluating whether additional changes are needed to OMB Circulars A-11 and A-136 in order to conform to the pilot described above. All agencies, at their discretion, may continue to use the traditional PAR format. We will analyze the results of this pilot in order to formulate future guidance on financial and performance reporting. For the pilot, agencies must, before proceeding, submit a notification to OMB **by May 25, 2007, at the e-mail addresses below**, and identify, using the alternative, how they will organize their reporting and what improvements in reporting are expected to be achieved. This notification should include a detailed description of how the agency will meet the three reporting components. In addition, please let us know, in the notification, if your agency has other performance-related statutory reporting requirements.

If you have questions or need more information on this subject, please contact either Cindy George (cgeorge@omb.eop.gov; 202-395-3993) or Diana Espinosa (despinos@omb.eop.gov or 202-395-7790).